

will lead to an expansion of their business. The ASP valuation method makes it difficult to do business while a major cost—in this case the duty—is uncertain and often not fixed until long after a transaction has been concluded. It is even more difficult to do business in these circumstances when your competitor has the means to manipulate this cost factor.

When a U.S. firm originates a line of business by importing a product which is not being manufactured in the United States, the ad valorem component of duty is assessed on "U.S. value"—the importer's sales price less allowances for profit, overhead, freight, and duty. After this importer develops a market for his product based upon this valuation, a domestic manufacturer may decide to start producing the same article. He can exclude the importer from the market by listing an ASP price just high enough so that the sum of the resulting higher duty, added to the importer's landed cost for the product, is above the domestic price. Thus, the ASP system fosters a form of economic parasitism.

Recently one of our member companies was selling a noncompetitive intermediate at a price of \$3.25 a pound paying duty on a U.S. value of \$2.40 a pound. The Bureau of Customs notified the company that a domestic manufacturer has been offering the product at a price of \$8 a pound. In this case the importer was nevertheless able to compete against the domestic manufacturer's price of \$8 a pound. However, since entries as much as 2 years old were still unliquidated, the importer had to pay substantial additional duties which wiped out his profits.

One may ask why a domestic manufacturer offers an article at a noncompetitive price. Sometimes the domestic manufacturer does not intend to adhere to his list price.

Then again, the manufacturer may not have serious intentions of selling the product at all, especially if it is an intermediate. He may be using the product to manufacture a dye or another finished product. By reporting a high sales price he can artificially inflate the production costs of his domestic competitors who manufacture the same end product using imported intermediates.

Furthermore, the importer is constantly exposed to uncertainties resulting from the revision of domestic prices. Even the withdrawal of a price by one domestic manufacturer may result in a surprise penalty for the importer. One of our members recently sold an intermediate at \$2.30 a pound, the duty being $3\frac{1}{2}$ cents a pound plus 25 percent ad valorem on the ASP of \$2.40 a pound, a total duty $63\frac{1}{2}$ cents a pound. The manufacturer withdrew his price bringing into effect the next higher price of \$3.50 a pound. Thus duty was raised to 91 cents a pound for a product imported at \$1.45 a pound, cost, insurance, and freight. A fair profit was turned into a loss.

Frankly, we are somewhat at a loss to know why the domestic industry so bitterly opposes repeal of ASP. Those in the chemical trade can testify from their day-to-day business dealings to how formidable the domestic industry is as a competitor. The statistics of sales volume and profits of the industry are a tangible indicator of this. One might think that they would, with good grace, agree to removal of a non-tariff protection which is as blatantly out of date and discriminatory as is ASP, especially where they are getting such a disproportionate quid pro quo in terms of new and expanded market opportunities.