FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

Primer:
USITC Import Restraints Report

Overview of Import Restraints Placed on Footwear

Leather goods and footwear are subject to high tariffs

Key issue: nature of trade restraints

1 Leather goods and footwear have some of the highest tariffs on consumer goods in the United States. Over 90% of imports of these goods are dutiable.

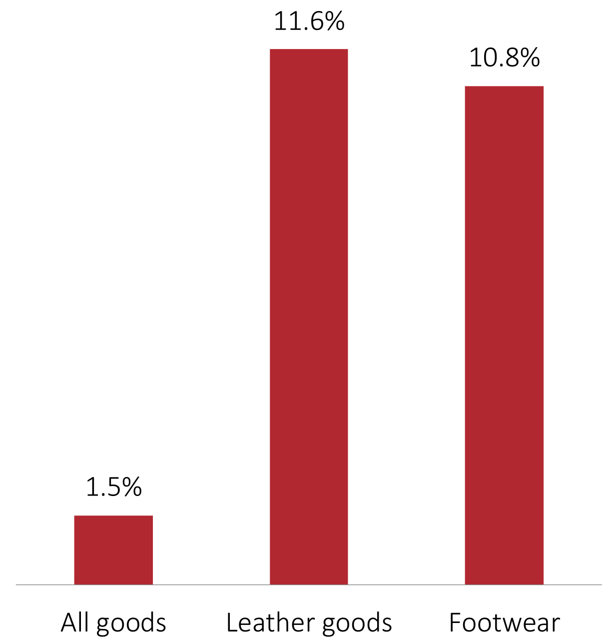
2 The U.S. industries producing leather goods and footwear have experienced significant import penetration and competition, despite average tariff rates that are much higher than those on most consumer goods, but with effective duty rates as high as nearly 70%.

3 Because production of finished leather goods and footwear is labor intensive, many firms moved manufacturing overseas decades ago to reduce costs. Imports now satisfy more than 95% of domestic consumption for these goods.

4 Although footwear imports account for only 1% of the total value of U.S. imports, they generate close to 9% of total U.S. tariff revenue. Tariffs on footwear can reach as high as 37.5%, 48%, and 67.5%, depending on the type of footwear.

5 Certain U.S. industry representatives contend that these tariffs limit the ability of U.S. footwear companies to compete globally, because they divert funds that could otherwise be allocated to investments in innovative design and processes to stay competitive.

Trade-weighted average ad valorem tariff, 2015



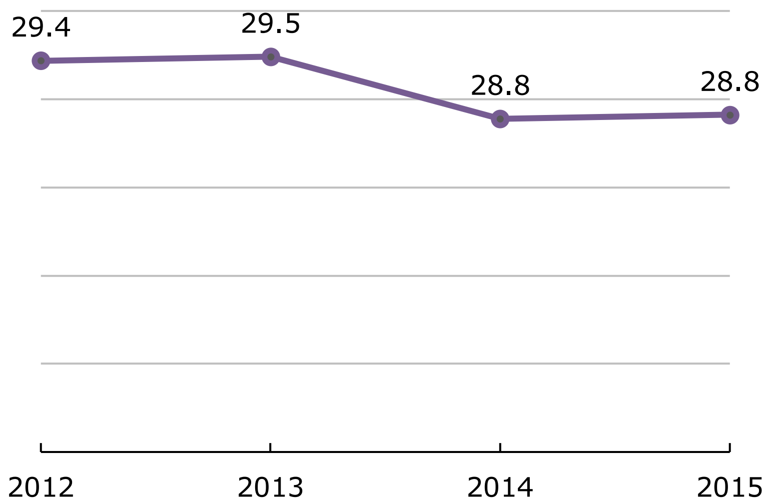
Projected increase in price of leather & allied product manufacturing imports due to restraints is 10.1% by 2020

Sources: United States International Trade Commission, "Publication 4726: the economic effects of significant U.S. import restraints ninth update 2017," September 2017.

Leather and footwear industry summary data, 2015-2020

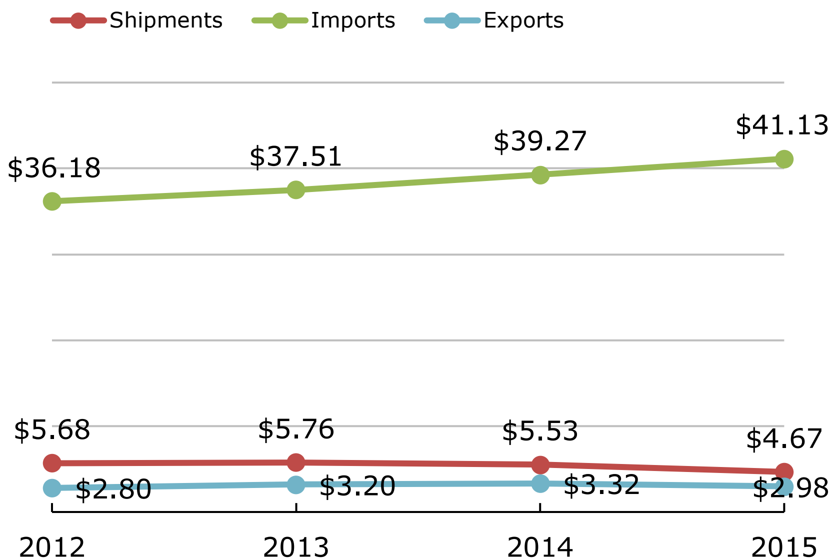
Employment levels

THOUSANDS OF FULL-TIME EQUIVALENT WORKERS, 2015-2020



Shipments, imports and exports

BILLIONS OF DOLLARS, 2015-2020



Domestic production accounts for only a small share of the U.S. market for leather goods and footwear and is primarily geared toward high-end fashion and niche markets, such as protective footwear and footwear for the military. Most U.S. leather goods and footwear companies focus on high-value activities, including design, branding, marketing, and distribution.

