CERTAIN NONRUBBER FOOTWEAR FROM BRAZIL, INDIA, AND SPAIN

Determinations of the Commission in Investigations Nos. 104-TAA-16, 17, and 18 Under Section 104(b) of the Trade Agreements Act of 1979, Together With the Information Obtained in the Investigations

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UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

Alfred E. Eckes, Chairman

Paula Stern

Veronica A. Haggart

Kenneth R. Mason, Secretary to the Commission

This report was prepared by:

J. Gail Burns, Office of Industries
Gerald R. Benedick, Office of Economics
Marvin C. Claywell, Office of Investigations
Jeffery Neeley, Office of the General Counsel

Reuben Schwartz, Office of Industries

Address all communications to
Office of the Secretary
United States International Trade Commission
Washington, D.C. 20436

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Note.--Information which discloses confidential operations of individual concerns may not be published and therefore has been deleted from this report. Deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigations Nos. 104-TAA-16, 17, and 18

CERTAIN NONRUBBER FOOTWEAR FROM BRAZIL, INDIA, AND SPAIN

Determinations

On the basis of the record 1/ developed in the subject investigations, the Commission determines 2/, pursuant to section 104(b) of the Trade Agreements Act of 1979, that an industry in the United States would not be materially injured or threatened with material injury, nor would the establishment of an industry in the United States be materially retarded, by reason of imports of certain nonrubber footwear from Brazil, India, or Spain covered by outstanding countervailing duty orders, if the orders were to be revoked. The investigations cover imports of nonrubber footwear provided for in items 700.05-.45, 700.56, 700.72-.83, and 700.95 of the Tariff Schedules of the United States (TSUS). With respect to India, the investigation covers all of the above footwear except huaraches (TSUS item 700.05); leather ski boots (TSUS item 700.28); and chappals, slippers and footwear having an open toe and heel, however provided for in part 1, subpart A of Schedule 7 in the TSUS.

Background

On October 26, 1981, October 7, 1981, and April 23, 1982, the U.S. International Trade Commission received requests from the Governments of Brazil, India, and Spain, respectively, for investigations under section 104 of the Trade Agreements Act of 1979 with respect to certain nonrubber footwear

1/ The record is defined in sec. 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(i)).

2/ Commissioner Haggart dissenting with respect to the orders covering imports of the subject merchandise from Brazil and Spain.

imported from Brazil, India, and Spain. Accordingly, effective January 25, 1983, the Commission instituted investigations Nos. 104-TAA-16, 17, and 18 under section 104(b) to determine whether an industry in the United States would be materially injured or threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of certain nonrubber footwear from Brazil, India, and Spain, currently covered by countervailing duty orders, if the orders were to be revoked.

Notice of the institution of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register on February 2, 1983 (48 F.R. 4742). The hearing was held in Washington, D.C. on April 19, 1983, and all persons who requested the opportunity were permitted to appear in person or by counsel.

VIEWS OF CHAIRMAN ALFRED E. ECKES

Introduction

On the basis of the record developed in investigation Nos. 104-TAA-16, 17, and 18, I determine that an industry in the United States would not be materially injured or threatened with material injury by reason of imports of nonrubber footwear from Brazil, India, or Spain covered by the outstanding countervailing duty orders if these orders were to be revoked. 1/

The focus of a section 104 investigation is the Commission's judgment as to the likely effects of the revocation of the subject countervailing duty orders on the domestic industry. This analysis includes the assessment of both the present condition of the domestic industry and the recent levels of imports for the purpose of determining the relevant conditions of trade concerning the subject imports. The Commission must then project this analysis into the future focusing on the information developed during the course of the investigation which indicates changes that may occur in the industry and import trends, given the possible revocation of the outstanding order. In this case, I have determined that the domestic industry, although not without problems, is relatively healthy and that imports from each of the three countries in question will not be a cause of material injury or threat of material injury to that industry if the countervailing duty orders are revoked.

1/ There is established production of like products in the United States. Thus, the issue of material retardation was not present in these investigations.

The Domestic Industry

Section 104 of the Trade Agreements Act expressly incorporates the definitions contained in section 771 of the Tariff Act of 1930. 2/ In general, section 771 of the Tariff Act defines the domestic industry as consisting of all domestic producers of a like product or those producers whose total output of the like product constitutes a major proportion of domestic production of that product. 3/ A "like product," in turn, is defined as a product, which is like, or in the absence of like, most similar in characteristics and uses with the imported product which is the subject of the investigation. 4/

The imports that are the subject of these investigations are nonrubber footwear from Brazil, India, and Spain covered by separate outstanding countervailing duty orders. These imports essentially include dress, casual, athletic, and work shoes, as well as boots and clogs which are designed for men, women, and children.

The nature of domestic shoes which compete with the imported goods is almost limitless in terms of style, fabric, quality, color, and size. The domestic industry has argued persuasively that these distinctions are artificial for purposes of determining the like product. 5/ It is apparent that consumers readily substitute styles, colors and fabrics when choosing shoes. Therefore, there is no basis for specifying "like products" based upon these characteristics.

2/ Section 104(e) of the Trade Agreements Act of 1979, 19 U.S.C. 1671 note.
3/ Section 771 (4)(A) of the Tariff Act, 19 U.S.C. 1677(4)(A).
4/ Section 771(10) of the Tariff act, 19 U.S.C. 1677(10).
5/ Commission Hearing held April 19, 1983, Transcript, 24-30.

A further question concerns distinctions among imports as to men's, women's and children's shoes. The same degree of substitutability clearly is not present when imports are considered in this manner. Men's, women's and children's shoes do differ in style, size, and to a lesser degree, channels of distribution. Therefore, there are three "like products" in this investigation, domestic men's, women's and children's nonrubber footwear which correspond to the imported shoes.

In a case involving a similar factual situation, Leather Wearing Apparel from Uruguay, Inv. No. 701-TA-68 (May 1981, USITC Pub. 1144), the Commission defined the like products to be (1) men's and boys' leather coats and jackets, (2) women's and girls' leather coats and jackets and (3) leather wearing apparel other than coats and jackets. In that investigation, the Commission found that it was a simple matter to shift production of men's leather wearing apparel to the production of women's leather wearing apparel. In these investigations, the same productive facilities can be used by producers of men's, women's, and children's shoes. Many producers were not able to segregate profit and loss data according to these categories. 6/

Section 771(4)(D) makes provisions for circumstances in which the production process or producers' profits cannot be separately identified for like products by providing for analysis of the narrowest product line containing the like product. It is appropriate in these investigations to

6/ Producers accounting for a significant portion of domestic production failed to supply profit-and-loss data based on these categories. If the Commission were to use profitability data based on men's, women's, and children's shoe operations, it appears that roughly 40 percent of all profitability data supplied in questionnaire responses would not be usable. (Compare table 20 with tables 22, 23, and 24.)

apply section 771(4)(D) and assess the impact of imports on the narrowest group or range of products which includes the like products, for which the necessary information can be provided. The lack of available data regarding men's, women's, and children's shoes in terms of profit and loss and the substantial identity of the production process for each type leads to the conclusion that the narrowest group of products for analysis is all nonrubber footwear covered by each order. Therefore, the determinations in these cases are based upon an examination of the impact of imports on all domestic producers of nonrubber footwear.

Condition of the U.S. Industry

It was the intent of Congress that in countervailing duty investigations the assessment of the impact of subsidized imports is to be made with regard to the particular conditions of trade, competition, and development of the relevant industry. 7/ The statutory scheme for determining the appropriate "like product," and in turn, the industry against which the Commission assesses the impact of imports, further assures that the focus of our inquiry is on the nature of the imported product that is the subject of these investigations and those characteristics of trade involving both the relevant domestic and imported products. 8/

The current condition of the United States industry generally is favorable. Although production, shipments, and employment have declined from 1980 to 1982 as domestic producers have continued to seek more efficient

7/ See S. Rpt. No. 96-249, 96th Cong., 1st Sess. (1979) at 57 and 88; H. Rpt. No. 96-317, 96th Cong., 1st Sess. (1979) at 46.

8/ Certain Carbon Steel Products from Spain (Inv. Nos. 701-TA-155, 157, 158, 159, 160, and 162 (Final) USITC Pub. 1331. See Views of Chairman Eckes and Commissioner Haggart at p. 15.

operations, the profit data indicate that it has been successful in its efforts to become more competitive. 9/ 10/ The 1982 net operating income for the entire industry was 7.0 percent of net sales. Although this figure is somewhat less than the 9.4 percent ratio for 1981, the 1981 figures are skewed by the immense popularity of western boots which has since declined. When these three producers are removed from 1982 figures, operating profit margins figures for the remaining 89 producers are higher than in 1980. 11/ Further the ratio of operating income to net sales for large producers, who produce over 4 million pairs per year and and account for about half of total domestic production, shows an even greater turnaround. From 1980 to 1982, that ratio increased from 8.9 to 10.2 percent.

As I discuss below, there is no indication that the current favorable performance of the industry will be affected by imports from each of the three countries under investigation if the countervailing duty orders were revoked. 12/

9/ An examination of the Commission's decision in Footwear, Inv. No. TA-203-7 (April 1981, USITC Pub. 1139) may be useful for charting the recovery of the domestic industry. Although the Commission majority in the section 203 case was unwilling to declare the industry healthy at that time because one satisfactory year of profitability did not necessarily signify a trend, the subsequent two year period suggests that the successful year was not an aberration.

10/ Domestic producers appear to be importing increasing amounts of nonrubber footwear. See p. A-24-25, Table 14.

11/ Furthermore, profit declines for all industries in 1982 were common. In fact, even the 7 percent profit figure is above average for all textile mill products and for all manufacturing.

12/ Pricing data collected in these investigations do not warrant undue emphasis. Because of the vast differences and characteristics which exist among the various types of footwear, there are few instances of meaningful price comparison between directly comparable imported and domestic shoes. Although consumer choices regarding shoes are based in part upon price, other important considerations are equally important in purchasing decisions, such as style and quality. Available pricing data at best serve to provide some indication of broad price trends.

The Brazilian Order -- The Commerce Department published notice of the preliminary results of its administrative view of the Brazilian order on March 9, 1983. 13/ The review covered the period from December 7, 1979, to December 31, 1980. The aggregate net subsidy from December 7, 1979 through December 31, 1979 was 4.77 percent ad valorem and for the period January 1, 1980 through December 31, 1980 it was 3.48 percent ad valorem. Commerce also found that as of July 26, 1982, the government of Brazil subjected exports of nonrubber footwear to the United States to an offsetting export tax, reducing the potential aggregate net subsidy to 0.48 percent, which Commerce considers de minimis.

By letter of April 22, 1983, to the Secretary of Commerce, the Minister of Finance of Brazil gave assurances that the offsetting export tax was indefinite in duration and would not be affected by the revocation of the outstanding countervailing duty order. The ability of the Commerce Department and the Commission to move quickly to make a preliminary determination if the Brazilian government were to change its policy, is an important incentive for Brazil to leave the export taxes in place. Further, concerns by the Brazilian government regarding the credibility of future assurances should ensure continued de minimis subsidy levels. These considerations provide strong incentives for Brazil to continue its policy regarding the imposition of an export tax.

Given the Finance Minister's assurances, I believe that if the countervailing duty order were to be removed, no material injury or threat of material injury to the domestic industry will occur. Even though Brazilian

13/ 48 F.R. 9902.

imports in 1982 held about 5 percent of the U.S. market, it does not appear based on the record in this investigation that this level of imports, even though subsidized, would cause future injury or threat thereof to the domestic footwear industry. Therefore, I find that an industry in the United States would not be materially injured or threatened with material injury, by reason of imports of the merchandise covered by the countervailing duty order if the order were to be revoked.

