

1966 which was accepted and utilized by the Tariff Commission in making certain modifications in its recommendations.

In 1966, the indication was that there were well over one million pairs of footwear being entered on which the duty would thus be unfairly increased. The Tariff Commission recommended that the average ad valorem duty on 700.60B be reduced from 60% to 58% to compensate for these items, but this is not a satisfactory solution. It is no solace to the producers and importers whose product is effectively banned from commerce, and even as a matter of mathematics, as the August 22, 1966 letter attached hereto shows, it is not accurate because the reduction would have to be 3 or 4% on the basis of the statistics then available.

Another defect of the Tariff Commission's recommendation was that it did not take account of the existence of machine-made sneakers, which have the sole affixed to the upper in a single operation rather than in many hand operations as in the built-up shoe. They are produced as efficiently or more efficiently in the United States than abroad and which are therefore not at this time being imported. Many millions of machine-made sneakers are being produced in the United States, some by the established producers and some by newcomers whose production is probably not fully reported in the available statistics. It is very likely that the future of the sneaker market lies with the machine-made sneakers. A tariff rate on such products based on relative factory prices would not be higher than 20%, rather than any figure found to be the weighted average for the built-up sneakers. It is unfair to fix a minimum rate at this time which does not take account of such products, which probably cannot now be imported even at the 20% rate.

The tariff nomenclature is a complicated subject and the Ways and Means Committee may not wish to make a determination itself. However, it is certainly not appropriate at this time to freeze into the legislation the nomenclature of Tariff Commission's 1966 report, since there is plenty of time for improvement. The terms of reference for the authority to enter into an agreement should be so drafted that a better solution can be found without having to go back to the Congress for further legislation.

CONCLUSION

Section 401(b) of H.R. 17551 should be amended to authorize an agreement providing for conversion on the basis of a new Tariff Commission report, without statutory minimum rate and with provision for reduction in return for reciprocal concessions.

[Attachment 1.—Excerpt from Imported Footwear Group Brief of June 17, 1966]

THE NEW CUSTOMS GUIDELINES

The new guidelines which were put into effect in February of this year by decision of the Treasury Department, governing the appraisement of footwear on the American selling price, are not in issue in this proceeding. The Tariff Commission was requested to report the rates of duty which would have provided an amount of collected duty during a recent period substantially equivalent to the amount actually collected. The Commission selected a recent period, namely the year 1965, and determined on the basis of data with respect to actual appraisements the amounts of collected duty for articles assessed upon the American selling price. We submit that the wisdom or legality of the rules applied by the Customs Bureau in making the appraisements in 1965 is not in issue.

However, since the Rubber Manufacturers Association contends that the guidelines are relevant, and since there has been much misunderstanding about them, we submit the following clarifications.

It was the source of complaint for some years on the part of importer that in applying American selling price duties the appraisers mechanically used the official price lists of U.S. Rubber and Hood-Goodrich without regard to the fact that these very companies did not sell most of their products at these prices, and that there were many cheaper products of other companies in the market. In fact, it was not uncommon for American sneakers to be offered competitively with the imports at retail prices less than half the American selling prices that were being used as the basis for collection of duty. For instance, the official American selling price for a ladies' tennis oxford was \$2.65 less 6%, or \$2.59. Many such American