Industry & Trade Summary

Footwear

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UNITED STATES INTERNATIONAL TRADE COMMISSION

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PREFACE

In 1991, the United States International Trade Commission initiated its current *Industry and Trade Summary* series of informational reports on the thousands of products imported into and exported from the United States. Each summary addresses a different commodity/industry area and contains information on product uses, U.S. and foreign producers, and customs treatment. Also included is an analysis of basic factors affecting trends in consumption, production, and trade of the commodity, as well as those bearing on the competitiveness of U.S. industries in domestic and foreign markets.[1]

This report on footwear covers the period 1987 through 1991 and represents one of approximately 250 to 300 individual reports to be produced in this series during the first half of the 1990s. Listed below are the individual summary reports published to date on the miscellaneous manufactures sector.

USITC publication number	*Publication date*	*Title*
2426 (GM-1)	November 1991	Toys and models
2476 (GM-2)	January 1992	Lamps and lighting fittings
2523 (GM-3)	June 1992	Prefabricated buildings
2540 (GM-4)	July 1992	Photographic supplies
2572 (GM-5)	January 1993	Footwear

[1] The information and the analysis in this report are for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under statutory authority covering the same or similar subject matter.

CONTENTS

CONTENTS—*Continued*

CONTENTS—*Continued*

CONTENTS—*Continued*

INTRODUCTION

The products included in this report cover all footwear and parts, including dress, casual, athletic, and work shoes, as well as boots, sandals, and slippers.[1] These items may be made of leather, vinyl, rubber, fabric, cork, or wood. In 1990, footwear with textile uppers were estimated to have accounted for 45 percent of domestic production; leather uppers, 37 percent; and rubber and plastic uppers, the remaining 18 percent. Of total imports by volume of footwear in 1991, footwear with leather uppers accounted for 43 percent; rubber and plastic uppers, 34 percent; and fabric uppers, the remaining 23 percent. Not included in this report are footwear of textile materials without applied soles, which are classified as textile items; orthopedic footwear; and skating boots with ice or roller skates attached, which are classified as sports equipment.

For marketing purposes, footwear is broadly classified into nonrubber and rubber categories. Nonrubber footwear, accounting for 78 percent of the U.S. market by quantity and 89 percent by value in 1991, includes leather and vinyl shoes, boots, and sandals; and slippers of all materials. Rubber footwear includes galoshes and other protective footwear, such as rainwear and firefighters' boots (generally waterproof products made entirely of rubber or plastic), and rubber or plastic-soled footwear with fabric uppers, such as sneakers and running shoes. Athletic shoes[2] are classified as rubber or nonrubber depending on the composition of the upper material and sole. Minor changes in construction can shift shoes from one category to the other. Rubber and nonrubber athletic shoes are often close substitutes and compete directly with each other.

In 1991, athletic shoes were by far the largest U.S. consumption category by quantity, accounting for nearly 40 percent of the U.S. retail market. During 1987-91, as leisure activities increased and more casual styles replaced traditional dress and casual footwear, this market segment rose 21 percent in quantity and an estimated 78 percent in value while most other categories fell. Women's shoes accounted for 37 percent of the market; men's, 11 percent; and juveniles', 12 percent. The U.S. footwear market is dominated by imports, with 82 percent of footwear sold in the United States in 1991 imported. Imports accounted for 83 percent of athletic shoes and 90 percent of women's shoes: the two largest product categories. Athletic and women's shoes accounted for a combined 77 percent of U.S. shoe consumption.

[1] See "Glossary of Footwear Terms" in appendix A for these and other footwear terms.

[2] Athletic footwear for the purpose of this summary includes footwear which are designed for specific sports such as baseball, football, basketball, soccer, track, cycling, ice-hockey (boots without skates), and skiing. Athletic footwear also includes tennis shoes, gym shoes, running shoes, and training shoes. Athletic-like shoes, which predominantly have rubber or plastic soles and fabric and/or vinyl uppers are also included in the athletic footwear category for this summary.

Leather is the primary material used in shoe production, although the use of rubber, plastics, and textile materials has increased in recent years. The primary suppliers to the industry are shoe machinery manufacturers, who supply machinery and equipment; and tanners, who supply leather. Although some of the larger footwear firms are vertically integrated and manufacture the bulk of their shoe parts, many footwear producers buy parts, such as heels, soles, lasts, and other cut stock, and findings of leather, rubber, plastics, wood, cork, and fabric, from independent suppliers. Most shoes are sold by retail outlets, although a small portion is sold to institutional buyers (figure 1).

U.S. INDUSTRY PROFILE

Industry Structure

Establishments primarily engaged in the production of leather or vinyl dress, casual, athletic and work shoes, and slippers are classified in Standard Industrial Classification (SIC) 3142, Slippers; 3143, Men's Footwear, Except Athletic; 3144, Women's Footwear, Except Athletic; and 3149, Footwear, Except Rubber, Not Elsewhere Classified. Establishments producing fabric upper footwear with rubber and plastic soles, vulcanized, injection-molded, or cemented to uppers, and rubber and plastic protective footwear are classified in SIC 3021, Rubber and Plastics Footwear. Producers of shoe components are classified in SIC 3131, Boot and Shoe Cut Stock and Findings; SIC 2295, Coated Fabric, Not Rubberized; SIC 3069, Fabricated Rubber Products, Not Elsewhere Classified; and SIC 3089, Plastics Products, Not Elsewhere Classified.

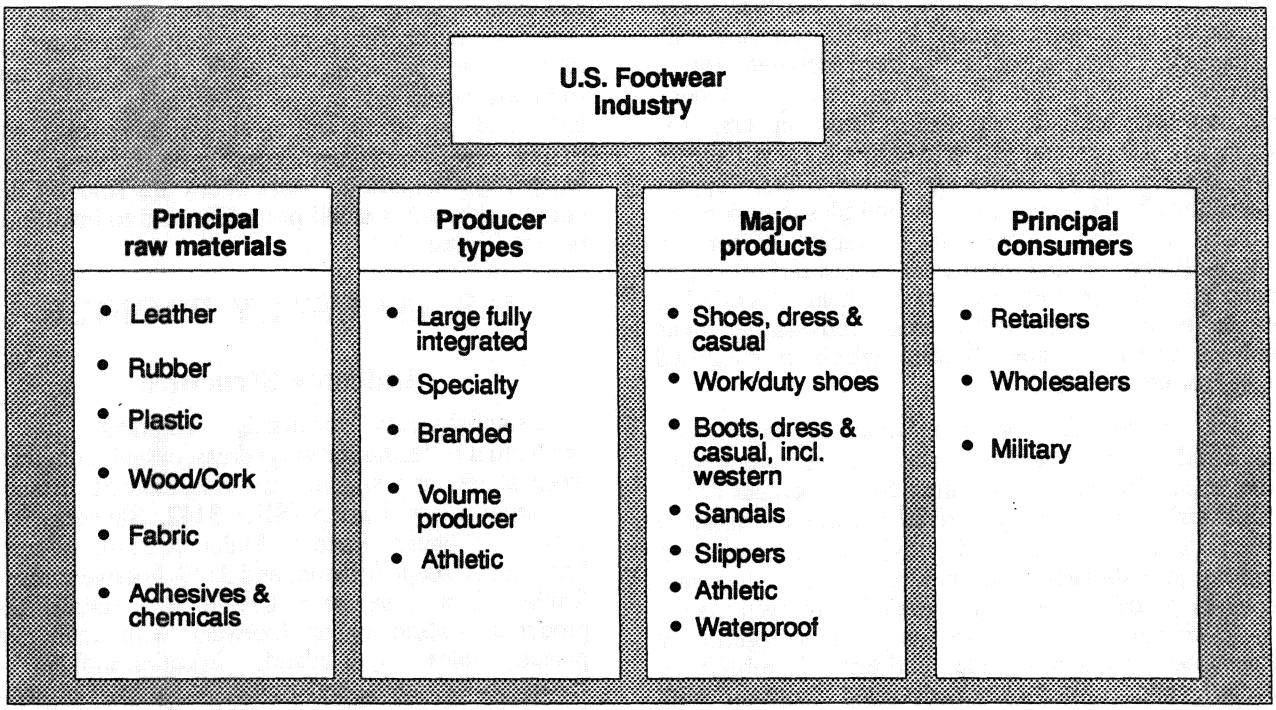
In 1991, the U.S. industry producing finished footwear consisted of approximately 300 firms that operated an estimated 450 plants and shipped products valued at $4.2 billion at wholesale. Most of the firms are privately held and located largely in rural areas. An estimated 25 percent of shoe plants are in towns with fewer than 5,000 persons; 40 percent are in towns with a population of fewer than 10,000.[3]

The footwear industry is highly fragmented and includes firms ranging from small, family-owned operations to large, publicly held organizations. Small and medium-sized firms in the industry do not have the benefit of economies of scale and cannot compete on the basis of price. Instead, like producers of many fashion-oriented products, each attempts to sell products slightly differentiated from products supplied by other firms, emphasizing brand names, styles, and a variety of sizes. Although this has enabled some of the small and medium-sized companies to survive by carving special niches for themselves, it has limited manufacturing benefits by forcing these firms to absorb the cost disadvantages of shorter production runs. This has resulted in increased failures of small and medium-sized firms.

[3] Footwear Industries of America, *Current Highlights*, Washington, DC, Mar. 15, 1992.

Figure 1

Footwear industry: Principal raw materials, producer types, major products, and principal consumers



Source: Footwear Industries of America and Footwear Distributors and Retailers of America.

The concentration ratios in the U.S. footwear industry differ widely for different shoe-producing segments. The segments producing slippers and women's shoes are relatively more concentrated than those producing men's and juvenile shoes.[4] The concentration ratios increased significantly for segments producing slippers and women's shoes during 1977-87, while those for segments producing men's shoes and rubber footwear declined, as seen in table 1. The growing number of failures and consolidations in the industry is believed to have increased the concentration in the industry since 1987.

Footwear plants are located in 38 States in all regions of the country. Maine, Missouri, Pennsylvania, and Tennessee together account for 30 percent of establishments and 44 percent of domestic employment. Plants in these States are relatively large, employing an average of 236 employees per plant, compared with an average of 75 employees per plant in New York and California.[5] Missouri was the largest nonrubber-footwear-producing State in 1990, accounting for 13 percent of domestic volume, followed by Maine (12 percent), Pennsylvania (10 percent), North Carolina (8 percent), Texas (8 percent), and Tennessee (7 percent).[6]

Footwear production is highly labor-intensive; in 1990, labor costs accounted for about 26 percent of output value and 52 percent of value added. The constant change in styles demands shorter production runs, and intense import competition makes it difficult for the industry to attract significant new investment. New capital expenditures in the industry during 1986-90 averaged $710 per production employee ($779 in 1990), as compared with $7,138 per employee in all industries, $3,717 in textiles, and $851 in apparel.

Footwear firms use different production and marketing strategies to compete among themselves and against imports, and accordingly can be classified in one of the following five categories.[7] The first category includes large producers with integrated manufacturing and retailing operations, such as the Brown Group, U.S. Shoe Corporation, Genesco, Endicott-Johnson, Wolverine Worldwide, Stride-Rite, Kinney Shoe, and Melville. These firms control a significant portion of domestic production. They produce medium-to-higher priced, largely nonathletic footwear, both national and store brands, which are sold across store lines, and in some cases, house brands sold only in their own stores. Most of them also import finished footwear to complement their domestic production. These firms generally are well capitalized

[4] U.S. Bureau of the Census, *Concentration Ratios in Manufacturing*, 1987.

[5] U.S. Department of Commerce, *County Business Patterns*, 1988.

[6] U.S. Bureau of the Census, *Current Industrial Reports, MA-31(A), Footwear*, 1991.

[7] U.S. Department of Commerce, Office of Consumer Goods, *An Assessment of the Competitiveness of the U.S. Footwear Industry*, unpublished report, Dec. 1987.

Table 1
Footwear: Concentration ratios, by principal industry segments, 1972, 1977, 1982, and 1987

SIC	Description	Percent of shipments accounted for by top 4 companies: 1972	1977	1982	1987
3021	Rubber footwear	59	58	39	39
3142	Slippers	39	44	60	77
3143	Men's shoes	34	31	26	26
3144	Women's shoes	32	29	38	50
3149	Other shoes, except rubber	30	24	26	24
		Percent of shipments accounted for by top 8 companies			
		1972	*1977*	*1982*	*1987*
3021	Rubber footwear	70	73	61	66
3142	Slippers	58	64	76	88
3143	Men's shoes	51	46	45	44
3144	Women's shoes	42	39	47	61
3149	Other shoes, except rubber	42	41	41	42

Source: Bureau of the Census, U.S. Department of Commerce, *Concentration Ratios in Manufacturing.*

and equipped with new technology. They enjoy the benefits of economies of scale. Some have separate centralized component-manufacturing and cutting facilities that supply their assembly plants. Such specialization has enabled them to install more advanced equipment for volume production.

The second category of firms consists of smaller specialty firms such as Shaer Shoe, Eastland Shoe, Lowell Shoe, Duchess Footwear, Cardinal Shoe, Conway-Winter, and Barry Manufacturing, which make up a significant portion of shoe plants. They produce specialty footwear, concentrate on limited types and constructions, and respond to constant changes in consumer demand.

The third category of firms includes small manufacturers of high-priced and good-quality shoes such as Cherokee, Timberland, Dexter, and Sebago, which are known for their national brands that are advertised and sold across retail lines. Their success comes from consumer loyalty, unique styles, and a full range of sizes specially tailored to the American market.

The fourth group includes volume producers such as Suave, Injection Footwear, Gator, U.S. Sports, and Kaysam. These firms generally produce basic items in a narrow range of types and styles limited by their production processes and facilities. These plants are equipped with automated machinery, such as injection molding and computerized stitching equipment. They meet the lower-price-range needs of footwear retailers and operate on a high-volume, low-cost basis.

The final group includes athletic footwear manufacturers such as Nike, Reebok, Converse, and New Balance. These companies use highly labor-intensive manufacturing processes and most of them have the bulk of their shoes produced in Asia using low-cost labor. These shoes are generally expensive, reflecting research and development (R&D) investment in the United States and high endorsement and advertisement costs.

Financial Performance[8]

The profitability ratios that measure management's overall effectiveness, as shown by the return on net sales and investment, fluctuated during 1986-90, increasing significantly in 1987 from the 1986 level, then declining in 1988 and 1989, before increasing again in 1990 (table 2). The 1988-89 decline can be attributed to lost sales due to a saturated domestic market. The 1990 recovery was likely due to improved efficiency in the industry, brought about by the closing of a large number of inefficient and unprofitable plants.

The growth in 1990 earnings resulted primarily from improved capital turnover, as the sales to asset ratio, which measures the efficiency of asset utilization to generate sales, increased (table 3). In view of declining sales, a number of inefficient and unprofitable plants were closed in 1990, causing the industry to become leaner and more efficient. Growing financial leverage in the industry's capital structure, in which debt to net worth ratio rose to 2 from 1.4 in 1989, led to a sharp increase in return on net worth (table 4).

The current and quick ratios indicate the industry's ability to service its current obligations. A stronger ratio reflects a numerical superiority of current assets over current liabilities. The quick ratio, which excludes inventories from current assets, is the most conservative measure of short-term liquidity. During 1986-1989, these ratios remained fairly stable before declining significantly in 1990. The decline in these ratios reflects increased short-term obligations, such as accounts payable, bank loans, and notes payable in 1990. However, the industry's ability to meet interest

[8] The financial data presented here are from Robert Morris Associates' (RMAs) Annual Statement Studies which provide data for footwear firms producing men's and women's shoes, classified in SICs 3143 and 3144. In 1990, the firms covered by the RMA footwear survey represented approximately 50 percent of industry shipments.

Table 2
Footwear: Profitability ratios (median) before taxes, 1986-90

Year[1]	Return on sales	Return on assets	Return on net worth
		(In Percent)	
1986	1.8	2.0	4.8
1987	3.0	6.1	15.2
1988	2.1	5.5	12.7
1989	1.8	3.7	9.3
1990	2.9	5.3	21.3

[1] Nine-month period ending with Mar. 31, of the year involved

Source: Robert Morris Associates, *Annual Statement Studies*, various issues.

Table 3
Footwear: Activity ratios (median), 1986-90

Activity ratios	1986	1987	1988	1989	1990
			(Times)		
Sales/total assets	1.9	1.9	1.9	2.0	2.1
Fixed assets/net worth	0.3	0.3	0.3	0.3	0.4
Sales/working capital	4.6	4.4	4.8	5.5	6.6
Sales/inventory	3.8	4.3	4.0	4.0	3.6
Sales/receivables	6.1	6.0	6.3	6.4	6.1
Sales/payables	13.9	15.4	12.4	11.1	10.4

Source: RMAs, *Annual Statement Studies*, various issues.

Table 4
Footwear: Liquidity ratios (median), 1986-90

Year	Current ratio	Quick ratio	EBIT/ interest	Debt/worth
			(Times)	
1986	2.4	1.1	1.3	1.3
1987	2.3	1.2	2.7	1.1
1988	2.1	1.0	3.3	1.2
1989	2.2	1.0	1.7	1.4
1990	1.5	0.6	2.5	2.0

Source: RMAs, *Annual Statement Studies*, various issues.

payments or its debt-servicing capacity as measured by the ratio EBIT[9]/interest increased from a low of 1.3 in 1986 to a high of 3.3 in 1988, then declined to 1.7 in 1989 and again increased to 2.5, as shown in table 4. The increase in the debt ratio in the capital structure of the industry rose steadily after 1987 (table 4).

The RMA data indicate that larger firms in the industry are more profitable than smaller firms. Larger firms employ more capital assets and working capital per dollar of sales. In addition, larger firms are more liquid, less leveraged, and have greater capacity to service their debt obligations than smaller firms, as seen in table 5.

[9] Earnings before interest and taxes.

Employment and Earnings

The nonrubber footwear industry's share of total nonagricultural employment in the United States has declined steadily over the past half century, from 0.74 percent in 1940, to 0.44 percent in 1960, and to 0.06 percent in 1990 (figure 2). Furthermore, reflecting the continuing decline in domestic production, employment in the nonrubber footwear industry averaged a 5.5-percent decline per year during 1987-91 (figure 3), while production fell by 7.0 percent annually. In contrast, employment in the rubber footwear industry showed no gain while output rose by 5.2 percent per year.

This not only reflected improved productivity, but also indicated that this segment was less affected by

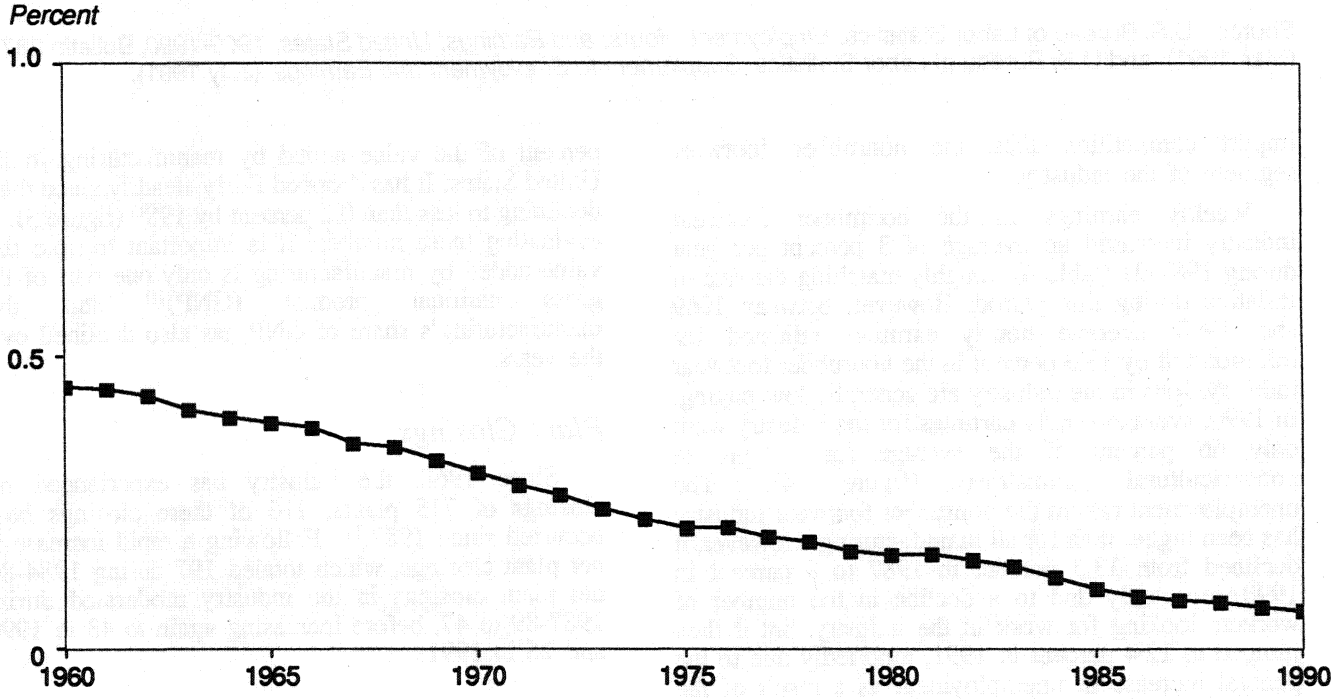
Table 5
Footwear: Financial performance of firms with sales $25 million and over, compared with industry norms, 1990

Key ratios (median)		*Industry[1] norms*	*Firms with sales $25 million and over[2]*
Return on sales	(percent)	2.9	5.1
Return on assets	(percent)	5.3	10.5
Return on net worth	(percent)	21.3	22.8
Sales/fixed assets	(times)	21.3	10.9
Sales/working capital	(times)	6.6	5.7
Current ratio	(times)	1.5	2.7
Quick ratio	(times)	0.6	1.1
EBIT/interest	(times)	2.5	4.1
Debt/worth	(times)	2.0	0.6

[1] The RMA survey covered about 50 percent of industry sales accounted for by men's (SIC 3143) and women's (SIC 3144) shoes.
[2] Covered 12 firms in SICs 3143 and 3144, which accounted for about 40 percent of industry sales.

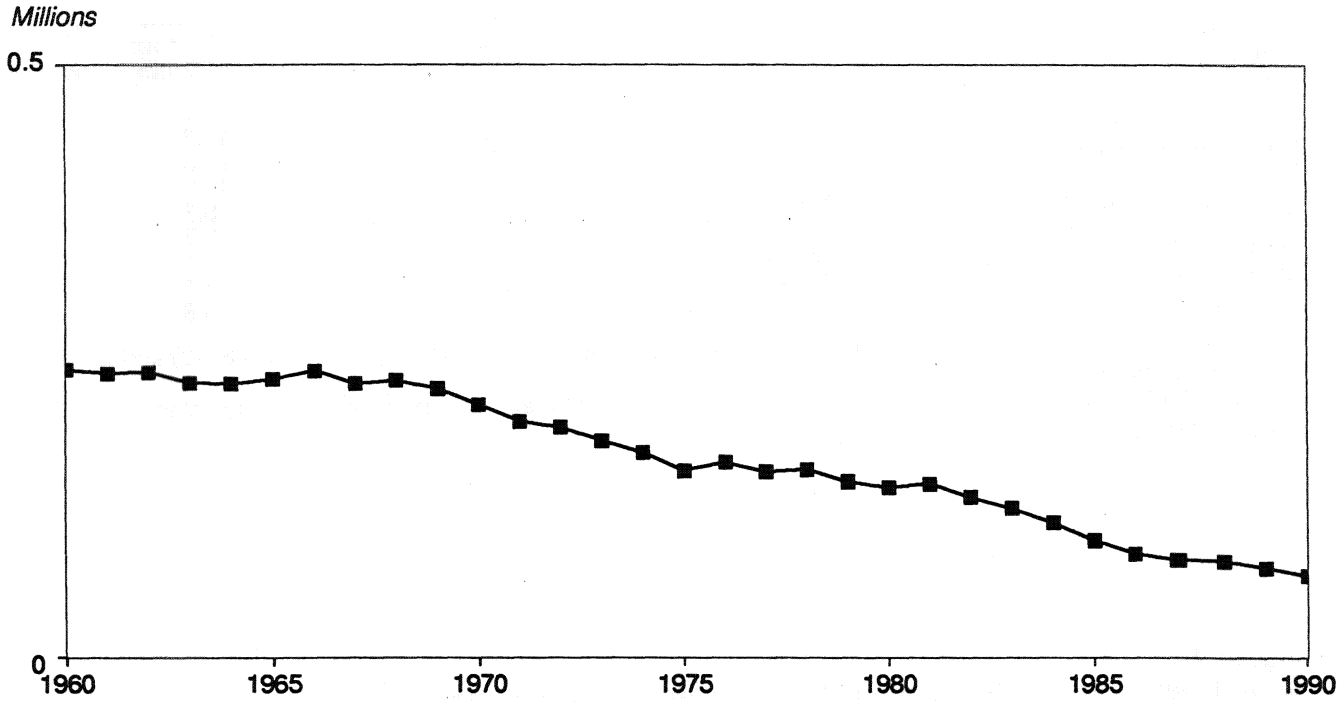
Source: RMAs, *Annual Statement Studies*, various issues.

Figure 2
Nonrubber footwear: Share of total nonagricultural employment



Source: Based on data from U.S. Bureau of Labor Statistics, *Employment, Hours, and Earnings, United States, 1909-1990*, Bulletin 2370 (Mar. 1991), and U.S. Bureau of Labor Statistics, *Supplement to Employment and Earnings*, (July 1991).

Figure 3
Nonrubber footwear: Total employment



Source: U.S. Bureau of Labor Statistics, *Employment, Hours, and Earnings, United States, 1909-1990,* Bulletin 2370 (Mar. 1991), and U.S. Bureau of Labor Statistics, *Supplement to Employment and Earnings,* (July 1991).

import competition than the nonrubber footwear segment of the industry.

Weekly earnings in the nonrubber footwear industry increased an average of 3 percent per year during 1987-91 (table 6), roughly matching the rate of inflation during this period. However, between 1969 and 1990, average hourly earnings adjusted for inflation fell by 13.5 percent in the nonrubber footwear industry. Jobs in the industry are generally low-paying. In 1990, average hourly earnings for the industry were only 66 percent of the average for all private nonagricultural industries (figure 4). The unemployment rate in the nonrubber footwear industry has been higher than for all manufacturing. However, it declined from 13.3 percent in 1987 to 8 percent in 1990, reportedly due to a decline in the number of workers looking for work in the industry, but it then jumped to 12.4 percent in 1991, reportedly due to the general increase in unemployment as a result of the recession.

Weekly earnings in the rubber footwear industry rose 4.3 percent per year during 1987-91, due to a 3.2-percent increase in hourly earnings and a 1.1-percent increase in the hours worked.

Share of the Industry in the U.S. Economy

While still important in certain localities, the role of the nonrubber footwear industry in the U.S. economy has declined over the past three decades. In 1960, nonrubber footwear production accounted for 0.7 percent of the value added by manufacturing in the United States. It has dropped fairly steadily since then, declining to less than 0.2 percent by 1989 (figure 5). In evaluating these numbers it is important to note that value added by manufacturing is only one part of the gross national product (GNP)[10] and that manufacturing's share of GNP has also declined over the years.

Plant Closings

Since 1968, the industry has experienced net closings of 715 plants; 116 of these closings have occurred since 1987.[11] Following a rapid increase in net plant closings, which totaled 197 during 1984-86, net plant closings in the industry moderated during 1987-89 to 47, before increasing again to 43 in 1990, and 26 in 1991.

