

UNITED STATES INTERNATIONAL TRADE COMMISSION

WELT WORK SHOES FROM ROMANIA

**Determination of No Injury or Likelihood Thereof
in Investigation No. AA1921-144 Under the
Antidumping Act, 1921, as Amended**



**USITC Publication 731
Washington, D. C.
June 1975**

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

**Catherine Bedell, Chairman
Joseph O. Parker, Vice Chairman
Will E. Leonard, Jr.
George M. Moore
Italo H. Ablondi
Daniel Minchew**

Kenneth R. Mason, Secretary to the Commission

**Address all communications to
United States International Trade Commission
Washington, D. C. 20436**

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Washington, D.C.

June 13, 1975

[AA1921-144]

WELT WORK SHOES FROM ROMANIA

Determination of No Injury or Likelihood Thereof
or Prevention of Establishment

On March 13, 1975, the United States International Trade Commission received advice from the Treasury Department that welt work shoes from Romania are being, or are likely to be, sold in the United States at less than fair value within the meaning of the Antidumping Act, 1921, as amended (19 U.S.C. 160(a)). Accordingly, the Commission, on March 19, 1975, instituted investigation No. AA1921-144 under section 201(a) of that Act to determine whether an industry in the United States is being or is likely to be injured, or is prevented from being established, by reason of the importation of such welt work shoes into the United States.

Notice of the institution of the investigation and of a public hearing to be held in connection therewith was published in the Federal Register of March 26, 1975 (40 FR 13359). The public hearing was held on May 6-7, 1975.

In arriving at its determination, the Commission gave due consideration to all written submissions from interested parties, evidence adduced at the hearing, and all factual information obtained by the Commission's staff from questionnaires, personal interviews, and other sources.

On the basis of the investigation, the Commission has determined, by a vote of 4 to 2, 1/ that an industry in the United States is not being injured or is not likely to be injured, or is not prevented from being established, by reason of the importation of welt work shoes from Romania that are being, or are likely to be, sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.

1/ Chairman Bedell and Commissioners Moore, Ablondi, and Minchew determined in the negative. Vice Chairman Parker and Commissioner Leonard determined in the affirmative.

Statement of Reasons for Negative Determination of
Chairman Bedell and Commissioner Moore 1/

The Antidumping Act, 1921, as amended, requires that the U.S. International Trade Commission find two conditions satisfied before an affirmative determination can be made. First, there must be injury, or likelihood of injury, to an industry in the United States, or an industry in the United States must be prevented from being established. Second, such injury or likelihood of injury or prevention of establishment of an industry 2/ must be "by reason of" the importation into the United States of the class or kind of foreign merchandise which the Secretary of the Treasury has determined is being, or is likely to be, sold at less than fair value (LTFV).

On the basis of the investigation, we have determined that an industry in the United States is not being, nor is it likely to be, injured by reason of importation of welt work shoes from Romania found by the Secretary of the Treasury to have been sold or to be likely to be sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

The domestic industry of concern in this investigation, in our opinion, consists of the approximately 27 facilities in the United States devoted to the production of work shoes, regardless of the manner of construction. Work shoes are sturdily constructed footwear with heavy uppers, durable stitching, and special soles. Work shoes are commonly worn by mechanics and workmen engaged in physical activities. In recent years such shoes have also become a popular fad among young people. The type

1/ Commissioners Ablondi and Minchew concur in the result.

2/ Prevention of the establishment of an industry is not an issue in the instant case and will not be discussed further.

of work shoes which the Treasury Department found during the period of its investigation (November 1, 1973, through August 31, 1974) to be sold at less than fair value are constructed by the welt process. It is estimated that 75 percent of the work shoes produced in the United States are of such construction.

Even though most producers offer a large selection of work shoe styles, style changes are not a major factor in the production of work shoes as they are in the manufacture of many other types of footwear. Therefore, dies and lasts for basic styles can be used repeatedly. Work shoe plants require special stitching machines, needles, threads, and other special supplies primarily because of the heavy materials used in making work shoes. In normal practice, work shoes cannot be produced on machines used for the construction of men's dress or casual shoes.

