Special Children's Footwear Report

- 2015 duties on children's footwear topped $300 million mark for first time
- Duties on children's footwear have increased 191% since 2005
- TPP will cut children's footwear duties by $125 million in year one
- TPP will save $1.5 billion on children's footwear duties in just over a decade

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Americans Are Paying Hidden Taxes

Children's shoes are a necessity, but we tax them like a luxury.

99.9% of children's shoes sold in the US are imported and are hit with tariff rates upwards of

37.5, 48 and 67.5%

Other imported consumer goods are taxed at an average of just 1.3%.

Tariffs on children's shoes are also regressive.

In comparison, imported leather loafers face just over an 8% tariff rate.

48% Vs. 8.5%

These hidden taxes have been law since the Smoot-Hawley Tariff Act of 1930. It 'protects' a domestic industry that has not mass produced children's footwear in <u>over 30 years</u>.

TARIFFS ON CHILDREN'S SHOES DON'T FIT

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Tariffs Rates Based on Assumed Footwear Composition

Footwear Tariffs Tie-Up Money Working-Class Families Could Use Elsewhere

This child's shoes are hit with a 60% duty rate meaning $3.50 of this $10 shoe (at retail) is due to tariffs.

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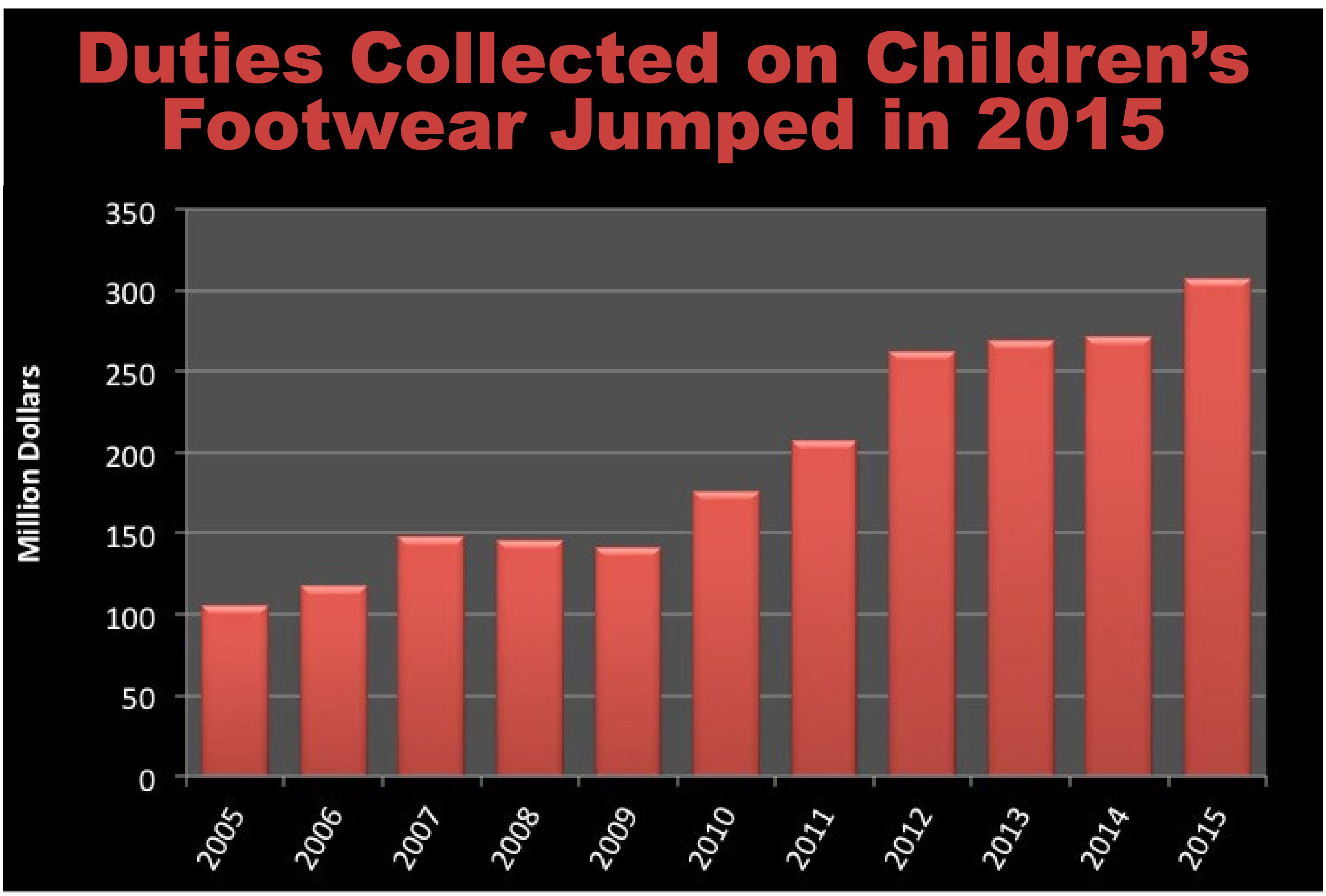
2015 Children's Footwear Facts