Degree of Integration

Offshore operations

There are no known U.S. footwear firms that can truly be called multinational. Only 12 firms indicated

[10] Other parts of GNP include agriculture, services, construction, mining, finance, insurance, real estate, wholesale and retail trade, transportation, and government.

[11] Footwear Industries of America, *Current Highlights,* Mar. 15, 1991. These data are provided only for the nonrubber footwear industry.

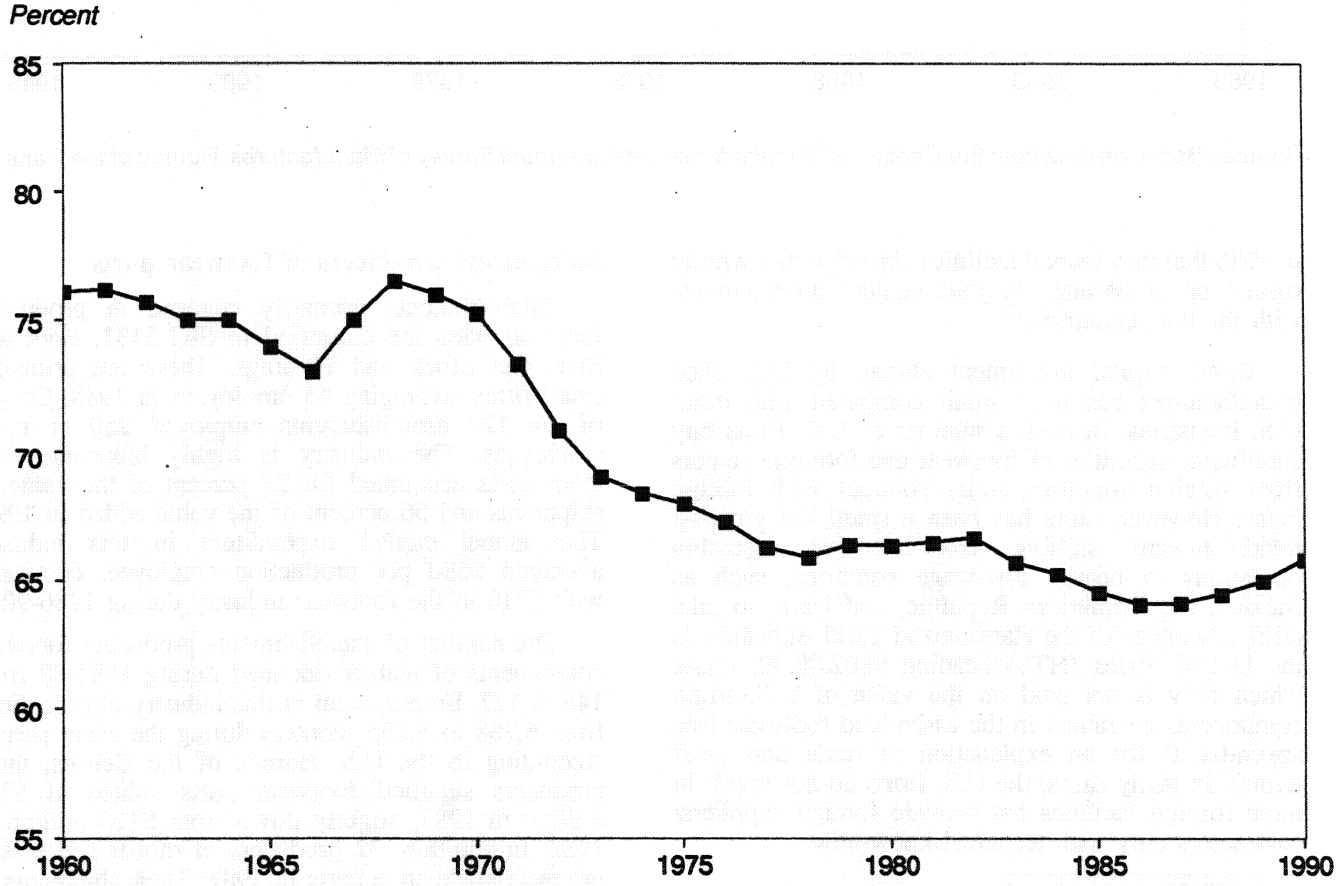
Table 6
Footwear: Employment, earnings, and unemployment rate, 1987-91

Year	All employees	Production employees				Unemployment rate
		Number	Weekly earnings	Hourly earnings	Weekly hours	
	1,000 employees		Dollars			Percent
Nonrubber footwear:						
1987	84.0	72.3	217.79	5.76	37.8	13.3
1988	82.6	70.4	222.46	5.99	37.2	10.4
1989	77.6	66.2	234.24	6.28	37.3	9.9
1990	74.2	62.9	240.46	6.61	36.4	8.0
1991	68.1	57.2	244.78	6.78	36.1	12.4
Rubber footwear:						
1987	11.2	9.3	252.29	6.05	41.7	(1)
1988	11.7	9.7	255.50	6.34	40.3	(1)
1989	11.2	9.2	267.65	6.56	40.8	(1)
1990	11.0	8.9	278.39	6.66	41.8	(1)
1991	10.8	8.7	298.85	6.87	43.5	(1)

[1] Not available.

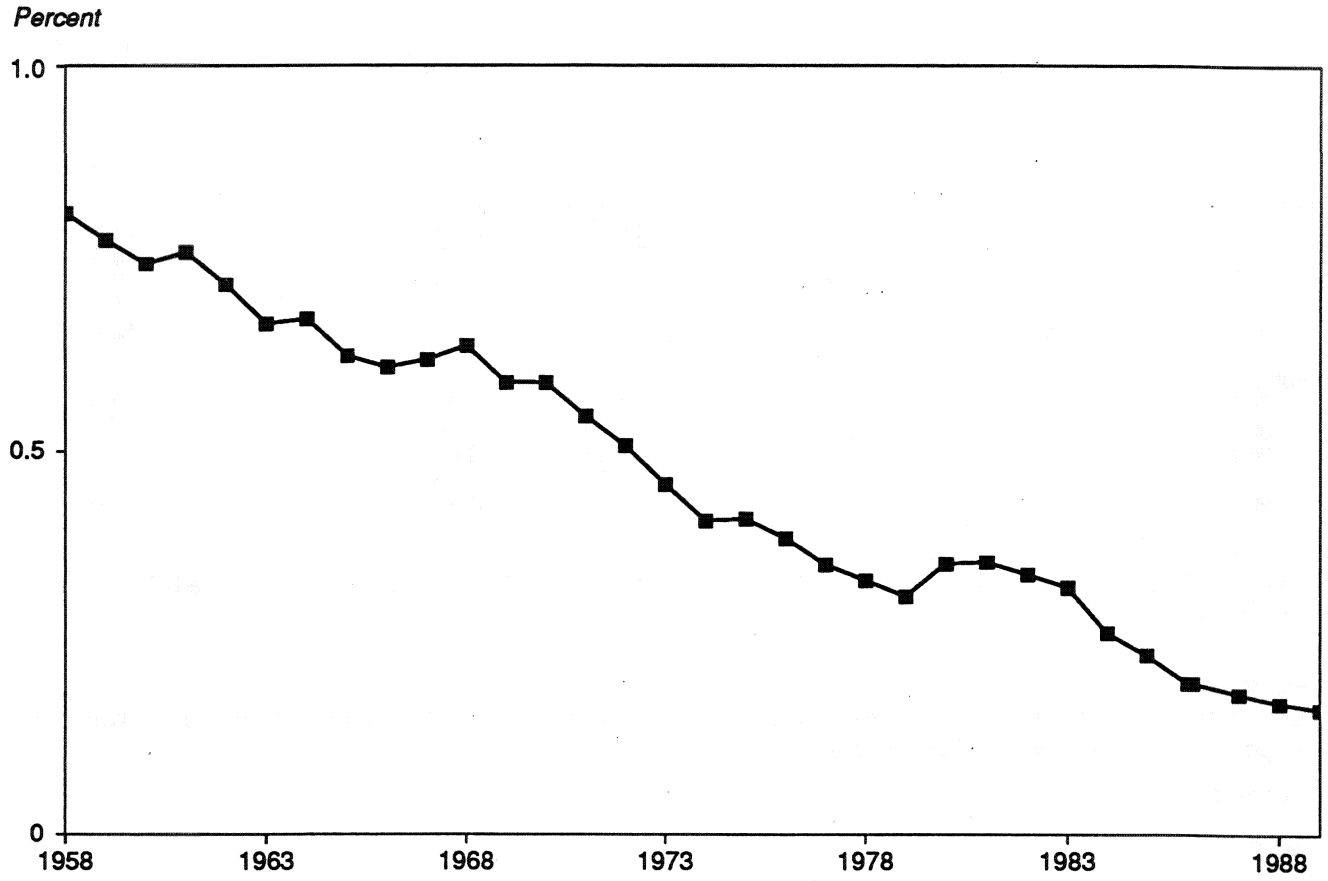
Source: Compiled by the U.S. International Trade Commission (USITC) from official statistics of the U.S. Department of Labor.

Figure 4
Nonrubber footwear: Ratio of average hourly earnings of production workers to the average for all private nonagricultural industries



Source: Based on data from U.S. Bureau of Labor Statistics, *Employment, Hours, and Earnings, United States, 1909-1990,* Bulletin 2370, (Mar. 1991), and U.S. Bureau of Labor Statistics, *Supplement to Employment and Earnings,* (July 1991).

Figure 5
Nonrubber footwear: Share of the industry in value added by manufacturing in the United States



Source: Based on data from the *Census of Manufactures* and the *Annual Survey of Manufactures*, Bureau of the Census.

in 1985 that they owned facilities abroad, either wholly owned or as partners in joint-venture arrangements with the host countries.[12]

Direct capital investment abroad by U.S. shoe manufacturers has been small compared with other U.S. industries. Instead, a number of U.S. firms buy significant quantities of footwear and footwear uppers from foreign countries under contract with foreign firms. However, there has been a small but growing trend toward shifting labor-intensive assembly operations to nearby low-wage countries, such as Mexico, the Dominican Republic, and Haiti, to take tariff advantage of the Harmonized Tariff Schedule of the United States (HTS) heading 9802.00.80, under which duty is not paid on the value of U.S.-origin components contained in the assembled footwear (see appendix B for an explanation of trade and tariff terms). In many cases, the U.S. firms do not invest in these foreign facilities but provide foreign suppliers/ contractors only with technical know-how.

[12] USITC, *Nonrubber Footwear, Report to the President on Investigation No. TA-201-55 Under Section 201 of the Trade Act of 1974*, USITC publication 1717, July 1985, p. A-20.

Independent producers of footwear parts

Establishments primarily engaged in producing footwear parts are classified in SIC 3131, Boot and Shoe Cut Stock and Findings. These are primarily small firms, averaging 45 employees in 1988. Only 6 of the 127 establishments employed 250 or more employees. The industry is highly labor-intensive; labor costs accounted for 27 percent of the value of shipments and 56 percent of the value added in 1990. The annual capital expenditure in this industry averaged $680 per production employee, compared with $710 in the footwear industry during 1986-90.

The number of establishments producing footwear components of leather declined during 1984-88 from 148 to 127. Employment in this industry also declined from 6,288 to 5,755 workers during the same period. According to the U.S. Bureau of the Census, these producers supplied footwear parts valued at $310 million in 1987, slightly down from $326 million in 1982. In addition, 32 producers of rubber and plastic products made shoe parts in 1987. Their shipments of footwear parts fell sharply during 1982-87, from $371 million to $206 million. Industry sources attribute this decline to contraction of the U.S. shoe industry and a

growing number of vertically integrated companies making their own shoe components.[13]

Other suppliers

Tanners

The largest supplier to the footwear industry is the leather-tanning-and-finishing industry, SIC 3111. Between 40 and 50 percent of leather produced domestically, which amounted to $2.4 billion in 1990, is consumed by the U.S. footwear industry. The U.S. tanning industry declined in size during 1984-88 from 386 to 349 producers, and employment fell from 17,600 to 15,000 workers. Only 131 of these establishments in 1988 employed more than 20 employees. Some of the large, fully integrated shoe companies operate their own tanning facilities.

The U.S. tanning industry is not as labor-intensive as the footwear industry. Direct labor costs account for only about 15 percent of industry shipments and just under 45 percent of value added. The industry is increasingly automated and its new capital expenditures per production employee averaged $3,012 during 1986-90 ($3,786 in 1990), compared with $710 ($779 in 1990) in the footwear industry. Productivity in the U.S. tanning industry is estimated to be significantly higher than in its counterparts elsewhere in the world. Moreover, productivity in the industry improved as the tanning industry continued to modernize by doubling its capital expenditure from $1,899 to $3,786 per production employee during 1986-90. This, in part, caused employment to decline. Although domestic demand for leather continued to decline, the value of shipments increased from $1.6 billion in 1986 to $2.4 billion in 1990, due largely to a 10 percent annual inflation in leather prices during the period. Adjusted for inflation, the value of shipments showed no change in that period.

Shoe machinery manufacturers

Establishments primarily engaged in manufacturing shoe machinery are classified in SIC 3559, Special Industry Machinery, Not Elsewhere Classified. The United Shoe Machinery Corp. (USM) is by far the largest domestic supplier of shoe machinery, followed by American Shoe Machinery Co., Hudson Machinery Worldwide, Creative Machine Corp., Gerber Systems Technology, Compo Machinery Corp., Singer Sewing Co., and International Shoe Machine Corp. The shoe industry also imports machinery from Italy, Germany, Japan, and the United Kingdom.

Prior to its initially limited divestiture in 1954 and its breakup in 1958 as a result of a landmark antitrust case, USM was an integrated supplier of machinery for the shoe industry and its supplier industries.[14] It also provided tacks, nails, eyelets, hooks, needles, cements and adhesives, lasts, heels, soles, and other supplies. It faced only limited competition from other companies. The company leased its machinery instead of selling it. With the breakup, USM was forbidden to engage in certain supplier activities and was required to offer its equipment either for sale or lease. During the next 10 years, there were significant changes in the company's monopoly practices and many large shoe firms integrated backward into supplier industries. The USM patents were made available to other companies on a nonexclusive basis, which in turn spurred competition in the shoe machinery manufacturing industry.[15]

Retailers

According to the Bureau of the Census, there were 111,310 establishments retailing footwear in 1987. Of these, shoe and department stores numbered 49,529 and accounted for 44 percent of the establishments and 81 percent of total shoe sales. Of the 49,529 stores, 30,031 (or over 60 percent) are run by integrated manufacturing companies or by large department or retail chains, each operating 100 or more stores. These stores control about two-thirds of sales. The high degree of integration in retailing tends to makes it difficult for small shoe manufacturers to market their products.

Rapid growth in the retail footwear market, spurred by the growing popularity of athletic and fabric-upper casual shoes and other fashion footwear in the late 1970s and 1980s, contributed to the growth of multiunit chains and concept (single brand) stores. In recent years, large manufacturers such as Brown, Wolverine, and Stride Rite have integrated forward into retailing at an increasing rate. As a result, while the number of total shoe stores remained almost unchanged from 1982 to 1987, those operated by large firms (each operating 100 or more stores), increased rapidly, from 18,281 in 1982 to 21,855 in 1987.[16]

U.S. producers' imports

According to industry sources, U.S. producers have become increasingly reliant on imports to complement their product lines over the past decade. In 1984, the most recent year for which official data are available, U.S. shoe producers accounted for 30 percent of imports.[17]

Manufacturing Process

Footwear production processes are more labor-intensive than many manufacturing operations.

[13] Officials at Ripley Industries, a major industry supplier of heels and cutting dies, which the Commission staff visited on Sept. 16, 1991, stated that their business declined significantly during the last two decades and they operate only 4 plants now compared with 11 in 1963. According to Ripley officials, there are only two large heel manufacturers currently left in the United States.

[14] U.S. Department of Commerce, Office of Consumer Goods, *An Assessment of the Competitiveness of the U.S. Footwear Industry*, unpublished report, Dec. 1987, pp. 1-21 & 22.

[15] Ibid., pp. I-23.

[16] U.S. Bureau of the Census, *1982 and 1987 Census of Retail Trade, Establishment and Firm Size.*

[17] USITC, *Nonrubber Footwear*, USITC publication 1717, July 1985, p. A-19.

The U.S. industry tends to rely on labor-saving equipment to reduce its high labor costs and therefore is relatively more capital-intensive than shoe-making industries in other countries.

The basic production process for most footwear involves cutting, fitting, lasting, bottoming, finishing, packing, and warehousing. Cutting of shoe uppers and other parts is the first major machine operation. It is usually done with a die cutting machine. In the fitting operation, the various parts of the upper are prepared, matched, and stitched together. This step is the most labor-intensive operation and industry sources estimate that it accounts for at least 50 percent of total labor costs. These stitched uppers are then secured to a specifically sized last with the insole attached, which gives the shoe its final shape. The next stage of the manufacturing process is bottoming, in which the outer sole is attached to the upper.

The three major construction methods used are cementing, sewing, and molding. In the cementing process, either the sole alone or the sole and heel as a unit are attached by an adhesive, which is usually augmented by heat, pressure, and/or chemicals. This method is characterized by the absence of stitching or tacking on the finished shoe. Cementing is the most popular method used in conventional shoes, accounting for roughly 36 percent of total footwear production in 1990 (appendix C, table C-1).[18]

Sewing, accounting for about 15 percent of total footwear production, involves attaching a sole to the upper by means of a stitched seam using thread of cotton or manmade fibers. The goodyear welt is the most popular type of sewn construction in footwear production (table C-1). Welt construction is used predominantly in producing better quality men's shoes.

The use of molded construction in footwear production (mostly in rubber footwear) increased rapidly during 1986-90 from 25 percent in 1986 to 40 percent in 1990 (table C-1). This is a process in which the sole and heel are formed and simultaneously fused to an upper within a mold.

Technological Developments

The diffusion of technology was slow in the footwear industry during the 1980s. Smaller firms did not have the volume to justify the high cost of automatic computerized machinery. In addition, continued import growth discouraged producers from such investment. Only a small portion of the industry, primarily larger companies, adopted most of the technological innovations, such as computer, microprocessor, and numerical controls.

Computer-aided design and computer-aided manufacture

Computer-aided systems in footwear manufacturing involve applications of computer-aided design (CAD), computer-aided manufacture (CAM), and CAD/CAM, which uses computer-controlled methods to unite several technologies. Most of the computerized technologies in the industry still consist of only a few distinct applications of CAD or CAM functions. The applications of CAM usually entail stand-alone machines that perform a single operation, although several large firms have allied several types of CAM equipment with their CAD.[19]

A CAD system greatly enhances the speed with which different shoe styles and measurements of component parts that go into these shoes are graphically generated on a screen. The system can be used to design a new style or a new product in limitless colors, styles, heels, sizes, and widths. However, the principal application by most firms with CAD is for pattern grading. This involves depicting a 3-dimensional (3-D) last of a shoe on the screen of the CAD system. After the last is styled, it is turned into a 2-dimensional (2-D) shell on the screen and the various parts of the shoe are graded or measured.[20] The use of CAD in pattern grading reduces unit labor requirements and improves quality. Because of greater speed and accuracy in deriving measurements and designing new styles, time savings are enormous, from ordering through production to delivery of shoes.[21]

The pattern-grading data developed in the CAD process can be used in manufacturing processes, including computer-controlled cutting and stitching. Any combination of parts may be graded simultaneously in any combination of sizes, and then

[18] United Shoe Machinery Corp., *Estimated Footwear Production*, various reports.

[19] U.S. Bureau of Labor Statistics, *Technology and its Impact on Labor in Four Industries*, Nov. 1986, p. 18.

[20] The "Crispin 3-D" system developed by the USM Corporation is the latest technology in the design of shoes starting from the shoe last. The 3-D digitizer, a noncontact, automatic digitizing unit, will input the last data into the system database in minutes. The resultant 3-D solid image of the last is the starting point for the shoe design process. The system allows the creation and modification of style lines and pattern parts on the 3-D image, including the insole, sole, and heel. The ability to view the 3-D image from any angle is an essential feature of the shoe design process. The high resolution graphics screen also contributes to the realism of the 3-D image. The 3-D upper patterns are automatically and immediately flattened. This 2-D image is then displayed on screen simultaneously with the 3-D image. Further creation or editing of style line can be performed interactively in either 3-D or 2-D. The normal pattern engineering processes (such as defining the pattern and grading) can then be followed. During the Crispin design and modelling process, cost information is automatically generated. The Crispin 3-D image can project 2-D images of the upper components on to a leather skin positioned on a cutting table. Each individual component image can be positioned and repositioned at the operator's discretion. In this way, blemishes on the skin can be avoided. The Crispin "Stich Tec" software package will integrate with the Crispin 3-D system to provide the fastest route available from on-the-last design to the creation of autostitching programs and pallets. Major benefits include increased productivity, transfer of data in seconds, and fast reaction to style changes.

[21] Brown officials stated that with the help of CAD/CAM system, Brown has been able to fill orders within 2 weeks.

collectively sent to the cutter. A programmed stacking option provides for cutting efficiency. The computer analyzes the size and shape of each part as it is about to be cut and either positions it or rotates it to improve material usage. The most advanced stitching machine is usually controlled by microprocessor-based computers. The operations include major functional stitching such as vamping, as well as design stitching on western boots.

Tackless insole attaching machines

The new tackless insole attaching machine secures insoles to the last bottom without the need for tacks, tape, or adhesives.[22] Two specially designed fittings, one at the toe and one at the seat, are fitted to the last either in the factory or by the last manufacturer. The tackless insole-attaching machine presses the insole onto these fittings, which hold it firmly in place during the shoemaking process. Shoes with different heel heights can be handled with an adjustable jack post.

Forepart[23] pulling and lasting machines with microprocessor controls

These machines assure precise lasting for the process of stretching uppers over the last and cementing them to an insole. In addition to automatic size determination and positioning, it is possible to adjust the machine rapidly to various shoe styles constructed with different materials. The machine can be programmed to eliminate the need for manual adjustments, greatly improving the efficiency of the lasting operations. When a shift is made from one shoe last to another, downtime is reduced because the many machine changes required can be readily accomplished by the computer program.

Electronically controlled, combined pulling and lasting machines incorporate a tracer hot-melt cement application that provides for improvement in quality and versatility. The combination of the short toe nozzle plate and the programmed cement tracers ensure that the cement is applied in the correct position every time on the left and right shoes, particularly in the critical inside joint area, as the stored trace path data is graded and adjusted for lefts and rights automatically. The cement trace path data is easily entered into the machine memory and stored. It can be recalled at any time according to the last style being processed. The machines provide for improvement in quality, accuracy in cement application, greater flexibility, increased productivity, and greater application to different types of shoes.

Bottoming machines

Automatic roughing machines.—These machines rough the lasted[24] margins of shoe uppers with consistent accuracy, reducing the dependency on operator skill. The roughing outline is computer controlled in all three dimensions to virtually eliminate the problems caused by improper roughing. Accurate roughing enables the cement to provide strong sole bonding and results in reduced returns and factory rejects. Once a style has been selected, the computer automatically recognizes lefts and rights and grades the roughing outline information to suit the shoe size. Changing from one style to another is quick and easy using touch button controls. Nearly 200 styles can be stored on 1 tape cartridge. This machine can be used with an automatic bottom cementing machine, with a single operator handling outputs of between 1,000 and 1,200 pairs per day.[25]

Automatic bottom cementing machines.—The use of microprocessor controls improves efficiency. Changing from style to style is easy. With a touch of a button, the machine automatically compensates for changes in shoe size, and for lefts and rights. It is very versatile, accurate, and environmentally safe, with significant cost savings.[26] This machine can be used with automatic bottom-roughing machines.

Sole attaching machines.—Cementing a sole to the upper part of a shoe is a labor-intensive operation. However, automatic adjustments on some machines substantially improve the uniformity of production. An operator who receives the uppers and soles with cement already applied to them uses heat to reactivate the cement, then temporarily attaches the soles to the uppers. With the new machines, the operator uses a self-adjusting pad box that automatically locates the contour of a shoe's bottom, and a toe and heel rest that automatically adjusts for heel height to assure that the lasted shoe is locked in an accurate position. The operator then pushes a high-pressure button to secure a permanent attachment of the outsole to the shoe bottom.

Injection molding machines

The injection molding machines with microprocessor controls mold a shoe bottom from thermoplastic or polyurethane material to the upper part of the shoe. This process is significantly less labor-intensive than the alternative processes of cutting, stitching, and/or cementing, and associated intermediary steps. Automatic loading features may eliminate one operator on a molding machine. The quality is higher because of the uniformity of the units produced. Machine parameters—such as temperature or amount of material per mold—can be set through rather simple digital input.

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[22] USM Corp., *Machinery Catalogue (Part 2)*, ref. No. BUIA-2, 5/146.

[23] See app. A for a glossary of terms used in the footwear industry.

[24] See app. A for a glossary of terms used in the footwear industry.

[25] USM Corp.'s new microprocessor-controlled model provides enhanced software, a state-of-the-art data storage and retrieval system (which ensures quick start-up and faster response to style change-over), and high reliability. The system provides for selecting a standard style for editing to suit the current work type and the data stored as a separate style without changing the original data. The maximum number of digitizing points around the shoe bottom has been increased from 40 to 80. See USM machinery catalogue, part 2, ref. No. BUAR-5.

[26] Ibid., ref. no. ABC 2 7/110.

The use of premolded unit bottoms by shoe factories has increased rapidly during recent years. Unit bottoms are purchased from specialty producers and cemented to uppers, thus eliminating most of the operations previously required to apply the outer sole.

Rink systems

The rink system concept[27] is a type of modular manufacturing system that enables the use of skilled labor to perform key shoemaking operations by linking them with the processing operations of conditioning, heat setting, cement drying, and cooling. The system is designed to reduce costs and increase productivity. Reduced costs arise from a significantly lower investment in last plant, work in progress, and work-handling equipment. Productivity gains are made by requiring fewer operators and less time, and result in better quality products. Other intangibles include better operator communication and increased job satisfaction from greater involvement in the team effort.

Productivity and Unit Labor Cost

The multifactor productivity[28] of the nonrubber footwear industry declined continuously between 1982 and 1986 before rebounding somewhat in 1987 and improving again in 1988, the most recent year for which data are available.[29] The net effect for the 1982-88 period was a 6-percent decline in the industry's multifactor productivity, based on a 38-percent decrease in output[30] and a 34-percent drop in combined inputs of capital, labor, and intermediate purchases. Individually, the decline in inputs of labor and intermediate purchases was roughly equivalent to the decrease in shoe production, while capital inputs dropped by a much smaller 19 percent, as shown in table 7.[31]

The smaller decline in capital inputs vis-a-vis shoe production led to a 24-percent drop in capital productivity. Some of the decline in capital productivity may be attributable to overestimation by the U.S. Bureau of Labor Statistics of capital inputs by not accounting for all firms that closed their operations during the period. Most of the decline, however, is believed to have resulted from existing firms holding on to more capital than necessary at the current output level. In addition, the slow rate of introduction and diffusion of technological innovations in this industry made it difficult to attain significant productivity gains. The multifactor productivity indexes for the nonrubber footwear industry SIC 314 are provided in table 8.

Unit labor costs in 1990 averaged $4.21 per pair, or 28 percent of factory price, increasing at an average annual rate of just under 1.5 percent during 1986-90. The labor share of industry shipments declined by 11 percent in this period, reflecting that the increase in labor costs in the industry lagged behind the increase in the output value. The trend in the unit labor costs and labor share of industry's output are given in table 9.

Factor Shares of Production Costs

Labor and materials make up 74 to 77 percent of the value of producers' shipments in the footwear industry.[32] Capital costs are estimated to account for 17 to 19 percent. Energy costs in the industry have traditionally remained low and averaged less than 1 percent during 1985-89. Although labor and material costs fluctuated during 1985-89, labor costs declined while material costs increased, especially since 1987, as shown in table 10.

