

In the 1963 revision the Tariff Commission was greatly limited by the Congressional injunction not to change rates of duty. What is needed is a thorough revision that does change rates of duty where this is necessary to drastically reduce the number of categories. To take just one example, there should be one rate for footwear instead of the 20 items found in the new schedules, which is a reduction of only 4 from the old.

The Trade Expansion Act of 1962 represents an important break away from product-by-product negotiations of tariff reductions, but it does not establish the means for further simplification of the schedules. For this, a new legislative approach is required, inspired by the bold thinking of the Trade Expansion Act of 1962 rather than the timidity of the 1954 Act that authorized the new schedules. Perhaps reciprocal reductions through international negotiations can be combined with further reduction of dutiable categories. In any case it is necessary to recognize that we reduce and simplify tariffs mainly because of the U.S. national interest in an unrestricted flow of imports. The process of simplification of schedules should not be shackled by fear of changing existing rates, nor the process of rate reductions by failure to obtain exactly equal concessions from other countries.

Many of the uncertainties and vexations in the process of customs administration reside in valuation. In the long run, of course, the best cure is the enlargement of the list of articles that enter free of duty through the exercise of the bargaining authority granted in the Trade Expansion Act of 1962. In the short run, attention must be given to improvements of procedure and the introduction of certain overdue substantive reforms.

These are: (1) the elimination of the American Selling Price (ASP) basis for valuation of certain products and (2) the elimination of the so-called "final list" of products to which the new valuation procedures of the Customs Simplification Act of 1956 do not apply. The first reform was recommended to the Congress by the Administration in 1950 but was thereafter abandoned because of protectionist opposition. The need for the second arises from a compromise made in Congress when the Customs Simplification Act of 1956 was finally enacted after many years of deliberation—a compromise which, instead of simplifying valuation, saddled the trade with two parallel systems.

American selling price valuation

A favorite objective of American protectionists for many years was the establishment as a basis for valuation not the value of the imported articles themselves but the value of like or similar domestic products. Since imports are normally cheaper, the "American valuation" would normally be higher. By increasing the valuation, protection could be achieved just as effectively as by increasing the rate of duty and much less obviously. So-called "American valuation" was decisively rejected by the Congress in 1922 after an elaborate investigation of how it would actually work. However, pieces of the system were adopted at that time in consequence of the concern over competition that might come from the revived German chemical industry.

American selling price valuation was incorporated in two provisions of law. The selling prices of competitive American-made articles were made the basis for valuation in the case of coal tar chemicals; and authority was given to the Tariff Commission and the President to put American selling price valuation into effect under certain circumstances under the so-called flexible tariff. The flexible tariff was first enacted in 1922 and is presently found in the virtually obsolete Section 336 of the Tariff Act of 1930 which empowers the Tariff Commission to investigate costs of production at home and abroad and to recommend to the President rates of duty designed to equalize such costs. If an increase in the rate by 50 percent will not accomplish such equalization, then the President is to establish the American selling price as the basis for valuation rather than the normal value.

This American selling price provision was invoked five times under the 1922 Act; but these special valuations were abolished when the Tariff Act of 1930 was adopted. There have been three cases under Section 336 of the Tariff Act of 1930; these ASP bases for valuation remain in effect. They apply to rubber footwear, canned clams, and certain wool knit gloves of an obsolete value bracket. There are significant imports of canned clams, and the rubber footwear has become quite important. The amount of rubber footwear and of coal tar chemicals to which American selling price valuation has been applied are about equal—around \$20–25 million each; but of course, this does not indicate the quantities excluded.