FDRA FOOTWEAR DISTRIBUTORS & RETAILERS OF AMERICA

March 24, 2025

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

Re: Request for Comments Concerning Proposed Action Pursuant to the Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance (USTR-2025-0002)

Dear Ambassador Greer:

The Footwear Distributors & Retailers of America (FDRA) appreciates the opportunity to provide comments to the Office of the United States Trade Representative (USTR) on the proposed remedies in the Section 301 investigation into Chinese shipbuilding.

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 97 percent of the industry. FDRA has served the footwear industry for 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 supports the administration's efforts to enact pro-growth and pro-family policies like tax reform. We also understand the administration's goals of ensuring a strong U.S. shipbuilding sector and addressing China's shipbuilding dominance.

Imposing substantial fees on ships entering U.S. ports, however, does not further that objective and, instead, harms U.S. companies and consumers without any benefit to the United States. We are particularly concerned that the proposal, as written, may negatively impact U.S. ports, companies, consumers, and the broader U.S. economy.

First, ocean carriers will likely respond to the massive fees by cutting port calls to smaller ports. This would harm the communities across the U.S. that are built around these ports. Many of the small ports in the U.S. are located near rural areas, and their local economies depend on activity at the port. Eliminating service to smaller ports would mean job losses in these rural areas, and it could be devastating for those local economies.

Cutting service to smaller ports could also lead to significant congestion at major ports like Long Beach and Los Angeles. The overwhelming majority of footwear entering the U.S. market comes into the U.S. through these two ports. Port congestion would mean supply chain disruption, bottlenecks, and delayed deliveries for U.S. consumers throughout the U.S. In addition, some carriers may choose to bypass U.S. ports for Mexican and Canadian ports, which would create additional costs and challenges in getting footwear to U.S. consumers. During the COVID-19

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pandemic, our industry witnessed firsthand the harm to both consumers and companies that results from supply chain strains and port congestion. Port delays and congestion create business uncertainty that risks further driving up prices for consumers.

In addition, the fees proposed reach as high as $1.5 million per vessel entering a U.S. port. The carriers will undoubtedly pass these fees onto their customers, the importers. It would mean a $600 to $800 increase per container by some estimates.

The U.S. footwear industry operates under very tight margins, especially when it comes to the types of footwear sold at mass market retailers. There is very little room left for footwear companies to absorb added costs, because the U.S. government already places a substantial burden on the footwear industry through tariffs. Tariff rates on footwear are some of the highest in the entire tariff code, higher than almost any product category. Footwear is taxed at an average rate of 12.3 percent, while all other imported consumer goods are taxed at an average rate of less than 2 percent. Footwear tariffs reach rates as high as 37.5 percent, 48 percent, 67 percent, and now with the recent additional tariffs on Chinese-made goods, 95 percent[1].

99 percent of shoes are imported, and the vast majority of U.S. footwear has long been sourced overseas. Only a handful of sourcing countries have the capabilities to produce footwear on a large scale. In addition, many of the raw materials needed to make shoes do not exist here, and a number of these materials have never existed in the U.S.

To meet consumer demand, the U.S. market receives 2.4 billion pairs of shoes each year, or 7 pairs for every man, woman, and child in America. Even moderate or smaller-scale footwear production requires large machinery, substantial capital investment, robust infrastructure, and a large workforce dedicated to learning the intricate skill of shoemaking. Footwear is labor intensive. It takes more than *100 touches* to make a basic pair of leather dress shoes, for example. Setting up a new factory also involves years of planning and relationship building. This includes brands devoting significant time and resources to ensuring that factories have the strongest labor, environmental, chemical safety, and product safety standards possible.

The less than one percent of footwear production that occurs in the U.S. is done almost exclusively by U.S. importers. These companies may produce a line of specialized high-end leather boots in the U.S. while also importing children's shoes that reflect a much larger percentage of their business. In addition, many U.S. footwear manufacturers source components from abroad to use in domestic footwear production.

The industry now faces an additional 20 to 27.5 tariff on all footwear and footwear parts made in China; an additional 25 percent tariff on footwear and footwear parts made in Mexico, resuming on April 2; and the prospect of additional reciprocal tariffs on footwear from key sourcing countries. The added tariffs directly impact U.S. footwear jobs and consumer prices. We are concerned that the higher container costs will result in even higher costs for consumers.

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

Finally, a recent study commissioned by FDRA and 32 other trade associations found the proposed remedies would have a net negative impact on the U.S. economy.[2] In addition to fees, the proposed remedies would require a certain percentage of U.S. exports to be shipped on U.S.-flagged vessels. According to the study, U.S. exports would decline, potentially contributing to a worsening of the U.S. trade deficit. The proposal would hit agricultural exports and workers particularly hard, lead to a decline in output and employment for important energy exports, and cause U.S. ports to experience negative impacts on both output and employment.

Our industry is currently feeling the impact of economic pressures. According to our industry sales survey, for the eight weeks since the inauguration ending March 22, footwear sales are off -11.6 percent compared to the same eight weeks a year earlier. In fact, sales have fallen year over year *all eight weeks* over this period. This is not just a routine market shift; it is a clear sign that rising inflation and the looming threat of new tariffs directly impact consumer behavior.

A national survey, conducted last month by Emerson College Polling and commissioned by FDRA, found consumers are growing increasingly concerned about the economy.[3] According to the survey, 72 percent of Republican voters believe that reducing prices on essential goods should be President Trump's main priority. Likewise, the February University of Michigan consumer sentiment survey found that consumer sentiment declined sharply in February, for the second consecutive month. U.S. consumer sentiment dropped 10 percent from January.[4] The March University of Michigan consumer sentiment survey showed that consumer sentiment dropped an additional 10 percent in March, the lowest since 2022. After four years of inflationary pressure, many consumers are hoping for much-needed relief. We encourage the administration to strongly consider the economic cost of imposing the proposed remedies on ships entering U.S. ports.

In conclusion, FDRA appreciates the opportunity to provide feedback to USTR as it examines the possible remedies in the Section 301 investigation into Chinese shipbuilding. Our companies have incalculable real-world expertise in global trade and the movement of goods worldwide and can provide an important perspective on the impact of these proposals. We look forward to working with you on this critical issue.

Sincerely,

Matt Priest
President & CEO
Footwear Distributors and Retailers of America

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[2] https://tradepartnership.com/wp-content/uploads/2025/03/Shipbuilding-Remedy-Study.pdf

[3] http://fdra.org/wp-content/uploads/2025/02/FDRA-Poll-Memo-2.18.25.pdf

[4] http://www.sca.isr.umich.edu/