

STATEMENT OF IRVING W. ALLERHAND, VICE PRESIDENT, CONSOLIDATED INTERNATIONAL TRADING CORP., NEW YORK, N.Y.

*ASP to be abolished*

ASP was applied to rubber footwear by Presidential proclamation on February 1, 1933. In practice, ASP results in the assessment of a duty which is anywhere from 2½ times to 4 times greater than the generally accepted and proper forms of tariffs. Even its proponents admit that ASP has never been generally accepted as a means of assessing duties. It is particularly objectionable to our principal trading partners, and this issue almost caused the complete collapse of the Kennedy Round negotiations.

The abnormally high level of protection of American Selling Price valuation of canvas footwear originated from an effort to equalize the labor cost differential that existed between the United States and such low labor cost areas as Japan, Hong Kong, and Korea, in the production of footwear with canvas uppers and rubber soles. In the 1930's all vulcanized canvas top, rubber soled footwear was produced by hand beginning with the cutting of the tops to the boxing of the final product. The labor factor during this era was inordinately great, since so many different operations went into making up the final product such as cutting, hand lasting of the upper parts, individual cementing of the rubber tapes, etc.

Technological developments of a radical nature have rendered most of the hand work obsolete. One of the most exciting innovations in the canvas footwear industry was introduced several years ago in the form of molding machines that put all the rubber components, formerly assembled by hand in individual operations, onto the upper in one operation. While this machine was in itself a striking alteration, truly revolutionary change came when the Desma Machine Company invented and developed equipment that now can inject the side foxing tape and the bottom soling of the shoe all automatically, and, furthermore, can do this operation in two different colors. The resulting process is a complete substitute for what was formerly done by hand. This new machine process has reached its peak of perfection in the last two years. The largest U.S. rubber producers, B. F. Goodrich, Uniroyal, Endicott-Johnson, Converse Rubber, Gold Seal Rubber, Bata Shoe Company, and many others, have been converting their manufacture of canvas shoes to these machines. The cost of production in the United States by this method is actually less than that experienced in Japan, Korea, and Taiwan, because the plastic raw materials are less costly here than abroad. Under such circumstances, the United States canvas shoe industry hardly needs or deserves the enormous special protection afforded by ASP. Particularly considering that the imported product must also bear the cost of overseas freight, port handling charges, and miscellaneous inland freight charges.

Ever since ASP was imposed on certain rubber footwear, various articles have been imported which were not subject to the ASP basis of appraisal, even though they were canvas footwear with rubber or plastic soles. Such articles include canvas upper footwear with rubber soles of a fashion type, the likes of which were not produced in the United States because of their unique character or construction. Since there were no similar articles produced here, the ASP method of evaluation was not applicable. These articles have historically been imported and appraised strictly on the basis of a 20% ad valorem duty, and there is absolutely no reason why and elimination or conversion of ASP should result in these articles being subjected to any higher rate of tariff than has heretofore been applied.

We most strenuously oppose the legislation's proposed compound rate and minimum ad valorem duty of 58%. It has been suggested that the legislative proposed rate derives from a Tariff Commission report of July 1966 in which they found that, based on 1965 statistics, ASP duties converted to straight ad valorem rate would average approximately 58%. This bill's proposed formula is not a logical development from this Tariff Commission determination. In the first place, the statistics used were taken from 1965 imports, and it is now the third quarter of 1968. Any knowledgeable person concerned with this problem, whether he be U.S. producer, American importer, or government official, is aware that later than 1965 statistics will show the average converted rate for imports to be much lower than the 58% figure. It is believed that the average converted rate is between 12 and 20% less than that found in 1966.