Written Comments from the Footwear Distributors & Retailers of America to the U.S. International Trade Commission
Investigation No. 332-564
U.S. Trade and Investment with Sub-Saharan Africa: Recent Developments
February 6, 2018

Thank you for the opportunity to provide written comments on behalf of the U.S. footwear industry on recent developments in U.S. trade with Sub-Saharan Africa.

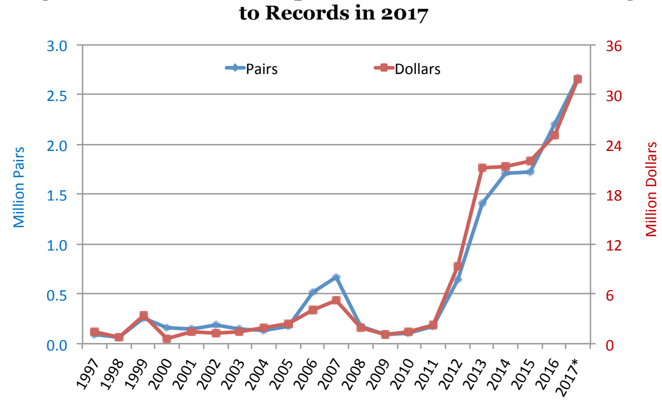
Founded in 1944, FDRA is governed and directed by U.S. footwear executives and remains the only U.S. trade association dedicated solely to footwear. FDRA serves the full footwear supply chain, from design and development to manufacturing to distribution and retail. Members range from small, family-owned businesses to global brands that sell to consumers around the world. Today, FDRA supports nearly 500 companies and brands, including the majority of U.S. footwear manufacturers.

With shifts in global footwear sourcing over the past decade, leading U.S. footwear companies have invested heavily in Sub-Saharan Africa. Though China still remains the top supplier of shoes to the U.S. market, its overall market share fell from nearly 90 percent annually in 2000 to a 17-year low of 72 percent in 2016. FDRA estimates that China's share will be approximately 64 percent in 2021.[1]

Companies have shifted production into new, developing nations based on a variety of factors: infrastructure and communication quality, availability of necessary raw materials, competitive wages, energy costs, industry investment, preferential market access via trade preference programs, governments committed to attracting private sector investment and improving conditions, transportation times and costs, and a large workforce dedicated to learning the intricate skill of shoemaking. These same factors shaped the significant rise in footwear production in Ethiopia, a developing economy in Sub-Saharan Africa and beneficiary of the U.S. African Growth & Opportunity Act (AGOA).

Led by Ethiopia, the few thousand pairs of shoes that Sub-Saharan Africa supplied the U.S. market in 2000, prior to the enactment of AGOA, grew to an annual rate of more than 2.5 million pairs of shoes by 2017 (see Figure 1).

Figure 1: U.S. Footwear Imports from AGOA-Countries Surge to Records in 2017

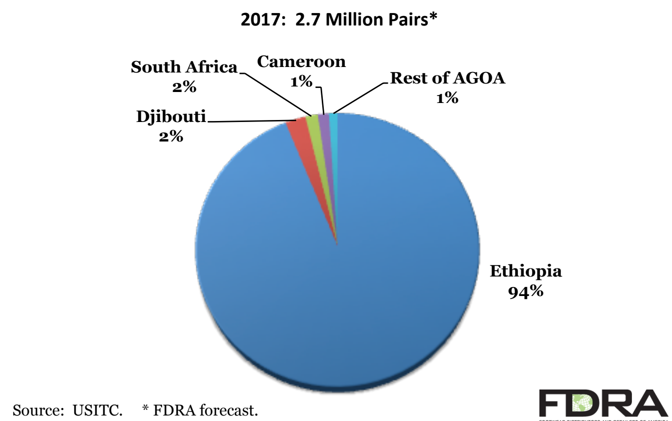


Source: USITC. * FDRA forecasts.