New Capital and Research and Development Expenditures

New capital expenditures in the footwear industry remained relatively low compared with those of the textile and nondurable goods industries. During 1986-90, capital expenditures in the footwear industry averaged $710 per production worker, compared with $3,717 in textiles, $851 in apparel, and $7,138 in all industries. The footwear industry's new capital expenditures averaged 4.5 percent annual growth increasing from $652 per employee in 1986 to $779 in 1990 (table 11). In terms of constant dollars, per employee capital expenditures increased 3.3 percent annually during the period, as shown in table 11.

Low capital expenditures in the industry are partially attributable to the widespread industry practice of renting the shoe machinery and equipment instead of buying it, so that data on capital expenditures do not include all of the industry outlays for new machinery. Establishments producing rubber footwear and slippers are relatively more automated than other footwear segments. During 1986-90, the annual capital expenditures in segments producing rubber footwear and slippers averaged $952 and $1,157 per worker, respectively, compared with only $673 per worker in the nonrubber footwear segment. Over 80 percent of new capital expenditures were in machinery and equipment. Annual capital expenditures on used buildings and machinery in the industry during 1986-90 averaged $5 million. A breakdown of the capital expenditures in the industry for 1990 is provided in table 12.

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[27] Although U.S. Shoe Corp. was the first manufacturer to incorporate the use of modular systems on a large scale, USM, along with other machinery manufacturers, responded with equipment that maximized the benefits of the rink system.

[28] Multifactor productivity is defined as the output per unit of combined inputs of labor, capital, fuel, material, and other purchased services.

[29] U.S. Bureau of Labor Statistics, Office of Productivity and Technology, *Productivity Measures for Selected Industries and Government Services*, Bulletin 2379, May 1991.

[30] The real value of production sold to purchasers outside the industry.

[31] Capital inputs are defined as the flow of services from physical assets such as equipment, buildings, inventories, and land.

[32] U.S. Bureau of the Census, *Annual Survey of Manufactures*, various issues.

Table 7
Nonrubber footwear: Output and input indexes, 1982-88

(1982=100)

Year	Output	Combined inputs	Hours	Capital	Intermediate purchases
1982	100.0	100.0	100.0	100.0	100.0
1983	93.6	94.7	95.3	96.8	93.5
1984	83.2	85.5	83.9	94.2	83.3
1985	72.0	79.0	72.5	91.5	78.2
1986	63.8	70.5	63.3	87.4	69.1
1987	62.3	67.0	62.8	83.7	64.1
1988	61.9	66.0	61.7	81.3	63.6

Source: U.S. Bureau of Labor Statistics, *Productivity Measures for Selected Industries and Government Services*, Bulletin 2379, May 1991

Table 8
Nonrubber footwear: Multifactor productivity indexes, 1982-88

(1982=100)

Year	Multifactor	Labor	Capital	Intermediate purchases
1982	100.0	100.0	100.0	100.0
1983	98.9	98.2	96.7	100.2
1984	97.3	99.1	88.4	100.0
1985	91.1	99.4	78.8	92.0
1986	90.6	101.2	73.2	92.5
1987	93.1	99.5	74.8	97.3
1988	93.9	100.8	76.4	97.6

Source: U.S. Bureau of Labor Statistics, Productivity Measures for Selected Industries and Government Services, Bulletin 2379, May 1991.

Table 9
Footwear: Unit labor cost and labor share of industry output, 1986-90

Year	Unit labor cost index (1986=100)	Labor share of industry shipments (1986=100)
1986	100.0	100.0
1987	100.3	98.1
1988	101.5	98.1
1989	104.5	94.5
1990	106.0	88.8

Source: Computed by the USITC staff based on official statistics from the U.S. Department of Commerce, Bureau of the Census.

Table 10
Footwear: Factor costs, 1985-89

Cost factor	1985	1986	1987	1988	1989
			(Percent)		
Labor	27.7	28.0	27.8	27.1	26.7
Capital[1]	19.2	19.3	17.2	19.4	17.8
Materials	47.5	48.2	46.0	49.5	50.1
Fuel and energy	1.0	0.9	0.9	0.9	0.8

[1] Estimated by the Commission staff.

Source: U.S. Bureau of the Census, *Annual Survey of Manufactures*, various issues.

Table 11
Footwear: New capital expenditures per production worker, 1986-90

Year	New capital expenditures per production worker	
	Current dollars	1982 dollars
1986	$652	$634
1987	665	645
1988	709	678
1989	743	693
1990	779	723

Source: U.S. Department of Commerce, *Annual Survey of Manufactures*. Constant dollar value is computed using the Bureau of Economic Analysis' implicit price deflator for fixed investment component of Gross National Product.

Table 12
Footwear: New capital expenditures by type, 1990

Type	Nonrubber	Rubber	Total
		(Million dollars)	
New:			
Buildings and structures	8.8	0.3	9.1
Machinery and equipment	33.4	6.1	39.5
Total	42.2	6.4	48.6
Used:			
Buildings and structures	1.7	0.2	1.9
Machinery and equipment	2.3	0.9	3.2
Total	4.0	1.1	5.1

Source: U.S. Bureau of the Census, *Annual Survey of Manufactures*, 1990.

R&D expenditures for the footwear industry are not available. However, they are believed to account for less than 1 percent of industry shipments. According to a Commission survey, total R&D expenses in the footwear industry totaled $21.7 million in 1984, less than 1 percent of industry shipments.[33] These expenditures included expenses incurred for marketing surveys, product testing, management improvements and consultants, and other traditional R&D expenses. R&D expenditures in the industry continued to remain low, and in 1988, companies in the leather and leather products industry spent only $17 million, about 1.2 percent of the sales of these companies, but less than 0.5 percent of industry sales.[34] These data do not include R&D carried out by suppliers who perform most of the R&D functions related to machines, components, and materials. Most of the R&D expenses in the industry are incurred by large footwear companies.

Capacity Utilization

The U.S. Department of Commerce provides capacity utilization rates separately for the nonrubber and rubber footwear industries. Capacity utilization during 1985-88 was much higher in the rubber footwear segment than that in nonrubber footwear (table 13). The utilization rates for nonrubber footwear, after remaining low during 1985-87, showed significant gains in 1988, which is perhaps attributable to consolidations and closings of several less efficient plants in the industry. The practical and preferred capacity utilization rates[35] for the industry segments are provided in table 13.

[33] USITC, *Nonrubber Footwear*, USITC publication 1717, p. A-63.

[34] National Science Foundation, *Research and Development in Industry: 1988*, NSF 90-319, Washington, DC, p. 31.

[35] Practical capacity is broadly defined by the U.S. Bureau of the Census as the greatest level of output a manufacturing establishment can achieve using realistic work patterns. Preferred level of operations is a level at which profits will be maximized or, in other words, a level at which marginal revenue equals marginal costs. For 1989 and 1990, U.S. Bureau of the Census used new criteria for defining capacity levels (full production and national emergency production), and therefore, care should be taken when comparing the 1989 and 1990 utilization rates to prior years.

The national emergency production utilization rate for 1989 and 1990 is the ratio of the actual level of operations to the national emergency production level (level of production an establishment can expect to sustain for one year or more under national emergency conditions).

The full production utilization rate for 1989 and 1990 is the ratio of actual level of production to maximum level of production an establishment could attain under normal operating conditions.

Table 13
Footwear: Practical and preferred capacity utilization, 1985-90

	Nonrubber footwear		Rubber footwear	
	Practical	Preferred	Practical	Preferred
1985	73	77	92	92
1986	68	75	(1)	(1)
1987	71	87	86	86
1988	80	88	(1)	(1)
1989	[2]80	[3]85	[2]74	[3]74
1990	[2]74	[3]80	[2]81	[3]83

[1] Not available
[2] The national emergency production utilization rate.
[3] The full production utilization rate.

Source: U.S. Bureau of the Census, *Manufacturers' Utilization of Plant Capacity*, MQ-C1(88)-1, Apr. 1990, p. 7 and *Survey of Plant Capacity*, MQ-C1(90)-1, March 1992.

Marketing Methods

Frequent style changes, especially in women's footwear, force domestic producers to compete more on the basis of fashion and quality than on price. Given the wage cost differentials between U.S. producers and their competitors, U.S. producers target segments where price is relatively less important than other attributes, such as style, fit, color, delivery, and brand preferences. Their marketing strategy also includes entering into more capital-intensive segments, such as rubber and plastic shoes and slippers, which are also protected by higher tariffs on imports. Many producers and importers have integrated forward or expanded their retailing operations in order to have captive outlets for their products and to improve their purchasing and manufacturing decisions.

Shoe specialty stores, followed by discount and department stores, account for the bulk of footwear sales. Newer types of retailers include self-service or rack stores, which specialize in brand name and off-price merchandise. These stores emphasize volume, minimal service, and economies such as manufacturer and importer financing. They can sell brand names at lower mark-ups.[36] There was a significant growth in footwear sales by discount stores between 1987 and 1991. Independent shoe stores sell larger portions of branded than unbranded or private label footwear, while discounters sell mostly unbranded and private label footwear.

Consumer Characteristics and Factors Affecting Demand

Consumer Characteristics and Market Segmentation

The demand for footwear is primarily dependent on the size and composition of population and varies with changes in prices, income, fashion, and life style. These factors contributed to significant growth in U.S. consumption of footwear during the 1980s as per capita consumption of footwear rose from 4.4 pairs in 1980 to 5.6 pairs in 1991. Most of the growth in consumption occurred during 1980-86, due largely to an increase in the popularity of athletic and fabric-upper casual footwear. While more athletic life styles and increased leisure activities stimulated demand, higher disposable income and the availability of lower priced imports (due to a strong U.S. dollar in the first half of the decade) also contributed to the overall growth in demand. Domestic consumption of footwear has remained essentially flat over the 1987-91 period.

In addition to performing the functional role of protecting one's feet, shoes are fashion items that complement other apparel. Fashion trends in footwear follow fashion changes in clothing, which in turn are influenced by changing life styles.

Consumers purchase shoes for various reasons. The most important reason is to replace old shoes, which accounts for 45 percent of all purchase decisions.[37] Other reasons mentioned were special occasions (17 percent), sales promotion (14 percent), to complete an ensemble (11 percent), store displays (8 percent), and advertising (2 percent).

Most consumers have a favorite store where they shop for footwear. Eighty percent of shopping trips resulting in a purchase involved one store only. Good selection (28 percent) and brands (22 percent) were more important in store selection than location (16 percent) and price (16 percent).[38] The principal reasons for not buying at the first store were given as lack of desired brand or color (57 percent), inability to find the proper size (20 percent), price (20 percent), and fit (4 percent). Based on size and width of American consumers' feet, imports are estimated to serve only 25 to 50 percent of the population well and an additional 20 to 30 percent to a tolerable degree, compared to over 90 percent of the population in the case of domestic shoes.[39]

[36] Office of Consumer Goods, *An Assessment of the Competitiveness of the U.S. Footwear Industry*, p. I-26.

[37] 1974 consumer research study on footwear by the Gallup Organization.

[38] Ibid.

[39] U.S. Department of Commerce, Office of Consumer Goods, *An Assessment of the Competitiveness of the U.S. Footwear Industry*, p. III-4.

Because footwear is a fashion product, each functional category of footwear comes in a wide variety of styles. The women's segment is more susceptible to changes in styles than the men's. Men are concerned more about durability and less about style, and are likely to repeat purchases of the same brand and style. Frequent changes in women's footwear styles contribute to a greater demand for women's footwear. A new style can create much interest and consumer demand (such as "Candies" did in the late 70s and "Jellies" did in 1983). However, the ease of copying makes it necessary for innovative producers to introduce new styles close to the season.

Selection of channels of distribution is an important marketing strategy for producers, including those who are vertically integrated. Major chain store J.C. Penney purchases the majority of its shoes from domestic manufacturers who provide selection, inventory control, and re-ordering functions for each of Penney's stores. By contrast, Gussini's, a self-service, high-volume chain, relies exclusively on imports because it competes on the basis of price in the women's high-fashion market.[40] In addition, Gussini's changes style frequently in its stores and, therefore, does not depend on re-orders, a competitive strength of domestic manufacturers. A number of consumer research studies revealed that consumers' purchase decisions are based more on brand loyalty or recognition than the country of origin.

Competitive Strategies Responding to Demand

Besides targeting market segments, a manufacturer must decide on what type of shoes to produce and how to compete. Therefore, elements of competitive strategies, such as selection of materials, methods of construction, styling, range of sizes, channels of distribution, branding and pricing policies, and order lead time are critically important to the success of a shoe in the market place.

Materials

Leather has remained the principal upper material in shoes, especially for higher priced shoes. Leather is associated with quality and comfort. The proportion of shoes using leather has remained at 40 to 50 percent, whereas that of shoes with vinyl uppers has declined because of the steady growth in running shoes and other rubber-soled fabric-upper shoes in recent years.

Method of construction

The method by which the sole is attached to the upper gives the shoe qualities that affect the demand for it. Cement construction is the most popular method and is less expensive than goodyear welt construction. Most women's shoes have cemented construction. Goodyear welt construction and other forms of stitching are the most expensive methods and involve significant amounts of machine time and labor. Goodyear welt construction is generally used in high-quality men's dress and work shoes and boots. Molded construction involves the formation and processing of a sole and heel unit in a mold and its attachment to a leather or vinyl upper in a single operation. This operation is highly automated and the least expensive method of construction. Only plastic shoes can be completely molded and the range of styles is limited. Unit bottoms, produced by independent parts manufacturers, are used extensively in shoe production.

Styling

Styling is important to consumers. Manufacturers must respond quickly to changes in styles. A new and popular fashion can create a surge in demand and enable the producer to put premium prices on such products. To compete successfully, a producer must anticipate changes in apparel fashion, create a large number of innovative styles to test-market rapidly, change styles frequently close to the season to reduce copying, plan production in anticipation of a surge, integrate with retailing to monitor surges in style on a continuous basis, and work closely with apparel producers.

Sizes

Selecting the appropriate number of size and width combinations requires a trade off between inventory costs and consumer satisfaction. An ill-fitting and uncomfortable shoe is not marketable even if the style or price is attractive.

Channels of Distribution

Manufacturers must chose the right type of outlet based on the mix of consumers they attract and the price, quality, style, and services they offer. The relationship between retailers and manufacturers and the feedback that retailers provide are critical for the manufacturers' success.[41]

Brands

The appeal of brand names is considered a major reason why consumers select particular stores. Price and convenience are of secondary importance. Although imports and many nonbranded footwear thrived during the last two decades because of their price competitiveness, many small producers survived because consumers generally associate high quality, good fit, and style with their brands.

Pricing

Market segmentation based on price is a useful strategy to increase sales and profits. Retailers have promotional sales to attract and serve price-conscious customers. Manufacturers and retailers also carry differently priced product lines.[42] Many producers

[40] Ibid., p. III-14.

[41] Brown Shoe Co. has computer to computer communication between retail stores and the manufacturer. It enables Brown to determine quickly what is selling and what is not, and to respond quickly to changes in fashion and other consumer needs.

[42] Brown Shoe Co., for example, serves brand-conscious customers through its concept stores and regular outlets and serves price-conscious customers through its Famous Footwear discount outlets.

base the price of their products on cost and required profit margin. It is not unusual for some producers to average the price between domestically produced shoes and those purchased under contract from foreign producers.

FOREIGN INDUSTRY PROFILE

Shoemaking is a labor-intensive industry and attracts significant interest from countries with low labor costs wishing to industrialize, particularly in industries that will maximize employment levels. Consequently, there has been a continuous shift in shoemaking operations from developed to developing countries, especially in Asia. According to the Shoe and Allied Trade Research Association (SATRA), between 1985 and 1989, Asia and the Middle East increased their share of world production from 46 to 54 percent, while those of other regions declined, as shown in the following tabulation:

	Share of world output	
Region	*1985*	*1989*
	(Percent)	
Asia and Middle East	45.5	53.7
Eastern Europe[1]	19.4	16.7
Western Europe	14.8	10.8
South America	9.5	8.7
North and Central America	6.7	6.7
Africa	3.6	3.1
Australasia	0.5	0.3
Total	100.0	100.0

[1] Includes the Soviet Union.

The largest growth in production during the 1980s occurred in China, Korea, Taiwan, and Brazil. These countries accounted for about 40 percent of world output and nearly 50 percent of world exports in 1989. Significant increases were also registered in production from Italy, Portugal, Thailand, Indonesia, and Yugoslavia. Meanwhile, shoe production in the United States, Germany, France, and the United Kingdom declined significantly.[43] The major world traders of footwear, their output, exports, and imports are shown in table 14 and figures 6, 7, and 8).

United States-World Trade

The United States is the world's largest importer of footwear. China, Korea, Taiwan, Brazil, Indonesia, Italy, and Thailand, are the major sources of U.S. imports. In 1991, these countries accounted for a combined 91 percent of U.S. imports in terms of quantity and 88 percent in terms of value. U.S. imports from the EC represented 5 percent of the quantity and 13 percent of the value: 87 percent of the quantity and 85 percent of the value of imports from the EC came from Italy and Spain.

[43] Most of Brazil's growth in output occurred during 1980-85. U.S. production fell sharply during 1980-85, but was fairly stable during 1985-89. Mexico's protected industry exhibited strong growth in the decade in response to demand from a rapidly expanding domestic population.

The United States is the recipient of the bulk of world exports from major world exporters. (The world's major exporters, their exports by quantity, and the U.S. share of world exports are provided in table 15.) In contrast, the United States supplied just 2 to 4 percent of the import markets of the world's other major footwear importers, including the EC.

U.S. Trade with the EC

In 1990, the EC's exports of footwear (excluding intra-EC trade) totaled just over $4.9 billion. The United States received 31 percent of the total as shown in table C-2. Italy, the largest source of U.S. imports from the EC, sent 34 percent of its total exports to the United States. Spain, the second-largest source, shipped 54 percent of its exports to the United States. During the same year, the EC imported $3.7 billion, of which the U.S. share was a modest 3 percent (table C-2).

Effects of Exchange Rates

Changes in exchange rates in recent years dramatically altered the competitive position of a number of countries in global markets. The currencies of Italy, Spain, Korea, and Taiwan appreciated against the U.S. dollar by roughly 7 to 11 percent during 1985-90. Also, wages in those countries increased an average of 17 to 25 percent annually.[44] Appreciating currencies together with escalating wages made those countries' shoes more expensive in the U.S. market and opened the door to increased imports from low-cost suppliers, such as China, Indonesia, and Thailand. Even the Brazilian shoe producers, traditionally thought of as fairly low-cost producers, have found their production costs rising rapidly because of devaluations of the Brazilian currency, which in turn have increased the cost of imported materials. To reduce its production costs and improve its competitive position at the low end of the international footwear market, Vulcabras, a leading Brazilian producer, has agreed to a joint venture with a party in China for the production of shoes in China.[45]

Labor Costs

Labor costs are generally low in major shoe-exporting countries. Because the footwear industry is highly labor-intensive, low-wage countries have a competitive advantage over countries where labor costs are significantly higher. Hourly compensation costs for production workers in some of the major footwear-manufacturing countries are provided in table 16.

[44] U.S. Bureau of Labor Statistics, Office of Productivity and Technology, *International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing, 1975-90*, Nov. 1991, p. 6.

[45] *World Footwear*, "Brazilian Shoemakers Target Europe as U.S. Market Falters," Nov./Dec. 1990, p. 30.

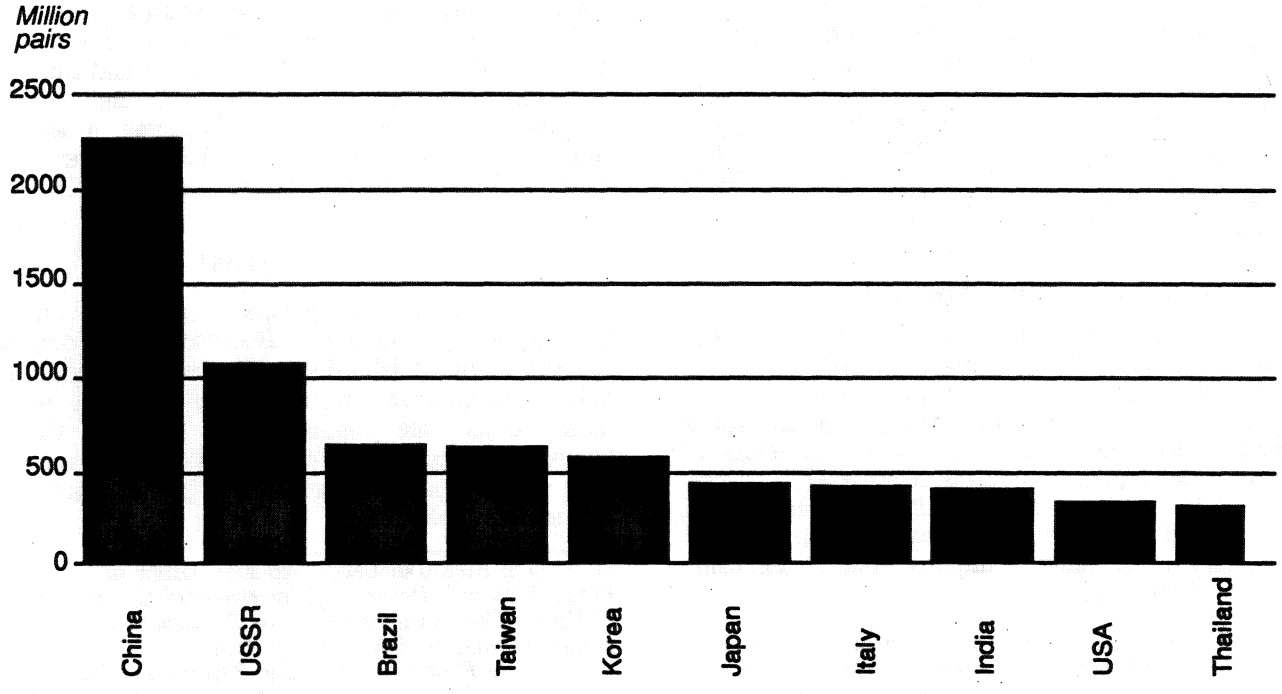
Table 14
Footwear: Major world producers and traders, their output and trade, 1989

Producers		*Exporters*		*Importers*	
Country	*Output (million pairs)*	*Country*	*Exports (million pairs)*	*Country*	*Imports (million pairs)*
China	2,253	China	656	United States	1,050
USSR	1,000	Taiwan	578	Hong Kong[1]	531
Brazil	625	Hong Kong	[2]491	West Germany	278
Taiwan	614	Korea	380	France	202
Korea	560	Italy	340	United Kingdom	177
Japan	419	Thailand	180	Japan	157
Italy	407	Brazil	169	USSR	149
United States	313	Spain	95	Italy	92

[1] Majority are imports of shoes made in China.
[2] Majority are re-exports of shoes made in China.

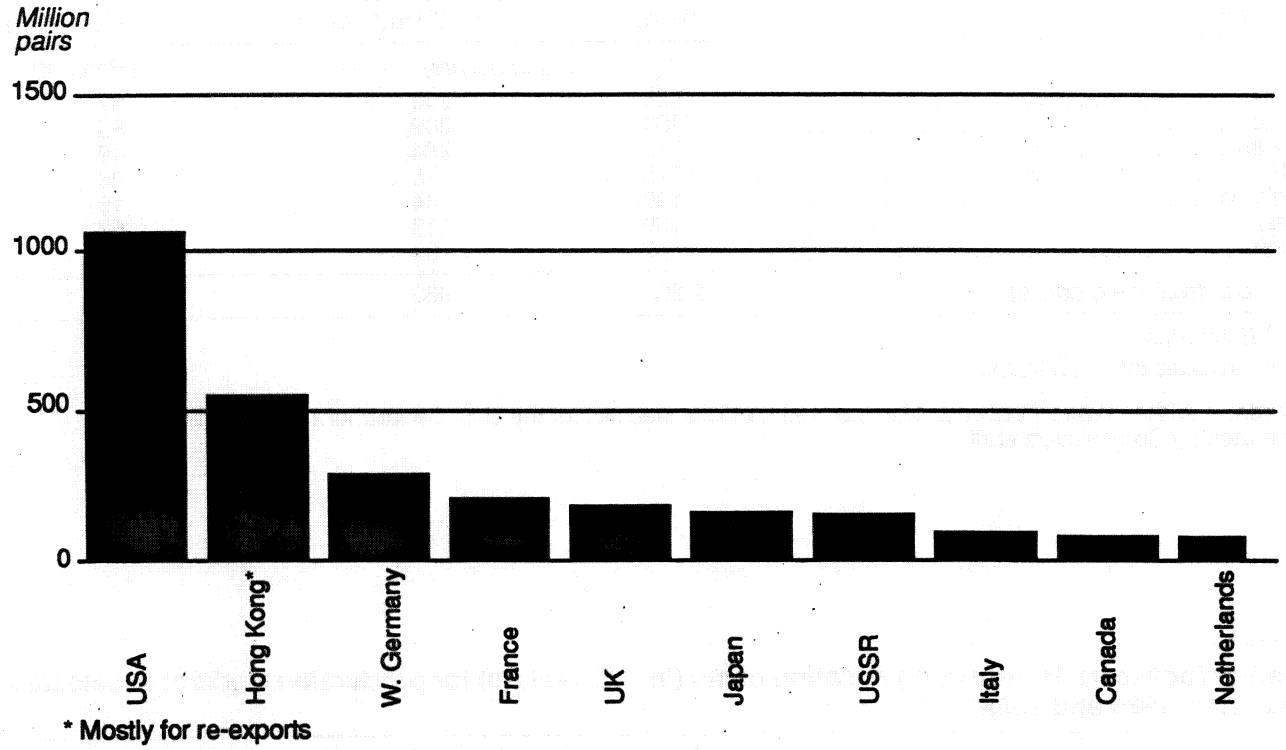
Source: SATRA, Ketterling, Northants, United Kingdom, *World Footwear Markets, 1991.* The data in this table may differ from the data provided in country profiles for some countries because of different data sources.