- In 2015, 2.5 billion pairs of shoes were imported into the United States. Of that number, FDRA estimates **527.8 million pairs were children's shoes**.

- $2.9 billion in duties were collected on footwear imports in 2015. **Children's shoes were hit with an unprecedented $307 million in duties in 2015. This is a new record high as duties paid spiked upward of $37 million dollars over 2014.**

- **Total duties paid on children's footwear increased 191% in just 10 years (see chart below) and FDRA estimates 2016 duties on children's footwear will again jump to $320 million.**

- Footwear duties, like all costs, are multiplied at retail. These costs also include warehouse, transit, marketing, inventory and labor costs, all impacting the final footwear retail price. With the industry paying $2.9 billion in import taxes, it really amounts to almost $8.7 billion in extra costs for consumers, with **families paying $921 million more for children's shoes at retail in 2015 than needed**.

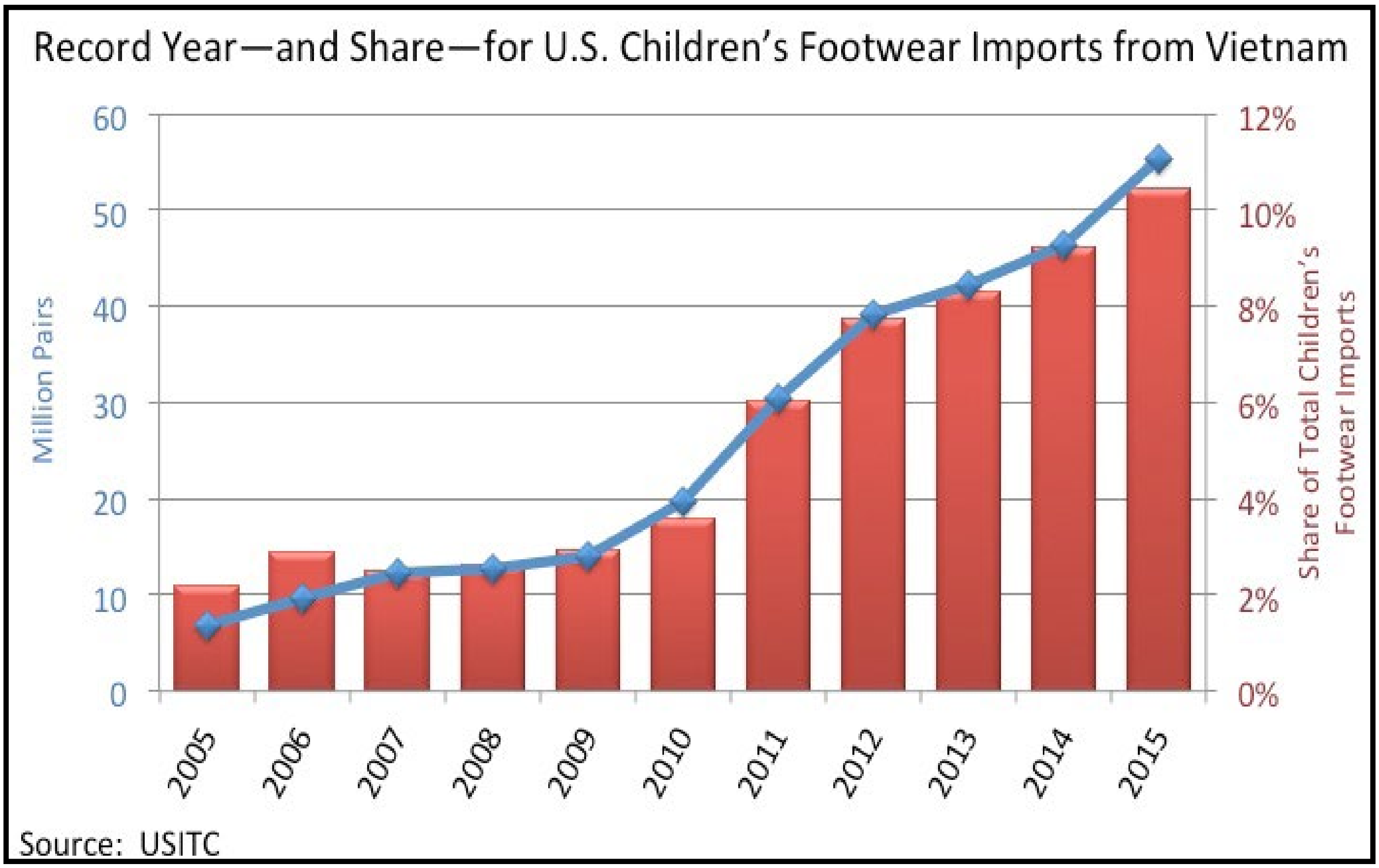


Source: USITC

• Behind China, Vietnam has grown rapidly to become the second-largest supplier of footwear to American children, supplying a record 55.3 million pairs in 2015 that accounted for 10.5% of total children's footwear imports.

• **At $76.3 million, Vietnam's share of the total duties paid on children's footwear imports in 2015 has risen even faste**r, with the country now accounting for an unprecedented 24.8% of duties paid on just 10.5% of the volume of total shipments.

• FDRA estimates duties on children's footwear from Vietnam will spike to over $91 million for 2016 and **will balloon to $160.7 million by 2018 as footwear production continues to grow.**



