**Comments of the Footwear Distributors & Retailers of America (FDRA)
Regarding the Administration's Reviews and Report to the President on Trade Agreement Violations and Abuses**

USTR-2017-0010

July 31, 2017

On behalf of the Footwear Distributors & Retailers of America (FDRA), we appreciate the opportunity to submit comments to the Administration as it conducts a comprehensive performance review of all U.S. trade agreements and investment agreements, trade preference programs, and trade relations with countries governed by World Trade Organization (WTO) rules where the U.S. has a trade deficit in goods. FDRA is the largest U.S. footwear trade association, supporting the entire footwear industry from small family-owned businesses to global brands selling to consumers around the world. Founded in 1944 by the U.S. footwear industry, FDRA serves the full supply chain from design and development to manufacturing to distribution and retail. Today, we represent more than 130 companies and 250 brands, including the majority of U.S. footwear manufacturers.

As the Administration prepares this Review and Report to the President, FDRA strongly recommends expanding both our U.S. Free Trade Agreements (FTAs) and trade preference programs in ways that will deliver real benefits to both American individuals and families purchasing shoes and those who work in the U.S. footwear industry.

The Importance of Expanding U.S. Free Trade Agreements

As the Administration evaluates U.S. trade with countries in which the U.S. does not have FTAs in place, prioritizing for review those countries where the U.S. has significant trade deficits in goods, FDRA would highlight the need for greater trade liberalization. Expanding free trade to provide opportunities to sell more American-made goods abroad remains key to both reducing these trade deficits in goods and strengthening the competitiveness of U.S. businesses.

The U.S. has worked to establish FTAs with 20 countries around the world, and in 2016, the U.S. ran a trade surplus in goods with 13 of these 20 FTA countries. It should be strongly noted that the U.S. does not have FTAs in place with any of the countries specifically outlined for review in this Report: China, the EU, India, Indonesia, Japan, Malaysia, Switzerland, Taiwan, Thailand, and Vietnam. Indonesia and Vietnam offer key opportunities to achieve significant benefits for the U.S. through new FTAs.

Vietnam and Indonesia both have large consumer bases – approximately 92 million and 260 million respectively – with rising middle classes and a strong desire to buy American-made products. Both are key nations for the U.S. footwear industry. They have large workforces dedicated to learning the particular skill of shoemaking and offer an important alternative for companies seeking to diversify production outside of China, which currently has a 73 percent U.S. market share, a share that has fallen from a high of close to 90 percent since Vietnam became an important supplier. Establishing FTAs with these two nations would provide U.S.

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companies with greater access to a dynamic and growing region of the world, allowing more American-made products to reach significant and expanding markets. FTAs in this region will drive economic growth in the U.S. and increase opportunities and jobs for U.S. manufacturers, farmers, ranchers, and businesses.

The U.S.-led Trans-Pacific Partnership (TPP) included Vietnam and established strong rules in a number of areas important to export trade with Vietnam. TPP provides a framework for a U.S.-Vietnam or U.S.-Indonesia bilateral agreement that would strengthen U.S. companies, reduce U.S. trade deficits in goods, and greatly benefit American exporters as well as consumers. We call on the Administration to launch bilateral trade negotiations with both countries as soon as possible to ensure American consumers have access to more competitively priced footwear thus driving economic growth to our industry.

As the Administration conducts this comprehensive review of our trade relations, with a focus on countries in which there are trade deficits in goods, it should also stress the tremendous benefits that imports provide to American consumers. An analysis of trade deficits that suggests imports are “negative” for the U.S. and exports are “positive” for the U.S. does not accurately reflect the significance of imports to our economy and to U.S. individuals and families. Imports provide value and choice to American consumers on a range of products including footwear and apparel. Generating this consumer savings results in the greatest positive impact on working class families across the U.S., since spending on everyday necessities like food, clothing, and shoes requires a larger portion of their income.

Imports also allow American consumers to access products not available in our region of the world, whether it is enjoying a cup of coffee or having certain grocery items year-round or being able to purchase affordable leather shoes, a majority of which cannot be produced domestically in the absence of a large number of U.S. tanneries. They also support the incredible demand for shoes in the U.S., which amounted to over 2.3 billion pairs for the U.S. market in 2016 alone. Importantly, when we import certain products for U.S. consumers, this allows our nation and American businesses to invest time and resources in domestic manufacturing sectors where we have the greatest advantage and can provide the greatest return on investment.

