FDRA FOOTWEAR DISTRIBUTORS & RETAILERS OF AMERICA

August 7, 2023

The Honorable Katherine Tai
United States Trade Representative
600 17th Street Northwest
Washington, D.C. 20508

Re: Request for Comments on Advancing Inclusive, Worker-Centered Trade Policy, USTR-2023-0004

Dear Ambassador Tai:

The Footwear Distributors & Retailers of America (FDRA) provides comments to the Office of the United States Trade Representative (USTR) as it examines how to advance its worker-centered trade policy.

FDRA is the footwear industry's trade and business association, representing more than 500 footwear companies and brands across the U.S. This includes the majority of U.S. footwear manufacturers and over 95 percent of the industry. FDRA has served the footwear industry for almost 80 years, and our members include a broad and diverse cross section of the companies that make and sell shoes, from small family-owned businesses to global brands that reach consumers around the world.

FDRA applauds the Biden Administration for exploring how to "expand the benefits of trade to include underserved and marginalized communities here in the United States." There is no better way to achieve this goal than reducing footwear tariffs. Our comments will explore the immediate action that is needed to help working class individuals and families. The comments will also look at multiple trade tools and policy solutions available to provide this relief.

What meaningful and substantive trade policies, actions, or provisions should policy and decision makers consider that would advance racial and gender equity, equality, and empowerment in U.S. trade and investment policy?

The Administration should immediately remove footwear tariffs on working-class families. Tariffs operate as hidden taxes that must be absorbed by U.S. companies – limiting their ability to grow and hire more U.S. workers – or these tariffs must be passed directly to consumers. ***Either way, Americans pay these taxes***. Because of outdated policy, American individuals and families pay an unnecessary hidden tax on a product they have to buy as a necessity. The U.S. government places the greatest footwear tariff burden on working class families, in several ways:

- **Tariffs on shoes are higher than almost any product category**. Footwear is taxed at an average rate of 12 percent, while all other imported consumer goods are taxed at an average of only 1.9 percent. Footwear tariff rates reach as high as 37.5 percent, 48 percent, and 67 percent[1].

- **Lower value shoes and children's shoes generally have the highest rates**. Consider how a typical, textile upper children's shoe would be classified in Chapter 64 of the U.S. Harmonized Tariff Schedule, the footwear chapter. If this children's shoe has a high value[2], the rate is 9 percent. If it is a mid-range valued shoe, the rate goes to 90 cents per pair plus 20 percent. If the value is lower, the rate goes to 37.5 percent and higher.[3] Compare that to a men's leather dress loafer – taxed at just 8.5 percent.

- **The tariff burden on children's shoes disproportionately impacts low-income families**. Parents must buy new shoes for children several times a year as their feet grow. The regressive structure of Chapter 64 hits children's shoes particularly hard. Because children's shoes typically have a lower price, they face higher tariffs. Lower income individuals have more children than higher income individuals.[4] There are also millions of children in the U.S. living in poverty.

- **Underserved communities spend more of their disposable income on shoes**. The latest annual survey from the Bureau of Labor Statistics entitled "Consumer Expenditures in 2021" found minority households and those without college educations spend a greater expenditure of their income on shoes, apparel, and other consumer goods.[5] A recent study sponsored in part by FDRA further highlights the negative impact of the tariffs on low-income families.[6]

- **This policy makes no sense in 2023**. The U.S. government first put high footwear tariffs in place under the Smoot-Hawley Tariff Act in 1930. The goal at the time was to protect a robust domestic shoe manufacturing sector. 93 years later, there is almost no

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[1] The 67 percent rate refers to the compound duty rate found throughout Chapter 64, for example 90 cents a pair + 37.5 percent.

[2] The value in Chapter 64 is broken down by first cost. For tariff purposes, a "higher value" shoe would have a first cost of over $12 a pair. A "mid-value" shoe would have a first cost of $6.50 to $12 a pair. A "lower value" shoe would have a first cost of less than $6.50.

[3] There are numerous examples of this inequality in Chapter 64. 6402.91 provides one example. Footwear valued over $12/pair is taxed at **20 percent** (6402.91.90), if valued over $6.50 but not over $12/pair, the rate is **90 cents a pair + 20%** (6402.91.80), that valued over $3 but not over $6.50/pair is taxed at **90 cents a pair + 37.5%** (6402.91.70), and that valued less than $3 are taxed at **48%** (6402.91.60). All but 6402.91.70 are on List 4A and have an additional 7.5% tariff if sourced from China.

[4] There is an inverse relationship between birth rates and household income in the US (and worldwide). That is, as US household income rises, the birth rate falls. See Statista.com at https://www.statista.com/statistics/241530/birth-rate-by-family-income-in-the-us.