No injury

It is clear from the evidence developed during the Commission's investigation that there is no injury to the U.S. work shoe industry from welt work shoe imports from Romania sold at LTFV.

In the process of its investigation, the Commission sent questionnaires to all domestic producers of work shoes. Domestic producers accounting for approximately 70 percent of apparent production either stated they had not experienced injury from LTFV imports from Romania or failed to supply evidence or complain of such injury.

The remaining 30 percent of the industry sold a substantial portion of its production to "rack" jobbers in retail discount chains, which are the primary outlet for the Romanian welt work shoe imports. Discount

chains typically sell work shoes on racks owned and stocked by independent jobbers who in turn buy from domestic producers and importers. During 1973 and 1974, a period which includes Treasury's investigation of LTFV sales, there was no decrease in domestic producers' sales through such outlets, despite measurable competition from all work shoe imports. During this same period, domestic consumption of work shoes decreased by two million pairs. Thus, any injury suffered by the U.S. industry from lost sales to LTFV welt work shoe imports from Romania is minimal.

The U.S. industry producing work shoes is financially healthy, and for the past three years it has, for the most part, enjoyed increasing sales and profits except for one firm reporting to the Commission which sustained an operating loss in 1974, and this loss in our opinion is not attributable solely to welt work shoe imports from Romania.

With the exception of one firm, there is no evidence of decreasing employment in the domestic work shoe industry. The only domestic producer reporting a decrease in employment is also the principal importer of the LTFV imports. This firm began importing in 1972, and as its imports grew steadily through 1974, its domestic production of welt work shoes decreased, causing its employment to decline sharply. The employees affected were generally shifted to other work in the same firm.

There is no evidence that LTFV welt work shoe imports from Romania have caused depression or suppression of domestic prices of work shoes. On the contrary, wholesale prices of welt work shoes have risen more rapidly than the Department of Commerce index of nondurable manufactures. A study of the prices received by domestic producers for all classes of

work shoes shows a steady increase in prices before, during, and after the period of LTFV sales investigated by the Treasury Department.

No likelihood of injury

It is evident from the Commission's investigation that there is no likelihood of injury to the U.S. work shoe industry from welt work shoe imports from Romania sold at LTFV in the foreseeable future.

An inventory of the LTFV imports remains in importers' possession. However, the sole Romanian exporter has committed itself to a voluntary export restraint program for 1975 which will reduce imports to the low level of 1972. This will result in a 65-percent reduction in imports of Romanian welt work shoes to the United States during 1975 below such imports in 1974. There is further assurance that upon the completion of the voluntary restraint program in December 1975, imports of Romanian welt shoes will not enter the U.S. market in 1976 on a scale greater than 50 percent above those entered in 1975.

Conclusion

We conclude that an industry in the United States is not being injured or is not likely to be injured by reason of the imports of welt work shoes from Romania that are being, or are likely to be, sold at LTFV within the meaning of the Antidumping Act, 1921, as amended.

Statement of Reasons for Affirmative Determination
of Vice Chairman Parker and Commissioner Leonard

On the basis of the investigation in this matter, in our opinion an industry in the United States is being injured and is likely to be injured by reason of the importation of welt work shoes from Romania that are being, or are likely to be, sold at less than fair value (LTFV) as determined by the Department of the Treasury.

Industry and market

We consider an industry in the United States that is being injured to consist of the facilities of U.S. firms engaged in the production of work shoes. Although work shoes are made in many styles, they are characterized by heavy grade leather, multiple row stitched uppers, heavy duty thread, metal-lined eyelets, and wear resistant inner soles. Most models are high topped, laced, and have thick rubber, plastic or neoprene soles.

