

3. *The higher-duty products should be defined and others treated as a basket.*—The ASP products are clearly a much more homogeneous and definable class than the other products that presently enter under Item 700.60. Even after removing the vinyl products, as urged above, there will remain a substantial number of articles, slippers and casual wear with fabric uppers, that in no way resemble the traditional products of the American rubber footwear industry. If this is done without radically revising the rubber and plastic footwear portion, we recommend the following treatment under 700.60 (Exhibit 4 at the hearing):

A. Footwear with outer soles of rubber or plastics, which is over 50% by weight of rubber, plastics and fibers (exclusive of fillers), produced by hand-assembling the sole and vulcanizing to the upper.

B. Other (20 percent).

It should be noted that this definition would exclude iron powder sneakers through the reference to fillers (the Customs Bureau having concluded that the iron powder is a filler for the rubber), would exclude leather-soled sneakers by the reference to the outer sole, and would exclude machine-made sneakers by the term "hand-assembled."

We have noted the criticism of the RMA that the Tariff Commission's definitions would take permanently out of the higher duty products which were not manufactured in the United States in 1965, even though under the ASP system they would incur the higher duty if American manufacturers saw fit to make them at some time in the future. This characteristic of the ASP system is really one of the vices which have led to a strong consensus that the system should be abolished. Nothing could be more contrary to an intelligible tariff policy than the notion that by reason of an investigation in 1932 of the relative costs of production of the products then being produced, this particular industry (if it can be defined, which is doubtful in view of the variety of products today) should forever be given the special protection of duties many times the normal rates, even against products designed and pioneered by the foreign producers!

THERE SHOULD BE A SPECIAL RATE FOR MACHINE-MADE SNEAKERS

A technological revolution has been occurring in the rubber footwear industry. Machines, usually known as Desma machines, are in use in ever-increasing numbers in the United States and in some other countries that mold and vulcanize rubber soles to the uppers in a single operation. Other machines mold a PVC sole to an upper in a single operation through injection molding. These operations were clearly described by Mr. Senter at the hearing (Tr. 79-80). The latter operates at a very rapid rate, and the curing time is extremely short. Mr. Allerhand estimated that of the 166 million shoes produced in the United States perhaps 100 million are produced by the new machines (Tr. 67). The use of such machines undoubtedly explains some of the job decline described by labor witnesses in certain plants. When the Commission investigates the consequences for the domestic industry of a change in the tariff on rubber footwear, it is important that it analyze fully the implications of such new machinery.

For purposes of the present investigation, the important point is that machine-made sneakers were not imported in 1965, and therefore the recent period selected does not afford a proper foundation for the establishment of a converted rate for such products. So far as we can learn, the Customs Bureau has not established any American selling prices for such products since the new guidelines. Our best information is that for a ladies' sneaker the American selling price would be approximately 80¢ for a PVC sole machine-made sneaker, while the equivalent FOB costs would be about 60¢.

The reason that there have been practically no imports of machine-made shoes is that this is a capital-intensive product in which the advantage lies with the United States producers rather than with the foreigners. Even with present high U.S. interest rates, capital is by far cheaper in the United States than in the Far Eastern nations which are the primary foreign suppliers of sneakers. Foreign costs of PVC are also higher (Tr. 80). A sewing operation is still involved, of course, to make a fabric upper product, but the U.S. and foreign costs of production are far closer than they are on the conventional sneaker.

For these reasons, a rate derived from the experience of 1965 would be altogether inappropriate for these products, and on the basis of present information, a rate of 20% is much closer to the actual equivalent than the weighted average for the ASP products imported.