The Indian Order -- On February 17, 1982, the Commerce Department published a notice of the final results of its review of the Indian order. 14/ The review, covering the period from January 1, 1980, through December 31, 1980, found a total net subsidy for the period of 15.08 percent.

Imports of nonrubber footwear from India to the U.S. are small in absolute numbers and are declining. Giving the broadest interpretation to the scope of the order, imports from India covered by the order in 1982 were 1.2 million pairs. 15/ In all likelihood, the goods actually covered by the order were even lower, probably around 900,000 pairs. Using the 1.2 million figure, however, the figures show a continual decline in imports since 1978. The 1982 import level of Indian goods was at most approximately one third of the 1978 level. From 1980 to 1982, India's share of the U.S. market fell from 0.4 to 0.2 percent of apparent consumption.

Most of India's nonrubber footwear is produced by a cottage industry. This method of production limits India's ability to compete more effectively in the U.S. market, due to poor quality control, frequent delays in

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14/ 47 F.R. 6906
15/ See p. A-14.

deliveries, and the ability to produce for only 6 to 7 months per year because of the monsoon season.

Based on the trend in imports from India and the nature of the industry in India, I have determined that the U.S. industry would not be materially injured or threatened with material injury if the countervailing duty order were removed.

The Spanish order -- On April 4, 1983, the Commerce Department published the preliminary results of its administrative review with respect to the Spanish order. 16/ The review covers the period from January 1, 1980, through December 31, 1980. The total net subsidy for the period was 4.91 percent ad valorem. In addition, taking into account changes in the Spanish programs, Commerce stated that it intends to instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 2.54 percent ad valorem. Commerce notes in its notice that Spain is currently phasing out its operating capital loans subsidy program.

Spain's imports to the United States began to decline in 1979, when they fell 27 percent below those in the preceding year. In 1980, Spanish imports to the U.S. decreased an additional 34 percent reaching their lowest level since 1968. Spanish imports in 1981 were essentially equal to 1980 levels, and then rose slightly in 1982.

A major reason for Spain's decline as an importer to the U.S. market has been the eroding price competitiveness of its products. A comparison of average unit value of nonrubber footwear from Spain with that of Brazil,

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16/ 48 F.R. 14426.

Taiwan, or Korea shows that Spain's footwear has been valued considerably higher through recent periods. The major change in the Spanish producers' situation since 1978 has been higher labor costs. This cost increase, coupled with the fact that Spain must import most of its raw materials, effectively limits the amount of footwear that Spain can successfully market in the United States. Therefore, removal of the order will in my view have little impact on the competitiveness of Spanish imports and thus, the impact on the U.S. industry of the removal of the countervailing duty will be inconsequential.

Cumulation

In making a decision whether to cumulate imports, the Commission has generally considered whether the conditions of trade show the relevance of cumulative consideration of imports from various countries in making a determination of injury. Specific factors which the Commission has considered in the past in determining whether to cumulate imports include (1) whether the imports have a "hammering effect" on the domestic industry; (2) whether the imports entered the U.S. contemporaneously; (3) whether the imports are fungible or comparable; (4) whether the imports compete in the same markets for the same end uses; (5) whether there has been coordination or cooperation among the various importers; (6) whether the same channels of distribution are used; (7) pricing similarity; (8) the volume of the subject imports; (9) the trends in the volume of imports; and (10) whether there is a simultaneous impact by the imports in question.

In this case, I have chosen not to cumulate. The imports from the three countries under investigation show a wide variation in price and quality.

A significant portion of the Indian product is low-priced and of low quality. The Spanish producers, on the other hand, have increasingly concentrated on the upscale end of the market as their labor costs have risen. There is no information of record that convinces me that there is any coordination or cooperation among importers with regard to these imports. Combined imports from Spain and India are not significantly higher than the imports from Spain alone, and there is no reason to anticipate that this relationship will change.

With regard to the future of the Brazilian imports, as I have discussed above, there is no reason to believe that subsidized imports will continue in the future. Thus, the cumulation of these essentially unsubsidized Brazilian imports with the subsidized imports from the other two countries is unjustified. For the above reasons, I do not cumulate the imports in this case.

Conclusion

I conclude that the domestic industry would not be injured or threatened with material injury by the subject imports as a result of the revocation of these outstanding countervailing duty orders.

VIEWS OF COMMISSIONER PAULA STERN

Introduction

I determine that an industry in the United States would not be materially injured or threatened with material injury by reason of imports of nonrubber footwear from Brazil, India, or Spain, covered by the outstanding countervailing duty orders, if these orders were to be revoked. 1/

My determinations regarding these investigations are based upon my finding that imports from these three countries would not significantly contribute to any injury that would be experienced by the domestic industry if these orders were to be revoked. Imports from India are tiny in volume and market share. In addition, constraints on Indian production, infrastructure, and transportation make it highly unlikely that the imports from India would increase substantially if the countervailing duty order were removed. Subsidies from Spain have been almost completely phased out, and the volume and market share of imports show a declining trend over the long term. In addition, revocation of the duty would not significantly increase the volume or competitiveness of imports from Spain. The net subsidy from Brazil is *de minimis*, having been offset by an export tax placed on goods bound for the United States. Furthermore, the Brazilian Minister of Finance has given express assurances that the export tax will remain in effect and will be adjusted for any changes in the underlying subsidies. Since no countervailing duties are currently being collected on imports from Brazil and since there is

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1/ There is established production of like products in the United States. Thus, the issue of material retardation was not present in these investigations.

no indication that this situation will change, revocation of the order will have no effect on the pricing of imports from Brazil. Any future competitive advantages will be due to factors which cannot be fairly attributed to the subsidies under investigation.

<u>The Domestic Industry</u>

I join in the definition of domestic industry contained in the views of Chairman Eckes.

<u>Standards for Determinations</u>

In a section 104 investigation, the Commission must evaluate the question of whether the domestic industry would be materially injured or threatened with material injury by reason of the imports covered by the countervailing duty order should the order be revoked. "Material injury" as defined by the statute means "harm which is not inconsequential, immaterial, or unimportant." 2/ In previous section 104 determinations, the Commission generally has assumed, as a threshold matter, that any subsidy-related injury to the U.S. industry has been remedied during the period in which the duties have been imposed. 3/ Therefore, the Commission's analysis is essentially prospective, i.e., an assessment of the impact that the revocation of an

2/ 19 U.S.C. section 1677(7)(A).

3/ See Unprocessed Float Glass from Belgium and Italy ("Float Glass") Inv. Nos. 104-TAA-11 and 12 (USITC Pub. 1344) (February 1983) at 5. The domestic producers have argued, with respect to the Brazil investigation, that because of time lags between the collection of the estimated duty and the final duty, which was sometimes higher than the estimated duty, the subsidy-related advantage was not remedied contemporaneously. Thus they argue such imports may still be considered to be injuring the domestic industry. I do not find this argument persuasive because in the case of Brazil we are faced, not with analyzing the future impact of an ongoing duty, but with analyzing the future impact of no duty at all.

existing countervailing duty order will have on a domestic industry. 4/ In previous cases, the Commission has included the following factors in its examination: (1) the amount of the duty, and whether the duty has grown or declined since imposition of the order; 5/ (2) the trends in import volume and market share; 6/ (3) whether, and to what extent the imports compete with the domestic product; (4) the exporter's capacity, capacity utilization, and export orientation; (5) the intent of the importers or exporters, particularly if supported by trends in market conditions; 7/ and (6) the competitive advantage, if any, that the imports would derive from the lifting of the

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4/ See Float Glass, supra n. 2 at 3 and 8; Views of Chairman Alberger, Vice Chairman Calhoun and Commissioner Stern in Sugar from the European Community, ("Sugar") Inv. No. 104-TAA-7 (USITC Pub. No. 1247) (May 1982) at 19.

By analogy, the standards applicable to an analysis of "threat of material injury" in a Title VII investigation are also relevant to a section 104 investigation. In particular, we must not base our determination on mere supposition or conjecture, or on speculative assumptions. See S. Rep. No. 249, 96th Cong., 1st Sess. at 88-89, quoted in Views of Alberger, Calhoun and Stern in Sugar, supra, at 19, n. 11; Alberta Gas Chemicals v. United States, 515 F. Supp. 780,791 (C.I.T. 1981).

5/ See, e.g., Float Glass, supra, n. 2 at 8-9 and 11-13; Galvanized Fabricated Structural Steel Units from Italy, Inv. No. 104-TAA-4 (USITC Pub. 1204) (December 1981) (Views of Chairman Alberger and Commissioners Calhoun, Stern, and Eckes) at 6-7, Barley from France, Inv. No. 104-TAA 6 (USITC Pub. 1227) (March 1982) (Views of Chairman Alberger and Commissioners Calhoun, Stern and Eckes) at 5 and Certain Spirits from Ireland, Inv. No. 104-TAA-3 (USITC Pub. 1165) (July 1981) (Views of Chairman Alberger and Commissioner Bedell and Stern) at 8.

An examination of the trend in the duty may also involve examination of changes or trends in the underlying subsidies. In particular, the fact that a subsidy or a subsidy-derived benefit is being phased out has obvious importance to our prospective analysis. See discussion re: imports from Spain, infra at 20-21. On the other hand, if it is clear that the amount of the net subsidy or duty will be increasing, this factor could conceivably be relevant, providing that this finding was not overly speculative. See discussion re: imports from Brazil, infra at 20, n. 24.

6/ However, where revocation of the order would result in no or little price effect, the Commission has given less weight to the fact that the volume of the imports are increasing or may increase, because such an increase could not fairly be attributed to revocation of the countervailing duty order. See Certain Spirits from Ireland, supra, n. 4 at 8.

7/ See Rayon Staple Fiber, supra, n. 3 at 6-7.

countervailing duty. The latter factor relates directly to the central issue of whether injury would occur if the countervailing duty order were removed. 8/ Assuming that any financial advantage gained by an importer due to the revocation of a countervailing duty order would be fully passed through to its customers in the form of lower prices, 9/ removal of any countervailing duty order can generally be presumed to result in some financial advantage, however slight. Nevertheless, revocation of an outstanding order would be appropriate under two kinds of circumstances: when the advantage is insignificant; or if, even with a significant financial advantage, the subsidized imports would not be materially injuring or threatening material injury to a domestic industry, because of other market conditions.

8/ Analysis of the effect, if any, of the duty on the competitive advantage of the subsidized imports alone is not necessarily dispositive. The weight I give this necessarily varies depending upon the facts of each case. See my Views in Certain Carbon Steel Products from Belgium, France, Italy, Luxembourg, the United Kingdom and the Federal Republic of Germany, Inv. Nos. 701-TA-86 through 128, as incorporated in my views in Carbon Steel Wire Rod from Brazil and Tobago, Inv. Nos. 731-TA-113 and 114 (USITC Pub. No. 1316) (November 1982) at 5*-9*.

However in some cases, the amount of the duty is so tiny that the Commission has found that its removal would not provide an incentive for the importer to lower the price of the goods. See, e.g., Certain Spirits from Ireland, supra, n. 4 at 8. Similarly, where the countervailing duty accounts for only a small portion of the margin by which the imported product undersells the domestic product, the Commission has found that the subsidized imports were not causing or threatening to cause material injury. See, e.g., Certain Zoris from the Republic of China, Inv. No. 303-TA-1 (USITC Pub. 787) (Sept. 1976) at 7; Unlasted Leather Footwear Uppers from India, Inv. No. 701-TA-1 (USITC Pub. 1045) (March 1980), Views of Chairman Bedell and Commissioner Moore and Stern at 6 and Views of Vice Chairman Alberger and Commissioner Calhoun at 14.

