

We conclude that the bill before you, section 401(b) of H.R. 17551, should be approved, with an amendment not to tie the hands of the U.S. negotiators, but to base it entirely on a new report of the Tariff Commission, both as to nomenclature and as to rate, and to permit a possibility of a reduction, if that can be negotiated, under the principles of the Trade Expansion Act with reciprocity.

Thank you very much for your patience.

(Mr. Hemmendinger's prepared statement follows:)

STATEMENT OF NOEL HEMMENDINGER, COUNSEL, IMPORTED FOOTWEAR GROUP,  
AMERICAN IMPORTERS ASSOCIATION

The Imported Footwear Group of the American Importers Association (formerly the National Council of American Importers) comprises most of the importers of footwear classified under Item 700.60 of the TSUS, which is the subject of Section 401(b) of H.R. 17551.

WHY ASP SHOULD BE ABOLISHED

Importers of rubber footwear have long maintained that the ASP method of valuation, which values the imports not on their own value but on the value of "similar" American products, is wrong and unfair. They strongly advocate its abolition. They endorse the position taken by Ambassador Roth in his statement to the Ways and Means Committee on June 5, 1968, in which he detailed the objections to ASP valuation as applied to chemicals. The general objections to ASP on chemicals there set forth are equally applicable to footwear.

Several of these points are readily documented from the current experience of the footwear importers. The extraordinary level of the tariff protection afforded by nominal duties of 20% under Item 700.60 of the Tariff Schedules is indicated by the Tariff Commission's study made in 1966, showing average duties of 60%. Duties on particular products went much higher, even 100%. These are to be compared with duties of from 10 to 20% on major classes of other footwear, duties which (unlike ASP footwear), were further reduced in the Kennedy round.

The hazards arising from uncertainty of ASP duties are illustrated by the fact that since 1962 appraisement on the American selling price has been suspended more than half the time while the Customs Service has investigated to determine the correct prices to be applied. Appraisement is even now suspended, since January 1, 1968, because of price increases announced by some of the American makers and the necessity to again determine the true prices under the statutory standards of Section 402a of the Tariff Act of 1930. Every time appraisement is suspended, importers are forced to do business on the basis of guesswork as to what duties will apply.

It has always been the position of the American importers that the United States Government should remove this extraordinary and inequitable method of valuation in the interest of the import trade of the United States, in the same way that the United States Government has acted from time to time to remove other unnecessary obstacles to the importation of goods.

Similarly, the importers have always maintained and continue to maintain that the ASP method of valuation should be removed and articles valued on the normal basis without any upward change in the 20% statutory rate. This position has been asserted in all seriousness. The ASP duties on footwear result from the obsolete Section 336 of the Tariff Act of 1930, the so-called equalization of cost of production provision. Most of the duties that were fixed under Section 336 were ordinary duties in form and have long since been reduced in the course of trade agreements and absorbed into the general body of the American tariffs. If the ASP duties had been increased under the escape clause, there would long since have been a review and in all likelihood a restoration of the lower duties.

In the Tariff Act of 1930, the Congress enacted a rate of 35% for footwear with uppers of various fibers and soles of various materials, including rubber and leather. Subsequently, this rate was reduced to 20% in the Trade Agreement of 1955. Thus, the duty today on articles imported under Item 700.60 has the same historical basis as articles imported under Item 700.65, for instance,