The range of equivalent percentages on the export value results from the fact that in some categories the average price of the imports f.o.b. the foreign factory was about half the price of the American articles selected as the basis for duty, and for other categories about one-quarter. Actually such average figures for particular categories conceal much more information than they reveal, because the average may itself reflect a wide range, and the variation may be in the ASP's rather than the imported article. A similar table for another time period might be considerably different. Frequently, in the application of the ASP system, the American shoe selected is of a much higher quality than the import and far higher than the price at which a truly comparable American-made shoe would sell.

For instance, some handmade built-up imported sneakers are being valued on the basis of handmade built-up domestic shoes of much heavier materials, although they compete with machine-made American sneakers, the soles of which are molded to the uppers in a single operation.

Therefore, a fair and reasonable basis for conversion would ignore the rate vagaries that result from the ASP system and pick a rate based on truly comparable products, in terms both of construction and a place in the market.

In the view of importers, such a rate should be a single *ad valorem* rate. They believe that a compound rate would continue some of the inequities of the ASP system and would be more complex to administer. Since, like the ASP system, compound rates have a specific element, they operate more like ASP rates than do simple ad valorem rates. In other words, under both ASP and compound rates, the lowest priced imports, relatively to the prices of American-made shoes, pay the highest duty on a converted equivalent basis. As foreign prices increase relatively to U.S. prices, the converted equivalents fall. Conversely, if U.S. prices rose faster than foreign prices, the converted equivalents would rise. (As indicated below, this is not likely over any period.)

We therefore suppose that the compound rate of 25 cents per pair plus 20 percent was selected as a rate that, applied to the Tariff Commission's 1965 sample, would produce collected duty approximately equal to the ASP rates, and would have some of the characteristics of ASP rates. Actually, a compound rate of 24 cents plus 20 percent would average out at 58 percent and thus would be closer to the Tariff Commission's finding.

*But to adopt both a simple ad valorem rate and a compound rate, whichever yields the higher duty in the particular case, has absolutely no justification in reason or commercial experience.*—It is a kind of intellectual legerdemain, a formula that sounds consistent with the Tariff Commission's findings, but is actually a complete departure. It would lead to significantly higher duties on some products and on the average, than the ASP rates or any fair converted equivalents of the ASP rates.

### THE REASONS FOR THE DOUBLE-BARRELED RATE ARE UNSUPPORTED

In explanation of this strange duty-increasing proposal, unique in all the Kennedy Round, it has been suggested by STR that a 1966 ruling of the Customs Bureau was tantamount to a 35 percent reduction in duty, and that the statistics set forth in a table show an increasing penetration of imports.*

*Page 54 of the STR statment was twice corrected by STR. For ready reference the paragraphs relating to footwear are attached to this statement. (Attachment 4.)

These statements present a very inaccurate picture.

*The 1966 guidelines*

For practical purposes, the new Customs guidelines on ASP footwear became effective early in 1963, when appraisement was suspended in order that the American selling prices might be adequately investigated. Under the pressure of competition, shoes were priced into the market during, 1963, 1964 and 1965 by guesses at the duty, guesses which fortunately turned out to be fairly accurate.

Prior to 1963, the Customs appraisers were gravely at fault in mechanically applying the high United States Rubber and Hood-Goodrich price lists. The claim of the U.S. producers that as a matter of law the appraiser must select the highest priced similar shoe is not a serious one.

Prior to 1963, there were large numbers of sneakers that entered under Tariff paragraphs other than 1530(e). After adoption of the Tariff Schedules of the United States in 1963, Item 700.60 has included many articles that are not sneakers or in competition with sneakers. Only half the imports under this item in 1967 were assessed on the American selling price.