Figure 6
Footwear: Leading producers, 1989



Source: SATRA, United Kingdom, *World Footwear Markets, 1991.*

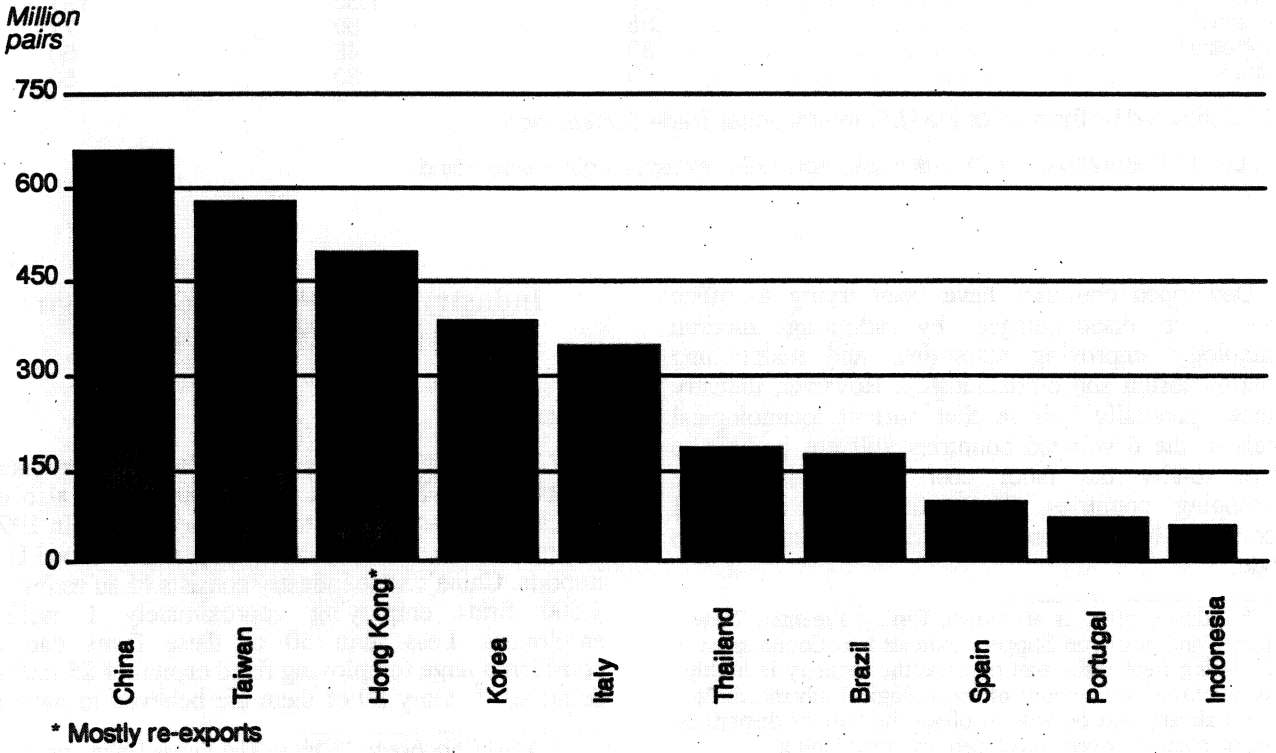
Figure 7
Footwear: Leading importers, 1989



* Mostly for re-exports

Source: SATRA, United Kingdom, *World Footwear Markets, 1991.*

Figure 8
Footwear: Leading exporters, 1989



* Mostly re-exports

Source: SATRA, United Kingdom, *World Footwear Markets, 1991.*

Table 15
Footwear: Major world exporters, their exports, and U.S. share, 1989

Exporters	Exports to: World	United States	U.S. share
	(Million dollars)		(Percent)
China	656	240	37
Korea	380	209	55
Taiwan	578	284	49
EC[1]	[2]275	75	28
Thailand	180	34	19
Brazil	169	113	67
Indonesia	57	34	60
Total (major exporters)	2,295	989	43

[1] Estimated.
[2] Excludes intra-EC trade.

Source: SATRA, *World Footwear Markets*, 1991; official statistics of the U.S. Department of Commerce, and estimates by Commission staff.

Table 16
Leather footwear: Hourly compensation costs (in U.S. dollars) for production workers in selected countries, 1985 and 1989

Country	Hourly compensation costs 1985	1989	Percent increase
Italy	$5.59	$9.94	78
United States	7.27	8.20	13
Taiwan[1]	1.20	2.50	108
Korea	.95	2.40	153
Brazil	.65	1.50	131
Thailand[1]	.35	.60	71
Indonesia[1]	.30	.45	50
China[1]	.20	.30	50

[1] Estimated by the staff of the U.S. International Trade Commission.

Source: U.S. Bureau of Labor Statistics, Apr. 1991, except as otherwise noted.

Developed countries have been trying to offset labor cost disadvantages by adopting modern technology, improving marketing, and maintaining superior design and craftsmanship. However, industry sources generally believe that current technological levels in the developed countries will not be able to offset totally the labor cost advantages of the developing countries. Thus, the share of world production by developed countries will continue to erode.[46]

[46] Industry officials at Brown, Ripley, Freeman, New Balance, and Supreme Slippers indicated to Commission staff during field visits that because the industry is highly labor-intensive, no amount of technological advancement in the industry will be able to offset the current disparities in labor costs between developed and developing countries.

Industry Profile of Major Foreign Shoe Producers

China

China is the world's largest footwear producer, manufacturing 2.3 billion pairs annually. It is also the largest footwear supplier to the United States. In 1991, it supplied 559 million pairs or 48 percent of total U.S. imports. China's shoe industry consists of an estimated 1,800 firms employing approximately 1 million employees. Less than 50 of these firms can be considered large (employing fixed capital of $5 million or more).[47] Only 80 of them are believed to have an

[47] *World Footwear*, "China: The Great Unknown," Mar./Apr. 1991, p. 34.

annual output of over 1 million pairs each. The 1988 output of the industry included roughly 346 million pairs of leather footwear, 1,074 million pairs of rubber and plastic footwear, and 833 million pairs of footwear with textile uppers.[48] About 30 percent of China's output was exported in 1989; 37 percent went to the United States. Hong Kong, the Soviet Union, Italy, France, and Germany were other major export markets for China's footwear. The industry is mainly around Beijing, Shanghai, Tianjin, and Suanghou.

China rose to world prominence as one of the largest producers and exporters of footwear during the 1980s. The granting of most-favored-nation (MFN) status to China in 1980 and the structural changes in the industrial sector caused much interest among Western investors who assisted China with machinery, technological know-how, and joint ventures. The major volume producers, Taiwan and Korea, unable to continue supplying low-cost footwear because of rising production costs, started producing less expensive athletic shoes through cooperative ventures in China.

Although China possesses enormous competitive advantages with its vast quantities of low-cost labor, energy, and material, China's footwear industry currently suffers from a number of problems. China lacks technical and marketing skills, and its infrastructure, especially transportation and port facilities, is inadequate. In addition, the shoe producers lack flexibility, and the quality of available hides is poor, necessitating importation of hides and leather from the United States, Korea, and Taiwan. The supply and machinery industries are not self-sufficient, requiring China to import a vast amount of machinery and components from abroad.[49]

The potential for growth in China's footwear industry is enormous. Its labor costs, currently averaging about 30 cents per hour, are the lowest among all major footwear producers. The Government is assisting export growth by setting up special economic zones, mainly on the East Coast, the predominant area for footwear production.[50] In these zones, imports can enter duty-free if they are to be used in products destined for export. The Government has invested $200 million to renovate and modernize a number of shoe factories and an additional $300 million for production of components and materials.[51] The investment will particularly help in adopting up-to-date leather technology and consequently lead to improved leather finishing. It will also solidify the component industry, which currently is a weak link in China's footwear manufacturing, and is expected to help increase leather footwear output to 400 million pairs, most of which is targeted for export markets.[52] Further, China is continually upgrading its products, which would eventually make it a viable competitor with Taiwan and Korea at the higher end of the market.

[48] SATRA, *World Footwear Markets, 1991*, p. 70.
[49] *World Footwear*, "China Survey, Manufacturers," Jan./Feb. 1989, p. 60.
[50] Ibid., p. 41.
[51] *World Footwear*, "China: The Great Unknown," Mar./Apr. 1991, p. 30.
[52] *World Footwear*, "China Survey, Manufacturers," Jan./Feb. 1989, p. 60.

Brazil

Brazil is the third-largest shoe producer in the world, after China and the Soviet Union.[53] In 1991, Brazil supplied 94 million pairs to the U.S. market, valued at $1 billion, which represented 8 percent by quantity and 11 percent by value of total U.S. imports. In Brazil, the shoe industry ranked fourth in terms of generating foreign exchange earnings in 1989. It consisted of approximately 4,000 companies producing footwear and parts, which in 1989 employed 350,000 people and produced about 625 million pairs of footwear. The industry is supported by a sizeable supply industry, consisting of 500 tanneries and 150 machinery companies.[54] The vast majority of companies are small; only about 100 companies are considered large by developed country standards. The industry is concentrated in the southern States of Minas Gerais, Sao Paulo, and Rio Grande do Sul, which together account for over 80 percent of total Brazilian output. These States also have major cattle and tanning industries.

Brazil exports about 25 to 30 percent of its production annually, about 70 percent of which goes to the United States.[55] Other significant export markets for Brazilian shoes in 1989 were the United Kingdom (6 percent), Paraguay and Canada (4 percent each), and Bolivia (3 percent). The bulk of production consists of women's leather footwear that is marketed in popular price ranges and competes directly with U.S.-produced leather shoes and shoes imported from Italy and Spain. Brazil's competitive advantage stems from its labor costs, which average less than 20 percent of those in the United States and other developed countries. Nevertheless, given its increasing dependence on the U.S. market, Brazilian leather shoes are very vulnerable to price competition there from traditional shoe producers, such as Taiwan and Korea, and a number of newer and lower cost producers, such as China, Thailand, and Indonesia. Producers in Brazil do not believe they can successfully diversify into the nonleather footwear market because of the domination of that market by more efficient producers in East Asia.

In view of the anticipated competition in the U.S. leather footwear market, Brazil plans to diversify its export markets.[56] Because the quality of domestically available leather is poor, Brazil will have to continue to import leather from Argentina, the United States, Italy, and Uruguay to produce quality shoes for the U.S. and other Western markets. The Government's policy of maintaining an official exchange rate instead of a market-driven rate has impeded the growth of Brazilian shoe exports.[57] During times of higher inflation in

[53] SATRA, *World Footwear Markets, 1991*, and Footwear Industries of America, *Footwear Tariff and Trade Regulations in Major Foreign Markets, 1991*, p. vi.
[54] *World Footwear*, "Brazilian Shoemakers Target Europe as U.S. Market Falters," Nov./Dec. 1990, p. 30.
[55] U.S. Consulate, Porto Alegre, *Industrial Outlook Report, Brazil: Leather Footwear*, Aug. 16, 1990, p. 8.
[56] Ibid. p. 3.
[57] Ibid.

Brazil, the overvalued cruzeiro has made its products relatively more expensive and not competitive in the U.S. market. However, in order to boost declining exports, the Brazilian Government has liberalized a number of import rules for its shoe manufacturers. Brazilian-made shoes for export were restricted to an import content limit of 30 percent until recently, when the limit was raised to 52 percent.[58] This is expected to improve the quality of Brazilian shoes and help Brazil enhance its international competitiveness.

Taiwan

Taiwan ranked fourth among world footwear producers in 1989. The footwear industry in Taiwan is highly fragmented. It consisted of 919 firms employing about 183,000 people producing 600 million pairs in 1989.[59] Nearly 60 percent of production consisted of plastic footwear. Approximately 95 percent of production was exported in 1989; about one-half went to the United States. In 1991, Taiwan was the third-largest supplier of footwear to the United States at 131 million pairs ($1.1 billion), or 12 percent of total U.S. imports. The footwear industry is very important to Taiwan's economy, with footwear accounting for 5 percent of Taiwan's total exports in 1989.[60]

Taiwan's footwear industry experienced rapid growth during the 1970s and early 1980s, before peaking in 1986, when its output reached 801 million pairs and exports reached an all-time high of 749 million pairs. Since then, production and exports have declined steadily because of increasing production costs, a shortage of skilled labor, growing labor unrest, and an appreciating New Taiwan dollar. Taiwan responded to this challenge by exploring offshore production possibilities for low-cost volume production lines and upgrading its production at home. Reportedly, 300 of Taiwan's companies have established over 1,000 production lines in Guangzhou and Fukien provinces in China, where production costs are significantly lower than in Taiwan and where investment opportunities are plentiful. Taiwan's Southeast Asian investments are small compared with those in China. Only 14 firms are believed to have invested in Thailand and Indonesia. This fact is, in part, attributable to the lack of cultural and language barriers between Taiwan and China, and to higher land and labor costs in Thailand and Indonesia.[61]

Taiwan's footwear exports, in terms of volume, are reported to have declined steadily in recent years, a trend that is expected to continue. The average unit price has been rising, reflecting the movement of labor-intensive operations overseas and the upgrading of Taiwan's domestic footwear production. In addition to the United States, which was by far the largest export market for Taiwan, the EC and Japan took 16 and 9 percent, respectively, of Taiwan's exports in 1989. Taiwan's export growth potential to the EC is limited as a result of voluntary quotas under a bilateral arrangement that took effect in July 1990 and that will be in force until December 1992. Other significant export markets for Taiwan are Canada, Australia, and Saudi Arabia. Taiwan has a well established machinery industry that grew rapidly as a result of overseas investment by Taiwan's footwear companies and the overall growth of footwear industries in China and other parts of Asia. The overseas growth has induced many producers of machinery and component parts to move their operations offshore to be closer to their customers. Taiwan also has a highly developed component materials industry. Leather is the only major input that Taiwan imports, mainly from the United States. It also imports some footwear machinery, chiefly from Italy and Germany.

Korea

The Korean footwear industry consisted of 231 manufacturers employing 142,000 people and producing 501 million pairs of footwear in 1989.[62] Korean producers are relatively large companies with 58 of them employing over 500 people each. The Korean footwear industry is predominantly export-oriented. Nearly 80 percent of its production was exported in 1989, with 64 percent going to the United States.[63] In 1991, Korea was the second-largest supplier of footwear to the United States at 146 million pairs and $2 billion. Japan, Germany, Canada, the Netherlands, and Australia are other principal export markets for Korean shoes. Leather athletic shoes composed the bulk of exports. These shoes are produced for large foreign buyers such as Nike, Reebok, L.A. Gear, Puma, and Adidas. The footwear industry is very important to the Korean economy, representing 3 percent of the manufacturing workforce and ranking sixth ($3.6 billion) among all export items in 1989.[64]

The appreciation of the Korean won, rising wages, and competition from lower-cost producers forced Korea to abandon high volume, low-value-added products and concentrate on significantly higher priced, better quality footwear. These conditions have also induced producers to move production offshore, especially to Southeast Asia, where wages are estimated to average less than one-half of Korean wages. Some Korean companies started making their own brands of sports footwear offshore in joint ventures with Indonesia and Thailand. Concerned about potential unemployment at home, the Korean Government reportedly has recently discouraged offshore investment in the footwear industry.

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[58] "Reforms Benefit Brazilian Shoe Workers," *The Journal of Commerce*, July 31, 1990,

[59] American Institute of Taiwan, Taipei, *Industrial Outlook Report: Shoes and Leather Products*, June 7, 1990.

[60] Ibid.

[61] Ibid.

[62] U.S. Embassy, Seoul, *Footwear Industry Report for 1989*, Oct. 16, 1990.

[63] Ibid.

[64] Ibid.

Korean wages have risen faster than productivity growth in the Korean footwear industry. During 1985-89, a 19 percent annual increase[65] in labor productivity in the Korean shoe industry was more than offset by the increase in worker compensation, which grew by 26 percent annually.[66] The growth in productivity is attributed to the introduction of CAD-CAM systems in the industry. According to the Korea Productivity Center (KPC), Korea's productivity lags behind that of the United States, but this is more than offset by relatively low Korean wages, which are about 30 percent of U.S. wages.

In addition to the United States, Korea's export markets are Japan, Germany, Canada, the United Kingdom, France, and the Netherlands. Korea is also developing footwear markets in Eastern Europe and the Soviet Union. Korean export growth is somewhat limited in the EC market by a voluntary restraint arrangement between Korea and the EC that became effective July 1, 1990, and will expire on December 31, 1992. Although Korea might face keen competition from China in the future, it is expected to remain a major world supplier of quality athletic shoes.

Italy

The Italian footwear industry built its reputation on styling and fashion, with great emphasis on handwork and the use of quality materials and components. The industry is highly fragmented and consists of about 8,827 firms, producing an estimated 400 million pairs of footwear annually, and is twice as large as that of its nearest West European rival, Spain.[67] It is an export-oriented industry, and in 1989, about 80 percent of its production by quantity was exported. The majority of Italy's exports went to other EC members, led by Germany, which took 27 percent of Italy's exports, and France and the United Kingdom, which took 15 and 9 percent, respectively. The United States took 11 percent. In 1991, Italy was the fifth-largest supplier of footwear to the United States at 33 million pairs ($779 million), representing 3 percent by quantity and 9 percent by value of total U.S. imports.

Since 1985, the Italian footwear industry has been beset by declining production, attributable to the worsening competitive situation in export markets due to unfavorable exchange rates, escalating wages in Italy, and strong competition from a number of low-cost suppliers. In 1989, imports supplied 58 percent of the Italian market and were 18 percent greater than Italy's domestic output. Italy's labor costs are among the highest in the world, and therefore Italy is not competitive in high-volume, low-end footwear. Italy's competitive advantages over its foreign competitors stem from its product innovation, quality, style, and a large pool of skilled labor. As a result, many Italian companies are small and technologically less developed than those in other industrialized countries. Often, small companies pool their resources to share new technology they could not otherwise afford. In addition, there has been rapid deployment of advanced technology in the larger companies and significant advances have been made by the supplying industries, such as machinery and components. Despite being beset by a number of problems in recent years, Italy is expected to remain one of the world's top footwear producers through its leading role in fashion, innovative technology, and strong supplying industries.

Other Countries

Indonesia and Thailand are the fastest growing shoe-producing and -exporting countries in the world. Korea and Taiwan have moved their volume operations to these countries to take advantage of their low-cost labor. Labor costs in Indonesia are among the lowest of all major producers, averaging about 15 to 20 percent of those in Korea and Taiwan. Indonesia's exports to the U.S. market grew from only 135,183 pairs in 1987 to 55 million pairs in 1991. The Government of Indonesia helped make this growth in exports possible by providing financial incentives for potential investors and protecting the domestic industry from import competition by raising footwear duties to as high as 100 percent. Indonesia's infrastructure is reasonably well developed. The quality of its raw hides is considered to be among the best in the Far East, but local supplies are not adequate, forcing shoe producers to import raw materials. The majority of the estimated 100 million pairs of footwear made there in 1990 consisted of athletic shoes, and roughly 60 percent of its 57 million exports went to the United States in 1990. Much of the remainder went to the United Kingdom, France, the Netherlands, and Italy.

Thailand's footwear industry consists of about 2,000 firms employing 70,000 workers. However, only 75 of the firms are of significant size. The industry is concentrated in Bangkok. Over the past 3 years, both production and exports more than doubled, to 200 million pairs and 100 million pairs respectively. The United States was the leading market for Thailand's exports, absorbing 19 percent of the total in 1989, followed by the Middle East, the United Kingdom, Belgium, and Singapore. Growth was aided by joint ventures with firms from Taiwan and Korea. Industry sources predict that Thailand's future growth will be slower than China's or Indonesia's, because of inadequate infrastructure and higher production costs.

Mexico, Portugal, Croatia, Serbia, Poland, and Romania have the potential to become major suppliers of footwear to the United States. Mexico is currently the ninth-largest source of imported footwear to the United States. However, Mexico represents less than .5 percent of U.S. imports in terms of value. About 67 percent of U.S. imports from Mexico entered under HTS heading 9802.00.80 in 1991 and almost three-quarters of the value was accounted for by the U.S.-made content that entered duty-free.

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[65] Ibid.

[66] U.S. Department of Labor, U.S. Bureau of Labor Statistics, *Hourly Compensation Costs for Production Workers in Leather Footwear Manufacturing, 12 Countries, 1975 and 1979-89*, Sept. 1990.

[67] SATRA, *World Footwear Markets, 1991*, p. 17.

The Mexican footwear industry consists of approximately 4,650 establishments, employing about 230,000 workers. Another 100,000 people are employed in the immediate supply industries. In addition, a significant number of people work at home. The establishments, owned mostly by Mexicans, are small and nearly half of them employ fewer than 100 workers each.

In 1989, Mexico is estimated to have produced 270 million pairs of footwear. Production is largely concentrated in Leon, Guadalajara, and Mexico City, which together accounted for over 90 percent of Mexico's shoe production. Although Mexico's productivity is low, its competitive strength stems from its low labor costs and its proximity to the U.S. market. However, according to industry sources, Mexico suffers from deficiencies in style and quality compared with its major competitors in the U.S. market. Until the recent implementation of trade liberalization measures in Mexico, uncertainty regarding Mexico's investment regulations, infrastructure shortcomings, import restrictions, and high tariffs reportedly limited U.S. participation in the Mexican industry and market to maquila operations.[68]

The United States is the largest market for Mexico's export of footwear. In 1989, the United States is estimated to have received about 80 percent of Mexican exports, totaling about 40 million pairs. As a market for U.S. exports of finished footwear, Mexico has ranked first in terms of quantity every year from 1987-1991, but dropped from second in terms of value in 1989 to fifth in 1991.

Poland and Romania have significant export-oriented footwear industries, as did Yugoslavia prior to its break up. In recent years, annual production in each of these countries exceeded well over 100 million pairs. Yugoslavian exports accounted for about 40 percent of its production, while those from Poland and Romania accounted for 15 and 20 percent, respectively. The majority of exports from Poland and Yugoslavia went to the Soviet Union. The growth potential from Poland, Romania, Croatia, and Serbia is very high, especially in view of their low production costs and the rapid structural and economic changes taking place in East European countries.[69]

[68] Maquila operations in Mexico assemble and/or process goods for export to foreign markets (usually the United States). These operations are either subsidiaries of foreign companies (usually U.S. firms), Mexican firms performing contract assembly for foreign firms, or Mexican firms using imported components/materials and producing chiefly for export markets. Nearly all of the components used in maquila assembly operations are made in the United States. No duty is applied to the value of U.S.-made components contained in imports from maquila operations.

[69] In 1988, Croatia accounted for 32 percent of Yugoslavia's production of footwear; Serbia, 30 percent; Bosnia, 14 percent, and Slovenia, 13 percent. It is likely that the 1991-92 civil war in which the Serb-controlled Yugoslav Army and local ethnic Serbs attacked Croat and Muslim ethnic groups in Croatia and Bosnia-Hercegovina has destroyed some of the production capacity in Croatia and Bosnia. The war has made transportation difficult in Croatia, Serbia, and Bosnia, particularly because of the Yugoslav Navy's blockade of Croatian ports, and the

The Portuguese footwear industry expanded in the last few years while footwear industries in almost all other EC countries contracted. As production costs in the EC and other West European countries rose, labor-intensive shoe manufacturing shifted to low-cost producers, such as Portugal and Greece. Even Greece was not able to compete with Portugal because of its own internal shortcomings and higher costs, estimated to be 20-to 30-percent higher than costs in Portugal.[70] Portugal produces more than 80 million pairs annually; over 80 percent are leather footwear. Nearly 60 million pairs were exported in 1988, primarily to other European countries. Although the United States is not currently a major market for shoes from Portugal, current trends portend a significant growth in their shipments to the United States.

U.S. TRADE MEASURES

Tariff Measures

Footwear is classified for tariff purposes in chapter 64 of the HTS. Various duty rates apply and product descriptions are complex. The current column 1-general rates of duty range from free to an ad valorem equivalent of almost 60 percent, with a trade-weighted average of 10.8 percent in 1991, about 7 percentage points above that for all merchandise imports (figure 9). Nonrubber footwear, with a trade-weighted average duty of 8.5 percent in 1991, about 5 percentage points above that for all merchandise imports, is subject to much lower rates than rubber footwear, whose trade-weighted duty averaged 34 percent (see table 17 for duty rates and trade data at each 8-digit HTS subheading level).

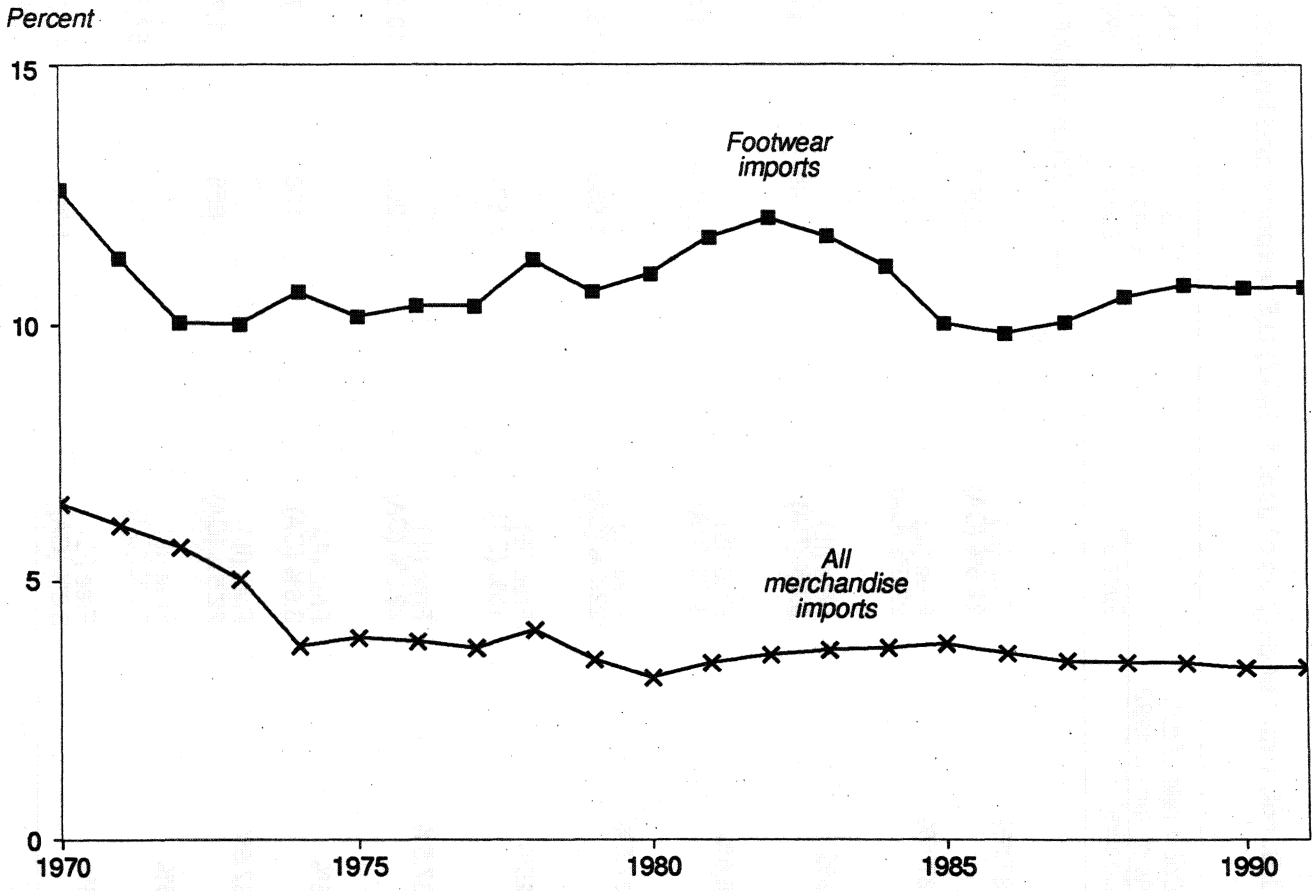
Footwear, with the exception of zoris (thonged sandals) and disposable footwear (which are not included in the statistical tables), is not eligible for duty-free treatment under the Generalized System of Preferences (GSP) or the Caribbean Basin Economic Recovery Act (CBERA). It is also not afforded preferential duty rates when imported from the least developed countries. However, preferential rates are granted to footwear from Israel under the United States-Israel Free Trade Area Implementation Act and from Canada under the United States-Canada Free-Trade Agreement (FTA). Both Israel and Canada are small suppliers, together accounting for less than 0.5 percent of U.S.imports in 1991. (See appendix B for an explanation of trade and tariff terms.)

Approximately 10 percent of 1991 footwear imports entered under HTS heading 9802.00.80. Under this provision, the duty on imported products assembled with U.S.-made components is assessed on the total value of the goods less the value of the

[69] *Continued*—
Army's destruction of bridges linking Bosnia and Croatia. Furthermore, at this writing, a United Nations embargo against trade with Serbia and Montenegro remains in effect. It will likely take a period of reconstruction for production and exports from the region to achieve prewar levels.

[70] *World Footwear*, "Country Survey, Portugal," p. 31.