9/ The advantage to an importer resulting from revocation of a countervailing duty order would not necessarily be passed through to the price of the product. However, to the extent that the cost advantage is not fully passed through to the price of the imported good, the import would have even less of a subsidy-related price advantage over the domestic product. Therefore, by assuming a full pass through of the removal of the duty I am giving the domestic industry its best opportunity to establish that there is a competitive effect.

Condition of the U.S. Industry

The industry is restructuring and consolidating, changing from an industry in which most of its production was accounted for by the output of hundreds of small firms to one dominated by the twenty largest producers, which account for approximately half of production. 10/ Many of the large companies, in addition to enjoying greater economies of scale, have their own retail operations, which are very profitable relative to manufacturing, and import to supplement certain product lines. 11/ Therefore, there is a split within the industry between certain firms that are very profitable and others that are significantly less profitable.

Thus, the U.S. industry currently shows signs of both strength and weakness. U.S. production of nonrubber footwear fell by 15 percent from 386 million pairs in 1980 to 325 million pairs in 1982 and domestic shipments followed a similar course. 12/ With the cutbacks in production came a fall in domestic capacity utilization from 76.4 percent in 1980 to 68.7 percent in 1982. 13/

Employment also declined, but at a slower rate than for production. 14/ There are also indications that some firms have permanently ceased operations. 15/

10/ Report at A-19.
11/ Transcript (Tr.) at 128-29.
12/ Report at A-20 (Table 7).
13/ *Id*. at A-21 (Table 11).
14/ According to Department of Commerce data, the number of production and related workers declined by 11 percent from 122,900 workers in 1980 to 109,800 workers in 1982. According to Commission data, the number of these employees declined by 5 percent during this period, and the number of hours worked declined by 8 percent. *Id*. at A-29 and Table 18.
15/ *Id*. at A-19; Tr. at 45.

However, to some extent the shrunken size of the U.S. industry has led to greater efficiency and profitability. Profitability data indicates that during the 1980-1982 period the industry has been able to sustain a level of profitability significantly higher than in the years prior to 1980. 16/ In 1982 net operating income for the U.S. industry as a whole was 7 percent of net sales; this figure is above the 1982 average of 5.3 percent for all manufacturing and substantially above the 3.5 percent figure for textile mill products. 17/ Although this figure is less than the healthy 8.3 percent and 9.4 percent ratios for 1980 and 1981, the figures for 1980 and 1981 reflect the relatively short term surge in profitability resulting from the popularity of western boots. 18/ Similarly, the 1982 ratio reflects, to some extent, operating losses experienced by the boot producers as demand for these boots waned. 19/

Furthermore, the large domestic producers, which account for approximately half of domestic production, enjoyed operating profit margins in 1982 that were well above the average for all producers. In addition, all but two of the other five categories of producers 20/ had operating profit margins above that for all manufacturing, and all but one had operating profit margins above that for textile products. 21/

16/ The ratio of operating income to net sales was 5.4 percent in 1977, 5.6 percent in 1978, 5.7 percent in 1979, 8.3 percent in 1980, 9.4 percent in 1981, and 7 percent in 1982. See Nonrubber Footwear Report to the President on Inv. No. 203-TA-7 (USITC Pub. 1139) (April 1981) at A-43.

17/ Report at A-32 (Table 20) and Quarterly Financial Reports for Manufacturing, Mining, and Trade Corporations, U.S. Department of Commerce, Bureau of the Census.

18/ Id. at A-33.

19/ Id.

20/ Because the largest producers are known to be generally more profitable than the smaller producer, the Staff Report provided separate profit and loss information for six categories of non-rubber footwear manufacturers broken down according to volume of production. Id. at A-34 (Table 21).

21/ Id.

Likely Effects of Removal of the Countervailing Duty Orders 22/

The Brazilian Order -- The Commerce Department published notice of the preliminary results of its administrative view of the Brazilian order on March 9, 1983. 23/ The review covered the period from December 7, 1979, to December 31, 1980. The aggregate net subsidy from December 7, 1979 through December 31, 1979 was 4.77 percent *ad valorem* and for the period January 1, 1980 through December 31, 1980, 3.48 percent *ad valorem*. Commerce also found that as of July 26, 1982, the government of Brazil subjected exports of nonrubber footwear to the United States to an offsetting export tax, reducing the potential aggregate net subsidy to 0.48 percent. Because Commerce considers this a *de minimis* amount, it has instructed the Customs Department to stop collecting duties on imports from Brazil.

In an April 22, 1983 letter, the Minister of Finance of Brazil gave formal assurances to Secretary of Commerce Baldridge that the offsetting export tax was indefinite in duration and would not be affected by the revocation of the outstanding countervailing duty order. He further assured the Secretary that the offsetting export taxes would be adjusted, according to Department of Commerce methodology, to continue to offset fully any changes in the underlying subsidies.

Currently, no duty is being assessed against imports from Brazil. Therefore, revocation of the countervailing duty order would have no effect at all on the price of these imports. Given Brazil's assurances, it is

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22/ I have determined that the effect of imports subject to these investigations should be assessed separately. I concur with the views of Chairman Eckes on the issue of cumulation.

23/ 48 F.R. 9961.

reasonable to assume that future imports from Brazil will also have no price advantage that can be fairly attributable to the fact that these imports are subsidized. 24/ Thus, there would be no injury to the domestic injury that could be fairly attributed to the revocation of the order.

The Spanish order -- On April 4, 1983, the Commerce Department published the preliminary results of its administrative review with respect to the Spanish order. 25/ The review covers the period from January 1, 1980, through December 31, 1980. The total net subsidy for the period was 4.91 percent *ad valorem*. In addition, taking into account changes in the Spanish programs, Commerce stated that it intends to instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 2.54 percent *ad valorem*. Commerce's notice reports that Spain is currently phasing out its operating

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24/ Representatives of the domestic industry have argued that the order should be kept in place because Brazil could lift its offsetting export tax at any time. This argument is speculative and not supported by any evidence in the record. Contrary to the arguments made by the domestic industry that it would be in Brazil's self interest to remove the offset taxes, I believe that maintaining the export taxes is in Brazil's interest because removal of these taxes, or failure to adjust or cooperate in verification of these taxes would obviously invite another countervailing duty investigation. In addition, Brazilian exporters wish to avoid the uncertainty that results from either a countervailing duty investigation or a Commerce Department annual review. Specifically, the delays inherent in the process have apparently had a chilling effect on efforts to market Brazilian goods to U.S. importers. Thus, I find that the evidence of Brazil's intent is supported by other market-related factors.

Furthermore, even assuming that Brazil fails to live up to its assurances, these imports would be liable for duties within at most 85 days after the institution of a new investigation, and duties might even be assessed against imports entering the country during the 85-day period if critical circumstances are found to exist. Furthermore, the Department of Commerce could self-initiate such an investigation.

25/ 48 F.R. 14426.

capital loans subsidy program. In addition, the other subsidy, the excessive rebake of indirect taxes, had been almost completely offset by June 1982. 26/

Although imports from Spain have increased slightly from 1980 to 1982, these figures in fact reflect a slight departure from a long-term downward trend in Spain's imports and market share. Spain's imports to the United States began to decline in 1979, when they fell 27 percent below those in the preceding year. In 1980, Spanish imports to the U.S. decreased an additional 34 percent reaching their lowest level since 1968. Spanish imports in 1981 were essentially equal to 1980 levels, and then rose slightly in 1982.

While the ratio of total imports of nonrubber footwear to apparent domestic consumption increased from 48.6 percent in 1980 to 59.6 percent in 1982, the market share of imports from Spain remained small, increasing from 2.4 percent in 1980 to 2.8 percent in 1982. 27/ In addition, as a percent of total imports, imports from Spain are small, and have declined from 4.9 percent in 1980, to 4.6 percent in 1982. 28/

A major reason for Spain's decline as an importer to the U.S. market has been an erosion of the price competitiveness of its products. A comparison of average unit value of nonrubber footwear from Spain with that of Brazil,

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26/ The government of Spain has given explicit assurances that this subsidy will be phased out completely by December 31, 1984. See Posthearing Brief on Behalf of the Federacion de Industrias Del Calzados Espanol at App. 2.

27/ Report at A-43 (Table 27). Almost all of the increase in total import share occurred between 1981 and 1982, and virtually all of this growth was generated by Taiwan and Korea. In 1981 I joined with unanimous Commission in advising the President that termination of the Orderly Market Agreement (OMA) regarding nonrubber footwear from Taiwan would have a significant adverse economic effect on the domestic industry. Thus we advised that this OMA be extended for 2 years. See Nonrubber Footwear, supra note 16. However, both OMAs were allowed to expire on June 30, 1981. Report at A-11.

28/ This represents a long-term decline from a high of 13 percent in 1974. Id. at A-17.

Taiwan, or Korea shows that Spain's footwear has been valued considerably higher. 29/ The major change in the Spanish producers' situation since 1978 has been higher labor costs. This cost, coupled with the fact that Spain must import most of its leather from the United States, currently limits the amount of footwear that Spain can successfully market in the United States. 30/

The best pricing information available regarding the Spanish goods reinforces the conclusion that removal of the order would have a negligible effect. 31/ Prices for comparable shoes indicate that the Spanish shoes would continue to significantly undersell the domestic product even if the countervailing duty order were revoked. 32/ In addition, some purchasers have indicated that there are non-price considerations, particularly with respect to style factors, that limit the degree to which imports from Spain compete directly with the corresponding domestic product. 33/ In addition, an assessment of the effect of removal of the order on the volume of these imports, which is based on price elasticities and other assumptions most favorable to the domestic industry, indicates that revocation of the duty

29/ *Id*. at A-17-A-18.
30/ Tr. at 163.
31/ I have based my analysis on the pricing information contained in a May 9, 1983, Memorandum to the Commission from the Director, Office of Investigations, re: Certain Nonrubber Footwear from Brazil, India, and Spain: Price comparisons between domestic footwear and footwear imported from Brazil and Spain developed from specific shoe constructions and outlets served, as identified by domestic footwear manufacturers.
32/ The average margins by which imports of men's leather shoes from Spain undersell the comparable domestic product are substantial, and far in excess of the amount of the duty. Id. at 3 (Table 1) and 5. The average margins by which imports of women's leather shoes from Spain undersell the comparable domestic product are not as great as those for men's leather shoes, but are approximately double the amount of the current estimated duty. Id. at 4 (Table 2) and 5.
33/ Id. at 6.

would result in no more than a 0.7 percent decline in domestic production. 34/ Thus, I find that the impact on the U.S. industry of the removal of the countervailing duty will be inconsequential.

Indian Order

I join in the discussion of Chairmen Eckes on this subject. However, my determination included the following additional finding. A small percentage of the total nonrubber footwear under investigation are produced in a factory which is a joint venture involving a U.S. shoe manufacturer. This facility's production process is more advanced than the typical cottage industry. However, based on confidential information regarding the capacity of this factory, I find that even if it were operating at full capacity, the resulting increase in the volume of imports would not be significant. Furthermore, the problems with India's transportation and infrastructure result in delays and other problems which affect both this more sophisticated manufacturing effort as well as the cottage industry.

