FDRA
FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

Comments of the Footwear Distributors & Retailers of America (FDRA)
Regarding the Omnibus Report on Significant Trade Deficits
DOC-2017-0003

May 10, 2017

On behalf of the Footwear Distributors & Retailers of America (FDRA), we appreciate the opportunity to submit comments to the Administration as it prepares its Omnibus Report on Significant Trade Deficits in accordance with the President's March 31st Executive Order. 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.

FDRA recognizes the importance of studying the causes of national trade deficits. To this end, we recommend the Administration include in its Report an analysis of the ways in which trade deficits are connected to national debt, savings, and investment. The overwhelming majority of economists recognize that our trade balance is closely aligned with our national debt and is not simply an indication that other nations might be engaging in unfair trade practices or that we have not obtained the full scope of benefits of international trade agreements. Focusing solely on unfair trade practices in an effort to explain trade deficits does not present the American public with a complete and accurate picture of the current trade balance.

In addition, an analysis of trade deficits that suggests imports are "negative" for the U.S. and exports are "positive" for the U.S. discounts the tremendous benefits that imports provide to American consumers and the U.S. economy. Imports provide American individuals and families with value and choice in a range of products including footwear and apparel. Generating savings for American consumers has 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 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. Imports also support the incredible demand for shoes in the U.S., which amounted to 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 America businesses to invest time and resources in domestic manufacturing sectors where we have a competitive advantage and that provide the greatest return on investment.

Manufacturing in the U.S. has seen major changes over the past century, as over time, our nation has invested its resources in producing items of increasingly higher value and in sectors in which we have a strong competitive advantage globally, sectors that range from industrial machinery to chemical production to automobiles. Investing in high-value U.S. manufacturing has supported

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good-paying U.S. production jobs and facilitated large gains year-over-year in the productivity of U.S. workers. This investment has been possible because our nation does not attempt to make every item domestically for every U.S. consumer but instead invests in manufacturing where we have the greatest advantage and can deliver the greatest value.

One of the reasons we have a large trade deficit in goods is the fact that we are a nation of consumers and the health of our economy is related to consumer spending. As a wealthy nation, we purchase more products each year than we sell to the rest of the world. In addition, low duty rates do not contribute to the imbalance of trade in footwear. The average duty rate for footwear is 11 percent and some duty rates exceed 65 percent.

As the Administration focuses on ways to reduce trade deficits with other countries, recognizing the importance of American-made products reaching consumers abroad, FDRA would highlight the need for greater trade liberalization. The United States has 20 free trade agreements (FTA) with countries around the world. In 2015, the U.S. had a surplus in trade in goods with 14 of the 20 FTA countries. Adding together the U.S. trade balances for trade in goods with our FTA partners, the U.S. ran a trade surplus of more than $12 billion. In addition, these 20 FTA nations purchased almost half of all U.S. exports.

In almost every country in which the U.S. runs a major trade deficit, the U.S. has no free trade agreement in place with that country, including China, the European Union, India, Indonesia, Japan, Malaysia, Switzerland, Taiwan, Thailand, and Vietnam.[1] Expanding free trade is therefore critical to lowering trade deficits with specific countries.

As it works to address this issue, FDRA encourages the Administration to enter into new bilateral or multilateral trade agreements that will benefit U.S. footwear companies and consumers and provide greater market access for American companies. Two countries, in particular, where the U.S. could achieve significant benefits in trade are Indonesia and Vietnam.

In 2016, the U.S. ran an approximately $32 billion trade deficit with Vietnam and $13 billion trade deficit with Indonesia. Vietnam and Indonesia both have large consumer bases – approximately 92 million and 258 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 provide 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 free trade agreements with these two nations would provide U.S. companies with greater access to a dynamic and growing region of the world, so that they can sell more American-made products in these key markets. Free trade agreements in this region are critical to growing our economy and expanding opportunities and job creation for manufacturers, farmers, ranchers, and businesses across the U.S.

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[1] While the U.S. runs a deficit with Mexico and Canada, two FTA partners, the U.S. also exports more American-made products to Mexico and Canada than any other country in the world. In addition, many imports from Canada and Mexico are used in the production of domestic-exports.

In addition, 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, benefit American exporters and consumers, and significantly reduce trade deficits.

FDRA stands ready to work with the Administration on this important issue and appreciates the opportunity to provide input on the Omnibus Report on Trade Deficits.

Respectfully submitted,

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