

on which more duty is paid today than 58%, so to prevent them from benefiting by the averaging, it is proposed to also use the compound rate.

TARIFF COMMISSION REPORT 322-47 IS ALREADY OUT-OF-DATE AND WILL BE MORE SO BY 1971

Analysis of United States import statistics indicates that between 1965 and 1968 the average f.o.b. price of ASP footwear from Japan rose 29%, from 61 cents to 79 cents, and the average f.o.b. price from all countries rose 22%, from 60 cents to 73 cents. During the same period, to the best of our information, the American selling prices applied by Customs increased about 10%. During an earlier period, foreign prices rose while the ASP's remained steady.

These facts alone indicate that the 58% rate found for 1965 would be unduly high for 1968. *The trend is such that that rate will be very much out of line in 1971.*

A more rapid increase of foreign prices than of U.S. prices over a period is logically to be expected, despite inflation in the United States, because sneakers have high labor content and the imports are products of rapidly developing economies which have rapidly increasing wage levels—Japan, Taiwan, Korea, Hong Kong.

If the conversion had been negotiated with a reduction in Geneva in 1967, as were the other ASP rates, the Tariff Commission report might have afforded a fair basis, although even then there had already taken place significant price changes. It is quite out of reason to insist that that report shall establish the minimum for a conversion effective in 1971, let alone the distortion of that report that is presently proposed. The legislation should provide for a new Tariff Commission report based on the latest available data. This is a narrow enough line of commerce so that it can be done easily enough.

THE DESCRIPTION OF PRODUCTS SUBJECT TO THE CONVERTED RATE SHOULD BE IMPROVED

The bill as proposed would increase the duty threefold on a number of different types of footwear which are not now assessed on the American Selling Price.

The nomenclature is an extremely technical problem, which was considered by the Tariff Commission and which was the subject of a further request for reconsideration by the Imported Footwear Group after the Tariff Commission's report of July 25, 1966. Attached to this statement for reference are the relevant portions of the brief dated June 17, which this Group submitted to the Tariff Commission, and our letter to the Tariff Commission requesting reconsideration dated August 22, 1966 (Attachments 3 and 4).

Essentially, the problem arises from the fact that when the Tariff Schedules of the United States were adopted in August, 1963, the rubber and plastic portions were made extremely complex by the existence of the American Selling Price valuation resulting in extraordinary high rates of duty, and the effort to draft in such a way that no sneaker-type products would escape the high duty. Thus Item 700.60, generally regarded as covering sneakers, is one word only: "other." The result is a monstrosity in terms of tariff drafting, which can and should be simplified.* It is strongly recommended that the Congress direct the Tariff Commission to find and the President to proclaim new and simplified product descriptions for the entire rubber and plastic portions of the footwear schedule. In the meantime, *the problem should be dealt with by describing the products subject to the high duty and making the low duty products the basket provision.*

The Tariff Commission did make allowance in Report 322-47 for a number of different products that enter under 700.60 that are not assessed on the American Selling Price, but it did not take care of all of them and there may well be products in the future that would come within the high rate which have never been competitive with the products of the American rubber footwear industry.

The principal types of products in question at this time are vinyl shoes and sandals with closed toes or heel that have trim of mylar, beads or textiles; vinyl snow boots with textile cuffs amounting to 10% or more of the upper; non-folding slipper with fabric uppers sewn or cemented to rubber or vinyl soles; and "jikatabi" (Japanese-type canvas-upper footwear with separated toe). The Tariff Commission has never made any finding with respect to these articles, but the Imported Footwear Group distributed a questionnaire to its members in

*See Attachment 5.