34/ Economic consultants for the Spanish importers suggested that the effect of revocation on import volumes could be assessed by multiplying the current duty rate of 2.54 percent by a cross-elasticity of demand factor of -1.54. Assuming transportation costs of 25 percent, this results in an estimated increase of 700 thousand pairs, which translates into less than one-tenth of one percent of apparent domestic consumption. Representatives of the domestic industry argued in favor of using a higher cross-elasticity factor of -4. The assumptions used, which are most favorable to the domestic industry, include the -4 cross-elasticity factor and a 10 percent transportation factor. In addition, for the purposes of argument, I have not proportioned the increase according to the domestic producers' share of apparent domestic consumption. Therefore, this figure is based on the assumption that any increase in the volume of the Spanish imports would result in a lost sale to the domestic industry and not to other importers. A more realistic estimate which apportions the calculated increase in imports according to share of the domestic market, indicates that revocation would result in a decline in domestic production of no more than 0.3 percent. See Domestic's Post-Hearing Brief at 2-3, and Post-hearing Brief of Federacion de Industrial del Calzados Espanol at app. 1.

Views of Commissioner Veronica A. Haggart

Imports of nonrubber footwear from Brazil and Spain have been subject to countervailing duty orders since September 9, 1974. 1/ Imports from India have been subject to a countervailing duty order since October 19, 1979. 2/ I have assessed the impact of imports from each country separately 3/ and have concluded that revocation of the countervailing duty orders for Brazil and Spain would result in material injury to the nonrubber footwear industry in the United States. I have also found that revocation of the countervailing duty order for India would not result in material injury or threat of material injury to the nonrubber footwear industry in the United States. 4/

The domestic industry

I concur with my colleagues in the assessment of the relevant like products and domestic industry. 5/

1/ 39 Fed. Reg. 32903 (1974) and 39 Fed. Reg. 32904 (1974).
2/ 44 Fed. Reg. 61588 (1979).
3/ The domestic industry argues that the Commission should cumulate imports from Brazil, Spain and India in order to assess their collective impact on the domestic industry if the countervailing duty order were revoked. See Prehearing Brief filed on Behalf of Footwear Industries of America, Inc., The Amalgamated Clothing & Textile Workers Union, AFL-CIO, and the United Food & Commercial Workers International Union, AFL-CIO at 42-48. In making my determination in these cases, I have considered all imports in the context of the conditions of trade in the relevant marketplace. Furthermore, cumulation is unnecessary in the instant investigations since sufficient data have been developed which permit a determination on an individual country basis.
4/ Since there is an established production of a like product, the issue of material retardation of the establishment of an industry is not present in this investigation.
5/ See discussion *supra* at 4-6.

Condition of the Industry

Critical indicators of the current health of the domestic industry, namely production, capacity utilization, shipments, employment, and market share have declined during the period 1980-82. Although apparent U.S. consumption increased from 752 to 805 million pairs during 1980-82, 6/ U.S. producers' share of the nonrubber footwear market declined from 51 percent in 1980 to 40 percent in 1982. 7/ U.S. production of nonrubber footwear fell from 386 million pairs in 1980 to 325 million pairs in 1982, and domestic shipments followed a similar course. 8/ With the cutbacks in production came a fall in domestic capacity utilization from 76.4 percent in 1980 to 68.7 percent in 1982. 9/ Similarly, the number of production and related workers has declined from 122,900 workers in 1980 to 109,800 workers in 1982. 10/

Although the financial performance of the domestic industry has improved since the late 1970's, the current level of profitability of the U.S. footwear industry is largely attributable to the success of the large, integrated shoe companies in contrast to the balance of the industry. 11/ This was particularly true in 1982 when the 15 largest companies responding

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6/ Commission Report at A-43.
7/ Id. at A-43.
8/ Id. at A-20 and A-23. These figures are those reported by the Department of Commerce. Responses to the Commission questionnaire submitted by firms representing 89 percent of the industry also show a decline in domestic shipments.
9/ Id. at A-21.
10/ Id. at A-29.
11/ Based solely on the financial experience of the overall domestic industry, it can be argued that the domestic industry is currently healthy. However, the presence or absence of any one indicator of injury should not be determinative of the condition of the industry. S. Rep. No. 96-249, 96th Cong., 1st Sess. 88 (1979).

to the Commission's questionnaire (those which manufacture over 4 million pairs per year), accounted for only approximately 47 percent of reported industry sales, but realized 69 percent of the industry's operating income, and had a ratio of operating income to sales of 10.2 percent. On the other hand, in 1982, the ratio of operating income to sales for the other 77 producers reporting, who accounted for approximately 53 percent of the industry's sales, was only 4.2 percent. 12/ The greater profitability of the larger producers is due in part to the integrated nature of their operations, which may include production, importing, and contracting out of the production of footwear, as well as control of their retail distribution. 13/ Thus, these larger firms are able to adjust to market conditions by changing their sourcing strategies.

The above-mentioned declines are the continuation of a long-term trend in which U.S. nonrubber footwear production has declined steadily from over 600 million pairs in 1963 to 325 million pairs in 1982. 14/ During the same period, consumption generally fluctuated between 700 and 850 million pairs and import penetration increased from 10 to 60 percent. 15/ Thus, the long term data, as well as the data for the period under investigation, reflect that the overall condition of the industry is declining.

12/ Report at A-33-34.
13/ Footwear industry profitability data in these investigations does not include the retail operations of the integrated footwear companies. However, the manufacturing profitability of firms that control their own retail outlets is enhanced by close ties with their retail stores. Therefore, the profitability data of these producers should not be relied upon as an indication of the condition of the industry as a whole.
14/ Footwear, Inv. No. 201-TA-7, USITC Pub. No. 758 (Feb. 1976) at C-2; Report at A-20.
15/ Footwear, Inv. No. 201-TA-7, supra at C-3 and Nonrubber Footwear, Inv. No. TA-203-7, USITC Pub. No. 1139 (April 1981) at A-32.

Likely effects of revocation of the outstanding countervailing duty orders

Our determination in a section 104 investigation is prospective in nature. In these investigations, the Commission must determine whether the domestic industry will be injured in the event that each of the subject countervailing duty orders is revoked.

As noted recently in my views on causation in Bicycle Tires and Tubes from the Republic of Korea and Taiwan, 104-TAA-14 (May, 1983), it is appropriate to examine the current and historic characteristics and economic trends of the relevant marketplace in order to provide a basis for projection into the future. Such data are relevant for purposes of assessing the conditions of trade and competition in the relevant market and for assessing the impact, if any, that the subject imports have had while the order has been in place. The consideration of historical data should be coupled with consideration of any available information bearing on future intentions of foreign producers with regard to production, capacity, marketing strategies, and imports, and the availability of other export markets.

As with investigations under section 701 of the Act, another factor which the Commission may consider in determining the effect, if any, of revocation of the order is the amount of the net subsidy. 16/ While the presence or absence of a causal nexus between the amount of the net subsidy found to exist by the Department of Commerce and the potential for injury or threat thereof upon revocation of the order should not be dispositive, it nonetheless is a relevant consideration.

16/ See Additional Views of Commissioner Haggart in Certain Carbon Steel Products from Spain, Inv. Nos. 701-TA-155, 157, 158, 159, 160, and 162, USITC Pub. No. 1331 (Dec. 1982) at 26-36.

In the context of a section 104 investigation, unlike a section 701 investigation, the countervailing duty order is already in place. Thus, the prices and quantities of imports can be assumed to reflect the importers' and/or foreign producers' reactions, if any, to the existence of the order. The revocation of the countervailing duty order will reduce the importers' costs in line with the amount of duty collected and, as a consequence, may reduce prices accordingly.

The domestic industry contends that because countervailing duties are assessed retroactively, there is little assurance that goods subject to a countervailing duty order will have entered the United States at a price reflecting a full adjustment for the actual level of subsidy benefiting the merchandise. 17/ Therefore, the domestic industry claims that it cannot be assumed that any present injury being suffered by the domestic industry during the term of the countervailing duty order is not causally related to the imports covered by the order. 18/

The fact that countervailing duties are imposed retroactively does not in and of itself preclude consideration of the amount of the subsidy as one of many factors in our analysis. This is particularly true where, as in the case of Brazil and Spain, the orders have been in place for a number of years and have been subject to review. The relative weight to be given to

17/ Prehearing Brief Filed on Behalf of Footwear Industries of America, Inc., The Amalgamated Clothing & Textile Workers Union, AFL-CIO, and the United Food & Commercial Workers International Union, AFL-CIO at 32-33.

18/ The domestic industry asserts that this was the approach taken by the Commission in Unprocessed Float Glass from Belguim and Italy, Inv. Nos. 104-TAA-11 & 12, USITC Pub. No. 1344 (Feb. 1983). In Float Glass, the totality of the information was the basis for concluding that the problems which the domestic industry were experiencing were not attributable to imports subject to the countervailing duty order.

such historical factors as level of imports, conditions in the marketplace, as well as the amount of the subsidy, should be made on a case-by-case basis, taking into account all available relevant information.

The above framework of analysis facilitates a determination as to the prospective effects of revocation of each of the orders under consideration.

The Brazilian Order

During the period under investigation, imports from Brazil increased from 31 million pairs in 1980, or 4.2 percent of apparent domestic consumption, to a record high in 1981 of 43 million pairs, or 5.7 percent of apparent domestic consumption, before declining slightly to 41 million pairs, or 5.1 percent of apparent domestic consumption in 1982. Despite this slight decline in 1982, Brazil has remained the fourth largest foreign supplier following Taiwan, Korea and Italy. 19/ Moreover, U.S. imports of nonrubber footwear from Brazil have increased substantially since the countervailing duty order went into effect in 1974, with most of this growth occurring during 1977-1981, the period that the orderly marketing agreements (OMA's) were in effect with Korea and Taiwan. 20/

19/ Report at A-9, A-12.

20/ Imports of Brazilian nonrubber footwear to the United States grew rapidly during the early 1970's, increasing from less than one million pairs before 1970 to 21 million pairs in 1974. This rapid growth came to a halt in 1976 and was followed by a steep decline in 1977 after Brazil removed its tax incentives on footwear exports to the United States. Report at A-13. It was also in 1977 that this Commission in Footwear, Inv. No. TA-201-18, USITC Pub. No. 799 (Feb. 1977), found serious injury to the U.S. nonrubber footwear industry and proposed a remedy of tariff-rate quotas for five years on shipments from Brazil and certain other countries. Imports of nonrubber footwear from Brazil continued their rapid growth rate in 1978, increasing 56 percent from 29
the 1977 level and another 17 percent in 1979. Report at A-17. It is apparent that the growth of imports from Brazil during 1977-81 was
(continued on next page)

Brazil's largest export market for footwear is the United States. In 1982, exports to the United States accounted for 72 percent of Brazil's exports as compared with 60 percent in 1980. No significant shifts to other export markets are anticipated in the near future. 21/

The most recent information on the total capacity of the Brazilian industry was for 1979, when it was estimated at approximately 500 million pairs. Total production in 1979 amounted to 324 million pairs, resulting in a 65 percent capacity utilization rate. 22/ In 1982, Brazil's total footwear production was estimated at 485 million pairs, approximately 17 percent greater than total U.S. production of rubber and nonrubber footwear. In addition, Brazil, has one of the largest cattle inventories in the world, as well as easy access to hides from Argentina. 23/

Comparisons of the domestic and Brazilian prices of men's leather dress shoes, women's leather dress shoes and women's leather dress boots show a consistent pattern of underselling by the Brazilians. These comparisons revealed that in 19 out of 23 instances, the Brazilian product undersold the domestic product by margins ranging from 8 to 55 percent. In the price comparisons for women's footwear, where the imports from Brazil for the most part compete, 24/ the Brazilians undersold the domestic product

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20/ (continued from previous page) related to the OMA's which restricted imports from Korea and Taiwan during the period. Thus, the restraining effects of the countervailing duty order was largely negated by U.S. importers increasing their shipments from countries such as Brazil, not subject to the OMA's.

