

Time will not cure these problems. On the contrary, time will be our undoing unless Congress acts to conserve American business. The value added tax concept (TVA—border tax/export rebate) is spreading. By 1970 all Common Market nations will have followed in Germany's footsteps. It is expected that soon thereafter they will harmonize their border tax rates, and at a rate which EEC economists estimate will be about 15%. Since American products will bear a 15% tax when entering the Common Market yet EEC exports will receive a 15% rebate, for balance of trade purposes most of our European competitors will enjoy a 30% advantage. And TVA is contagious—Sweden, Norway and the United Kingdom have the system under study and it has already been adopted by Denmark.

D. Separate package—ASP

When consideration is given to the Administration proposal to eliminate ASP, all the foregoing comments must be kept in mind. Although affecting only a small portion of all chemical imports, the Separate Package would virtually eliminate all barriers to foreign domination of an important sector of the domestic chemical industry without giving Americans usable benefits in return. Common Market border taxes and the switch to the CXT have nullified any significant potential chemical export opportunities even with the further tariff reductions which would be triggered by adoption of the Separate Package. Cost of entry studies to be submitted to this Committee by SOCMA will provide dramatic proof of the fact that American export opportunities will not be enhanced despite the additional European tariff cuts which would be triggered by Congressional adoption of the Separate Package. Thus adoption by Congress would serve merely to open the door still further to foreign domination of American markets—to the detriment of American business, American labor, America's balance of trade and balance of payments.

As was noted by Mr. George B. Hegeman of Arthur D. Little, Inc., in a paper presented at a seminar in Frankfurt, Germany in June 1967 on the management of international marketing in the chemical industry:⁷

"... Thus, Europe is a strong trading block and the move to reduce chemical tariffs around the world will provide a further stimulus to European exports and its balance of payments. With only limited tariff cuts scheduled for now in Europe, the U.S. chemical industry is not expected on balance to benefit from these negotiations. Should the American Selling Price be abandoned, U.S. imports will surely rise rapidly. Since the U.S. chemical trade balance will undoubtedly drop, so will its contribution to the U.S. payments position. However, the major firms now marketing in this area will try to maintain market position and will undoubtedly invest abroad to remain competitive. In doing so, they will follow the classic U.S. pattern of investing rather than trading. Only this time there will be a difference—they will intend to export to the United States and this will reinforce the pattern of improved trade balances in Europe and a deteriorating position in the United States." (Emphasis added—p. 3).⁸

ASP must be put into perspective. It is *not* the 19th Century protective device described by many of our foreign trading partners. It is simply a system by which duty on certain imports are calculated as a percent of their domestic wholesale price rather than their foreign, or export, price. It is only applicable to competitive benzenoid chemicals and a few other items.⁹

Unlike the normal customs valuation system used in America (export value), ASP reflects American wage costs and American tax levels. This is appropriate—the goods brought into America are to be consumed or sold in America and thus should be valued by American standards.

Most of our principal foreign trading partners use what is called the Brussels valuation system with respect to products going into their countries. That system (which is based upon "the price which [the imported goods] would fetch . . . on a sale in the open market between buyer and seller independent of each other") often results in overvaluation.¹⁰ Although like ASP in that it avoids the

⁷ Paper entitled "The Impact of Tariffs, Trade and Investment Placement on U.S. and European Balance of Payments".

⁸ It will be noted that Mr. Hegeman suggests that the major firms would undoubtedly invest abroad to remain competitive. The Administration with its foreign investment capital outflow restriction has clamped a lid on this manner of survival. We trust that these restrictions are truly temporary and will be removed as promptly as possible.

⁹ Canned clams, knit gloves, rubber footwear.

¹⁰ See International Chamber of Commerce, *The Brussels Definition of Value—The Case of the "Sole Buyer"* (February, 1963); International Chamber of Commerce, *Customs Valuation of Imported Goods—A Review of the Brussels Definition and Its Application* (February, 1959).