In evaluating trade deficits in this Report, however, it is important to present a full and accurate picture of the causes of U.S. trade deficits. The overwhelming majority of economists view our trade balance as closely aligned with national debt rather than simply an indication other nations might be engaging in unfair trade practices. In addition, we are a nation of consumers, and the health of our economy is directly connected to consumer spending. As a wealthy nation, we purchase more products each year than we sell to the rest of the world.

Regarding country-specific trade balances, the U.S. runs a deficit in trade in goods with a number of WTO member-countries, just as it runs a surplus in trade in goods with a number of WTO member-countries. In 2016, the U.S. ran trade surpluses with WTO members that include Argentina, Australia, Belgium, Brazil, Chile, Costa Rica, the Dominican Republic, Egypt, Guatemala, Hong Kong, the Netherlands, Panama, Paraguay, Peru, Qatar, and Singapore.

FDRA believes that, in order to provide a complete and accurate picture of this issue for the American public, the Report should address how national debt, savings, and investment impact our nation's total trade deficit; the importance of consumer spending as an indicator of our nation's economic health; and an assessment of U.S. trade in services in addition to trade in goods, since trade in services accounts for a significant part of the U.S. economy.

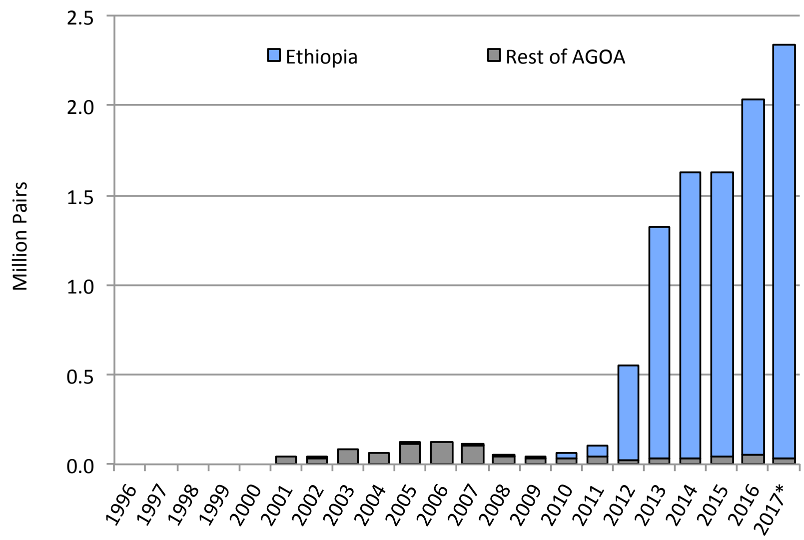
The Importance of Expanding U.S. Trade Preference Programs

Trade preference programs play an essential role in U.S. trade policy. The African Growth & Opportunity Act (AGOA) expands opportunities for both U.S. footwear consumers and footwear companies while driving investments and improvements in Sub-Saharan Africa. The Generalized System of Preferences (GSP), in existence since the 1970s, applies to more than 120 countries with a strong focus on least developed countries, but it does not include footwear. FDRA has long advocated for expanding and strengthening the program so that it can positively impact U.S. footwear consumers and companies.

Preference programs like GSP and AGOA benefit American families and individuals with choice and value on many basic consumer goods. They raise standards, strengthen the rule of law, and facilitate economic growth in developing nations, serving to build an important foundation for future U.S. bilateral and multilateral agreements. They strengthen American companies by generating savings and freeing up resources to invest in U.S. innovation, research and development, and advanced manufacturing, all of which support good-paying U.S. jobs. They also incentivize these U.S. businesses to diversify their sourcing options so as not to become too heavily dependent on any one country. In addition, these trade preference programs, along with more than seventy years of U.S. leadership in promoting free trade around the world, have remained absolutely critical in promoting peace and lifting individuals in developing nations out of poverty.