21/ Report at A-46.

22/ Id. at A-45.

23/ Id. at A-13, A-45.

24/ Brazilian exports to the United States consist predominantly of women's leather footwear. Leather footwear made up approximatey 90 percent of Brazil's shipments to the United States during the period under investigation and women's footwear constituted 94 percent of Brazil's shipments to the United States in 1982. Report at A-46.

in 15 out of 16 instances, again ranging from 8 to 55 percent. 25/

Given the facts described above, revocation of the outstanding countervailing duty order would materially injure the domestic industry. In summary, Brazil's exports to the United States have increased substantially over the last nine years, reaching a record high in 1981 with only a slight decline in 1982. In addition, the record indicates that Brazil has additional unused production capacity which could be used to direct additional exports to its primary export market, the United States. Furthermore, there is a consistent pattern of underselling by the Brazilians, especially with respect to women's footwear, where the Brazilians compete most heavily. In sum, there is every indication that Brazil is willing and able to increase its exports of footwear to the United States.

The Department of Commerce has preliminarily determined as a result of its section 751 administrative review, which is underway concurrently with this section 104 investigation, 26/ that the aggregate net subsidy

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25/ Id. at A-53, Table 30, A-56. Additional information was developed in response to the concerns of representatives of the domestic industry that price comparisons should be based on shoes that have the same construction features and that are sold to the same type of outlet. See memorandum of May 9, 1983 from Director, Office of Investigations to the Commission. Although the price data developed pursuant to the request of the domestic industry is less extensive than that appearing in the Commission's Report, the two sets of data generally show the same trends. The additional data confirms the Commission's findings with regard to Brazilian prices of women's footwear.

26/ The government of Brazil requested institution of this section 104 investigation on October 26, 1981. Although the Commission has three years for completion of section 104 investigations, it has instituted and conducted these investigations as expeditiously as our caseload permits. However, because of the length of time permitted for the conduct of section 104 investigations, the unique situation of section 751 administrative reviews being conducted concurrently with these section 104 investigations is presented.

conferred by the government of Brazil was 4.77 percent *ad valorem* for the period from December 7, 1979 through December 31, 1979 and 3.48 percent *ad valorem* for the period January 1, 1980 through December 31, 1980. In addition, Commerce has also preliminarily found that the potential net subsidy for 1981 was 8.48 percent *ad valorem* due largely to an increase in benefits under Brazil's preferential export financing program, effective January 21, 1981, and that effective July 26, 1982, the government of Brazil subjected exports of nonrubber footwear to the United States to an offsetting export tax of 8 percent, the effect of which is to reduce the potential aggregate subsidy to 0.48 percent. Because Commerce considers such a net subsidy *de minimis*, it intends to instruct the Customs Service to waive collection of a cash deposit of estimated countervailing duties on merchandise entered after July 26, 1982. 27/

It is argued on behalf of the Brazilian industry that since Brazil has subjected its footwear exports to an export tax effectively reducing its net subsidies to a *de minimis* amount, and because the government of Brazil has provided the U.S. government with assurances that revocation of the outstanding countervailing duty order will not affect the continuation of the Brazilian export tax, 28/ revocation of the countervailing duty order would not materially injure or threaten material injury to the domestic industry. 29/

27/ Report at A-3 and Appendix D, (48 Fed. Reg. 9902 (1983)). For general history of the order for Brazil, *see* Prehearing Brief Filed on Behalf of Footwear Industries of America, Inc., The Amalgamated Clothing & Textile Workers Union, AFL-CIO, and the United Food & Commercial Workers International Union, AFL-CIO at 21-24.

28/ Letter dated April 22, 1983 from Ervane Galveas, Minister of Finance, to Secretary of Commerce Malcolm Baldridge.

29/ Prehearing Brief of Associacao Commercial e Industrial de Novo Hamburgo at 7.

The fact that Brazil has recently imposed an export tax which effectively reduces the aggregate net subsidy to a *de minimis* amount does not compel revocation of the subject order. Such export tax could be repealed given a change in Brazilian policy. The Brazilian program of subsidization for footwear with its traditionally high level of benefits remains in place. Over the course of the existence of the order, the total net export subsidies provided by the government of Brazil to its footwear industry have ranged from 12.3 percent 30/ to approximately 3.48 percent in 1981. 31/ Thus, the export subsidies provided to the Brazilian footwear industry have consistently been at significant levels. Given the bifurcated process mandated by statute for countervailing duty investigations, it is more appropriate under the facts here that possible revocation of the countervailing duty order based on the existence of the export tax be considered in the context of the Department of Commerce's administrative review process. Keeping this order in place would cause no harm to Brazil if the export tax remains in place and the subsidies continue to be *de minimis*. On the other hand, revocation could cause hardship to the domestic industry in the event that the Brazilian export tax is repealed since the domestic industry would again have to petition Commerce and this Commission for relief.

The Indian Order

Imports of nonrubber footwear from India to the United States are few in number and are declining. Moreover, India's share of the U.S. market

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30/ Report at A-72 and Appendix C, (39 Fed. Reg. 32903 (1974)).
31/ *Id.* at A-3 and Appendix D, (48 Fed. Reg. 9902 (1983)).

has been under one-half of 1 percent during the period under investigation. Imports from India have showed a continual decline since 1978. At most, imports from India covered by the order in 1982 were 1.2 million pairs. 32/ The 1982 import level of Indian footwear was approximately one-third of the 1978 level. From 1980 to 1982, India's share of the U.S. market fell from 0.4 percent to 0.2 percent of apparent consumption. 33/

Most of India's footwear is produced by a cottage industry. This method of production limits India's ability to compete effectively in the United States market due to poor quality control, frequent delays in deliveries, and the ability to produce for only six to seven months per year because of the monsoon season. 34/

On February 17, 1982, the Commerce Department published a notice of the final results of its administrative review of the Indian order. 35/ The review, covering the period from January 1980, through December 31, 1980, found a total net subsidy for the period of 15.08 percent. Unlike the

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32/ Report at A-44. Because of a definitional problem with the scope of the countervailing duty order for India, it is not possible to ascertain the exact amount of imports from India covered by the countervailing duty order. In the post-hearing brief on Behalf of Elan Imports, Inc. at 1, it is argued that the only footwear from India which benefits from the subsidy and is subject to a potential countervailing duty, is fully closed footwear which approximated 200,000 pairs in 1982. Elan claims that the balance of the imports from India, approximately 1,000,000 pairs, were not subject to any countervailing duty. In addition, Florsheim Shoe Co., Chicago, Ill., testified that Florsheim imported virtually all the "closed" footwear from India covered by the countervailing duty order. TR. 237. In an attempt to deal with this definitional problem, the staff has estimated that the goods covered by the order did not exceed 900,000 pairs. See Memorandum dated May 9, 1983 from Director, Office of Investigations, to the Commission giving staff estimates of footwear imported from India in 1982 that are excluded from the countervailing duty order.

33/ Report at A-44.

34/ Id. at A-48-64.

35/ Id. at A-3 and Appendix D (47 Fed. Reg. 6906 (1982)).

Brazilian and Spanish orders, the Indian order has only been in effect since October 19, 1979. Despite the high level of subsidy found by Commerce, I find that the domestic industry would not be injured or threatened with injury by revocation of the order for India. 36/

The level of imports in the past, as well as the trend in imports from India and the continuing problem in its distribution system, persuade me that the U.S. industry would not be materially injured or threatened with material injury if the countervailing duty order were revoked.

The Spanish Order

Spain has maintained its share of the U.S. nonrubber footwear market during the period under investigation, increasing from 2.4 percent of apparent domestic consumption in 1980 to 2.8 percent in 1982. 37/ In 1974, when the countervailing duty order went into effect on nonrubber footwear from Spain in 1974, U.S. imports of such footwear were at historically high levels. 38/ Spain maintained this high level until 1979, when imports from Spain fell 27 percent below the 1978 level. Imports from Spain again declined in 1980 but then rebounded in 1981 and 1982. 39/ These declines in imports from Spain can be partly attributed to Spain's deteriorating price competitiveness with Brazil, which has become an important source of low-cost fashion footwear. 40/ Nevertheless, Spain continues to be the fifth largest supplier of nonrubber footwear to the United States. 41/

36/ As previously indicated, the level of subsidization should not be a dispositive factor in assessing whether revocation is appropriate.
37/ Report at A-44.
38/ Id. at A-17.
39/ Id. at A-17.
40/ Id. at A-17.
41/ Id.

Spain's capacity for all footwear production was estimated at 209 million pairs in 1982. Capacity utilization based on production of 133 million pairs, as was produced in 1982, has been determined to be 64 percent. 42/ Thus, Spanish production capacity is currently substantially underutilized.

Nonrubber footwear is an important export item for Spain, surpassed only by automotive parts. Approximately one half of Spain's production of footwear was exported in 1980 and 1981 and the United States is currently the largest single national export market for Spanish footwear. 43/ There is every indication that footwear will continue to be an important export item. 44/

Because of rising labor costs, Spain's footwear industry has ceased to mass-produce the type of inexpensive footwear that would compete most directly with footwear from countries such as Brazil. 45/ However, the Spanish footwear industry is about to embark on a restructuring program sponsored by the Spanish government to focus on fashion and quality footwear, an area where exports from Spain will be even more competitive with U.S.-produced footwear. 46/ Another goal of this program is to stimulate exports. The United States, which is already the largest single national market for Spanish exports, is likely to be the target of these

42/ Id. at A-48.
43/ Id. at A-49.
44/ Id. at A-49.
45/ Id. at A-50.
46/ Id. at A-50; see also Prehearing Brief filed on behalf of Footwear Industries of America, Inc., the Amalgamated Clothing & Textile Workers Union, AFL-CIO, and the United Food & Commercial Workers International Union, AFL-CIO at 95, referring to a July 1982 telex from the U.S. embassy in Madrid relating to the restructuring of the Spanish footwear industry.

increased exports. Thus, it appears that the Spanish footwear industry has every intention of increasing its exports to the United States should the countervailing duty order be revoked. Furthermore, the Spanish footwear industry's excess production capacity demonstrates its ability to direct additional exports to the United States.

Comparison of domestic and Spanish prices of men's leather dress shoes, women's leather dress shoes, and women's leather boots show 18 out of 21 instances of underselling, ranging from 3 to 46 percent, during the period under investigation. 47/

In its most recent administrative review of the countervailing duty order on non-rubber footwear from Spain, which covers the period January 1, 1980 through December 31, 1980, Commerce has preliminarily determined the amount of the net subsidy to be 4.91 percent ad valorem of the f.o.b. invoice price of Spanish nonrubber footwear. However, having taken into account changes in Spain's subsidy programs which were effective July 1, 1981, Commerce has also indicated in its preliminary results of its administrative review that it intends to instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 2.54 percent of the f.o.b. invoice price of this merchandise after the date of publication of the final results of the current review. 48/ Thus, during the existence of the order, countervailing duties have remained stable between 2 and 3 percent. 49/

47/ Report at A-52, Table 32 & A-57; see also Memorandum of May 9, 1983 from Director, Office of Investigations, to the Commission re Price Comparisons which generally confirms the results of the pricing data collected by Commission questionnaires.