Total domestic output for the sector rebounded briefly following the U.S. economic recession of 2007 to 2009 and rose to almost $5.8 billion in 2013. However, shipments fell to $5.5 billion in 2014 and to $4.7 billion in 2015, which may indicate that the industry has resumed a general decline. Total sector employment fell by 2.1% during 2012–15, from 29,437 workers to 28,822 workers.

Sources: United States International Trade Commission, "Publication 4726: the economic effects of significant U.S. import restraints ninth update 2017," September 2017.

Estimated effects on removal of import barriers on the leather and footwear sector

	Baseline change (2015-2020)	Effect of liberalization
Employment	↓ -2.8%	↑ 1.8%
Shipments	↓ -5.0%	↑ 1.8%
Imports	↓ -5.0%	↑ 3.4%
Exports	↓ -2.0%	↑ 6.3%

Removing tariffs on imports of leather and allied products would boost U.S. exports by 6.3% relative to baseline, contributing to increases in employment and shipments of 1.8% each.

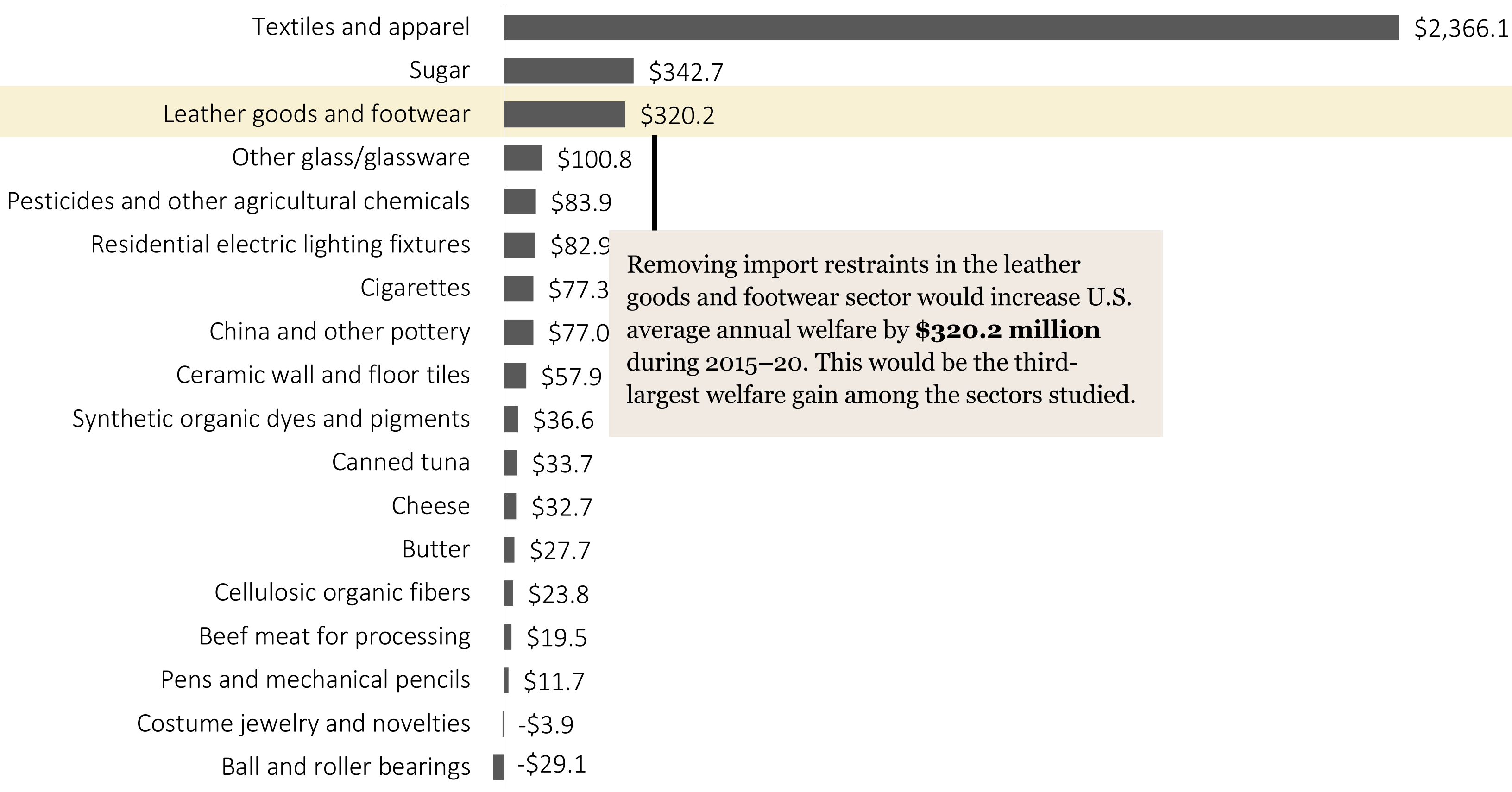
Imports supply over 95% of U.S. domestic demand for leather goods and footwear, which have some of the highest of all U.S. tariffs on consumer goods. The removal of tariffs is also projected to boost imports by 3.4% relative to baseline.

Sources: United States International Trade Commission, "Publication 4726: the economic effects of significant U.S. import restraints ninth update 2017," September 2017.

Import liberalization across all sectors would result in average annual economic increase of $3.3 billion from 2015-20

Average annual welfare gains from liberalizing import restraints by industry

MILLIONS OF DOLLARS, 2015-2020



Sources: United States International Trade Commission, "Publication 4726: the economic effects of significant U.S. import restraints ninth update 2017," September 2017.