Figure 9
Average tariff rates on imports of footwear and all merchandise



Note.—Average rates were calculated by dividing total tariff revenue collected by customs value of imports.

Source: Based on data from Bureau of the Census, *Highlights of U.S. Export and Import Trade,* Report No. FT990, U.S. various issues.

U.S.-made components, or essentially the value added abroad. The duty-free U.S.-origin components accounted for 13 percent of the total value of the footwear imports under this tariff provision in 1991.

U.S. import duties on nonrubber footwear, although excluded from further reduction in the Tokyo Round[71], are among the lowest in the world. A minor exception was footwear with soles and uppers of wool felt, for which the tariff was reduced from 7 percent to 2.8 percent. However, prior to the Tokyo Round, duty rates on rubber footwear were applied to appraised values determined under the American selling price (ASP) basis of valuation rather than on the foreign value, which was usually lower. In the Tokyo Round, new rates were established to be applied to the foreign value of imports. The rates resulting from the conversion were intended to be roughly equivalent to the effective rates resulting from ASP valuation. Thus, a duty level higher for rubber than nonrubber was preserved. This tended to encourage a shift in the types of footwear shipped to the U.S. market to circumvent either the duties or the quotas. During 1977-81, when quotas were in effect on imports of nonrubber footwear from Korea and Taiwan, these countries shifted to rubber footwear, reportedly to circumvent the quotas. Once the quotas expired in June 1981, they shifted back to nonrubber footwear reportedly to circumvent higher duty rates on rubber footwear. This happened particularly in the athletic shoe category. Uppers for athletic shoes often contain both leather and fabric and are classified as rubber or nonrubber based on the material constituting the majority of the surface area of the uppers, weight of the rubber and/or plastics and fabric in the shoes, and the method of manufacture. Only two types of rubber footwear—zoris and protective footwear with soles and 90 percent of the exterior surface area consisting of rubber or plastics—were granted tariff concessions during the Tokyo Round.

The conversion from the Tariff Schedules of the United States (TSUS) to the current HTS system did not generally affect the duty rates on footwear. In certain categories where products were merged, such as leather footwear, a trade-weighted duty rate replaced

[71] This round of negotiations, conducted during 1973-79 in Geneva, Switzerland, centered on additional tariff cuts and developed a series of agreements governing the use of a number of nontariff measures.

Table 17
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				Thousand dollars	
6401.10.00	Waterproof footwear incorporating a protective metal toe-cap, with outer soles and uppers or rubber	37.5%	Free (IL) 22.5% (CA)	2,062	564
6401.91.00	Waterproof footwear covering the knee, nesi,[2] with outer soles and uppers of rubber or plastics	37.5%	Free (IL) 22.5% (CA)	317	3,290
6401.92.30	Waterproof ski boots covering the ankle but not covering the knee, with outer soles and uppers of rubber	6%	Free (IL) 3.6% (CA)	49	4,009
6401.92.60	Waterproof footwear covering the ankle but not covering the knee, with over 90% of external surface area PVC	6.6%	Free (IL) 3.9% (CA)	1,053	1,600
6401.92.90	Waterproof footwear covering the ankle but not the knee, nesi, with outer soles and uppers of rubber or plastic	37.5%	Free (IL) 22.5% (CA)	1,053	15,233
6401.99.30	Waterproof protective footwear not covering the ankle, for use without closures, with outer soles and uppers of rubber or plastics	25%	Free (IL) 15% (CA)	1,571	934
6401.99.60	Waterproof protective footwear not covering the ankle, for use with closures, with outer soles and uppers of rubber or plastics	37.5%	Free (IL) 22.5% (CA)	262	10,527
6401.99.80	Waterproof footwear not covering the ankle, having over 90% of the external surface area of the uppers of rubber or plastics	6%	Free (IL) 3.6% (CA)	130	727
6401.99.90	Waterproof footwear not covering the ankle, nesi, with outer soles and uppers of rubber or plastics	37.5%	Free (IL) 22.5% (CA)	655	1,728
6402.11.00	Ski boots and cross-country ski footwear nesi, with outer soles and uppers of rubber or plastics	6%	Free (IL) 3.6% (CA)	987	57,711
6402.19.10	Sports footwear, with over 90% of the external surface area of the uppers of rubber or plastics	6%	Free (IL) 3.6% (CA)	1,393	93,055

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]	*Thousand dollars*	
6402.19.30	Sports footwear, with outer soles and uppers of rubber or plastic, nesi, valued not over $3/pair	48%	Free (IL) 28.8% (CA)	697	60
6402.19.50	Sports footwear, with outer soles and uppers of rubber or plastic, nesi, valued over $3 but not over $6.50 per pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr. + 22.5%	2,090	154
6402.19.70	Sports footwear, with outer soles and uppers of rubber or plastic, nesi, valued over $6.50 but not over $12 per pair	90¢/pr. + 20%	Free (IL) 54¢/pr. + 12%	2,090	897
6402.19.90	Sports footwear, with outer soles and uppers of rubber or plastic, nesi, valued over $12 per pair	20%	Free (IL) 12% (CA)	697	2,151
6402.20.00	Footwear of rubber or plastics with upper straps or thongs assembled to the sole by plugs (zoris)	2.4%	Free (A, E, IL) 1.4% (CA)	600	7,498
6402.30.30	Footwear nesi, with a protective metal toe-cap, having uppers 90% rubber or plastics, with outer soles of rubber or plastics	6%	Free (IL) 3.6% (CA)	74	6,456
6402.30.50	Footwear nesi, worn as a protection against liquids, chemicals, weather, metal toe-cap, with outer soles and uppers of rubber or plastics	37.5%	Free (IL) 22.5% (CA)	74	159
6402.30.60	Footwear nesi, with a protective metal toe-cap, with outer soles and uppers of rubber or plastics, valued not over $3 per pair	48%	Free (IL) 28.8% (CA)	148	103
6402.30.70	Footwear nesi, with a protective metal toe-cap, with outer soles and uppers of rubber or plastics, valued over $3 but not over $6.50/pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr.+ 22.5% (CA)	148	0

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				Thousand dollars	
6402.30.80	Footwear nesi, with a protective metal toe-cap, with outer soles and uppers of rubber or plastics, valued over $6.50 but not over $12/pair	90¢/pr + 20%	Free (IL) 54¢/pr.+ 12% (CA)	296	0
6402.30.90	Footwear nesi, with a protective metal toe-cap, with outer soles and uppers of rubber or plastics, valued over $12/pair	20%	Free (IL) 12% (CA)	741	0
6402.91.40	Footwear nesi, covering the ankle, uppers of which over 90% of surface area is rubber or plastics, with outer soles of rubber or plastics	6%	Free (IL) 3.6% (CA)	2,819	274,011
6402.91.50	Protective footwear nesi, covering the ankle, with outer soles and uppers of rubber or plastics	37.5%	Free (IL) 22.5% (CA)	228	4,869
6402.91.60	Footwear nesi, covering the ankle, with outer soles and uppers of rubber or plastics, valued not over $3/pair	48%	Free (IL) 28.8% (CA)	409	583
6402.91.70	Footwear nesi, covering the ankle, with outer soles and uppers of rubber or plastics, valued over $3 but not over $6.50/pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr. + 22.5% (CA)	409	194
6402.91.80	Footwear nesi, covering the ankle, with outer soles and uppers of rubber or plastics, valued over $6.50 but not over $12/pair	90¢/pr. + 20%	Free (IL) 54¢/pr. + 12% (CA)	455	1,418
6402.91.90	Footwear nesi, covering the ankle, with outer soles and uppers of rubber or plastics, valued over $12 per pair	20%	Free (IL) 12% (CA)	228	92,936
6402.99.05	Footwear nesi, having uppers over 90% rubber or plastics, made on a base or platform of wood, with outer soles of rubber or plastics	8%	Free (IL) 4.8% (CA)	559	106

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				Thousand dollars	
6402.99.10	Footwear nesi, having uppers over 90% rubber or plastics, made on a base or platform or cork, with outer soles of rubber or plastics	12.5%	Free (IL) 7.5%	559	1,276
6402.99.15	Footwear nesi, having uppers over 90% rubber or plastics, with outer soles of rubber or plastics (includes athletic shoes, slippers, sandals, and other footwear)	6%	Free (IL) 3.6%	11,371	1,315,438
6402.99.20	Protective footwear nesi, with outer soles and uppers of rubber or plastics	37.5%	Free (IL) 22.5% (CA)	1,118	3,129
6402.99.30	Footwear nesi, with outer soles and uppers of rubber or plastics with open toes or heels or slip ons	37.5%	Free (IL) 22.5%	1,607	2,265
6402.99.60	Footwear nesi, with outer soles and uppers or rubber or plastics, valued not over $3 per pair	48%	Free (IL) 28.8% (CA)	1,223	1,072
6402.99.70	Footwear nesi, with outer soles and uppers or rubber or plastics, valued over $3 per pair but not over $6.50 per pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr. + 22.5% (CA)	3,460	401
6402.99.80	Footwear nesi, with outer soles and uppers of rubber or plastics, valued over $6.50 but not over $12/pair	90¢/pr. + 20%	Free (IL) 54¢/pr. + 12% (CA)	1,118	1,948
6402.99.90	Footwear nesi, with outer soles and uppers or rubber or plastics, valued over $12/pair	20%	Free (IL) 12% (CA)	1,118	14,217
6403.11.30	Welt ski footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	Free		532	74
6403.11.60	Non-welt ski boots and cross-country ski footwear with outer soles of plastics, leather, or composition leather and uppers of leather	10%	Free (IL) 6% (CA)	59	4,732

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				Thousand dollars	
6403.19.15	Welt sport footwear (except ski footwear), with outer soles of rubber, plastics, leather, or composition leather and uppers of leather, for men	5%	Free (IL) 3% (CA)	3,636	1,763
6403.19.45	Non-welt sports footwear (except ski footwear), with outer soles of rubber, plastics, leather, or composition leather and uppers of leather, for men	8.5%	Free (IL) 5.1% (CA)	43,629	103,386
6403.19.60	Sports footwear (except ski footwear), with outer soles of rubber, plastics, leather, or composition leather and uppers of leather, for women and children	10%	Free (IL) 6% (CA)	25,450	21,669
6403.20.00	Footwear with outers soles of leather and uppers of leather straps across the instep and around the big toe	10%	Free (IL) 6% (CA)	3,312	2,815
6403.30.00	Footwear with upper of leather, made on a base or platform of wood, not having and inner sole or a protective metal toe-cap	8%	Free (IL) 4.8% (CA)	215	603
6403.40.30	Welt footwear incorporating a protective metal toe-cap, with outer soles of rubber, plastics, leather, or composition leather and uppers of leather	5%	Free (IL) 3% (CA)	4,805	36,093
6403.40.60	Nonwelt footwear incorporating a protective metal toe-cap, with outer soles of rubber, plastics, leather, or composition leather and uppers of leather	8.5%	Free (IL) 5.1% (CA)	2,059	32,179
6403.51.30	Welt footwear with outer soles and uppers of leather, covering the ankle	5%	Free (IL) 3% (CA)	9,219	29,275
6403.51.60	Nonwelt footwear with outer soles and uppers of leather, covering the ankle, for men, youths, and boys	8.5%	Free (IL) 5.1% (CA)	8,296	20,711
6403.51.90	Nonwelt footwear with outer soles and uppers of leather, covering the ankle, for women and children	10%	Free (IL) 6% (CA)	922	27,441

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	Description	Col. 1 rate of duty As of Jan. 1, 1992 General	Special[1]	U.S. exports, 1991	U.S. imports, 1991
				Thousand dollars	
6403.59.15	Turn or turned footwear with outer soles and uppers of leather, nesi	2.5%	Free (IL) 1.5% (CA)	6,774	8,822
6403.59.30	Welt footwear with outers soles and uppers of leather, nesi	5%	Free (IL) 3% (CA)	6,774	13,824
6403.59.60	Nonwelt footwear with outer soles and uppers of leather, for men and boys, nesi	8.5%	Free (IL) 5.1% (CA)	50,806	254,695
6403.59.90	Nonwelt footwear with outer soles and uppers of leather, for women and children, nesi	10%	Free (IL) 6% (CA)	3,387	532,972
6403.91.30	Welt footwear, with outer soles of rubber, plastics, or composition leather and uppers of leather	5%	Free (IL) 3% (CA)	9,906	134,343
6403.91.60	Nonwelt footwear, with outer soles of rubber, plastics, or composition leather and uppers of leather for men	8.5%	Free (IL) 5.1% (CA)	18,918	1,041,397
6403.91.90	Nonwelt footwear, with outer soles of rubber, plastics, or composition leather and uppers of leather, for women and children	10%	Free (IL) 6% (CA)	991	500,755
6403.99.20	Footwear nesi, with uppers of leather, made on a base or platform of wood	8%	Free (IL) 4.8% (CA)	1,988	1,937
6403.99.40	Welt footwear with outer soles of rubber, plastics, or composition leather and uppers of leather, nesi	5%	Free (IL) 3% (CA)	1,988	34,993
6403.99.60	Nonwelt footwear with outer soles of rubber, plastics, or composition leather and uppers of leather, nesi, for men (includes athletic shoes, slippers, work shoes, and other footwear)	8.5%	Free (IL) 5.1% (CA)	14,684	1,265,965
6403.99.75	Nonwelt footwear with outer soles of rubber, plastics, or composition leather and uppers of leather, nesi, for women and children, valued not over $2.50/pair	15%	Free (IL) 9% (CA)	4,052	2,513

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				Thousand dollars	
6403.99.90	Nonwelt footwear with outer soles of rubber, plastics, or composition leather and uppers of leather, nesi, for women and children, valued over $2.50/pair (includes athletic shoes, slippers, dress shoes, and other footwear)	10%	Free (IL) 6% (CA)	23,936	2,233,286
6404.11.20	Sports and athletic footwear with outer soles of rubber or plastics having uppers of which over 50% leather, also having uppers of textile materials	10.5%	Free (IL) 6.3% (CA)	42,398	120,939
6406.11.40	Sports and athletic footwear of special construction, soles of rubber or plastics and uppers of textile materials, valued not over $3/pair	37.5%	Free (IL) 22.5% (CA)	1,696	1,503
6404.11.50	Sports and athletic footwear with outer soles of rubber or plastics nesi, and uppers of textile materials, valued not over $3/pair	48%	Free (IL) 28.8% (CA)	2,544	48,615
6404.11.60	Sports and athletic footwear of special construction, soles of rubber or plastics and uppers of textile materials, valued over $3 but not over $6.50/pair	37.5%	Free (IL) 22.5% (CA)	4,240	758
6404.11.70	Sports and athletic footwear with outer soles of rubber or plastics nesi, and uppers of textile materials, valued over $3 but not over $6.50/pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr. + 22.5% (CA)	12,719	49,367
6404.11.80	Sports and athletic footwear with outer soles of rubber or plastics and uppers of textile materials, nesi, valued over $6.50 but not over2$12/pair	90¢/pr. + 20%	Free (IL) 54¢/pr. + 12% (CA)	12,719	53,138
6404.11.90	Sports and athletic footwear with outer soles of rubber or plastics and uppers of textile materials, nesi, valued over $12/pair	20%	Free (IL) 12% (CA)	8,480	183,499

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				— *Thousand dollars* —	
6404.19.15	Footwear with outer soles of rubber or plastics, nesi, having uppers of which over 50% of the external surface is leather	10.5%	Free (IL) 6.3% (CA)	4,059	41,011
6404.19.20	Footwear with outer soles of rubber or plastics, designed to be worn as protection, with uppers of textile materials	37.5%	Free (IL) 22.5% (CA)	700	9,488
6404.19.25	Footwear with open toes or heels and of the slip-on type, less than 10% rubber or plastics by weight, with uppers of vegetable fibers	7.5%	Free (IL) 4.5% (CA)	1,270	2,713
6404.19.30	Footwear with open toes or open heels or of the slip-on type, less than 10% rubber or plastics by weight, with uppers of textile materials nesi	12.5%	Free (IL) 7.5% (CA)	1,270	5,357
6404.19.35	Footwear with open toes or heels, with outer soles of rubber or plastics and uppers of textile materials, nesi	37.5%	Free (IL) 22.5% (CA)	705	69,060
6404.19.40	Footwear having certain specified soles of rubber or plastics and uppers of textile materials, valued not over $3/pair	37.5%	Free (IL) 22.5% (CA)	575	11,040
6404.19.50	Footwear with outer soles of rubber or plastics and uppers of textile materials, nesi, valued not over $3 pair	48%	Free (IL) 28.8% (CA)	640	124,619
6404.19.60	Footwear having certain specified soles of rubber or plastics and uppers of textile materials, valued over $3 but not over $6.50/pair	37.5%	Free (IL) 22.5% (CA)	575	6,539
6404.19.70	Footwear with outer soles of rubber or plastics and uppers of textile materials, nesi, valued over $3 but not over $6.50/pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr. + 22.5% (CA)	539	23,751

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				— *Thousand dollars* —	
6404.19.80	Footwear with outer soles of rubber or plastics and uppers of textile materials, nesi, valued over $6.50 but over $12/pair	90¢/pr. + 20%	Free (IL) 54¢/pr. + 12% (CA)	575	38,652
6404.19.90	Footwear with outer soles of rubber or plastics and uppers of textile materials, nesi, valued over $12/pair	20%	Free (IL) 12% (CA)	575	6,751
6404.20.20	Footwear, outer sole of leather, not over 50% rubber or plastics or 50% textile materials, with at least 10% rubber or plastics, with uppers of textile materials, valued not over $2.50/pair	15%	Free (IL) 9% (CA)	447	7,447
6404.20.40	Footwear, outer sole of leather, not over 50% rubber or plastics or 50% textile materials, with at least 10% rubber or plastics, with uppers of textile materials, valued over $2.50/pair	10%	Free (IL) 6% (CA)	1,787	57,330
6404.20.60	Footwear, outer sole of leather or composition leather, nesi, with uppers of textile materials	37.5%	Free (IL) 22.5% (CA)	2,234	4,499
6405.10.00	Footwear, nesi, with uppers of leather or composition leather	10%	Free (IL) 6% (CA)	10,623	7,583
6405.20.30	Footwear, nesi, with uppers of vegetable fibers	7.5%	Free (IL) 4.5% (CA)	3,035	8,755
6405.20.60	Footwear, nesi, with uppers of wool felt	2.8%	Free (IL) 1.6% (CA)	434	1,275
6405.20.90	Footwear, nesi, with uppers of textile materials other than of vegetable fibers or wool felt	12.5%	Free (IL) 7.5% (CA)	1,218	36,418
6405.90.20	Disposable footwear, designed for one-time use	7.5%	Free (A, E, IL)[2] 4.5% (CA)	1,078	490
6405.90.90	Footwear nesi	12.5%	Free (IL) 7.5% (CA)	3,422	22,994
6406.10.05	Formed footwear uppers of leather or composition leather for men, youths and boys	8.5%	Free (IL) 5.1% (CA)	7,488	686

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	Description	Col. 1 rate of duty As of Jan. 1, 1992 General	Special[1]	U.S. exports, 1991	U.S. imports, 1991
				Thousand dollars	
6406.10.10	Formed footwear uppers of leather of composition leather, for persons other than men, youths and boys	10%	Free (IL) 6% (CA)	12,980	251
6406.10.20	Formed footwear uppers of textile materials, of which over 50 percent of external surface is leather	10.5%	Free (IL) 6.3% (CA)	2,496	0
6406.10.25	Formed footwear uppers of textile materials, nesi, but not over $3/pair	48%	Free (IL) 28.8%	2,496	0
6406.10.30	Formed footwear uppers of textile materials, nesi, valued over $3.00 but not over $6.50/pair	90¢/pr. + 37.5%	Free (IL) 54¢/pr. + 22.5% (CA)	2,496	2
6406.10.35	Formed footwear uppers of textile materials, nesi, valued over $6.50 but not over $12/pair	90¢/pr. + 20%	Free (IL) 54¢/pr. + 12% (CA)	2,496	3
6406.10.40	Formed footwear uppers of textile materials, nesi, valued over $12/pair	20%	Free (IL) 12% (CA)	499	2
6406.10.45	Formed footwear uppers, with a surface area of over 90% rubber or plastics, not suitable to make footwear with foxing or protective footwear	6%	Free (IL) 3.6% (CA)	2,496	124
6406.10.50	Formed footwear uppers, nesi	37.5%	Free (IL) 22.5% (CA)	2,496	120
6406.10.60	Footwear uppers, other than formed, or of rubber or plastics	5.3%	Free (A, E, IL) 3.1% (CA)	3,495	50,931
6406.10.65	Footwear uppers, other than formed, of leather	3.7%	Free (A*, E, IL) 2.2% (CA)	4,992	220,145
6406.10.70	Footwear, uppers, other than formed, with over 50 percent of the external surface of textile materials	Free		499	12,109

Footnotes are at the end of the table.

Table 17—Continued
Footwear: Harmonized Tariff Schedule subheading; description; U.S. col. 1 rate of duty as of Jan. 1, 1992; U.S. exports and imports, 1991

HTS subheading	*Description*	*Col. 1 rate of duty As of Jan. 1, 1992*		*U.S. exports, 1991*	*U.S. imports, 1991*
		General	*Special*[1]		
				— *Thousand dollars* —	
6406.10.72	Footwear uppers, except formed uppers, of cotton, having external surface area less than 50% textile materials	11.2%	Free (A, E) 1.1 (IL) 6.7% (CA)	0	746
6406.10.77	Footwear uppers, except formed uppers, and parts thereof, of cotton, nesi	11.2%	1.1% (IL) 6.7% (CA)	0	40,950
6406.10.85	Footwear uppers, except formed uppers, of materials nesi, having an external surface area of less than 50% textile materials	9%	Free (A, E) 0.9% (IL) 5.4% (CA)	0	85
6406.10.90	Footwear uppers (except formed uppers), and parts thereof, nesi	9%	Free (E*) 0.9% (IL) 5.4% (CA)	0	33,601
6406.20.00	Outer soles and heels of footwear, of rubber or plastics	5.3%	Free (A, E, IL) 3.1% (CA)	8,708	44,531
6406.91.00	Parts of footwear nesi, of wood	5.1%	Free (A, E, IL) 3% (CA)	783	194
6406.99.15	Parts of footwear nesi, of textile materials	17%	1.7% (IL) 10.2% (CA)	14,750	3,125
6406.99.30	Parts of footwear nesi, of rubber or plastics	5.3%	Free (A, E, IL) 3.1% (CA)	28,831	9,164
6406.99.60	Parts of footwear nesi, of leather	5%	Free (A*, E, IL) 3% (CA)	21,623	11,998
6406.99.90	Parts of footwear nesi, of materials nesi	18%	Free (A,E,IL) 9.1% (CA)	7,208	3,008

[1] Programs under which special tariff treatment may be provided, and the corresponding symbols for such programs as they are indicated in the "Special" subcolumn, are as follows: Generalized System of Preferences (A); Automotive Products Trade Act (B); Agreement on Trade in Civil Aircraft (C); United States-Canada Free-Trade Agreement (CA); Caribbean Basin Economic Recovery Act (E); and United States-Israel Free Trade Area (IL).

[2] Not elsewhere specifically included.

Source: U.S. exports and imports compiled from data of the U.S. Department of Commerce.

the various duty rates of merged categories. The conversion brought all footwear and footwear parts under chapter 64 of the HTS, in contrast to the TSUS system in which footwear and footwear parts were classified in different schedules.

Nontariff Measures

There are no known domestic nontariff measures or actions currently in effect.

Trade-related Investigations

The Commission has conducted several investigations on footwear during the past 15 years under section 201 of the Trade Act of 1974 (19 U.S.C. 2251), the so-called U.S. escape-clause law. In the last one, investigation No. TA-201-55 (1985), the Commission made an affirmative injury determination with respect to the U.S. nonrubber footwear industry and recommended relief. However, the President decided that import relief would not be in the national interest. In a previous investigation with the same product coverage, investigation No. TA-201-50 (1984), the Commission made a negative injury determination. In two earlier investigations in 1976 and 1977, the Commission made affirmative injury determinations. Following receipt of the Commission's report on investigation No. TA-201-7 (1976), the President ordered expedited consideration of petitions for adjustment assistance from the industry. Investigation No. TA-201-18 (1977) led to the negotiation of 4-year orderly marketing agreements (OMAs) with Taiwan and Korea. In 1981, the Commission investigated the effect of the termination or continuation of these OMAs (investigation No. TA-203-7), and recommended that the OMA with Taiwan be extended for 2 years and that the one with Korea be terminated. However, no action was taken by the President and both OMAs were allowed to expire on June 30, 1981.

FOREIGN TRADE MEASURES

Tariff Measures[72]

Foreign countries generally impose higher duty rates on imports than the United States. In addition, a number of countries levy supplementary taxes and charges on imports of footwear. The tariff rates in EC member states are relatively low, ranging from 4.6 percent to 20 percent of c.i.f. value (4.9 to 25 percent in Portugal). Japan imposes tariff rate quotas and relatively high duty rates. Japanese duties range from 10 to 30 percent on nonathletic leather footwear imported under its quota and on other nonleather footwear. However, nonathletic leather footwear imported in excess of the quotas is dutiable at rates ranging from 30 to 60 percent. Canada, Australia, and New Zealand have higher tariffs than those in the United States, and also have supplementary taxes that make the cost of importing high. India, Thailand, the Philippines, Brazil, and China have prohibitive tariff rates and supplementary taxes, which discourage exporting to these countries. Most of the Central American, Caribbean, and South American countries have relatively high tariff rates and supplementary taxes or charges. Details of tariff rates and supplementary taxes for footwear imports in selected countries are provided in table C-3.

Japan and Australia currently have tariff rate quotas on footwear imports. Tariff rate quotas introduced by Japan in 1986 apply to nonathletic leather footwear. Only 4.8 million pairs of nonathletic leather footwear are allowed to enter Japan under the quota at the MFN duty rate of about 27 percent (imports from countries eligible for Japan's GSP are dutiable at a rate of 13.5 percent). All imports beyond that level are assessed a duty of 60 percent if from MFN countries and 30 percent if from Japan's GSP countries. The United States has filled between 5 and 7 percent of the quotas annually during 1986-90. In addition, import licenses are required to bring in imports under the quota and to receive the 27-percent MFN duty rate.

The tariff rate quota system implemented by Australia in 1989 has a base quota duty rate of 45 percent of f.o.b. value. Australia's "tender quota" allows limited additional imports by bidding for quotas at duties above the standard 45 percent.

Several countries impose rates lower than their MFN rates in the case of imports from developing countries or from countries with which they have signed a free-trade or other agreement. EC and EFTA members have arrangements that generally provide duty-free access to trade between members. Other international trading blocks include the Latin American Integration Association (ALADI),[73] the Central American Common Market (CACM),[74] the Andean Group,[75] the Caribbean Common Market (CCM),[76] and the Association of South East Asian Nations (ASEAN).[77] A treaty forming the Southern Market (MERCOSUR in Spanish and MERCOSUL in Portuguese) signed by Brazil, Argentina, Uruguay, and Paraguay provides for all trade barriers between them to be eliminated by 1996.

Nontariff Measures[78]

Import licenses are needed for importing into China and India, and licenses are turned down if comparable items are domestically produced.[79]

[72] Footwear Industries of America, *Footwear Tariff and Trade Regulations*, 1991.

[73] Includes Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela.

[74] Includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; Panama has observer status.

[75] Includes Bolivia, Colombia, Ecuador, Peru, and Venezuela.

[76] Includes Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guayana, Jamaica, Montserrat, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago.

[77] Includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Brunei.

[78] Footwear Industries, *Footwear Tariff and Trade Regulations*.

[79] Ibid., pp. 9 and 25.

