

The difficulties in ascertaining competitiveness and the American selling price by Customs is a time-consuming, complicated and uncertain procedure. Indeed, the Customs in 1951 proposed, in the interest of a more efficient administration of the Customs, that American Selling Price be abolished.

In view of these features of American Selling Price, it is small wonder that foreign nations have strongly objected to its continuation and were willing to pay handsomely in concessions for its elimination.

The Kennedy Round and ASP packages were fully reciprocal

The opponents of abolition of ASP have attempted to create the illusion that the Kennedy Round negotiation on chemicals and the ASP package are not reciprocal by what amounts upon analysis to little more than a slogan—"the 50-20 Deal." In the Kennedy Round package the United States agreed to reductions in its duties on chemicals of 43 percent compared to a reduction by our trading partners of 26 percent. What makes this reciprocal are three important considerations:

1. *Trade Coverage.*—The United States reduction in the Kennedy Round package of 43 percent was on \$440 million of imports (CIF basis) and \$350 million on imports from parties to the ASP protocol. The 26 percent reduction given by others to the United States was on \$890 million of United States exports. On a weighted basis the United States' offer was equivalent to \$288 million while the offer of other countries was \$463 million. This is not an academic exercise in arithmetic but is the accepted method of evaluating reciprocity and the only practical way in which negotiations can proceed.

2. *The United States Retained American Selling Price Valuation.*—This retention was of considerable value to the United States and in the view of our foreign suppliers made the duty reductions by the United States in the Kennedy Round of limited value. A measure of the importance of the retention of ASP is the fact that our trading partners were willing to pay for the elimination of ASP (plus another 5 percent reduction in United States duties) by further reductions in their duties of 30 percent and the elimination of non-tariff barriers of their own.

3. *There is a Significant Disparity Between United States Rates and Those of Our Trading Partners.*—The reductions in the Kennedy Round still left United States duties on chemicals at an extremely high level compared to those of our trading partners.

The ASP package was certainly reciprocal. In exchange for a further reduction in duties by the United States of 5 percent, and elimination of ASP, our trading partners further reduced their duties by 30 percent and paid with additional non-tariff barrier concessions. Furthermore, the effect of the flat rate of 30 percent on dyes may leave the actual average of United States duties unchanged from the first to the second package or even result in a slight increase in United States average duty levels from the first to the second package.

Taken together, both the Kennedy Round package and the ASP package will result in practically the same depth of cut by the United States and its trading partners, with the United States making its cuts on a lesser volume of trade, and with the United States duties still significantly above those of our trading partners.

Dyes are an important example. While the United States will maintain a flat rate of 30 percent on dyes the United Kingdom tariff will be 15 percent, the EEC rate will be 10 percent, and the Swiss rate will be 0.7 percent.

Looking at depth of cut, for competitive dyes the United States reductions were 70 percent (TSUS 406.50) and 57 percent (406.10) compared to a reduction by the United Kingdom on competitive dyes of 55 percent, and a reduction of 66½ percent for France and a 60 percent reduction on Swiss duties on imported dyes. Thus, in the dye field the United States made cuts of about the same magnitude on competitive dyes as our trading partners and the United States is left with duty rates considerably above those of the other principal countries.

The true measure of reciprocity is the trade which will result from duty reductions. It is impossible to accurately ascertain the tariff elasticity involved in the chemical field, comprising, as it does, thousands of items. It stands to reason, however, that the United States, with a larger base of exports, stands to benefit materially from the reductions to extremely low levels of the import duties of our trading partners, most of which will be below 12½ percent. The maintenance of higher levels of duties by the United States on a lower base of trade should not engender an increase in imports more than the gain in export trade.