48/ Report at A-2 and Appendix D (48 Fed. Reg. 14426 (1983)).

49/ 39 Fed. Reg. 32904 (1974); 43 Fed. Reg. 25812 (1978); and 48 Fed. Reg. 14426 (1983). During a brief period in 1978, the amount of duty dropped (footnote continued next page)

Based on the above analysis, revocation of the outstanding countervailing duty order for Spain would materially injure the domestic industry. In summary, there is a consistent pattern of underselling by Spanish imports. The Spanish footwear industry is involved in a restructuring plan sponsored by the government of Spain. One of the goals of this plan is stimulate exports. Given the present importance of the U.S. market to the Spanish footwear industry, there is every reason to believe that these additional exports will be directed to the United States. Furthermore, Spain has unused production capacity which could be used to direct additional exports to the United States.

49/ (footnote continued from previous page) to a lower level due to a change in methodology by the administering authority for calculating subsidies. Subsequently, the administering authority returned to its prior methodology and the net subsidy determination returned to its prior levels.

For general history of the order for Spain, see Prehearing Brief Filed on Behalf of Footwear Industries of America, Inc., The Amalgamated Clothing & Textile Workers Union, AFL-CIO, and the United Food & Commercial Workers International Union, AFL-CIO at 24-25.

INFORMATION OBTAINED IN THE INVESTIGATIONS

Introduction

The instant investigations were instituted by the U.S. International Trade Commission on January 25, 1983, under the provisions of section 104(b) of the Trade Agreements Act of 1979 (P.L. 96-39, July 26, 1979, 93 Stat. 144, 191 and 192), following requests for the investigations from the Governments of Brazil on October 26, 1981, India on October 7, 1981, and Spain on April 23, 1982. The purpose of these investigations is to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or whether the establishment of an industry would be materially retarded, by reason of imports of certain nonrubber footwear from Brazil, India, and Spain (investigations Nos. 104-TAA-16, 17, and 18, respectively) covered by certain outstanding countervailing duty orders, if those orders were to be revoked.

Notice of the institution of these investigations was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, D.C., and by publishing the notice in the Federal Register of February 2, 1983 (48 F.R. 4742). 1/ A public hearing in connection with these investigations was held at the U.S. International Trade Commission, Washington, D.C., on April 19, 1983. 2/

The investigations with respect to Brazil and Spain cover imports of nonrubber footwear provided for in items 700.05-700.45, 700.56, 700.72-700.83, and 700.95 of the Tariff Schedules of the United States (TSUS). The investigation with respect to India covers those same products except for huaraches (TSUS item 700.05); leather ski boots (TSUS item 700.28); and chappals, slippers, and footwear having an open toe and heel, however provided for in subpart A, part 1, schedule 7, of the TSUS.

The outstanding countervailing duty orders with respect to Brazil and Spain were issued on September 9, 1974, under section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) by the Department of the Treasury as T.D. 74-233 and T.D. 74-235, respectively, and published in the Federal Register on September 12, 1974 (39 F.R. 32903 and 39 F.R. 32904). 3/ The outstanding countervailing duty order with respect to India was issued on October 19, 1979, as T.D. 79-275 and published in the Federal Register on October 26, 1979 (44 F.R. 61588). 4/

1/ A copy of the Commission's notice of institution of the investigations and scheduling of the hearing is presented in app. A.

2/ A list of witnesses appearing at the hearing is presented in app. B.

3/ Copies of Treasury's determinations are presented in app. C.

4/ Because certain Indian products were eligible for duty-free treatment, an injury finding by the Commission was required under 19 U.S.C. 1303 for such products covered by the order. The Commission thus instituted an investigation, but concluded that there was no material injury or threat thereof. Unlasted Leather Footwear Uppers from India: Determination of No Material Injury or Threat Thereof in Investigation No. 701-TA-1 (Final) . . ., USITC Publication 1045, March 1980 (originally investigation No. 303-TA-11).

On October 7, 1981, the Indian Government requested the Commission to review the outstanding countervailing duty order in T.D. 79-275 under section 104(b) of the Trade Agreements Act of 1979. On October 26, 1981, the Brazilian Government made a similar request with respect to T.D. 74-233, and on April 23, 1982, the Spanish Government made a similar request with respect to T.D. 74-235. Under section 104(b)(3) of the Trade Agreements Act of 1979, the Commission has notified the U.S. Department of Commerce (Commerce) of its receipt of these requests, and liquidation of entries of the subject merchandise made on or after Commerce's receipt of the Commission's notice has been suspended.

In these investigations, the Commission is reviewing the scope of products covered by the outstanding countervailing duty orders in their entirety. The notice of the investigations sets out the Commission's interpretation of the scope of these orders, thus defining the scope of these investigations. This interpretation is based on our review of the outstanding orders and discussions with the U.S. Customs Service as to their interpretation and enforcement of these orders. The administrative reviews of these orders by Commerce are independent of the Commission's investigations. It has been suggested that Commerce's interpretation of these orders in its administrative reviews could be slightly different than the Commission's interpretation in its notice of the investigations. 1/ The question is largely confined to the Indian order because of definitional problems concerning "sandals." It is not known whether such differences, if any, would have any practical significance in terms of merchandise actually traded. Regardless of the definition used, the total quantity of imports presented in this report for India would remain unchanged. However, the quantity of the imports covered by the order may be affected.

Nature of the Subsidies Being Provided

Countervailing duty orders are subject to an annual administrative review by Commerce as provided for in 19 U.S.C. 1675, the most recent of which pertaining to these investigations is described below. 2/ Commerce published a notice of the preliminary results of its administrative review of the Brazilian order in the Federal Register on March 9, 1983 (48 F.R. 9901). The review covers the period December 7, 1979, through December 31, 1980, and the following programs, the first two of which were among those found countervailable in the original investigation: (1) preferential financing for exports, (2) income tax exemptions for export earnings, (3) tax reduction on equipment used in export production, (4) preferential export financing under the CIC-CREGE 14-11 program of the Banco do Brasil, and (5) incentives for trading companies. The aggregate net subsidy conferred from December 7, 1979, to December 31, 1979, was determined to be 4.77 percent ad valorem and for the period January 1, 1980, through December 31, 1980, 3.48 percent ad valorem. In addition, on the basis of the preliminary results of the administrative review, Commerce has found that effective July 26, 1982, the Government of Brazil subjected exports of nonrubber footwear to the United States to an

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1/ Posthearing brief on behalf of Elan Imports, Inc., Apr. 25, 1983, p. 2.
2/ Copies of Commerce's determinations are presented in app. D.

offsetting export tax of 8 percent of the f.o.b. invoice price, reducing the potential aggregate net subsidy to 0.48 percent, which Commerce considers de minimis. Therefore, Commerce intends to instruct the Customs Service to waive the collection of a cash deposit of estimated countervailing duties on merchandise entered after July 26, 1982. This waiver will take place on the date of the publication of the final results of its current review.

Commerce published a notice of the final results of its administrative review of the Indian order in the Federal Register on February 17, 1982 (47 F.R. 6906). The review, covering the period January 1, 1980, through December 31, 1980, is limited to the programs cited in T.D. 79-275: (1) short-term preferential financing, (2) a deduction from taxable income of up to 133 percent of overseas business expenses, and (3) cash rebates under the Cash Compensatory Support (CCS) program on exports. The total net subsidy for the period was 15.08 percent for leather footwear as defined in Commerce's notice and 12.58 percent for leather uppers other than unlasted leather uppers. Commerce is currently completing another administrative review of the Indian order and expects to publish notice of its preliminary results shortly.

Commerce published the preliminary results of its administrative review with respect to the Spanish order in the April 4, 1983, Federal Register (48 F.R. 14426.). The review covers the period January 1, 1980, through December 31, 1980, and the programs found countervailable were: (1) the overrebate upon exportation of the turnover tax paid on each sale of the products through various stages of production in the indirect taxation system and (2) the preferred short-term interest rates on operating capital loans in the government operating capital loans program. The total net subsidy for the period was 4.91 percent ad valorem of the f.o.b. invoice price of Spanish nonrubber footwear. In addition, on the basis of the preliminary results of the administrative review, taking into account changes in Spain's countervailing programs, Commerce intends to instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 2.54 percent of the f.o.b. invoice price of this merchandise after the date of publication of the final results of the current review.

Recent Commission Investigations Concerning Nonrubber Footwear

The Commission has conducted three investigations involving nonrubber footwear in recent years, including two escape-clause investigations and one investigation concerning the probable economic effect on the domestic industry of extending, reducing, or terminating the import relief provided under the orderly marketing agreements (OMA's) with Taiwan and the Republic of Korea (Korea).

In its first footwear investigation under section 201(b)(1) of the Trade Act of 1974, the Commission in February 1976 found unanimously that increased imports were a substantial cause of serious injury to the U.S. industry. 1/ The investigation (No. TA-201-7) was instituted by the Commission in September 1975, after receipt of a petition for import relief from the American Footwear

1/ Footwear: Report to the President on Investigation No. TA-201-7 . . ., USITC Publication 758, February 1976.

Industries Association, the Boot and Shoe Workers' Union, and the United Shoe Workers of America. On April 16, 1976, President Ford determined that adjustment assistance was the most effective remedy for the injury to the industry and directed the Secretaries of Commerce and Labor to expedite consideration of any petitions for such assistance.

In its second escape-clause investigation on footwear (No. TA-201-18), 1/ the Commission in February 1977 again unanimously determined that the domestic industry was seriously injured by increased imports. This investigation was instituted in October 1976, after the Senate Committee on Finance passed a resolution directing the Commission to re-investigate the effect of imports on the domestic industry, even though 1 year had not yet passed since the Commission's first investigation.

On April 1, 1977, President Carter rejected the Commission's proposed remedy of tariff-rate quotas, determining that a major new Federal trade adjustment assistance program was the most effective remedy. In addition, the Special Representative for Trade Negotiations (STR), now the United States Trade Representative, acting pursuant to the President's directive, negotiated OMA's with Taiwan and Korea, which together accounted for more than half the U.S. imports of nonrubber footwear. The OMA's went into effect on June 28, 1977, for 4 years and provided limits on exports of nonrubber footwear from Taiwan and Korea to the United States. The President also delegated authority to the STR to control import surges from other countries; however, no quotas were negotiated on shipments from other countries.

The most recent investigation (No. TA-203-7) was instituted in December 1980 under sections 203(i)(2) and (i)(3) of the Trade Act of 1974 for the purpose of gathering information needed for the Commission to advise the President as to the probable economic effect on the industry of the extension, reduction, or termination of the import relief provided by the OMA's. 2/ The Commission unanimously advised the President in April 1981 that termination of the OMA then in effect with respect to imports of nonrubber footwear from Taiwan would have a significant adverse economic effect on the domestic nonrubber footwear industry, and therefore advised that relief be extended for 2 years. The Commission also advised the President that termination of the OMA with Korea would not have a significant adverse effect on the industry and that it should not be extended. However, both OMA's were allowed to expire on June 30, 1981.

The Product

Description and uses

The products covered in these investigations include nonrubber footwear collectively described as including dress, casual, athletic, and work shoes, boots, sandals, and clogs. These items may be made of leather, vinyl, or a

1/ Footwear: Report to the President on Investigation No. TA-201-18 . . ., USITC Publication 799, February 1977.
2/ Nonrubber Footwear: Report to the President on Investigation No. TA-203-7 . . ., USITC Publication 1139, April 1981.

variety of other nonrubber materials. In 1982, a little over 50 percent of U.S. production and 45 percent of U.S. imports of nonrubber footwear had leather uppers.