Effectively, footwear imports are prohibited in India. Korea, Taiwan, and Thailand require import licenses for statistical purposes.[80] Import licenses are also needed for importing into Argentina, but they are usually granted within 5 working days. Honduras requires import licenses and prohibits imports of footwear from El Salvador.[81] Certain Central and South American countries have restrictions on certain types of footwear, such as Ecuador (on one-unit rubber shoes) and Trinidad and Tobago (on men's shoes and sneakers).[82] In Costa Rica, the Central Bank requires a 50-percent advance deposit in local currency when soliciting foreign currency for import payment.[83] Finland requires import licenses for rubber and plastic footwear imports from China and Taiwan. Sweden requires import licenses for footwear imports from China. Guatemala requires import proforma[84] before obtaining foreign exchange for importing. The EC has voluntary export restraint arrangements with Korea and Taiwan and imports of footwear from these countries are monitored Communitywide.

U.S. MARKET

Consumption

U.S. consumption of footwear rose by an average annual rate of 3.8 percent during 1987-91, to $12.9 billion (table C-4). In terms of constant 1987 value, consumption declined by 0.4 percent annually. By volume, apparent consumption rose by 0.7 percent per year, to 1.4 billion pairs in 1991. The growth in consumption during 1987-91 was generated entirely by imports, which increased their share of consumption from 78 percent in 1987 to 82 percent in 1991 (figure 10, table C-4), indicating a decrease in competitiveness of the U.S. footwear industry.

In terms of value, the import share of consumption rose from 65 percent in 1987 to 71 percent in 1991. Inflation was generally higher for imported shoes but in terms of inflation-adjusted value, imports still increased their share to 71 percent (table C-4).

Of the major types, athletic footwear, including rubber-soled fabric types, was the largest category, representing 39 percent of consumption by quantity in 1991. Women's shoes, excluding athletic, was the second-largest category in terms of quantity, accounting for 37 percent of total consumption (table C-5). While consumption of men's and women's shoes showed rapid declines (men's declined by 22 percent and women's declined by 9 percent during 1987-91), athletic footwear, including rubber-soled fabric uppers, increased 21 percent during the period. Imports captured increased shares of the domestic market in all major types and products (table C-5).

[80] Ibid, pp. 29, 44 and 45.
[81] Ibid, pp. 22.
[82] Ibid, pp. 14 and 46.
[83] Ibid, p. 11.
[84] Forms provided in advance describing the items.

In 1991, total footwear consumption in the United States was estimated at 1.4 billion pairs, valued at $31 billion.[85] Approximately 55 percent of the sales volume in 1990 was accounted for by women, 27 percent by men, and the remainder by juveniles. In terms of value, women's footwear accounted for nearly one-half of the total; men's, 40 percent; and the remainder, juveniles.[86]

Athletic/tennis footwear was the largest shoe category in terms of quantity in 1986 and 1990, and became the largest category in terms of value in 1990. Dress shoes was the next largest, followed by casual shoes, as shown in table 18.

Western boots was the most expensive type of footwear, averaging $65.34 per pair at retail in 1990. Work shoes ($46.29) was the next most expensive category, followed by dress ($32.63) and athletic shoes ($30.39), as shown in table 19.

In 1990, 47 percent of footwear sales by quantity were valued under $24.50 per pair; another 34 percent were sold in the price range $24.50 - $49.49.[87] The most significant retail outlets are shoe specialty stores and self-serve shoe stores, discount stores, and department stores, accounting for approximately 70 percent of sales. Less important outlets include apparel stores, drug stores, and mail-order suppliers.

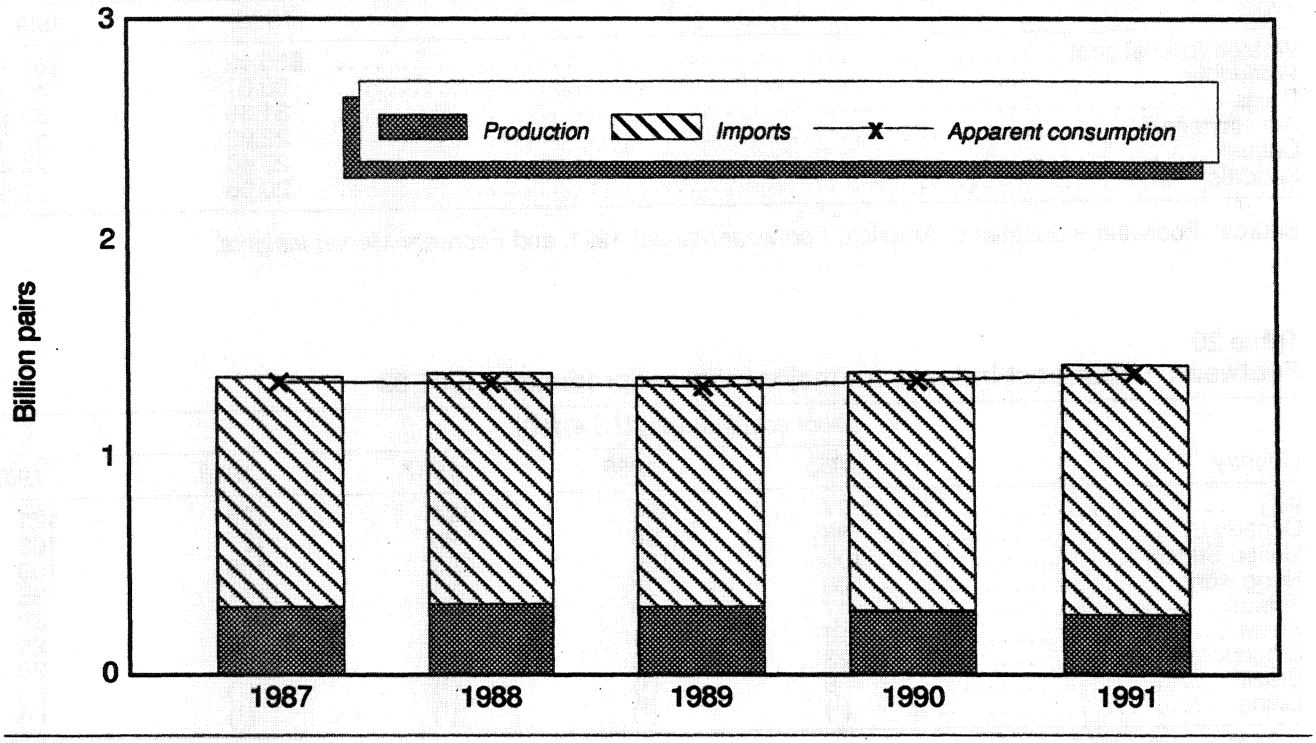
Conditions of Competition Between the U.S. and the Foreign Product

Demand for footwear, like most other apparel products, is influenced by price, quality, and fashion. The most significant factor influencing the competitiveness of U.S. and foreign producers is labor cost, which represents 26 percent of output value and 52 percent of value added in the U.S. industry.[88] Because the production of footwear is labor-intensive, countries with low labor costs have significant cost advantages over the United States. Although lower productivity in foreign industries partially offsets some of their labor-cost advantages, foreign manufacturers have gained market share in the United States at the expense of U.S. producers. Labor cost indexes in leather footwear manufacturing for major shoe producers are provided in table 20.

As stated in the foreign industry section above, firms in several traditionally low-cost footwear-producing countries, most notably Korea and Taiwan, have experienced rising domestic labor costs, and have shifted production to nearby, lower-wage countries, such as China, Thailand, and Indonesia. U.S. firms have tended not to establish operations in lower cost foreign countries, but have instead tended to purchase shoes under contract from firms in these same low-wage countries.

[85] U.S. Department of Commerce, U.S. Bureau of the Census and Bureau of Economic Analysis. Footwear consumption in dollars is from Bureau of Economic Analysis, *Survey of Current Business*, various issues.
[86] Footwear Industries of America, *Footwear Manual*, 1991, pp. 22 and 23.
[87] Ibid, p. 35.
[88] U.S. Bureau of the Census, *Annual Survey of Manufacturers*, 1990.

Figure 10
Footwear: U.S. imports, production, and apparent consumption,[1] 1987-91



[1] Apparent Consumption= Production + Imports-Exports.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 18
Footwear: Share of retail market by major product type, by quantity and value, 1986 and 1990

	Percent of total			
	Quantity		*Value*	
Type	*1986*	*1990*	*1986*	*1990*
Athletic/tennis	34	40	28	38
Dress	28	25	33	26
Casual	17	15	15	12
Work	4	4	6	7
Sandals	9	6	7	4
Western boots	1	1	3	3
Other	7	9	8	10

Note.—Excludes slippers and rubber and plastic protective footwear; hence the above ratios may differ from ratios published elsewhere in this report.

Source: Footwear Industries of America, *Footwear Manual*, 1991, and *Footwear Market Insights*.

Table 19
Footwear: Average retail price by type of footwear, 1986 and 1990

Type	1986	1990
Western/casual boot	$55.42	$65.34
Work/duty	38.87	46.29
Dress	31.36	32.63
Athletic/tennis	22.08	30.39
Casual	23.40	24.46
Sandals	20.06	20.60

Source: Footwear Industries of America, *Footwear Manual*, 1991, and *Footwear Market Insights*.

Table 20
Footwear: Labor cost indexes for major footwear producers, 1985-89

	Labor cost indexes (U.S.= 100)				
Country	1985	1986	1987	1988	1989
Italy	77	104	124	126	121
Canada	88	88	93	101	103
United States	100	100	100	100	100
Hong Kong	28	30	31	34	35
Taiwan	17	18	20	24	30
Korea	13	14	16	22	29
Singapore[2]	23	19	19	24	26
Brazil	9	(1)	(1)	(1)	(1)
China	(1)	(1)	(1)	(1)	(1)

[1] Not available.
[2] Including rubber and plastics footwear.

Source: U.S. Bureau of Labor Statistics, *Hourly compensation costs for production workers in leather footwear manufacturing, 12 countries, 1975, 1979-89.*

Generally, footwear from high-wage countries has not been competitive in the U.S. market. According to statistics of the U.S. Department of Commerce, 8 of the 10 largest suppliers of footwear by value in 1991 were developing countries or newly industrialized countries with wage rates significantly below those of more fully industrialized countries, as shown in the following tabulation (in millions of dollars):

Country	Value of U.S. imports
China	2,482
Korea	1,959
Taiwan	1,112
Brazil	954
Italy	779
Indonesia	414
Spain	309
Thailand	278
Mexico	112
Hong Kong	102
All others	603
Total	9,104

As the labor costs of foreign countries have risen relative to U.S. labor costs, U.S. imports from those countries have generally declined, making room for newer, lower cost suppliers. This is illustrated by the decrease in imports from Italy and Japan during the early 1970s, as shown in table 21. Imports from Korea and Taiwan reveal the same pattern in the late 1980s, as shown in table 22. The decreases in imports from Korea and Taiwan are even more dramatic because labor costs in those countries had not even approached 30 percent of those in the United States before their shipments to the United States started declining.

According to industry sources, the significant differences in labor costs have forced a number of U.S. producers to import footwear and footwear parts to remain competitive in the market. The U.S. industry considers adoption of new technology essential to improving competitiveness in manufacturing and marketing. Increased use of computers has helped to integrate design, manufacturing, management, and marketing functions. Depending on the availability of capital, however, much of this new technology can be readily transferred to Far Eastern producing countries, partially nullifying any competitive edge achieved by U.S. manufacturers.[89] U.S. producers have developed market niches, improved product quality, and emphasized nonprice factors such as customer service and warehousing to compete with imports.[90] As a result of these factors, along with the differences in manufacturing costs, domestically made shoes differ significantly from imports in unit prices. In 1991, domestic footwear averaged $15.20 per pair (wholesale), compared with $7.86 per pair for imports (f.o.b. value).

[89] U.S. Department of Commerce, *U.S. Industrial Outlook 1992*, p. 34-7.
[90] Information obtained by the Commission staff during an interview with Brown Shoe Co. officials in St. Louis, MO, on Sept. 16, 1991.

Table 21
Footwear: Italian and Japanese labor costs as a ratio of U.S. labor costs, and U.S. imports from Italy and Japan

Italy			*Japan*		
Year	*Labor costs*	*U.S. imports*	*Year*	*Labor costs*	*U.S. imports*
Year	*Percent*	*Million pairs*		*Percent*	*Million pairs*
1970	37	81.4	1970	29	89.5
1971	47	78.8	1971	31	80.1
1972	53	80.3	1972	42	43.2
1973	61	77.9	1973	52	18.9
1974	65	63.7	1974	55	11.1
1975	88	55.5	1975	57	8.0

Source: Compiled from official statistics of the U.S. Bureau of Labor Statistics and the U.S. Department of Commerce.

Table 22
Footwear: Korean and Taiwanese labor costs as a ratio of U.S. labor costs and U.S. imports from Korea and Taiwan

Korea			*Taiwan*		
Year	*Labor costs*	*U.S. imports*	*Year*	*Labor costs*	*U.S. imports*
Year	*Percent*	*Million pairs*		*Percent*	*Million pairs*
1985	13	163.8	1985	17	396.3
1986	14	207.8	1986	18	461.9
1987	16	230.6	1987	20	447.3
1988	22	236.1	1988	24	362.1
1989	29	209.2	1989	30	284.2

Source: Compiled from official statistics of the U.S. Bureau of Labor Statistics and the U.S. Department of Commerce.

Larger production runs result in economies of scale in purchasing materials and other overhead costs. There are also economies of scale in marketing, scheduling, centralized component manufacturing, and R&D. The competitive strengths of some of the large manufacturers in the United States and in Korea, Italy, Taiwan, Brazil, and China stem from their size. Economies of scale are also achieved by competing concurrently in a number of different markets, as is the case with several producers in East Asia and Italy. This can be achieved by introducing or adapting successful style trends from one market to another that is culturally similar. In contrast to a number of major world producers, U.S. producers are not active participants in foreign markets.

When fashion and styles are important and fast-changing, economies of scale are not an advantage unless the company is automated to the degree that it can respond quickly to new styles and fashions. The majority of companies in Italy and Southeast Asia that are small in size and not automated, compete in terms of their ability to respond quickly to changes in fashion.

Production

The value of U.S. shipments of domestically produced footwear increased in nominal value by 0.5 percent annually during 1987-91, from $4.1 billion to $4.2 billion (table C-4). In constant dollars, the shipments actually declined by 3 percent per year during this period. In terms of quantity, production averaged a 3-percent drop annually, declining from 312 million pairs in 1987 to 275 million pairs in 1991. Most of the decline occurred in nonrubber footwear, which made up 63 percent of domestic output by quantity and 84 percent of domestic shipments by value. Domestic production declined steadily over the 1987-91 period, due largely to loss of market share to imports.

Major Types

Domestic production and shipments declined during 1986-90 in almost all major types of footwear, except athletic shoes and rubber footwear, as shown in table 23.

Table 23
Footwear: U.S. production and value of shipments, by major types, 1986 and 1990

Type	1986		1990		Percent change	
	Quantity	Value	Quantity	Value	Quantity	Value
	(Million pairs; million dollars)				(Percent)	
Men's	42.8	$1,214	32.6	$1,237	-24	2
Women's	82.4	1,305	66.8	1,325	-19	2
Juvenile	32.4	216	24.5	188	-24	-13
Athletic	9.4	124	13.7	166	46	34
Work	15.2	513	13.0	540	-14	5
Slippers	55.9	176	45.2	254	-19	14
Rubber/ fabric	70.9	326	79.0	425	11	30
Protective	11.8	114	15.4	172	31	51
Other	2.2	25	2.8	28	27	12
Total	323.0	4,013	293.0	4,335	-9	8

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 24
Footwear: U.S. production by type of upper material, 1987-90

Type	1987	1988	1989	1990
	Quantity (million pairs)			
Leather	146	140	119	108
Rubber/plastic, including protective	34	46	56	53
Fabric	130	139	138	132
Total	310	325	313	293
	Percent of total			
Leather	47	43	38	37
Rubber/plastic, including protective	11	14	18	18
Fabric	42	43	44	45
Total	100	100	100	100

Source: Compiled from the official statistics of the U.S. Department of Commerce.

Type of Material

Leather footwear represented 47 percent of domestic production in 1987 (table 24). Since then, leather footwear's share of domestic output has declined rapidly, while the share accounted for by rubber and plastic footwear (chiefly athletic footwear) grew, reflecting changing consumer preferences.

Imports

Import Levels and Trends

U.S. imports of footwear increased at an annual rate of 6.1 percent during 1987-91, from $7.2 billion to $9.1 billion (table C-4). In constant dollars, imports rose more slowly, increasing by 2.6 percent per year. By quantity, imports increased by just over 2 percent annually during the period to 1.2 billion pairs in 1991.

Major types

Imports of work shoes, athletic shoes (including rubber-soled fabric uppers), and juvenile shoes grew during 1987-91, but imports of all other major types fell, as shown in table 25. However, the unit value of imports averaged an annual increase, ranging from 2 percent for women's shoes to 9 percent for juvenile shoes.

Type of material

Leather footwear remained the major imported product, accounting for 43 percent of total imports by quantity in 1991 and 70 percent by value. While leather footwear showed no change in its share of imports during 1987-91, the sharpest increase occurred in imports of shoes with fabric uppers with a corresponding decline in imports of shoes of rubber and plastics, as shown in table 26. The popularity of athletic shoes and the advent of China as the largest low-cost supplier of such shoes triggered significant growth in imports of fabric upper shoes.

Principal Import Suppliers

China, Korea, Taiwan, Brazil, Italy, Spain, Indonesia, and Thailand are the major U.S. suppliers of footwear. Together they accounted for 91 percent of U.S. imports, which totaled 1.2 billion pairs, valued at $9.1 billion, in 1991. China surpassed Taiwan as the largest volume supplier in 1990, and Korea as the highest value supplier in 1991 (table C-6, figure 11). Imports from Korea, after peaking at 236 million pairs in 1988 and $2.5 billion in 1990, declined to 146 million pairs valued at $2 billion in 1991. Imports from Taiwan declined rapidly, dropping from 447 million pairs in 1987 to 131 million pairs in 1991. Footwear production, especially of high-volume, low-cost types, is moving out of Taiwan and Korea into China and other low-cost producers, such as Indonesia and Thailand, reportedly because of rising production costs, exacerbated by appreciating currencies (see table C-6 for average unit values by country of origin). This is particularly evident from the shift in trade that occurred in nonrubber footwear, valued at $8 a pair or less (f.o.b.), which constituted 84 percent of China's footwear exports to the United States in 1991. China expanded its share of this segment to 65 percent in 1991 from 7 percent in 1987, whereas Taiwan's share declined from 55 to 13 percent, and Korea's share, from 16 to 2 percent. At the same time, Taiwan and Korea were shifting their focus to the high end of the market (over $16 per pair), in which Taiwan's share increased from 11 to 16 percent and Korea's share tripled to 31 percent, as shown in table 27.

Korea was the largest source of leather footwear imports in terms of both quantity and value in 1991. Other major suppliers were Brazil, Taiwan, Italy, and Indonesia (table C-7). Imports from Korea, Taiwan, amd Indonesia consisted of expensive athletic shoes while those from Brazil and Italy consisted of mostly women's and men's dress and casual shoes.

The overall growth in leather footwear was accounted for by a number of newer suppliers such as China, Indonesia, and Thailand, with Indonesia

Table 25
Footwear: Quantity and value of U.S. imports by major types, 1986 and 1990

Types	*1987*	*1991*	*Percent change*
		Quantity (million pairs)	
Men's	121	103	-15
Women's	467	443	-5
Juvenile	109	140	28
Athletic[1]	339	429	27
Work	12	13	8
Other	17	31	82
Total	1,065	1,159	9
		Value (million dollars)	
Men's	1,118	1,227	10
Women's	3,222	3,354	4
Juvenile	402	731	82
Athletic[1]	2,231	3,396	52
Work	160	225	41
Other	64	171	167
Total	7,197	9,104	26
		Unit value (dollars per pair)	
Men's	9.24	11.91	29
Women's	6.90	7.57	10
Juvenile	3.69	5.23	42
Athletic[1]	6.58	7.92	20
Work	13.33	16.79	26
Other	3.76	5.52	47
Total	6.76	7.86	16

[1] Including shoes with rubber soles and fabric uppers.

Source: Compiled from official statistics of the U.S. Department of Commerce.

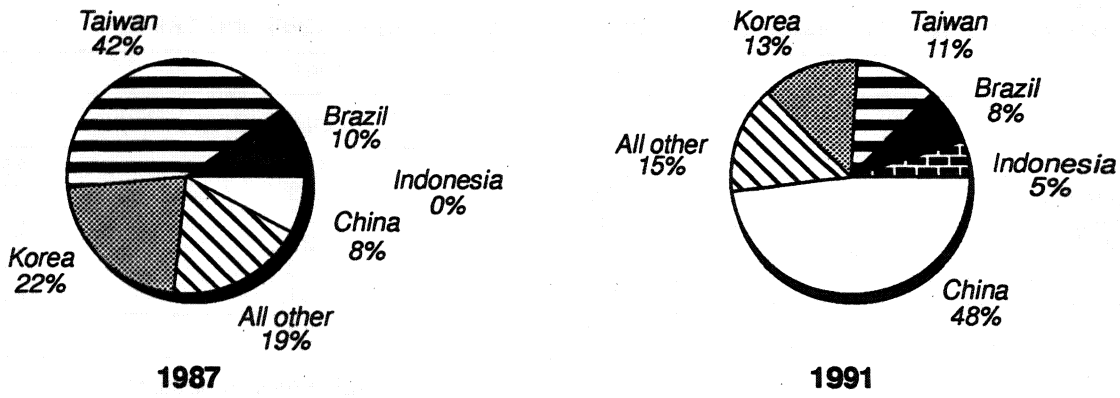
Table 26
Footwear: U.S. imports for consumption, by material, 1987 and 1991

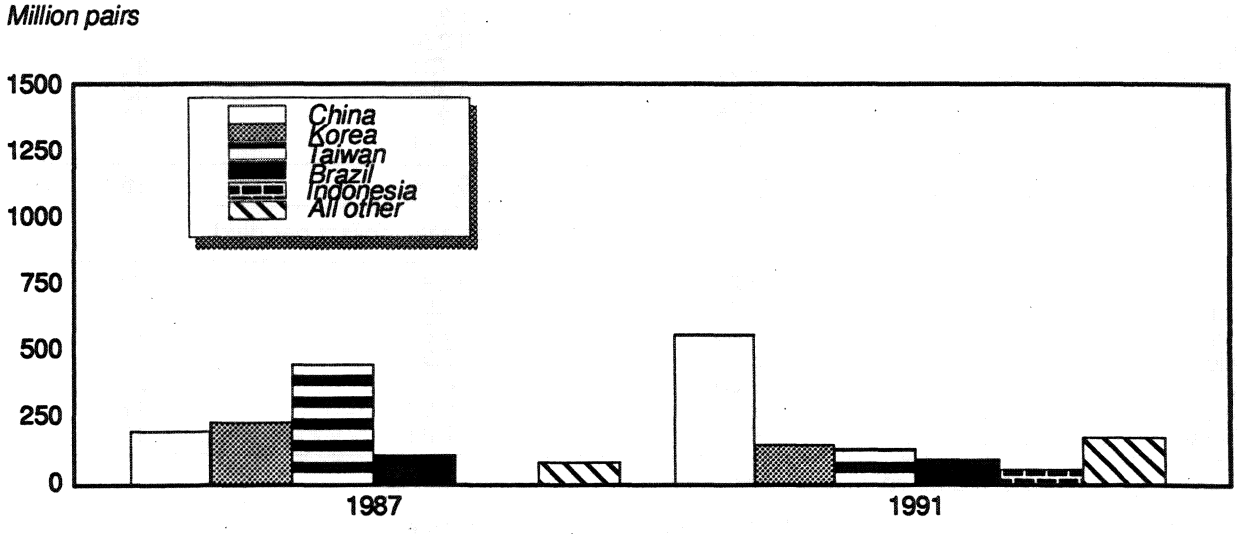
Material	1987	1991	1987	1991
	Quantity (million pairs)		Percent of total	
Leather	461	500	43	43
Rubber/plastic	405	404	38	35
Fabric	199	255	19	22
Total	1,065	1,159	100	100
	Value (million pairs)		Percent of total	
Leather	4,877	6,418	68	70
Rubber/plastic	1,742	1,804	24	20
Fabric	578	882	8	10
Total	7,197	9,104	100	100
	Value per pair (million dollars)			
Leather	10.57	12.83	(1)	(1)
Rubber/plastic	4.30	4.47	(1)	(1)
Fabric	2.90	3.46	(1)	(1)
Total	6.76	7.86	(1)	(1)

[1] Not applicable.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 11
Footwear: U.S. imports from leading sources, by share of total and by quantity, 1987 and 1991





Source: Based on official statistics of the U.S. Department of Commerce.

Table 27
Nonrubber footwear: Share of U.S. imports provided by major suppliers by price ranges, 1987 and 1991

Country	Low-end (not over $8 per pair)		High-end (over $16 per pair)	
	1987	1991	1987	1991
	Quantity (million pairs)			
Taiwan	356	72	7	19
Korea	101	12	6	36
China	46	358	(1)	6
Italy	21	11	21	17
Brazil	56	33	6	8
All other	64	68	21	31
Total	644	554	61	117
	(Percent of total)			
Taiwan	55	13	11	16
Korea	16	2	10	31
China	7	65	(2)	5
Italy	3	2	[3]34	[3]15
Brazil	9	6	10	7
All other	10	12	34	26
Total	100	100	100	100

[1] Less than 500,000 pairs.
[2] Less than 0.5 percent.
[3] The majority of imports from Italy are priced over $25 per pair; such imports (over $25 per pair) constituted nearly 80 percent of total shoes priced over $16 per pair from Italy in 1991.

Source: Compiled from official statistics of the U.S. Department of Commerce.

becoming one of the five largest suppliers of leather footwear to the United States in 1991.

China replaced Taiwan as the largest supplier of U.S. imports in the plastic and fabric upper shoe categories during 1987-91 (table C-7). U.S. imports of vinyl and plastic footwear from China increased from 19 million to 281 million pairs in quantity and from $28 million to $1.2 billion in value during 1987-91. In the same period, China's supply of rubber soled, fabric footwear rose more than threefold in quantity and nearly sixfold in value. Imports from all other major suppliers, except Indonesia, generally declined.

Imports Under HTS Heading 9802.00.80[91]

Imports of footwear entering under HTS heading 9802.00.80, under which no duty is paid on the value of the U.S.-made components contained in goods assembled in other low-wage countries, increased rapidly during 1987-91, from $301 million (4 percent of total imports) in 1987 to $868 million (10 percent of total imports) in 1991. However, the relative importance of the duty-free content of heading 9802.00.80 imports declined significantly, from 43 percent in 1987 to 13 percent in 1991 as shown in the following tabulation:

[91] Formerly item 807.00 of the TSUS.

Year	Ratio of 9802.00.80 imports to total imports	U.S.-made parts as share of 9802.00.80 imports
1987	4	30
1988	6	26
1989	6	18
1990	10	11
1991	10	13

The major part of the growth in heading 9802.00.80 imports during 1987-91 was generated by Korea, whose shipments under this tariff provision grew from $108 million in 1987 to $450 million in 1991 (52 percent of the total in 1991). The decline in the share of heading 9802.00.80 imports accounted for by U.S.-made parts can be attributed primarily to the rising imports from Korea under this heading that contained a relatively small amount of U.S. content (4 percent in 1991). By contrast, footwear from Mexico and the Dominican Republic have a much higher U.S. content (74 percent and 63 percent respectively in 1991). Although imports from Mexico and the Dominican Republic together accounted for 64 percent of duty-free U.S. content in 1991, their combined share of duty-free U.S. content has declined in recent years. It fell from 84 percent in 1987, as a result of the rapid increase from Korea, as shown in the following tabulation (percent):

Country	Share of total duty-free value 1987	1991
Mexico	72	51
Korea	7	18
Dominican Republic	12	13
All other	9	18
Total	100	100

U.S. imports of footwear eligible for duty-free entry under the CBERA are limited to zoris, disposible paper footwear, and certain parts of footwear, and were virtually nil in 1991. Imports that entered free of duty under the GSP provisions (zoris) totaled $1.3 million; imports entering free of duty under the U.S.-Israel Free Trade Area Implementation Act of 1985 totaled $4.8 million.