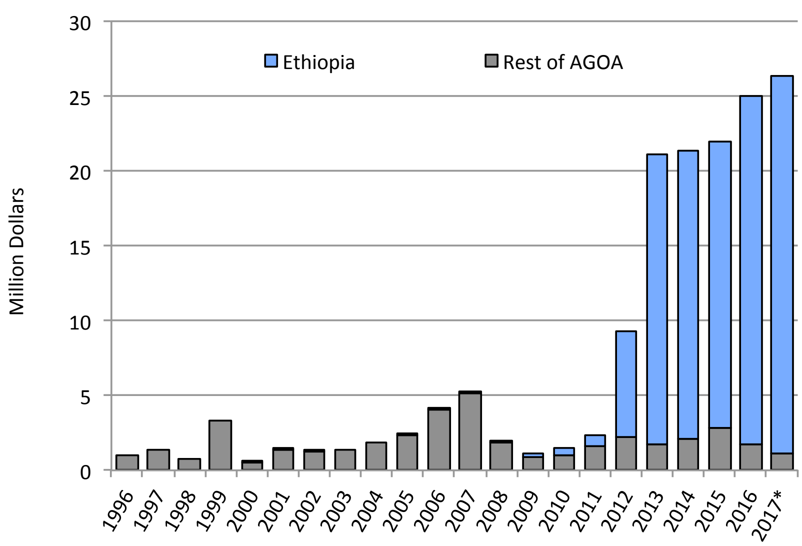
For the U.S. footwear industry, AGOA benefits U.S. companies and promotes growth in Sub-Saharan Africa and specifically Ethiopia. Though it represents only a minimal share of the footwear produced for the U.S. market, the utilization of this program has helped facilitate recent investments in energy, infrastructure, education, and jobs in Ethiopia, a country with an abundance of resources for making leather footwear. The volume and value of footwear produced in Ethiopia for U.S. consumers has increased significantly over the past decade, from a few thousand pairs produced in 2008 to more than two million pairs in 2016 (see Figure 1 and Figure 2).

Figure 1: Volume of U.S. Footwear Imports Under AGOA Driven by Shipments from Ethiopia



Source: USITC. * FDRA forecasts.

Figure 2: Value of U.S. Footwear Imports Under AGOA Driven by Shipments from Ethiopia

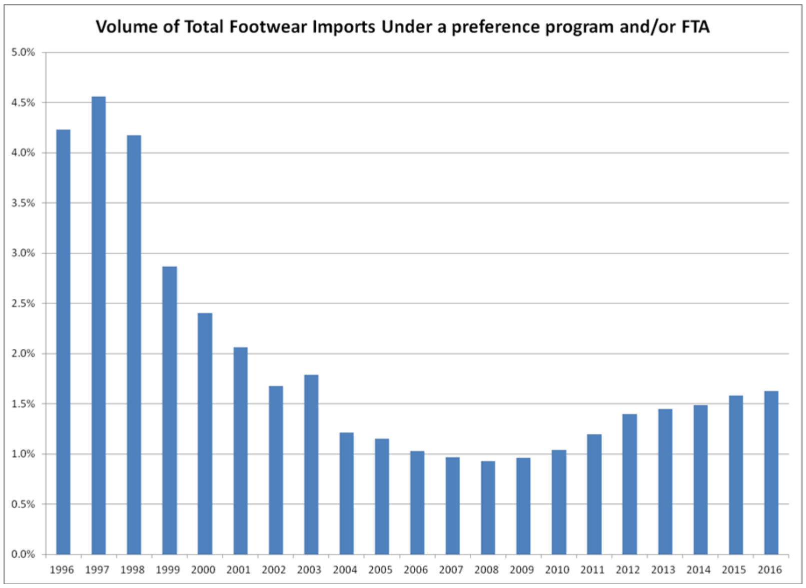


Source: USITC. * FDRA forecasts.

Of particular importance to AGOA's continued success today is the decision by Congress in 2015 to grant a ten-year extension of the program through the Trade Preferences Extension Act of 2015 (Public Law No. 114-27). Given the capital-intensive nature of footwear production, ensuring greater certainty for companies making sourcing decisions is critical for U.S. businesses to realize the full benefits of these programs. FDRA recommends that the Administration and Congress work to provide certainty in other trade preference programs such as GSP which also ensuring that these programs can be utilized by the footwear industry.

Conclusion

In conclusion, the current opportunities provided to U.S. footwear companies and consumers through either FTAs or trade preference programs remains significantly small (see graph below).



With this important Review and Report to the President, FDRA strongly encourages the Administration to work to advance new U.S.-led FTAs and to expand and strengthen our current trade preference programs so that they benefit U.S. footwear companies and the hundreds of thousands of Americans who purchase shoes each year. FDRA stands ready to work with the Administration on this critical issue, and we appreciate the opportunity to provide input on the performance reviews of our nation's FTAs, other trade relations, and preference programs.

Respectfully submitted,

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