There are three primary types of construction used in shoemaking, which describe the method by which the sole is attached to the upper: (1) cemented, (2) sewn, and (3) molded or vulcanized. Most U.S. production of nonrubber footwear is cemented or sewn, with approximately 15 percent molded or vulcanized. Although newer techniques have eliminated some steps in certain construction processes, most nonrubber footwear produced in the United States still requires, depending upon the type of shoe, approximately 45 to 120 individual operations to make a shoe. Footwear production, particularly of sewn or cemented shoes, is labor intensive, and production methods are similar worldwide.

In 1982, total imports of nonrubber footwear from Brazil, India, and Spain together amounted to nearly 64.6 million pairs, of which 15 percent were men's, youths', and boys' (hereinafter men's) leather footwear, 73 percent were women's and misses' (hereinafter women's) leather footwear, and 4 percent were children's and infants' (hereinafter children's) nonrubber footwear. The remainder of the imports consisted primarily of men's and women's vinyl footwear. Consequently, the data and analysis in this report are structured, to the extent possible, to provide information on men's leather footwear, women's leather footwear, children's nonrubber footwear, and other nonrubber footwear (includes certain leather footwear not specified by gender, and nonleather--primarily vinyl--footwear for men and women). A separate provision for athletic footwear was not provided for, because such footwear is not an important factor in the imports from the three countries under consideration.

U.S. tariff treatment

The imported nonrubber footwear covered by these investigations is provided for in items 700.05-700.45, 700.56, 700.72-700.83, and 700.95 of subpart A, part 1, schedule 7, of the TSUS. 1/ With respect to India (investigation No. 104-TAA-17), huaraches 2/ (TSUS item 700.05), leather ski boots (TSUS item 700.28), and chappals, slippers, and footwear having an open toe and heel (provided for under various items in subpart A, part 1, of schedule 7) are excluded from consideration, as they are exempt from the current countervailing duty order.

The current column 1 rates of duty for the products covered in these investigations range from duty free to 20 percent ad valorem, and the column 2

1/ For the statutory description and rates of duty, see excerpt from the TSUS in app. E.

2/ A type of leather-soled sandal having a woven leather upper laced to the insole, with the insole machine-stitched to the outsole, and having a heel which is nailed on.

rates range from 10 to 35 percent ad valorem (app. E). 1/ The imported footwear covered in these investigations is not eligible for duty-free treatment under the Generalized System of Preferences (GSP) 2/ or for preferential duty rates provided for the least developed developing countries (LDDC's). U.S. rates of duty on nonrubber footwear were not reduced during the most recent round of Multilateral Trade Negotiations, (Tokyo round), which was concluded in 1979.

Channels of distribution

The major channels of distribution for domestically produced nonrubber footwear consist of producers selling directly through their own sales force to retailers and, to a lesser extent, selling through their own retail outlets or distributing through jobbers. Imported footwear is sold by foreign manufacturers to U.S. importers, which sell directly or through jobbers to U.S. retailers. However, to an increasing degree, some retailers and manufacturers are importing directly.

In recent years, more than 80 percent of the nonrubber footwear produced domestically and imported was sold directly to retail outlets. Nonrubber footwear is retailed primarily through department stores, independent shoe stores, chain stores, self-service stores, and, to a lesser extent, mail-order houses and supermarkets. Department stores and independent shoe stores sell predominantly, but not exclusively, nationally branded footwear in the middle and higher price ranges, and provide full customer service. Chain stores include Kinney Shoe Corp. and Thom McAn, which sell footwear exclusively, as well as department stores such as Sears, Roebuck & Co. and J.C. Penney Co., Inc. Chain shoes usually sell shoes in the lower and middle price ranges and feature their own brand. Self-service stores generally carry store-branded or unbranded merchandise and feature the lowest priced footwear in the market. These stores, sometimes referred to as discount stores, include shoe chains such as Pic 'n Pay and Fayva, as well as department stores like K-Mart and Zayre.

An estimated 805 million pairs of nonrubber footwear were sold in the United States in 1982, of which 480 million pairs were imported. About 43 percent of total sales comprised men's and women's leather footwear, as shown in table 1.

1/ The col. 1 rates of duty are most-favored-nation (MFN) rates, and are applicable to imported products from all countries except those Communist countries and areas enumerated in general headnote 3(f) of the TSUS, which are assessed the col. 2 rates of duty.

2/ Sec. 503(c)(1) of the Trade Act of 1974 excludes certain import-sensitive articles from the GSP, including nonrubber footwear currently provided for in TSUS items 700.05-700.27, 700.29-700.45, 700.56, and 700.72-700.80. TSUS items 700.83 and 700.95, which do not have statutory exclusion from the GSP, have never been designated as GSP-eligible articles.

Table 1.--Nonrubber footwear: Total U.S. market supply, 1/ by types, 1980-82

(In millions of pairs)

Type	1980	1981	1982
Men's leather footwear	152.1	151.9	161.5
Women's leather footwear	163.2	177.4	184.0
Children's nonrubber footwear	53.8	52.9	50.5
Other nonrubber footwear 2/	383.0	373.7	409.1
Total	752.1	756.0	805.1

1/ No allowance was made to exclude U.S. exports, which represented 3 percent of domestic shipments in 1982.
2/ Includes a significant quantity of slippers.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports

Following the scheduled expiration of the OMA's with Taiwan and Korea in June 1981, U.S. imports of nonrubber footwear in 1982 rose 28 percent over those in 1981 to an alltime high of nearly 480 million pairs, with virtually all the growth being generated by Taiwan and Korea, as shown in the following tabulation (in millions of pairs):

Source	1980	1981	1982
Taiwan	144.0	118.9	183.2
Korea	37.1	44.0	90.6
All other	184.6	212.7	205.9
Total	365.7	375.6	479.7

From 1981 to 1982, imports of nonrubber footwear from Taiwan increased 54 percent to 183 million pairs, and those from Korea rose 106 percent to slightly more than 90 million pairs, for a combined total import share of 57 percent. By contrast, imports from all other countries declined slightly. Part of the import increase during that period is also attributed to a shift in trade from rubber footwear to avoid the higher U.S. duties, which range from 20 to about 67 percent ad valorem on rubber footwear versus an average of less than 10 percent ad valorem for nonrubber footwear.

The major portion of the nonrubber footwear imported during 1980-82 consisted of leather footwear (TSUS items 700.05-700.45) and vinyl footwear (item 700.56), with the former accounting for 44 percent, and the latter, 41 percent of the quantity of total imports during the period. The remainder of the imports consisted of footwear with fiber uppers and miscellaneous items, such as wood shoes. Most of the imported footwear was intended for wear by men and women, rather than by boys, misses, children, and infants.

Imports of nonrubber footwear from the three countries under consideration, unlike total imports from all other countries, were concentrated in leather footwear. During 1980-82, leather footwear made up virtually all the nonrubber footwear imported from Brazil and India and 78 percent of that was shipped from Spain, whereas it constituted only 36 percent of the footwear imported from all other countries.

The nonrubber footwear from Brazil and Spain was imported into the United States by a relatively large number of firms, including domestic producers and retailers, as well as traditional importers. With respect to India, * * * ; all other footwear from India was imported by a small number of firms.

Table 2, based on official data of the U.S. Department of Commerce, shows total imports from Brazil, India, Spain, and all other sources, by types, during 1980-82.

Brazil.--Since the countervailing duty order went into effect on Brazilian nonrubber footwear in 1974, U.S. imports of such footwear continued to expand, as shown in table 3. However, most of the growth occurred during 1977-81, the period that the OMA's were in effect with Taiwan and Korea. The rapid growth that characterized imports from Brazil during the early 1970's, when its shipments rose from less than 1 million pairs annually before 1970 to 21 million pairs in 1974, temporarily came to a halt in 1976, followed by a steep decline in 1977 to its lowest level in 5 years. This took place after Brazil removed its tax incentives on footwear exports to the United States in response to U.S. Government pressure. 1/ In addition, the finding of serious import injury to the U.S. nonrubber footwear industry by the U.S. International Trade Commission in 1977 and its proposed remedy of 5-year tariff rate quotas on shipments from Brazil and certain other countries may have spawned uncertainty in the import community and a consequent reduction of purchases from Brazil.

1/ Brazilian Business, February 1977, pp. 23 and 26.

Table 2.--Nonrubber footwear: U.S. imports, by specified sources and by types, 1980-82

Source and type 1/	1980	1981	1982
	Quantity (1,000 pairs)		
Brazil:			
Men's leather footwear	3,133	3,550	4,059
Women's leather footwear	26,523	37,962	36,018
Children's nonrubber footwear	421	403	270
Other nonrubber footwear	1,261	1,113	767
Total	31,338	43,028	41,114
India:			
Men's leather footwear	1,321	593	543
Women's leather footwear	898	660	418
Children's nonrubber footwear	455	378	252
Other nonrubber footwear	37	20	15
Total	2,711	1,651	1,228
Spain:			
Men's leather footwear	4,982	4,252	4,888
Women's leather footwear	7,985	8,481	10,603
Children's nonrubber footwear	1,581	1,890	1,780
Other nonrubber footwear	3,469	4,376	4,958
Total	18,017	18,999	22,229
All other:			
Men's leather footwear	58,137	59,972	84,407
Women's leather footwear	43,106	51,147	67,266
Children's nonrubber footwear	13,010	12,438	17,592
Other nonrubber footwear	199,424	188,365	245,827
Total	313,677	311,922	415,092
All countries:			
Men's leather footwear	67,573	68,367	93,897
Women's leather footwear	78,512	98,250	114,305
Children's nonrubber footwear	15,467	15,109	19,894
Other nonrubber footwear	204,191	193,874	251,567
Grand total	365,743	375,600	479,663
	Percent of total quantity		
Brazil:			
Men's leather footwear	5	5	4
Women's leather footwear	34	39	32
Children's nonrubber footwear	2	3	1
Other nonrubber footwear	1	1	2/
Average	9	11	9
India:			
Men's leather footwear	2	1	1
Women's leather footwear	1	1	2/
Children's nonrubber footwear	2	2	1
Other nonrubber footwear	2/	2/	2/
Average	1	2/	2/

See footnotes at end of table.

Table 2.--Nonrubber footwear: U.S. imports, by specified sources and by types, 1980-82--Continued

Source and type 1/	1980	1981	1982
	Quantity (1,000 pairs)--Continued		
Spain:			
Men's leather footwear	7	6	5
Women's leather footwear	10	9	9
Children's nonrubber footwear	11	13	9
Other nonrubber footwear	2	2	2
Average	5	5	5
All other countries:			
Men's leather footwear	86	88	90
Women's leather footwear	55	51	59
Children's nonrubber footwear	85	82	88
Other nonrubber footwear	98	97	98
Average	85	84	86
All countries:			
Men's leather footwear	100	100	100
Women's leather footwear	100	100	100
Children's nonrubber footwear	100	100	100
Other nonrubber footwear	100	100	100
Average	100	100	100
	Value (1,000 dollars)		
Brazil:			
Men's leather footwear	43,183	53,117	53,453
Women's leather footwear	186,678	294,013	290,511
Children's nonrubber footwear	1,700	1,797	1,870
Other nonrubber footwear	8,035	8,324	3,876
Total	239,596	357,251	349,710
India:			
Men's leather footwear	10,590	4,932	5,058
Women's leather footwear	2,982	2,136	1,251
Children's nonrubber footwear	828	776	530
Other nonrubber footwear	192	69	80
Total	14,592	7,913	6,919
Spain:			
Men's leather footwear	48,994	44,948	49,771
Women's leather footwear	87,805	102,879	135,463
Children's nonrubber footwear	7,925	9,436	8,935
Other nonrubber footwear	29,020	37,332	37,673
Total	173,744	194,595	231,842
All other:			
Men's leather footwear	599,986	606,398	818,455
Women's leather footwear	454,026	507,504	651,353
Children's nonrubber footwear	40,751	41,603	53,241
Other nonrubber footwear	775,613	693,711	972,339
Total	1,870,376	1,849,216	2,495,388

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See footnotes at end of table.

