

On behalf of the Footwear Distributors & Retailers of America (FDRA), thank you for the opportunity to testify on the U.S., Mexico, Canada agreement (USMCA).

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.

International trade supports hundreds of thousands of footwear jobs in communities across the U.S. – good-paying jobs in design, innovation, materials, sourcing, compliance, logistics, warehousing, marketing, and retail. We believe U.S. free trade agreements, like the USMCA, should strengthen opportunities for these footwear workers.

Reducing footwear tariffs – through trade agreements and other initiatives – can also deliver greater value to U.S. consumers and help address the affordability challenges facing so many Americans. Footwear tariffs remain among the highest of any consumer product category. While the average tariff on consumer goods is just over 2 percent, footwear tariffs average more than 12 percent. For some categories, including many children's shoes, rates often exceed 48 percent, not counting the added reciprocal tariffs.

As you review the USMCA, we encourage you to work to extend the agreement and prevent new added tariffs from being placed on our USMCA partners.

Mexico continues to serve as an important sourcing location for footwear. Looking at the overall picture of global sourcing, Mexico accounts for a smaller volume of footwear imports compared to the leading footwear producing countries in Asia. To meet U.S. consumer demand, footwear companies import more than 2.2 *billion* pairs of shoes to the U.S. market each year (that's more than 6.2 pairs a year for every man, woman, and child in America). Mexico accounts for about 22 million pairs annually.

This number is not insignificant. Mexico consistently ranks as the number 6 supplier of footwear to the U.S. every year. Mexico ranks 6th in both import volume and value. The volume of footwear from Mexico to the U.S. now surpasses other key footwear sourcing countries like Italy, Germany, and Brazil, and is close to approaching India. By value, Mexico is actually ranked higher than India.

Mexico also has a comparative advantage when it comes to producing boots. It has grown to become the world's third-largest supplier of bootwear to the U.S. It is the *Western Hemisphere's* largest supplier of bootwear to the U.S. by far. In addition, sourcing footwear from Mexico brings production closer to U.S. consumers and significantly reduces product cycles and lead times – which generates savings for U.S. companies that they can reinvest back into U.S. jobs and U.S. innovation.

Despite these advantages, the USMCA is not fully realized when it comes to footwear. One key reason is because the USMCA, and its predecessor NAFTA, adopted the most stringent rules of origin for footwear of any U.S. free trade agreement. A typical bill of materials for footwear may

contain upwards of 50 or 60 components. If a company wants to utilize the USMCA, it must ensure that the complete footwear meets a strict 55% regional value content requirement. Similarly, if a US footwear manufacturer wants to source an upper from Mexico duty-free to use in US production, the upper from Mexico would need to meet these strict and complex rules. Lowering this threshold would help shift some footwear sourcing to the Western Hemisphere and increase trade between the U.S. and Mexico. We recognize the administration's efforts to strengthen sourcing options in the Western Hemisphere and promote greater supply chain diversification. We encourage you to work to adjust the rules of origin for footwear to help achieve these important goals.

We would like to raise one additional issue that needs to be addressed in the USMCA review. Intellectual property enforcement challenges persist in Mexico-U.S. trade relations, particularly due to counterfeit goods in physical and online markets. This includes systemic issues with customs authority, lengthy legal proceedings, and limited resources that hamper effective IP protection and prosecution.

Updating laws in Mexico to provide the National Customs Agency with *ex officio* powers to detain, seize, and destroy counterfeit goods – without needing prior approval from the Mexican Institute of Industrial Property (IMPI) or the Attorney General's Office – would greatly improve border enforcement, especially amid the rise of e-commerce. Under the current law, the agency's *ex officio* power is limited to detaining goods and merely notifying intellectual property rights holders about suspicious products.

FDRA appreciates the opportunity to provide input to the administration on the USMCA and its impact on U.S. footwear companies. We stand ready to work with you to renew the USMCA and strengthen opportunities for footwear companies within this important U.S. trade agreement. I look to forward to answering any questions.