[1] Footwear imports by volume of pairs supplied to the U.S. market annually (FDRA 2017 Global Sourcing Report, based on USITC import data and FDRA forecasts)

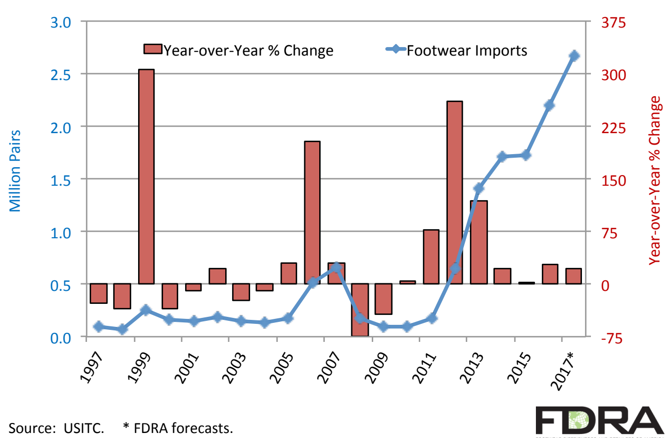
Though this accounts for only a small share of the 2.3 billion pairs of shoes required each year to meet the needs of U.S. customers, it represents a dramatic surge in footwear production in Africa. As Ethiopia has developed into a major footwear producing country over the past decade, its global footwear exports have multiplied more than tenfold, expanding to 3 million pairs of shoes in 2016.[2] It has become by far the largest Sub-Saharan African footwear supplier for the U.S. (see Figure 2).

Figure 2: Distribution of 2017 U.S. Footwear Import Volume from AGOA



Of the countries currently eligible for AGOA benefits, only 14 shipped footwear to the U.S. in 2017. Of these 14, Ethiopia accounted for 94 percent of the estimated 2.7 million pairs reaching U.S. shores last year from Sub-Saharan Africa. As a result of Ethiopia's growth, U.S. footwear imports from all AGOA countries climbed at a double-digit or triple-digit pace six of the last seven years, rising to a record for the fifth straight year in 2016 (see Figure 3).

Figure 3: U.S. Footwear Imports from AGOA-Countries in 2017



In addition to reaching the U.S., the market with the highest per-capita consumption of footwear in the world, Ethiopia has developed sizeable export markets in China and Kenya.[3] There is also tremendous export growth potential for Ethiopia in other markets in Africa, since Africa produces just two percent of the world's footwear while consuming seven percent (see Figure 4).

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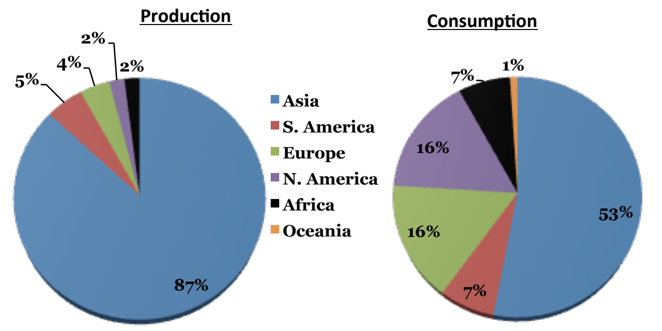
[2] World Footwear Yearbook 2017

[3] Id.

Figure 4: Africa has seven percent of world footwear demand, but just two percent of production



Source: World Footwear Yearbook 2016

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The export-driven growth in Ethiopia has resulted in a large number of Ethiopian footwear factories capable of providing shoes to both Ethiopian consumers and global markets. This growth has significantly increased work opportunities for those living in Ethiopia. Such opportunities help eliminate poverty, increase participation of women in the workforce, and expand the private sector – all of which are key aims of AGOA, the cornerstone of U.S. economic engagement in Africa.[4]

In the more than 17 years since the program was first signed into law by President Bill Clinton, both Republican and Democratic presidents have promoted AGOA, and it has received strong, bipartisan support in Congress. Congress approved a 10-year renewal of AGOA in 2015 with an overwhelming vote in both Houses.[5] In 2003, President George W. Bush said of AGOA, “America is committed to building on the great success of AGOA. One important way we can do this is to give business the confidence to invest in Africa, knowing the law’s benefits will continue long into the future.”[6] President Barrack Obama stated shortly after the AGOA renewal in 2015, “Africa is a place of incredible dynamism, some of the fastest-growing markets in the world, extraordinary people, extraordinary resilience. And it has the potential to be the next center of global economic growth.”[7]