Footwear Parts

Imports of footwear parts increased from $288 million in 1987 to $431 million in 1991. Stitched uppers accounted for 83 percent ($359 million) of the total in 1991. About 61 percent of these imports in 1990 entered duty-free under the various special provisions. Footwear parts of leather and vinyl materials enter duty-free under the GSP when imported from designated beneficiary countries. They can also enter duty-free under the CBERA when imported from designated Caribbean countries. Since textile parts are not eligible for duty-free benefits under either the GSP or the CBERA, U.S. importers of textile parts take advantage of reduced tariff charges under HTS heading 9802.00.80. Import values of footwear parts that entered duty-free under the special tariff provisions in 1990 are provided in the following tabulation (in millions of dollars):

GSP	$174
CBERA	28
Heading 9802.00.80	23
Other	14

Imports of footwear uppers increased by 33 percent during 1987-91, totaling 96 million pairs in 1991, as shown below (in millions of pairs):

Year	Leather uppers	Nonleather uppers	Total
1987	26.5	45.6	72.1
1988	27.4	55.6	83.0
1989	21.6	61.2	82.8
1990	23.8	63.2	87.0
1991	21.9	73.9	95.8

The Dominican Republic (30 percent), China (25 percent), Taiwan (15 percent), and Mexico (12 percent) supplied the bulk of shoe uppers. The sharpest growth occurred in imports from China, increasing from 1 million pairs in 1987 to 24 million pairs in 1991, with a corresponding decline from Taiwan (24 million pairs in 1987 to 14 million pairs in 1991). The significant increase from 1987, according to industry sources, was attributed to domestic producers starting to import uppers to cut down the production costs following the President's refusal to grant any import relief (other than adjustment assistance) after the USITC unanimously determined injury to the domestic footwear industry in 1985.

FOREIGN MARKETS

Foreign Market Profile

Asia and Middle East

China was by far the largest footwear market in Asia in 1989 at 1.6 billion pairs, followed by Japan (570 million), and India (383 million). Domestically produced shoes supply most of the demand in each of these countries. Hong Kong, largely because of its duty-free status on imports, was the largest importer of footwear in Asia at 531 million pairs. The majority of footwear entering Hong Kong comes from China and much of it is re-exported. Excluding Hong Kong, Asia and the Middle East imported 211 million pairs in 1989, of which Japan took 157 million. Most of the Asian markets are protected by both high tariffs and nontariff measures, which account, in part, for the low import levels in this region. In addition, Asian countries generally have the advantage of low-cost labor, which makes them extremely price competitive in this labor-intensive industry. Data on footwear in major Asian markets are provided in table 28.

Western Europe

Western Europe accounted for 1.5 billion pairs, or 15 percent, of world consumption of footwear in 1989. Imports accounted for 73 percent of consumption (1.1 billion pairs). Over half of consumption consisted of leather shoes; Italy, Spain, and Portugal supplied the majority. While Italy is the principal supplier of high-priced, high-fashion leather shoes, Spain and Portugal supply basic to fashionable leather shoes, mostly at medium price ranges. Geographic proximity and relatively lower labor costs in Spain and Portugal compared with other Western European countries, provide them with advantages over most of their competitors. Other major suppliers include Korea and Taiwan, which are known for their brand-name athletic shoes at medium and high prices, and China, which is highly competitive in low-priced nonleather shoes.

France, Germany, the United Kingdom, Italy, and Spain are the leading markets in Europe. Together, they consumed 1.1 billion pairs in 1989, representing 77 percent of total footwear consumption in Western Europe. These countries (excluding Spain) also accounted for 79 percent of total imports by this region. Leather shoes are more popular in Germany, Italy, and Spain; in Germany, leather shoes accounted for 62 of total footwear consumption; in Italy, 57 percent; and in Spain, 63 percent. By contrast, the shares provided by leather shoes in France and the United Kingdom are relatively lower; 42 percent in France and 48 percent in the United Kingdom (table 29).

Table 28
Asia and Middle East: Footwear production, imports, exports, and apparent consumption, by major consuming nations, 1989

Country	Production	Imports	Exports	Consumption
		(Million pairs)		
China	2,253	(1)	656	1,597
Japan	419	157	6	570
India	390	(1)	7	383
Korea	560	2	380	182
Pakistan	175	1	9	167
Turkey	155	(1)	2	153
Indonesia	192	2	57	137
Hong Kong	90	531	491	130
Thailand	300	(1)	180	120
All other	1,003	49	699	353
Total	5,539	742	2,487	3,794

[1] Data are not available, but imports by these countries are believed to be small.

Source: SATRA, *World Footwear Markets, 1991.*

Table 29
Western Europe: Footwear production, imports, exports, and apparent consumption, by type of material, in major consuming nations, 1989

Country/material	Production	Imports	Exports	Consumption
		(Million pairs)		
France:				
Leather shoes	76	79	21	134
Nonleather shoes	92	123	29	186
Total	168	202	50	320
Germany:				
Leather shoes	56	164	34	186
Nonleather shoes	13	114	14	113
Total	69	278	48	299
United Kingdom:				
Leather shoes	56	84	12	128
Nonleather shoes	59	93	13	139
Total	115	177	25	267
Italy:				
Leather shoes	312	14	235	91
Nonleather shoes	95	78	105	68
Total	407	92	340	159
Spain:				
Leather shoes	136	5	70	71
Nonleather shoes	50	16	25	41
Total	186	21	95	112

Source: SATRA, *World Footwear Markets, 1991.*

North and Central America

Footwear consumption in North America totaled 1.8 billion pairs in 1989, which represented 18 percent of world consumption. Imports supplied nearly two-thirds of the market, with almost all accounted for by the United States and Canada.

The United States is by far the largest market, accounting for over three-fourths of total consumption in this region. Imports from Asian countries dominate both the U.S. and the Canadian markets, the majority of which come from China, Korea, and Taiwan. In addition, a significant portion of leather shoes are provided by other principal suppliers, such as Brazil,

Italy, and Spain. While China is extremely competitive in the U.S. market in low-priced plastic and fabric shoes, Korea and Taiwan typically supply higher quality, branded athletic footwear in the middle to high price ranges. Korea and Taiwan also compete strongly in nonathletic footwear priced in the middle to low end of the market, taking advantage of relatively low-cost labor compared with their U.S. and European counterparts. China has recently started upgrading its products and has diversified into more expensive leather shoes. Although labor costs in Italy and Spain are significantly higher than in Asia and Brazil, they have well-established footwear industries. Their greater experience in fashion products relative to Asian and Brazilian competitors provides them competitive advantages in the high-priced segments of the U.S. and Canadian markets. Nevertheless, Brazil is the leading supplier of leather shoes, primarily women's, in medium price ranges. The largest footwear markets in the region, by size, are given in table 30.

South America

South America accounted for 727 million pairs (or 7 percent) of world footwear consumption in 1989. Domestically produced shoes supply almost all of the consumption requirements of the region.

Brazil is the largest market for footwear, with an estimated market size of 458 million pairs, or 63 percent of the South American market. Other major markets in Latin America are Argentina (about 100 million pairs) and Colombia (68 million pairs).

Eastern Europe and Soviet Union

Eastern Europe and the Soviet Union consumed 1.8 billion pairs of footwear in 1989. This represented 18 percent of the world footwear market. Imports accounted for only 10 percent of regional consumption. Most of the shoes consumed were domestically produced. Until the collapse of Communist governments in the region, imports came mostly from other members of Council for Mutual Economic Assistance (COMECON).

The Soviet Union was by far the largest footwear market in this region, accounting for 1.2 billion pairs, or 68 percent of the total. Other major markets include Poland (144 million pairs) and Romania (119 million pairs).

U.S. Exports

U.S. exports accounted for 10 percent of domestic producers' shipments in 1991. Exports grew by 8 percent annually during 1987-91, rising to 29 million pairs in 1991. The growth in U.S. exports was attributed in large part to a weak U.S. dollar and the increased competitiveness of the U.S. industry relative to its European and other developed country counterparts.

Mexico was the leading destination for U.S. exports in terms of quantity in 1991, accounting for 13 percent of total exports, followed by Canada (11 percent) and Japan (10 percent) (table C-8, figure 12). Japan ranked first as a market for U.S. exports in terms of value. The EC took 34 percent of U.S. exports by volume (37 percent by value). Major EC countries receiving U.S. shoes in 1991 were the United Kingdom (9 percent of total U.S. exports by value), Germany (5 percent), France and Italy (4 percent each), and Spain (3 percent).

Based on U.S. imports reported under HTS heading 9802.00.80, U.S.-made footwear parts that are assembled in foreign countries then returned to the United States (valued at $113 million) accounted for 28 percent of total exports in 1991. Mexico was by far the leading destination and, along with Korea and the Dominican Republic, accounted for 82 percent of such exports.

According to statistics of the U.S. Department of Commerce, nonrubber footwear accounted for 63 percent of total U.S. footwear exports by quantity (18.1 million pairs) and 75 percent of exports by value ($305.6 million) in 1991. Rubber/fabric footwear made up the bulk of the remainder of exports. Athletic footwear (at 5.9 million pairs) was the leading product category, accounting for 33 percent of total nonrubber footwear exports. Men's shoes (4.6 million pairs) represented 25 percent of the total; women's, 18 percent; and juvenile, 17 percent. Men's footwear experienced the sharpest growth among all product types, increasing from 2.2 million pairs in 1986 to 4.2 million pairs in 1990 (table 31).

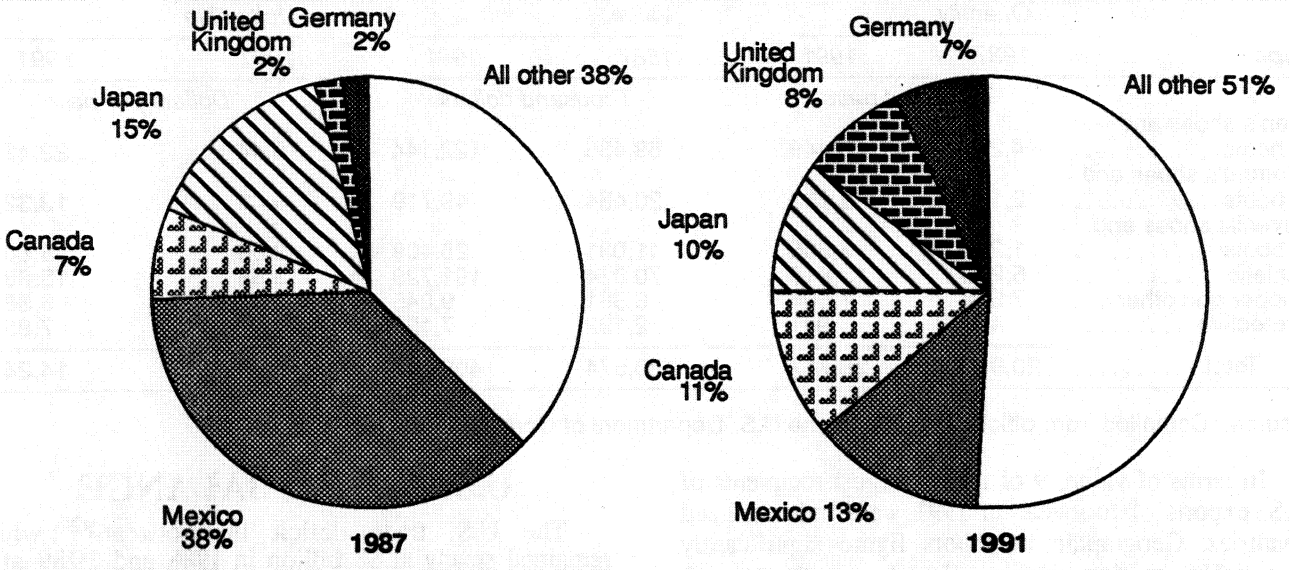
Table 30
North and Central America: Footwear production, imports, exports, and apparent consumption, by major consuming nations, 1989

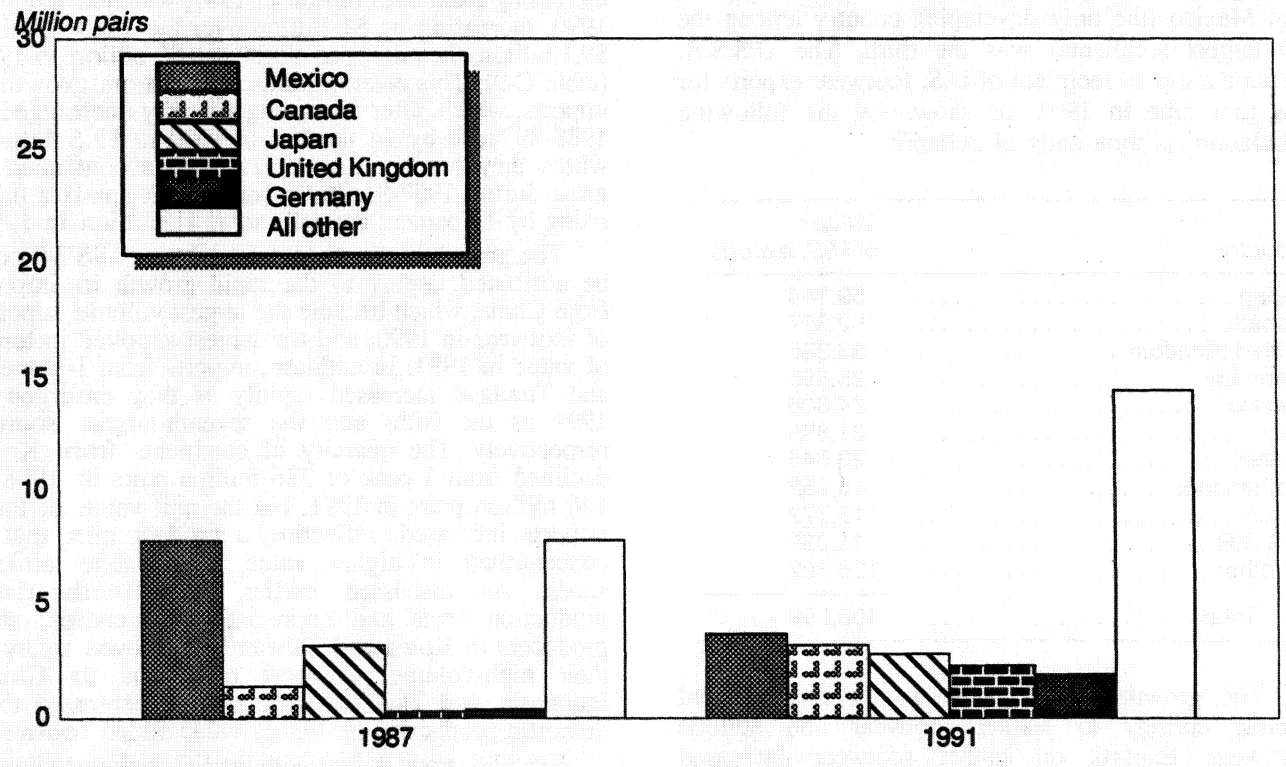
Country	Production	Imports	Exports	Consumption
		(Million pairs)		
United States	322	1,050	24	1,348
Mexico	270	(1)	19	251
Canada	34	79	2	111
All other	70	5	5	50
Total	696	1,134	50	1,780

[1] Data are not available, but imports are believed to be small.

Source: SATRA, *World Footwear Markets, 1991.*

Figure 12
Footwear: U.S. exports to leading markets, by share of total and by quantity, 1987 and 1991





Source: Based on official statistics of the U.S. Department of Commerce.

Table 31
Footwear: U.S. exports, by major types, 1987 and 1991

Type	Quantity		Value		Unit value	
	1987	1991	1987	1991	1987	1991
	Thousand pairs		Thousand dollars		Dollars per pair	
Men's shoes and boots	4,224	5,449	69,436	122,144	16.44	22.42
Women's shoes and boots	2,169	3,732	20,464	49,719	9.43	13.32
Juvenile shoes and boots	1,215	3,305	11,031	28,409	9.08	8.60
Athletic	5,218	13,816	70,874	191,729	13.58	13.88
Slipper and other	7,589	1,504	6,581	9,845	.87	6.55
Protective	449	911	2,192	7,152	4.88	7.85
Total	20,864	28,717	180,574	408,998	8.65	14.24

Source: Compiled from official statistics of the U.S. Department of Commerce.

In terms of value, 9 of the 10 largest recipients of U.S. exports of footwear in 1991 were industrialized countries. Geographic neighbors figure significantly among U.S. trading partners. Canada was the second, and Mexico (the only developing country among the 10 largest recipients) was the third. The U.S.S.R. became a top 10 recipient of U.S. footwear exports for the first time in 1991, as shown by the following tabulation (in thousands of dollars):

Country	Value of U.S. exports
Japan	59,144
Canada	52,877
United Kingdom	33,386
Germany	25,685
Mexico	24,806
Italy	21,899
France	20,546
Netherlands	18,952
Spain	13,772
U.S.S.R	11.039
All other	126,892
Total	408,998

The growth in U.S. exports can be attributed almost entirely to leather footwear and athletic footwear. Exports of leather footwear increased 33 percent annually during 1987-91, from 3.7 million pairs in 1987 to 11.4 million pairs in 1991. The value of such exports increased even more rapidly, rising from $71 million in 1987 to $257 million in 1991, or an average annual rate of 38 percent. Rubber-soled athletic footwear rose from 4.2 million pairs ($51 million) in 1987 to 9.6 million pairs ($103 million) in 1991. The average annual increase in exports of such shoes was 23 percent in quantity and 19 percent in value. Japan, Canada, and the United Kingdom were the fastest growing of the major markets for U.S. exports of leather footwear during 1987-91; sales to Germany and the Netherlands led the expansion in exports of rubber-soled athletic footwear.

U.S. TRADE BALANCE

The U.S. trade deficit in footwear,[92] which remained steady at $8 billion in 1988 and 1989 after increasing from $7.3 billion in 1987, widened again in 1990, increasing by $1 billion over the 1989 level to $9.1 billion, then dropped slightly to $9 billion in 1991 (table C-9). This deterioration resulted from growth in imports, which, after remaining virtually unchanged in 1988-89, rose by 14 percent in 1990 to $9.5 billion, where they remained in 1991. Exports continued to grow during 1987-91, but from a much smaller base, rising by 19 percent annually to $541 million in 1991.

The growth in the trade deficit during 1987-91 can be attributed largely to the rapid growth in imports from China, which became the largest volume supplier of footwear in 1990, and the largest supplier in terms of value in 1991. In addition, imports from Indonesia and Thailand increased rapidly as they emerged in 1991 as the fifth- and the seventh-largest sources respectively. The quantity of shipments from Korea declined from a peak of 236 million pairs in 1988 to 146 million pairs in 1991, but the unit value of these imports increased, reflecting a product mix that is concentrated in higher value, brand-name athletic shoes. As discussed earlier, faced with rising production costs and appreciating currencies, shoe producers in Korea and Taiwan have moved many of their high-volume, low-cost operations to China, Indonesia, and Thailand, and have concentrated their domestic production on higher value added footwear.

The U.S. trade deficit with the EC declined slightly from $1.4 billion in 1987 to $1.1 billion in 1991. The majority of the deficit (93 percent of total in 1991) was accounted for by trade with Italy and Spain (up from 88 percent in 1987).

Imports from Brazil of $967 million in 1991 led to a U.S.-Brazil trade deficit of $963 million and dominated the U.S.-Latin America trade picture. The largest growth in the U.S. trade deficit, aside from that with China, was from trade with ASEAN countries, rising from $70 million in 1987 to $754 million in 1991. Thailand and Indonesia accounted for 95 percent of this deficit.

[92] Trade data for the purpose of this section includes footwear and footwear parts.

APPENDIX A
GLOSSARY OF FOOTWEAR TERMS

Adhesive: A mixture (compound) consisting of one or several base substances formulated with solvents, dilutents, tents, extenders, plasticizers, activators, inhibitors, stabilizers, reinforcing agents, fillers, pigments, dyes, etc. to be applied to surfaces to produce either a temporary attachment or a permanent bond between component parts of a shoe. Syn: Cement.

Artificial leather: A manufactured material, usually an impregnated and coated material, made by any of numerous processes and finished to resemble leather.

Ball measurement: The line running completely around the last intersecting the joints of large and small toes.

Baseball shoes: A shoe built of leather for playing baseball, with a sole having cleats or plugs to prevent slipping. The upper is usually laced to the toe.

Beach sandal: Simple sandal for seaside use, usually made of rubber or plastic.

Boot: Any closed shoe with an upper rising higher than the ankle.

Bottom: The bottom part of a shoe, from toe to heel breast. The heel is not part of the bottom.

Box toe: A stiffener used to maintain the shape of a shoe toe, preserve the toe room within the shoe and, in some cases, give protection to the wearer's foot.

Boys' shoes: Footwear intended for boys with a foot length of approximately 18 to 21 cm., or men's sizes 2.5 to 6.

Canvas: A strong, coarse cloth of cotton, flax, hemp, or other fibers, popular for shoe uppers, beach and bathing footwear, and certain kinds of shoe reinforcements.

Casual shoe: A shoe designed for easy, informal wear; a soft type of shoe, often unlined and roomy.

Cellular plastics: Resins in sponge form. The sponge may be flexible or rigid, the cells closed or interconnected, the density anything from that of the solid parent resin down to 2 pounds per cubic foot or less.

Cement construction: See page 10 for an explanation.

Chain store: One of a group of many similar retail stores operating at scattered locations but under the control and supervision of a central office.

Children's footwear: Shoes intended for children with a foot length between 5 and 7 inches or children's sizes 8.5 to 11 or 12.

Coated fabrics: Any fabrics impregnated or coated usually with a polymeric finishing material. Used for shoe linings and as upper materials.

Component: Any part or component involved in the shoe's construction; heel, out sole, insole, counter, box toe, etc.

Composition: Materials composed of granulated fillers, such as cork, leather, fibers, minerals, in a resinous matrix, usually an elastomer. Compressed and molded into sheet materials, compositions are used for insoles, midsoles, outsoles, heel bases, etc.

Cork: The elastic, tough bark tissue of the cork oak. Used in compounded mixes for bottom-filling materials on welt shoes and for midsoles on platform shoes.

Counter: A reinforcement placed between the inside and lining at the back of the shoe to prevent the upper from collapsing and the heel moving. Also known as stiffener.

Court shoes: An athletic shoe for court sports, such as basketball or tennis. Also, a British term for a women's closed-toe shoe, low-cut in the quarters and throat, with a light sole and no fastening over the instep; a pump.

Cut stock: Bottom stock for shoes such as soles, taps, lifts, blocks, and strip of sole leather.

Cutting dies: Sharpened steel dies for cutting shoe parts or for making cut outs and perforations in a shoe upper. The principal types of cutting dies are hand dies, clicker dies, machine dinking dies, and cut-out dies.

Dress shoe: Originally, shoe for formal wear; now used to mean any shoe not a service, sport, or casual shoe or slipper.

Duty shoes: Designation for nurse's shoes or other service-type shoes.

Espadrille: A flat-heel casual, usually with cloth upper and rope-type sole.

Ethylene-Vinyl Acetate (EVA): Copolymers from these two monomers form a class of plastic materials, which retain many of the properties of polyethylene but have increased flexibility, elongation, and impact resistance. It is used for outsoles, midsoles, and heel wedges. When blended with petroleun wax, EVA is used extensively for hot melt cements.

Eyelet: A ring of metal or other material, inserted in a shoe upper at the front edge of the quarter, to provide a durable edge for the lace holes.

Findings: The small parts of a shoe, and materials, other than leather, used in making shoes. Nails, eyelets, laces, tacks, buckles, and buttons, are classified as findings.

Fit: The various properties of a last and shoe that determine whether or not the shoe is correct for a particular foot to wear.

Flow molding: The molding mix is plasticized by frictional heat which allows the mix to flow readily under pressure and fill the mold. This is followed by heating the relatively cool mix to harden it or form a thermosetting resin.

Forepart: That portion of the last extending forward from the break of the ball to the toe.

Foxing: A shoe component which reinforces or covers the shoe at a point of particular wear or stress, such as heel area or the joint between sole and upper. It is usually like a band-like structure incorporated in a molded sole or a strip of material which covers or partly covers and aids in securing the joint between sole and upper.

Girl's footwear: Shoes for girls whose foot length is from 7 to 8 inches, in children's size 12 to women's size 4.

Golf shoes: A leather shoe for playing golf. Usually it has a heavy sole with golf spikes inserted.

Goodyear welt: A shoe construction distinguished by an insole rib to which both the welt and upper are secured by a strong, flexible chainstitch. A second seam is a lockstitched "outseam" holding together the welt and the outsole.

Grade: The change between sizes and/or widths of any portion of a last. As a verb, to increase or decrease the length and width of patterns proportionately to form a set.

Heavy duty boot: A strong ankle boot for work or marching, e.g. climbing boot, miner's boot, infantryman's boot.

Heel: The component projecting downward from the backpart of the shoe of a boot, shoe, or slipper.

Heel cover: A covering of leather, celluloid, sheet plastic, fabric, or other material used to cover the sides of a wood, metal, or plastic heel.

Heel height: The height, floor to shank, measured at the heel breast. Heel height is measured in increments of 1/8 inches. Hence an 8/8 heel is one inch high.

Hockey shoe: A shoe built for the sport indicated, with high leather uppers, round toe, steel toe cap, and medium soles. Generally laced to the toe cap.

Huarache: A woven leather shoe, or sandal, often of Mexican origin.

Infants' footwear: Footwear for infants who have just started to walk and whose feet have a length of approximately 4 to 6 inches, and in children's sizes 5.5 to 8.

Injection molded: A type of shoe construction in which the sole or the entire shoe is formed by forcing a heat-softened material from an exterior heating cylinder into a mold. This process may include simultaneouly attaching the sole to a lasted upper.

Insole: A layer of material shaped to the bottom of the last, sandwiched between the outsole and sole of the foot. The shoe's structural anchor to which are attached the upper, counter, linings, box toes, etc. Also called "innersole."

Last: A piece of wood, metal, or synthetic material roughly following the shape of the foot and acting as a form on which the shoe is made. As a verb, to shape a fitted upper to the last using the stretch of the leather (or other material) and then

fix it temporarily or permanently to the insole. See also lasting.

Lasting: The operations of shoemaking that require the shaping of the upper tightly to each contour of the last, the pulling and stretching of the upper so that there will be no wrinkled outer or lining parts, no bunching of inner parts, and no crooked seams. The most common lasting operations are assembling, pulling over, side lasting, toe lasting, heel seat lasting, staple lasting, cement lasting, tack lasting, and thread lasting.

Leisure shoe: A fashion term for any type of comfortable shoe for indoor or outdoor leisure activities.

Lockstitch construction: The outsole, upper, and insole are held together by means of a lockstitch seam, which is usually sunk in a channel or an open groove on the tread surface of the outsole. The shoes are flat lasted. Lockstitch is a double thread stitch that locks the threads together within the material so that breaking one stitch does not permit the seam to be ravelled out.

