

exports results in the following estimate of the increase in United States benzenoid imports due to the Kennedy Round unconditional tariff cuts:

$$\begin{array}{rclcl} \text{Tariff elasticity} & \times & \text{Percentage change} & \times & \text{Estimated imports} & = & \text{Estimated in-} \\ & & \text{in combined value} & & \text{before allowing for} & & \text{crease in im-} \\ & & \text{of goods and tariffs} & & \text{tariff reductions} & & \text{ports due to} \\ & & & & & & \text{tariff reduc-} \\ & & & & & & \text{tions} \\ 3.5 & & \times \frac{45-22.5}{145} & & \times \$150 \text{ million} & = & \$80 \text{ million} \end{array}$$

Adding the estimated increase in imports of \$80 million to the previously estimated level of \$150 million results in a new estimate of \$230 million for benzenoid chemicals. Effects of varying the key numbers are shown below in Section IV of this Appendix.

Slightly more than 50% of these imports will be in noncompetitive imports; i.e., those not made by a United States manufacturer and therefore not subject to as much uncertainty in the valuation process. Thus, one is faced with estimating the effect of the removal of "slight" uncertainty on \$120 million of imports and the removal of "higher" uncertainty on \$110 million of imports. I know of no empirical study to serve as a guide in arriving at an estimate. However, my best estimate would be an increase of 5% on the removal of "slight" uncertainty and 10% on the removal of "higher" uncertainty. Thus, an increase in imports would be expected as follows:

$$\begin{array}{rcl} 5\% \times \$120 \text{ million} & = & \$6 \text{ million} \\ 10\% \times \$110 \text{ million} & = & \$11 \text{ million} \\ \hline \text{Total} & = & \$17 \text{ million} \end{array}$$

Effects of varying these percentages are presented below.

IV. EFFECT OF VARIATIONS IN KEY VARIABLES ON FINAL ESTIMATES

Variations in estimates of the following key variables were made in order to determine a probable range rather than just a "best" estimate for the effects of the adoption of the ASP Package on United States imports.

Key variable	Range of estimates		
	Low	Best	High
Change in average U.S. tariff rates on benzenoids as a result of adoption of ASP package (percent).....	-5	0	+5
Level of U.S. benzenoid imports in 1972 without any Kennedy round tariff cuts (millions).....	\$100	\$150	\$200
Tariff elasticity (percent).....	2.5	3.5	4.5
Effect of removal of uncertainty.....	0	5 and 10	10 and 20

A subjective estimate of $\frac{1}{6}$ was placed on the probability of the occurrence of each of the "low" estimates, an estimate of $\frac{2}{3}$ for the occurrence of each of the "best" estimates, and an estimate of $\frac{1}{6}$ for the occurrence of each of the "high" estimates.

Over 70% of the resulting estimates of change in United States exports as a result of the ASP Package are between \$7 million and \$33 million. From this, it seems reasonable to conclude that United States imports of benzenoids would increase by \$7-\$33 million, with a best estimate of \$20 million.

The CHAIRMAN. We thank you, Mr. Stobaugh.
Mr. STOBAUGH. Thank you.

STATEMENT OF KARL HOCHSCHWENDER

Mr. HOCHSCHWENDER. Mr. Chairman and members of the committee, the importers of benzenoid chemicals believe that a repeal of ASP, even though there will be an increase in the average tariff protection,