Such strong support for AGOA is due in large part to its ability to strengthen standards, living conditions, rule of law, and economic growth in Sub-Saharan Africa. It remains critical to promoting peace and lifting individuals in developing nations out of poverty. The program also provides clear benefits to the U.S. It lays an important foundation for future bilateral and multilateral agreements between the U.S. and African nations, strengthens American companies with savings that can be invested in U.S. jobs and innovation, and increases value for American consumers on everyday products – an aspect of AGOA that is particularly important to working class individuals and families.

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[4] The 10-year AGOA extension legislation, passed in 2015, “reaffirms Congress’s commitment to sub-Saharan Africa by ensuring a long-term extension of the African Growth and Opportunity Act, which is the cornerstone of the trade and investment relationship between the United States and sub-Saharan Africa. First enacted in 2000, AGOA provides preferential duty treatment to sub-Saharan African countries that continue to make progress on economic and political reform; market incentives and private sector growth; the eradication of poverty; and the importance of women to economic growth and development” (Committee on Ways & Means, House Rept. 114-101)

[5] Trade Preferences Extension Act of 2015 (Public Law No. 114-27)

[6] George W. Bush, *Videotape Remarks to the African Growth and Opportunity Act Forum*, (Jan. 15, 2003), https://www.gpo.gov/fdsys/pkg/WCPD-2003-01-20/pdf/WCPD-2003-01-20-Pg70.pdf.

[7] https://obamawhitehouse.archives.gov/photos-and-video/video/2015/07/22/president-obama-discusses-african-growth-and-opportunity-act

Given the capital-intensive nature of footwear production, providing certainty to U.S. businesses making multi-year sourcing decisions is a critical component for U.S. businesses to realize the full benefits of trade preference programs. The decision by Congress in 2015 to extend AGOA for ten years ensures its continued success.

With AGOA renewed for ten years – along with similar trade preference programs providing access for Ethiopia to markets in Japan, Canada, and the EU – Ethiopia stands in an incredibly strong position globally when it comes to leather footwear production. The country has an abundance of raw materials, with the largest livestock population in Africa. The country has witnessed significant investment in the transportation and infrastructure needed to facilitate trade – including a new freight rail system connecting the capital Addis Ababa, a major footwear production hub, to the port of Djibouti; a new light rail system in Addis Ababa; air transportation that provides cargo shipping as well as direct commercial flights to the U.S; and massive direct foreign investment in new roads and highways. Ethiopian energy costs are among the lowest in Africa, and there are efforts underway to reduce energy shortages and complete what will be the largest hydroelectric dam on the continent.

Ethiopia also has a comparative advantage when it comes to its workforce. It has the second largest population in Africa and more than 70 percent of its citizens are under the age of thirty. Educational opportunities have improved dramatically throughout the country over the past two decades, and many Ethiopians have invested heavily in developing the skill and craftsmanship needed for leather shoemaking, which still involves nearly 200 touches to make a basic pair of leather dress shoes.

Given these advantages, U.S. footwear companies have expressed a strong interest in sourcing in Ethiopia. As a result, in 2016, FDRA organized and led a delegation of leading U.S. companies to Addis Ababa to tour local Ethiopian factories and tanneries, host an educational summit, and meet with key stakeholders.

In closing, we appreciate the opportunity to share the perspective of the U.S. footwear industry on U.S. trade and investment in Sub-Saharan Africa. As footwear companies look for ways to deliver high-quality footwear around the world at greater value, Africa will become increasingly important in providing an emerging hub for footwear production and new growing markets of footwear consumers. Today, as seen in the Ethiopian footwear sector, AGOA serves as the key tool for achieving these goals and driving investment in Sub-Saharan Africa.

Respectfully submitted,

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