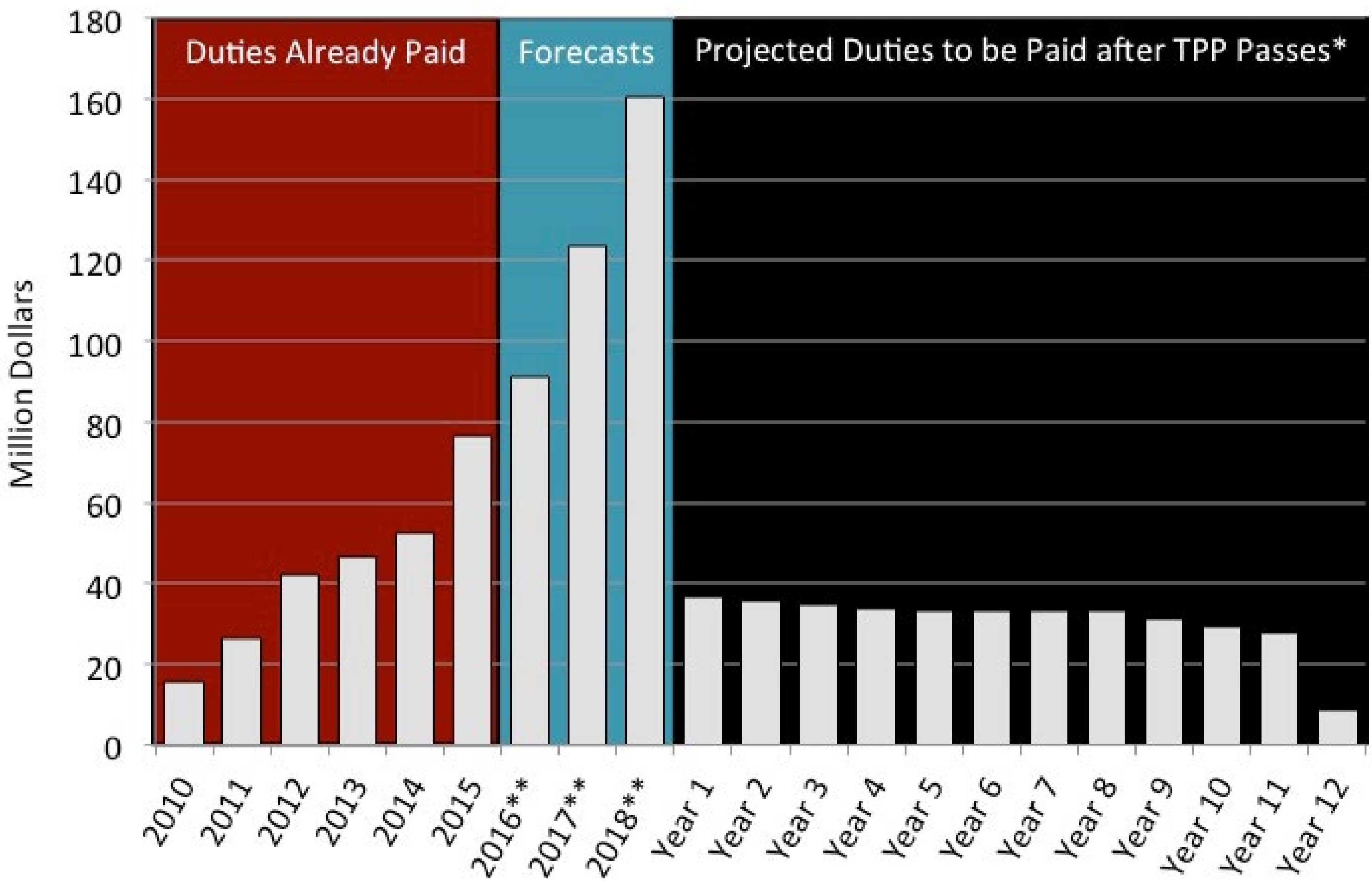
<u>But relief for U.S. families is on the table.</u>

Recent trends where children's footwear production is rapidly increasing in Vietnam provide a once in a generation opportunity to substantially cut into these duties and provide meaningful relief to American families through the free trade agreement, the Trans-Pacific Partnership.

How Big of a Deal is TPP Really for Children's Shoes?

In the political parlance of our time, it is "HUGE!"

Based on current import and duty trends, FDRA estimates the Trans-Pacific Partnership will cut $125 million in duties on children's footwear imports in the first year of implementation. Over the twelve-year phase-in, <u>total duty savings on children's footwear will be around $1.5 billion at border and $4 billion at retail.</u>



Source: USITC. * Based on projected imports, and assumption of TPP passage in 2016 and implementation years after. ** FDRA forecasts.

Please take 30 seconds to to make a difference!

Click here to tell your U.S. Representatives there are $4 billion reasons they should support TPP!!!

The Trans-Pacific Partnership (TPP) is a historic free trade agreement involving 12 Pacific nations that accounts for nearly 40 percent of global GDP and one third of world trade. Under TPP, savings on children's footwear will be significant. For many, shoes made in Vietnam and sold at retail **could drop between $2 to $4 per pair, on average. This is all the more significant because FDRA estimates the average child will need 7-10 pairs a shoes each year** due to growth in foot sizes as well as needs for sports, school, and other activities utilizing various shoes.

The Trans-Pacific Partnership (TPP) Can Help

put dollars back in the pockets of hard working families during a time when every penny counts.

FDRA is THE Voice of the Footwear Industry in Washington.

At over 80% of the entire industry, the Footwear Distributors Retailers of America (FDRA) is the largest and most respected footwear trade association in the U.S. It represents and serves the entire footwear industry from small family owned footwear businesses to global footwear companies as well as domestic manufactures, importers and retailers. In all, it supports more than 130 companies and over 200 brands designing, producing and selling great footwear to consumers all over the globe.

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