[5] See *BLS Consumer Expenditures Report* (January 2023), https://www.bls.gov/opub/reports/consumer-expenditures/2021/home.htm

[6] See *Impacts of Section 301 Tariffs on Imports from China: Case Studies of Apparel, Footwear, Travel Goods and Furniture*, Trade Partnership Worldwide, LLC (January 2023), https://tradepartnership.com/wp-content/uploads/2023/01/China-301-Tariff-Costs-Joint-Association-Study-FINAL.pdf

footwear production in the United States. With the U.S. shift to higher-value manufacturing sectors over the past century, 99 percent of shoes are now made outside of the U.S. These tariffs should not exist on footwear products where there *is* no U.S. production. Without domestic production to protect, the high tariffs – which fall disproportionally on underserved communities in the U.S. – operate primarily as a revenue stream for the federal government.

What existing tools can be better utilized for these goals?

The Administration and Congress have multiple tariff relief tools to address inequality.

- **Remove 301 tariffs on shoes**: The added 301 tariffs, imposed by the Trump Administration and continued by the Biden Administration, meant drastic rate increases for the few children's shoes with relatively lower rates. With the added 301 tariffs, the tariff rate doubled for certain children's casual shoes and slippers. The rate more than tripled for certain plastic sandals, wool slippers, and infant crib shoes. 301 tariffs *on footwear* are ineffective for three reasons. First, U.S. companies and consumers, not China, pay the tariffs. Second, if the goal of the tariffs is to incentivize U.S. companies to leave China – by hitting U.S. businesses and consumers with new costs – this simply does not work with footwear due to limited sourcing options. Even moderate or smaller-scale footwear production requires, substantial capital investment, robust infrastructure, and a large workforce dedicated to learning the intricate skill of shoemaking. Setting up a new factory also involves years of planning and relationship building. Few countries have the infrastructure necessary to deliver 2.3 billion pairs to the U.S. market each year. Third, manufacturing sectors not prioritized by China are unlikely to influence Chinese behavior. Footwear is not a key tenet of China's industrial policy, and it was not a sector in the Made in China 2025 Strategy that preceded the 301 investigation. As a result, keeping 301 tariffs on footwear needlessly hurts underserved communities in the U.S. without achieving any of the goals of the 301 investigation.

- **Give tariff relief to sustainable footwear**: Lower-income communities often suffer the most from environmental harm. Low-income neighborhoods in the U.S. – and around the world – are disproportionately impacted by poor air quality, unclean drinking water, excessive heat, and other environmental harms. The U.S. footwear industry is working to drive sustainability and innovation in footwear design and production, but the Administration could accelerate this with tariff relief. The Administration should support initiatives that will eliminate footwear duty rates for bio-based materials. This would incentivize companies to move toward eco-friendly materials, drive circularity, reduce environmental impacts, and benefit undeserved communities.

- **End the hidden tax on children's shoes**: Past Congresses have sought to eliminate certain footwear tariffs through the Affordable Footwear Act. This bipartisan bill was introduced in both the House and Senate in four successive Congresses[7]. In 2009, more than one third of all

[7] See S. 2372 and H.R. 3934 in 110th Congress (2007-2008); S. 730 and H.R. 4316 in the 111th Congress (2009-2010); S.1069 and H.R. 2697 in the 112th Congress (2011-2012); and S. 1633 and H.R. 1708 in the 113th Congress (2013-2014)

Members of Congress sponsored the bill.[8] The tariff debate in Congress shifted in 2015 to the Trans-Pacific Partnership and again in 2018 to 301 tariffs on China. However, reducing tariffs on children's footwear should be a top priority in 2023, given the positive impact it would have on underserved communities in the U.S.

- **Support women's empowerment in developing countries through GSP.** The Administration should work to expand the Generalized System of Preferences (GSP) to cover footwear. This program is designed to help lift individuals in developing nations out of poverty. It also directly benefits U.S. consumers and companies with reduced tariffs. Adding footwear to the program would drive greater value to working class individual and families in the U.S. when they buy shoes. In addition, it would help shift footwear sourcing from China and incentivize capital investments in countries like Cambodia, Indonesia, Sri Lanka, the Philippines, and Thailand. Women comprise a significant portion of the footwear, apparel, and textile workforce in developing countries. Adding footwear to GSP would empower women in these countries – providing them with economic opportunities – and it would help alleviate poverty.

Conclusion

For these reasons, FDRA urges the Administration to immediately remove footwear tariffs. Doing so will directly benefit underserved communities and help drive equity, equality, and empowerment throughout the U.S.

Sincerely,

Matt Priest
President & CEO
Footwear Distributors and Retailers of America

[8] See H.R.3934 in 110th Congress, with 157 cosponsors (2007-2008)