The production of welt work shoes represents about 75 percent of the work shoes production in the United States. A welt shoe has a narrow strip of leather stitched to the shoe between the upper and the sole.

The U.S. market for domestic producers of work shoes is diversified. While U.S. manufacturers market their shoes in the large retail chain stores and discount houses, and through independent distributors and jobbers, they also sell directly to small independent retailers and to consumers, including mail orders. The LTFV sales of Romanian welt work shoes were made almost entirely to the large retail chain stores and discount houses. These retailers generally have branches throughout the country.

Injury

The Treasury Department in making its LTFV determination with respect to welt work shoes imported from Romania investigated about 68% of the total

imports of welt work shoes from Romania during the period of November 1, 1973 to August 31, 1974. The Treasury Department found that 100% of the sales investigated were made at LTFV and that the LTFV margins were substantial. Moreover, the investigation made by the U.S. International Trade Commission discloses that the LTFV margins were sufficiently large to have accounted for the entire margin by which Romanian imports undersold domestically produced work shoes.

The indices of injury to the U.S. work shoe industry are several:

(1) Lost sales--There were no imports of welt shoes from Romania prior to 1970. Imports increased sharply thereafter and have now captured 4 percent of the domestic work shoe market. The Romanian welt work shoes are of high quality and are comparable to U.S. produced work shoes. Fashion is a minor factor in work shoes sales. Low LTFV prices clearly were the most significant factor in the sharp and rapid market penetration achieved. We find that the increased share of the U.S. market taken by the Romanian welt work shoes was largely at the expense of the U.S. producers comprising the relevant domestic industry, the LTFV sales generally accounting for sales which would have been made by such producers.

(2) Lack of profitability--Romanian imports were sold largely through the high volume discount and chain stores. Domestic producers supplying such stores are in the most direct competition with the LTFV imports. The financial condition of these domestic producers which have been in most direct competition with LTFV Romanian imports has consistently been not as healthy as, and recently has worsened in comparison with, the segment of the U.S. industry which competed less directly. Net operating losses were sustained by a number of producers during the period in which the Treasury Department determined that LTFV sales occurred, and the profitability of the industry

generally was low.

(3) Unemployment--While employment remained generally static for the entire work shoe industry, one firm reported a substantial decline in production and related workers in 1974 compared with 1972, a time when that firm shifted to Romanian imports from domestic production. 1/

Likelihood of injury

In addition, we believe the subject imports are likely to injure the U.S. work shoe industry. Since the imported shoes are high quality, and work shoes are generally purchased on the basis of price, durability, comfort and protection from environmental hazards, rather than on the basis of fashion, it is reasonable to expect that the imports will gain greater acceptance in the future if LTFV sales are permitted to continue. Sales at LTFV with the large margins found by Treasury made possible a rapid penetration in the U.S. market. Indeed, the Romanian imports have gained wide acceptance in the discount and chain store portion of the market in which they were introduced, and a distinct possibility exists that similar acceptance can be achieved in the other channels of distribution for work shoes. The fundamental capacity to continue to export to the United States exists in Romania; and, as a result of that nation's economic organization, the decision is its whether to export at LTFV to the United States.

1/ "In protecting domestic industry, [in the Antidumping Act] the Congress was concerned not only for the welfare of the owners of producing plants, but also for the welfare of the employees in such plants and the communities of which they are a part." Views of Chairman Sutton and Commissioner Leonard, Potassium Chloride (Muriate of Potash) from Canada, France, and West Germany . . . AA1921-58, 59, and 60 . . . TC Publication 303 . . . November 1969, p. 3. See also Steel Wire Rope from Japan . . . AA1921-124 . . . TC Publication 608 . . . September 1973, p. 6.

Conclusion

Based upon the previously discussed considerations, we have concluded that the domestic work shoe industry is being and is likely to be injured by reason of the importation of welt work shoes from Romania sold or likely to be sold at less than fair value within the meaning of the Antidumping Act, 1921, as amended.