Men's shoes: Shoes intended for men with a foot length from approximately 24 to 30 cm. and men's sizes 6 and over.

Misses' shoes: A juvenile shoe category in the size range children's 12.5 to women's 3.

Moccasin: The genuine moccasin construction is a single piece of leather forming the bottom and sides of the shoe and a second piece, called the "plug" forming the top of the shoe. Moccasin-type footwear has been worn for thousands of years. In its modern form, the moccasin consists of more than two pieces of material. The sole may have one or more additional pieces of material for greater protection and longer wear.

Nitrile rubber: Copolymer of acrylonitrile and butadiene. Used for outsoles which may be cemented or sewn to uppers. This material has excellent oil and grease resistance. May also be compounded with PVC to make a soling material.

Open toe shoe: Any shoe made with a portion of the toe part of the upper cut away, exposing the toes.

Ornaments: An exclusive term for a number of items used for decorative and functional purposes on shoes. Items usually classed as shoe ornaments are bows, buckles, buttons, snaps, and fancy eyelets.

Outsole: The outermost sole of a shoe, the surface of which is exposed to wear. Syn: Outersole.

Proportional grade: A grading system in which the increments of all dimensions, per size within a size run, are a constant percentage, or proportion, of the dimensions. For a geometric grade, this means that the number of geometric points per size specified for both length and girth must be equal.

Protective footwear: Boots, lumberman and pacs, arctics and gaiters, rubbers, and other footwear designed to be worn over, or in lieu of, other footwear as a protection against water, oil, grease, or chemicals, or cold or inclement weather.

Roughing: The abrading, sanding, or otherwise treating the surface of the lasted margin of the upper and the corresponding surface of the outsole in order to expose the fibers sufficiently to provide a more grippable surface to be cemented for sole attaching.

Running shoes: A shoe designed for jogging or running. Also called "training shoes" and "joggers."

Safety shoe or safety boot: Footwear that incorporates special features to protect the feet of the wearer. The most common type of safety shoe is that which is made with a steel or plastic safety box toe but other features may be a padded interlining, nonslip soles, conductive or puncture-resistant soles, or oil or chemical resist materials.

Safety toe: A box toe made of a rigid material, usually a special high-grade steel or plastic, which when inserted in a boot or shoe, prevents crushing, breaking, or severing of toes by heavy blows or falling weights.

Sandal: Originally a slab of sole attached to the foot by thongs. Any shoe whose upper consists of a variety of straps or strips. Found in countless style variations and heel heights.

Sewn construction: The process of attachment of a sole to an upper by means of a stitched seam

using thread. Sewn constructions include Goodyear welt, Stitchdown, Littleway/McKay, Prewelt, and Moccasin.

Slipper: A light, soft, flexible shoe intended for indoor use.

Sole: The bottom piece or pieces of leather or other material of footwear. When used as a collective term, it includes the complete bottom part of the shoe, except the heel.

Stitchdown: A shoe construction in which the upper is turned outward and stitched to the sole. An overlay rand or welt may be attached at the same time around the top of the sole edge to give it better shape.

String lasting: Type of lasting carried out by means of two strings attached to the upper by a zig-zag seam, one for the forepart and one for the backpart, and enabling the upper to be gathered and fastened over the insole.

Tack: As a verb, to attach parts with tacks. Also refers to placing the upper over the last and before proper lasting, to position it and fix it temporarily. As a noun, a small sharp nail used in lasting operations so that the point turns over or rivets on the last plate.

Turn construction: A single-sole, flexible shoe in which the sole and upper are stitched together with a chainstich while wrong side out on the last. This construction is in very limited use today.

Unit sole: A molded sole in which sole and heel are molded as a single unit in predetermined sizes. Syn: Molded units.

Vamp: The lower forward part of a shoe upper which is attached to the sole or welting; the part of the upper (outside) which covers the forepart of the foot.

Vulcanized sole construction: A bottoming process whereby a complete rubber sole and heel unit is molded directly onto a lasted upper. The sole is bonded with cement that cures during the vulcanizing cycle.

Walking shoe: Any comfortable, well-constructed low-heeled shoe for street and business wear.

Welt: A strip of leather or synthetic material between the upper and the sole to which each part is in turn attached.

Width: The measurement of a straight line running across the bottom of a last at the ball, or the widest part of the foot or shoe. Widths of shoes are graded one-sixth of an inch per width.

Women's shoes: Shoes intended for women whose foot length is approximately 8 to 10 inches, in women's sizes 4 and over.

Work shoes: Any shoe which is designed to be worn at any form of work requiring heavy or substantially made footwear. Usually made with heavy uppers and often with double soles of leather, composition, or rubber soles.

Source: Footwear Industries of America, *The Dictionary of Shoe Industry Terminology*, 1986.

APPENDIX B
TARIFF AND TRADE AGREEMENT TERMS

TARIFF AND TRADE AGREEMENT TERMS

The ***Harmonized Tariff Schedule of the United States*** (HTS) replaced the *Tariff Schedules of the United States* (TSUS) effective January 1, 1989. Chapters 1 through 97 are based on the internationally adopted Harmonized Commodity Description and Coding System through the 6-digit level of product description, with additional U.S. product subdivisions at the 8-digit level. Chapters 98 and 99 contain special U.S. classification provisions and temporary rate provisions, respectively.

Rates of duty in the ***general*** subcolumn of HTS column 1 are most-favored-nation (MFN) rates; for the most part, they represent the final concession rate from the Tokyo Round of Multilateral Trade Negotiations. Column 1-general duty rates are applicable to imported goods from all countries except those enumerated in general note 3(b) to the HTS, whose products are dutied at the rates set forth in ***column 2***. Goods from the People's Republic of China, Czechoslovakia, Hungary, Poland, and Yugoslavia are among those eligible for MFN treatment. Among articles dutiable at column 1-general rates, particular products of enumerated countries may be eligible for reduced rates of duty or for duty-free entry under one or more preferential tariff programs. Such tariff treatment is set forth in the ***special*** subcolumn of HTS column 1.

The ***Generalized System of Preferences*** (GSP) affords nonreciprocal tariff preferences to developing countries to aid their economic development and to diversify and expand their production and exports. The U.S. GSP, enacted in title V of the Trade Act of 1974 and renewed in the Trade and Tariff Act of 1984, applies to merchandise imported on or after January 1, 1976, and before July 4, 1993. Indicated by the symbol "A" or "A*" in the special subcolumn of column 1, the GSP provides duty-free entry to eligible articles the product of and imported directly from designated beneficiary developing countries, as set forth in general note 3(c)(ii) to the HTS.

The ***Caribbean Basin Economic Recovery Act*** (CBERA) affords nonreciprocal tariff preferences to developing countries in the Caribbean Basin area to aid their economic development and to diversify and expand their production and exports. The CBERA, enacted in title II of Public Law 98-67, implemented by Presidential Proclamation 5133 of November 30, 1983, and amended by the Customs and Trade Act of 1990, applies to merchandise entered, or withdrawn from warehouse for consumption, on or after January 1, 1984; this tariff preference program has no expiration date. Indicated by the symbol "E" or "E*" in the special subcolumn of column 1, the CBERA provides duty-free entry to eligible articles the product of and imported directly from designated countries, as set forth in general note 3(c)(v) to the HTS.

Preferential rates of duty in the special subcolumn of column 1 followed by the symbol "IL" are applicable to products of Israel under the ***United States-Israel Free-Trade Area Implementation Act*** of 1985, as provided in general note 3(c)(vi) of the HTS. When no rate of duty is provided for products of Israel in the special subcolumn for a particular provision, the rate of duty in the general subcolumn of column 1 applies.

Preferential rates of duty in the special duty rates subcolumn of column 1 followed by the symbol "CA" are applicable to eligible goods originating in the territory of Canada under the ***United States-Canada Free-Trade Agreement***, as provided in general note 3(c)(vii) to the HTS.

Other special tariff treatment applies to particular ***products of insular possessions*** (general note 3(a)(iv)), goods covered by the ***Automotive Products Trade Act*** (general note 3(c)(iii)) and the ***Agreement on Trade in Civil Aircraft*** (general note 3(c)(iv)), and ***articles imported from freely associated states*** (general note 3(c)(viii)).

The ***General Agreement on Tariffs and Trade*** (GATT) (61 Stat. (pt. 5) A58; 8 UST (pt. 2) 1786) is the multilateral agreement setting forth basic principles governing international trade among its more than 90 signatories. The GATT's main obligations relate to most-favored-nation treatment, the maintenance of scheduled concession rates of duty, and national (nondiscriminatory) treatment for imported products. The GATT also provides the legal framework for customs valuation standards, "escape clause" (emergency) actions, antidumping and countervailing duties, and other measures. Results of GATT-sponsored multilateral tariff negotiations are set forth by way of sepa-

rate schedules of concessions for each participating contracting party, with the U.S. schedule designated as schedule XX.

Officially known as "The Arrangement Regarding International Trade in Textiles," the ***Multifiber Arrangement*** (MFA) provides a framework for the negotiation of bilateral agreements between importing and producing countries, or for unilateral action by importing countries in the absence of an agreement. These bilateral agreements establish quantitative limits on imports of textiles and apparel, of cotton and other vegetable fibers, wool, manmade fibers, and silk blends, in order to prevent market disruption in the importing countries—restrictions that would otherwise be a departure from GATT provisions. The United States has bilateral agreements with more than 30 supplying countries, including the four largest suppliers: China, Hong Kong, the Republic of Korea, and Taiwan.

APPENDIX C
STATISTICAL TABLES

Table C-1
Footwear: U.S. production by process of manufacture, 1986-90

Sole attaching process	1986	1987	1988	1989	1990
			(Million pairs)		
Goodyear welts	30	30	30	30	30
McKay & lockstitch	15	15	16	13	12
Stitchdown	2	2	2	1	1
Cement	120	118	111	110	104
Injection molded	50	67	80	82	94
Vulcanized	10	18	20	17	18
Slush molded	3	3	3	4	5
Soft sole	18	22	25	27	26
Other	2	4	4	4	2
Total	250	277	291	286	291
			(Percent of total)		
Goodyear welts	12.1	10.8	10.4	10.1	9.9
McKay & lockstitch	6.0	5.2	5.6	4.6	4.1
Stitchdown	0.8	0.7	0.7	0.4	0.4
Cement	48.0	42.4	38.3	38.3	35.9
Injection molded	20.0	24.0	27.3	28.6	32.2
Vulcanized	4.0	6.5	6.8	5.8	6.3
Slush molded	1.0	1.2	1.2	1.4	1.6
Soft sole	7.2	7.8	8.4	9.5	8.8
Other	0.9	1.4	1.3	1.3	0.8
Total	100.0	100.0	100.0	100.0	100.0

Source: USM Corporation, Estimated Footwear Production, various reports.

Table C-2
Footwear: EC exports and imports and U.S. share of EC trade, 1990

Country	Exports to			Imports from:		
	World	United States	U.S. share	World	United States	U.S. share
	— Million dollars —		Percent	— Million dollars —		Percent
Italy	2,755	937	34	341	23	7
Spain	667	360	54	96	10	10
Germany	511	26	5	1,262	20	2
France	352	46	13	605	23	4
Portugal	260	58	22	5	(1)	8
United Kingdom	181	41	23	786	18	2
Denmark	72	1	1	83	3	4
Netherlands	26	1	4	288	14	5
Belgium	13	1	19	118	6	5
Greece	12	2	41	51	6	12
Ireland	3	1	37	42	1	2
Total	4,852	1,501	31	3,677	124	3

[1] Less than $500,000.
Source: Euro Stat world imports and world exports (excluding intra EC trade) for footwear reported under HS headings 64.01 through 64.05, converted from European Currency Units to U.S. dollars based on IMF annual average exchange values for 1987 and 1991. U.S. Department of Commerce data for U.S. imports from the EC and U.S. exports to the EC are used as EC exports to the United States and EC imports from the United States.

Table C-3
Footwear: Tariffs in major foreign markets

Country	*Tariffs*	*Supplementary taxes or charges*
Argentina	22% of CIF value	Value added tax (VAT) (16% of CIF duty paid) Consular fee (2% of fob) Statistical tax (3% of CIF) Export promotion fund tax (0.5% of CIF) Merchant marine fund tax (12% of freight)
Australia	45% of fob with quota. Higher on additional imports	Sales tax (20%)
Austria	7% to 29%	Import turnover tax (20% of Austrian border price plus duties) Foreign trade promotion charge (0.3%)
Bolivia	10% of CIF	VAT (10%) Customs warehouse tax (0.5%)
Brazil	40% to 50%; will be 20% by 1994	Merchandise circulation tax (17% of CIF duty paid) Merchant marine renewal tax (25% of net ocean freight end charges) Airport tax (5% of CIF) Port improvement tax (3% of CIF)
Canada	MFN: 20% to 22.8%	Goods & service tax (7%)
Chile	15% of CIF	VAT (18% of CIF duty paid)
China	70% to 80%	
Colombia	30% to 50% ad valorem	Import surcharge (13%) VAT (12%)
Costa Rica	56% ad valorem of CIF	Sales tax (13% of CIF duty paid) Surcharge (13% of CIF)
Czechoslovakia	0% to 15% (leather footwear duty-free)	Surcharge (20% in 1991) (expected to be phased out)
EC	Common External Tariff 4.6% to 20% of CIF (leather, 8% to 10%; most nonleather, 20%)	VAT (ranges from 14% to 25% of CIF)
Ecuador	35% ad valorem of CIF	Service charge (1% of CIF) Special tax (2% of CIF & charges)

Table C-3—Continued
Footwear: Tariffs in major foreign markets

Country	*Tariffs*	*Supplementary taxes or charges*
El Salvador	35%	Stamp tax (5%)
Finland	Free to 20%	Turnover tax (21.2% of CIF) Equalization tax (1.5% of CIF duty paid)
Guatemala	37% of CIF	VAT (7%) Import tax (2%)
Honduras	35% of CIF	Special duty (15% of duty) Sales tax (8.05%) Consular fee/bill of trading ($90.00)
Hong Kong	Free	Trade declaration charge (0.5%)
Iceland	Free to 15%	VAT (24.75% of CIF duty paid)
India	100% ad valorem	Auxiliary duty (50%)
Japan	10% to 30% (30% to 60% for nonsports leather)	Consumption tax (3% of CIF)
Korea	13% in 1991	VAT (10% of CIF duty paid)
Mexico	20% of CIF	Customs service tax (0.8% of CIF)
New Zealand	Adults, 55%; childrens, Free to 35% as of 7/91; will be phased down to 25% by 1996	Sales tax (12.5% of CIF duty paid)
Norway	6.5% to 13%	VAT (20%)
Paraguay	14% to 56.5%	VAT (7%)
Peru	15% to 25% (mostly 15%)	VAT (12%)
Philippines	50%	VAT (10% of CIF duty paid) Temporary surcharge for 1991 (9%)
Poland	10% of customs value	Turnover tax (25%)

Table C-3—Continued
Footwear: Tariffs in major foreign markets

Country	*Tariffs*	*Supplementary taxes or charges*
Singapore	0	
Sweden	5.8% to 14%	VAT (25%)
Switzerland	71 to 300 Francs /100 kg. net	Statistical tax (3% on levied duty) Turnover tax (9.3% of CIF invoice price)
Taiwan	5% ad valorem	VAT (5%) Harbor duties (0.5% of CIF duty paid & VAT)
Thailand	40% (parts) to 100% (footwear)	Business tax (9% footwear & 1.5% parts) Municipal tax (10% of business tax)
Trinidad & Tobago	25% ad val of CIF	Stamp tax (20% of CIF) VAT (15% of CIF duty paid & stamp tax)
United States	10.6% ad val. trade weighted average (1991)	Customs user fee (0.17 percent)
Uruguay	20% to 40%	VAT (22%)
Venezuela	30% to 50%	Custom service tax (5% ad val., 2% additional if imported by parcel post or air freight)

Source: Footwear Industries of America, *Footwear Tariff and Trade Regulations Major Foreign Markets*, 1991.

Table C-4
Footwear: U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1987-91[1]
(Quantity in million pairs; value in million dollars)

Year	Producers' shipments[2]	Imports	Exports	Apparent consumption	Ratio (percent) of imports to consumption
			Quantity		
1987	312	1,065	21	1,368	78
1988	326	1,068	31	1,363	78
1989	313	1,059	25	1,347	79
1990	293	1,106	25	1,374	81
1991	275	1,159	29	1,405	82
			Value (in current dollars)		
1987	4,093	7,197	181	11,109	65
1988	4,186	7,983	233	11,937	67
1989	4,314	7,996	244	12,065	66
1990	4,335	9,113	346	13,102	70
1991	4,181	9,104	400	12,885	71
			Value (in 1987 dollars)		
1987	4,093	7,197	181	11,109	65
1988	3,979	7,447	221	11,205	66
1989	3,908	7,417	221	11,104	67
1990	3,776	7,836	301	11,311	69
1991	3,555	7,722	340	10,937	71
			Average unit value (in current dollars per pair)		
1987	12.66	6.76	8.64	8.12	
1988	12.86	7.48	7.62	8.76	
1989	13.79	7.55	9.76	8.96	
1990	14.80	8.24	14.01	9.54	
1991	15.20	7.86	13.79	9.17	

[1] Does not include shipments of or trade in parts of footwear.
[2] Quantity is U.S. production.

Note.—Individual sums may not add to totals due to rounding.

Source: Compiled from official statistics of the U.S. Department of Commerce. Constant (1987) dollar value was computed by the USITC staff by deflating the production and export value by the producer price index and import value by the imports price index.

Table C-5
Footwear: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1987-91, by major types

Year	Production	Imports	Exports	consumption	Ratio (percent) of imports to consumption
	(Millions of pairs)				
Men's dress and casual, except work and athletic:					
1987	43	121	3	161	75
1988	42	116	5	153	76
1989	37	102	4	134	76
1990	33	102	4	130	78
1991	27	103	5	125	82
Women's, except athletic:					
1987	79	467	2	544	86
1988	76	426	3	500	85
1989	69	397	3	463	86
1990	67	415	3	479	87
1991	53	443	3	493	90
Juvenile shoes, except athletic:					
1987	26	109	1	135	81
1988	28	105	1	132	80
1989	27	127	3	150	84
1990	24	133	2	155	86
1991	26	140	4	163	86
Work shoes:					
1987	14	12	(1)	26	46
1988	14	12	(1)	26	45
1989	15	14	(1)	29	48
1990	13	13	(1)	26	50
1991	11	13	(1)	24	54
Athletic, including rubber soled, fabric uppers:					
1987	97	339	7	430	79
1988	92	394	9	478	83
1989	92	393	13	472	83
1990	93	411	7	498	83
1991	102	429	12	519	83

[1] Not available, but estimated at less than 500,000 pairs.

Note.—Individual sums may not add to totals due to rounding.

Source: Compiled from official statistics of the U.S. Department of Commerce and Footwear Industries of America (FIA), *Statistical Reporter*, 4th Quarter 1991 and *Footwear Manual*, October 1990 and September 1991.

Table C-6
Footwear: U.S. imports for consumption, by principal sources, 1987-91

Source	1987	1988	1989	1990	1991
			Quantity (million pairs)		
China	80	149	240	385	559
Korea	231	236	209	200	146
Taiwan	447	362	284	187	131
Brazil	109	113	113	103	94
Indonesia	0	4	12	34	55
Italy	48	45	42	46	33
Thailand	9	19	25	34	32
Mexico	31	34	33	26	24
Hong Kong	32	29	25	18	19
Spain	29	24	24	22	18
All other	49	53	51	50	48
Total	1,065	1,068	1,059	1,106	1,159
			Value[1] (million dollars)		
China	136	328	692	1,445	2,482
Korea	1,745	2,288	2,165	2,539	1,959
Taiwan	2,405	2,317	1,934	1,470	1,112
Brazil	920	951	1,005	1,006	954
Indonesia	1	22	82	239	414
Italy	849	829	803	937	779
Thailand	42	109	172	270	278
Mexico	93	110	118	113	112
Hong Kong	127	146	122	107	102
Spain	381	359	339	360	309
All other	501	526	565	599	603
Total	7,197	7,983	7,996	9,113	9,104
			Unit value[1] (per pair)		
China	1.70	2.21	2.88	3.75	4.44
Korea	7.57	9.69	10.35	12.69	13.46
Taiwan	5.38	6.40	6.80	7.84	8.48
Brazil	8.47	8.40	8.88	9.73	10.14
Indonesia	7.49	6.08	6.62	7.08	7.48
Italy	17.69	18.56	19.07	20.96	23.39
Thailand	4.63	5.60	7.02	7.85	8.60
Mexico	2.99	3.18	3.54	4.42	4.64
Hong Kong	3.97	5.05	4.95	5.89	5.48
Spain	13.07	15.10	14.30	16.66	17.57
All other	10.12	9.94	11.05	11.99	12.56
Average, all sources	6.76	7.48	7.55	8.24	7.86

[1] FAS value.

Note.—Individual sums may not add to totals due to rounding.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table C-7
Footwear: U.S. imports for consumption, by major type of material and principal sources, 1987 and 1991

(Quantity in million pairs; value in million dollars)

	Quantity		Value		Average value per pair	
	1987	*1991*	*1987*	*1991*	*1987*	*1991*
Nonrubber:						
Leather:						
Korea	138	106	1,314	1,586	9.51	14.96
Brazil	107	92	915	949	8.52	10.32
Taiwan	91	46	913	678	10.04	14.63
Indonesia	0	29	0	297	0	10.38
Italy	42	28	757	688	18.04	24.15
All other	58	212	622	2,227	10.72	10.50
Total or average	461	500	4,877	6,416	10.57	12.83
Vinyl and plastic:						
China	19	281	28	1,158	1.44	4.12
Taiwan	313	69	1,332	308	4.25	4.43
Indonesia	0	22	0	100	0	4.51
Hong Kong	14	5	23	19	1.60	3.81
Korea	38	3	186	30	4.96	8.62
All other	16	16	151	137	9.44	8.56
Total or average	400	396	1,720	1,753	4.30	4.43
Other nonrubber:						
China	18	23	19	50	1.04	2.18
Philippines	5	6	13	13	2.49	2.26
Korea	16	4	84	12	5.25	2.75
Taiwan	23	2	94	13	4.11	6.19
All other	15	7	55	54	3.66	7.71
Total or average	77	42	265	142	3.45	3.44
Rubber:						
China	43	146	41	229	0.95	1.57
Korea	39	32	164	332	4.19	10.40
Mexico	24	18	33	34	1.36	1.90
Taiwan	22	14	70	115	3.13	7.98
All other	19	26	39	89	2.05	3.42
Total or average	147	236	347	799	2.36	3.39

Note.—Individual sums may not add to totals due to rounding.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table C-8
Footwear: U.S. exports of domestic merchandise, by principal markets, 1987-91

Market	1987	1988	1989	1990	1991
			Quantity (1,000 pairs)		
Mexico	7,839	14,719	8,630	3,517	3,737
Canada	1,361	1,429	1,855	3,089	3,265
Japan	3,171	3,322	3,130	2,722	2,876
United Kingdom	322	557	891	1,104	2,332
Germany	364	788	651	1,494	1,980
Netherlands	305	400	524	1,353	1,535
Italy	1,458	1,665	1,376	1,264	1,065
France	418	639	867	804	862
Soviet Union	0	(1)	(1)	75	844
Spain	149	318	315	607	800
All other	5,542	6,915	7,271	8,735	9,421
Total	20,864	30,453	25,006	24,683	28,717
			Value (1,000 dollars)		
Mexico	6,145	21,236	29,866	25,427	24,806
Canada	14,179	20,039	27,262	49,048	52,877
Japan	50,893	49,097	42,650	46,225	59,144
United Kingdom	6,032	10,596	13,461	17,597	33,386
Germany	6,248	10,536	7,865	19,839	25,685
Netherlands	3,435	5,532	5,380	13,895	18,952
Italy	29,161	34,049	22,242	22,760	21,899
France	9,068	12,214	15,721	21,785	20,546
Soviet Union	0	10	19	1,833	11,039
Spain	2,014	4,498	4,195	10,354	13,772
All other	48,388	60,329	70,111	103,136	126,892
Total	180,574	232,520	244,138	346,091	408,998
			Average unit value (per pair)		
Mexico	0.78	1.44	3.46	7.23	6.64
Canada	10.42	14.02	14.70	15.88	16.19
Japan	16.05	14.78	13.63	16.99	20.57
United Kingdom	18.75	19.02	15.11	15.94	14.31
Germany	17.15	13.36	12.07	13.28	12.97
Netherlands	11.25	13.83	10.27	10.27	12.33
Italy	20.00	20.45	16.16	18.00	20.56
France	21.67	19.11	18.13	27.09	23.84
Soviet Union	0	25.06	39.14	24.26	13.08
Spain	13.46	14.13	13.29	17.07	17.21
All other	8.73	8.72	9.64	11.81	13.47
Average, all markets	8.65	7.64	9.76	14.02	14.24

[1] Less than 500 pairs.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table C-9
Footwear and footwear parts: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by selected countries and country groups, 1987-91[1]
(Million dollars)

Item	1987	1988	1989	1990	1991
U.S. exports of domestic merchandise:					
China	0	0	0	0	1
Korea	5	7	11	19	19
Taiwan	3	5	9	17	12
Brazil	3	5	3	6	4
Italy	31	37	24	24	24
Indonesia	0	0	0	0	1
Spain	2	5	4	11	14
Thailand	0	0	0	1	2
Mexico	27	44	66	59	61
Dominican Republic	27	38	33	21	28
All other	170	202	216	319	377
Total	269	342	367	477	541
EC-12	69	93	83	129	157
OPEC	4	6	7	11	20
ASEAN	4	4	4	6	9
CBERA	49	61	70	59	60
Eastern Europe	1	1	1	5	6
U.S. imports for consumption:					
China	141	341	719	1,475	2,532
Korea	1,772	2,321	2,183	2,558	1,980
Taiwan	2,475	2,402	2,004	1,528	1,168
Brazil	948	988	1,037	1,032	967
Italy	858	836	808	973	787
Indonesia	2	23	83	241	415
Spain	382	359	339	360	309
Thailand	44	114	191	295	304
Mexico	129	146	165	164	162
Dominican Republic	73	85	94	126	146
All other	702	762	750	785	771
Total	7,526	8,378	8,375	9,538	9,542
EC-12	1,447	1,366	1,323	1,517	1,291
OPEC	3	25	86	247	422
ASEAN	74	181	320	579	763
CBERA	91	109	120	157	166
Eastern Europe	97	147	135	146	126
U.S. merchandise trade balance:					
China	-141	-341	-719	-1,475	-2,531
Korea	-1,767	-2,314	-2,172	-2,539	-1,961
Taiwan	-2,472	-2,397	-1,995	-1,511	-1,156
Brazil	-945	-983	-1,034	-1,026	-963
Italy	-827	-799	-784	-949	-763
Indonesia	-2	-23	-83	-241	-414
Spain	-380	-354	-335	-349	-295
Thailand	-44	-114	-191	-294	-302
Mexico	-102	-102	-99	-105	-101
Dominican Republic	-46	-47	-61	-105	-118
All other	-532	-560	-534	-466	-394
Total	-7,257	-8,036	-8,008	-9,061	-9,001
EC-12	-1,378	-1,273	-1,240	-1,388	-1,134
OPEC	1	-19	-79	-236	-402
ASEAN	-70	-177	-316	-573	-754
CBERA	-42	-48	-50	-98	-106
Eastern Europe	-96	-146	-134	-141	-120

[1] Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export. U.S. trade with East Germany is included in "Germany" but not "Eastern Europe".
Source: Compiled from official statistics of the U.S. Department of Commerce.