

IX. CONTRARY TO THE OUTWARD FLOW OF CAPITAL FOR PLANT INVESTMENT STIMULATED BY U.S. FOREIGN TRADE POLICY, THE ASP SYSTEM OF DUTIES ON DYES AND PIGMENTS HAS PROMOTED A FLOW OF CAPITAL INVESTMENT FROM EUROPE TO THE UNITED STATES. THIS BENEFICIAL RESULT IS STRENGTHENED BY THE INCENTIVE PROVIDED BY THE ASP SYSTEM FOR INNOVATION TO CREATE SPECIALTY DYES NOT COMPETITIVE WITH U.S. PRODUCTION

The ASP is attacked as being "outmoded." The fact is that it has had a more beneficial effect on the U.S. balance of payments than other elements of our foreign economic policy. It has stimulated a flow of capital from Europe to the United States in sharp contrast to the outward flow of capital from the United States which has taken place during the Dillon and Kennedy Rounds of trade agreement negotiations.

At the end of 1966, U.S. investment in the Common Market totaled \$7.6 billion; 70% of the investment has been made since 1960.⁷

In the dyestuff business, there has been no outward flow of capital to Europe to build U.S.-owned plants. On the contrary, the German and Swiss companies have invested nearly \$225 million in dyestuff and pharmaceutical plants in the United States, which serve as the base for annual sales of about \$460 million in this country, and the employment of about 9,400 workers in these U.S. plants.

The Administration is alarmed about the international position of the dollar to the point of placing an absolute prohibition on an increase in direct investment abroad. Here is a fragment of our trade policy which is encouraging investment in the United States, and the creation of jobs here. ASP may be "outmoded" by comparison with the flight of capital, runaway plants, and transfer of jobs outside of the United States which are occurring in many sectors of U.S. industry which are "protected" by a more "enlightened" system of basing U.S. duties on the Foreign Sales Price. But on the basis of honest-to-goodness inputs of capital investment and jobs in America, it is virtually unique.

Furthermore, the ASP system encourages innovation by foreign producers. If they export products which are not like a similar competitive article produced in the United States, duty is assessed not on the ASP but upon United States value, which is virtually identical with export value. The foreign producers have been astute in taking advantage of this feature of U.S. law, and the entire dye and textile markets have benefited.

In 1966, for example, 7.3 million pounds of imported dyes were held to be non-competitive, and thus not dutiable at ASP value. A smaller volume, 6.2 million pounds of imported dyes, was found dutiable as competitive with U.S. production at the ASP values. The specialty status of the noncompetitive dyes is shown by the fact that the average unit value of these imports, \$2.38 per pound, was considerably higher than that of the competitive dye imports, at \$1.33 per pound.⁸

We think these features of ASP are worth stressing; they are seldom mentioned by our opponents. Yet, each has a positive value to the American economy.

Against the background of tragic injury to American plants and jobs which will occur if ASP is repealed, are not these presently operating features which cause capital to flow *into* the United States, and which create jobs, a significant reason to retain ASP?

CONCLUSION

The foreign chemical industry and other advocates of ASP repeal base their case on the allegation that American producers can cut off imports by arbitrarily raising the duty on a product by raising the price. This argument conveniently ignores the reality of the market place where a price increase of \$1 per pound would be required to raise the duty by 20¢ and would itself make the U.S. product noncompetitive, if it were not already so. It also ignores the operation in the United States of strong antitrust laws and the vigilant attention of the U.S. Department of Justice to prevent price fixing.

In contrast with the few producers located in the principal foreign countries exporting dyes to the United States, there are more than 50 producers of dyes in the United States, competing vigorously under antitrust ground rules for a place in the American market.

⁷ Department of State Bulletin, November 27, 1967, p. 712.

⁸ U.S. Tariff Commission, *Imports of Benzenoid Chemicals and Products, 1966*, T.C. Publication 216 (September 1967), p. 30.