Table 2.--Nonrubber footwear: U.S. imports, by specified sources and by types, 1980-82--Continued

Source and type 1/	1980	1981	1982
	Value (1,000 dollars)--Continued		
All countries:			
Men's leather footwear	702,752	709,395	926,736
Women's leather footwear	731,491	906,532	1,078,579
Children's nonrubber footwear	51,204	53,612	64,576
Other nonrubber footwear	812,861	739,436	1,013,968
Grand total	2,298,308	2,408,975	3,083,859
	Average unit value (per pair)		
Brazil:			
Men's leather footwear	$13.78	$14.96	$13.17
Women's leather footwear	7.04	7.74	8.07
Children's nonrubber footwear	4.04	4.46	6.93
Other nonrubber footwear	6.37	7.48	5.05
Average	7.65	8.30	8.51
India:			
Men's leather footwear	8.02	8.32	9.31
Women's leather footwear	3.32	3.24	2.99
Children's nonrubber footwear	1.82	2.05	2.10
Other nonrubber footwear	5.19	3.45	5.33
Average	5.38	4.79	5.63
Spain:			
Men's leather footwear	$9.83	$10.57	$10.18
Women's leather footwear	11.00	12.13	12.78
Children's nonrubber footwear	5.01	4.99	5.02
Other nonrubber footwear	8.37	8.53	7.60
Average	9.64	10.24	10.43
All other:			
Men's leather footwear	10.32	10.11	9.70
Women's leather footwear	10.53	9.92	9.68
Children's nonrubber footwear	3.13	3.34	3.03
Other nonrubber footwear	3.89	3.68	3.96
Average	5.96	5.93	6.01
All countries:			
Men's leather footwear	10.40	10.38	9.87
Women's leather footwear	9.32	9.23	9.44
Children's nonrubber footwear	3.31	3.55	3.25
Other nonrubber footwear	3.98	3.81	4.03
Average	6.28	6.41	6.43

1/ Men's leather footwear also includes youths' and boys'; women's leather footwear also includes misses'; and children's nonrubber footwear also includes infants'. Imports under tariff provisions which are not distinguished by gender are included in other nonrubber footwear along with vinyl footwear for men and women, footwear with fiber uppers, and miscellaneous footwear.

2/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 3.--Nonrubber footwear: U.S. imports from Brazil, by types, 1973-82

(In thousands of pairs)

Year	Leather footwear		Other nonrubber footwear		Total
	Men's	Women's	Children's	Other	
1973	3,797	14,592	445	694	19,528
1974	3,450	16,519	462	893	21,324
1975	3,363	22,029	752	323	26,467
1976	3,588	21,893	978	222	26,681
1977	2,269	14,222	292	826	17,609
1978	3,181	19,054	226	4,966	27,427
1979	4,334	22,177	452	5,063	32,026
1980	3,133	26,523	421	1,261	31,338
1981	3,550	37,962	403	1,113	43,028
1982	4,059	36,018	270	767	41,114

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of nonrubber footwear from Brazil resumed their upward trend in 1978, increasing 56 percent from the 1977 level and another 17 percent in 1979. Brazil and certain other foreign suppliers accelerated their shipments following the June 1977 implementation of the OMA's, which reduced nonrubber footwear imports from Taiwan and Korea by 44 million pairs in the first quota year and which limited their growth in the remaining quota years. 1/ Brazil's shipments declined 2 percent in 1980; nevertheless, its share of the import market continued to expand as imports from all other countries declined at a greater rate (10 percent), and overall domestic consumption declined 6 percent. Brazil's shipments rose sharply in 1981, rising 37 percent to an all-time high of 43 million pairs and a record import market share of slightly more than 11 percent. Imports fell slightly in 1982, reflecting weak U.S. economic activity and uncertainty among U.S. importers over a possible increase in the U.S. countervailing duty and the resultant impact on their eventual total cost. 2/

Brazil, ranking as the fourth largest foreign supplier of nonrubber footwear after Taiwan, Korea, and Italy, is a relatively low-cost, volume producer of fashion leather footwear, especially for women, offering quality

1/ "Petition for Relief under Section 301 of the Trade Act of 1974, as Amended," presented to the Office of the United States Trade Representative on behalf of certain domestic nonrubber footwear interests, Oct. 25, 1982, p. 9.
2/ U.S. Department of State, CERP 0520 Industrial Outlook Report Brazil-Leather Footwear, American Consulate Porto Alegre, Mar. 15, 1982.

for value. 1/ Approximately 97 percent of its shipments to the United States during 1980-82 consisted of leather shoes, with those for women accounting for the overwhelming share. Its women's leather shoes averaged $8 a pair (Customs value) in 1982, compared with slightly more than $12 a pair for those from Italy and Spain, which are major suppliers of fashion leather footwear. Low labor costs and volume production enable Brazil to compete in the domestic marketplace vis-a-vis U.S. producers and other foreign producers. Although leather is both abundant and inexpensive in Brazil, approximately 73 percent of the leather used in Brazil's footwear for export is purchased from Argentina because of its better quality. 2/

The footwear supplied by Brazil consisted primarily of dress and casual shoes in 1982, according to data furnished in response to the Commission's questionnaire by 56 importers together accounting for 73 percent of Brazil's shipments, as shown in table 4.

Table 4.--Nonrubber footwear: U.S. imports from Brazil, by types, 1982

(In thousands of pairs)

Item	Of leather	Of other nonrubber materials	Total
Men's footwear, total	2,585	205	2,790
Dress shoes	1,349	134	1,483
Casual shoes	450	71	521
Boots	786	0	786
Total			
Women's footwear, total	26,663	252	26,915
Dress shoes	9,668	196	9,864
Casual shoes	15,062	56	15,118
Boots	1,918	0	1,918
Athletic footwear	15	0	15
Total			
Children's footwear, total	1/	1/	367
Dress and casual shoes	1/	1/	359
Athletic footwear	1/	1/	8
Total			

1/ Not separately reported by type of material.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

1/ R. Resnik, "Booming Brazil Keeps its Promise," Footwear News, Apr. 18, 1983, pp. 1 and 16.
2/ Report from U.S. Embassy, Porto Alegre, Mar. 15, 1983.

India.--U.S. imports of nonrubber footwear from India declined sharply in the periods preceding and following the imposition of the countervailing duty order on its leather footwear (including lasted leather uppers) in 1979. India's shipments of nonrubber footwear, which peaked at 5.8 million pairs in 1976, declined 57 percent from 2.9 million pairs in 1979 to 1.2 million pairs in 1982 (table 5). Leather footwear made up 99 percent of the shipments from India, which supplied less than 1 percent of total nonrubber footwear imports during 1979-82.

Table 5.--Nonrubber footwear: U.S. imports from India, by types, 1978-82

(In thousands of pairs)

Year	Leather footwear		Other nonrubber footwear		Total
	Men's	Women's	Children's	Other	
1978	602	2,129	456	416	3,603
1979	603	1,462	463	335	2,863
1980	1,321	898	455	37	2,711
1981	593	660	378	20	1,651
1982	543	418	252	15	1,228

Source: Compiled from official statistics of the U.S. Department of Commerce.

Data are not available on the exact amount of imports from India covered by the countervailing duty order, which is complicated by the still-unresolved definitional problem concerning exactly which footwear is covered by the order. 1/ However, counsel for Florsheim Shoe Co. (Florsheim), Chicago, Ill., testified that Florsheim imported virtually all the closed footwear (as opposed to the footwear having an open toe and heel) from India covered by the order. 2/ Thus, the data submitted by Florsheim in response to the Commission's questionnaire may serve as a reasonable indication of the amount of closed footwear imports covered by the order. Its shipments, consisting of men's moccasin-style loafers entered under TSUS item 807.00, 3/ * * *.

1/ The Commission staff estimates that at least 324,000 pairs of footwear imported into the United states from India in 1982 were not covered by the countervailing duty order. The estimate is based on specific exclusions in the Indian countervailing duty order (TSUS items 700.05, 700.28, 700.32, and 700.41) amounting to 56,279 pairs and imports of leather footwear amounting to 267,298 pairs which have a unit value of under $2.50 per pair, which may be classified as sandals, which are excluded from the order.

2/ Transcript of the hearing, p. 237.

3/ Prehearing brief of the Florsheim Shoe Co., a division of Interco, Inc., p. 9. Under TSUS item 807.00, imported articles assembled in foreign countries wholly or partially with fabricated components that have been made in the United States are subject to duty upon the full value of the imported product less the value of the U.S.-fabricated components.

Representatives of the U.S. industry stated that, as India's shipments of leather footwear to the United States were declining in recent years, its shipments of leather footwear uppers and components entering under TSUS items 791.27 and 791.28 (which are not covered by the order) were escalating in 1981 and 1982 (table 6). The industry contends that this is relevant to this investigation because if the countervailing duty on the finished footwear under investigation is revoked, a shift from less finished footwear to finished footwear will surely occur. 1/ The Indian components entered under TSUS item 791.28, which were eligible for GSP treatment during the period, include kidskin leather uppers in a tubular shape, having a partial insole but no midsole, * * *. Effective April 1983, these tubular uppers will be classified by the U.S. Customs Service as unlasted leather uppers 2/ under TSUS item 791.27. 3/ Imports under this provision from India which were also eligible for GSP treatment, also climbed sharply in 1981 and 1982, partly in response to the popularity and demand for the finished shoe. Unlasted uppers are not included in the countervailing duty order currently under consideration for revocation although they were included in the petition which resulted in

Table 6.--Leather cut or manufactured into pieces or shapes suitable for conversion into footwear (except patent leather): U.S. imports, total and from India, by end product types, 1978-82

(In thousands of dollars)

Year	Unlasted uppers (TSUS item 791.27)		Other components (TSUS item 791.28) 1/	
	India	Total	India	Total
1978	3,066	25,759	802	2/ 13,564
1979	4,894	27,777	395	5,870
1980	2,458	42,673	219	5,808
1981	10,768	52,605	7,268	15,870
1982	13,382	51,290	9,494	18,137

1/ The tubular uppers imported under this provision will be classified by the U.S. Customs Service as unlasted uppers under TSUS item 791.27, effective April 1983.

2/ About 2/3 of the total, or 9,239 thousand dollars, was accounted for by Mexico.

Source: Compiled from official statistics of the U.S. Department of Commerce.

1/ Transcript of the hearing, pp. 59 and 60.

2/ Unlasted uppers are assemblies of the various pieces and reinforcements that are used to cover and to support the top of the foot in the finished shoe.

3/ U.S. Customs Service File CLA-2; CO:R:CV:G; control No. 072055C; Apr. 5, 1983.

the 1979 order. 1/ An upper is the most important part of the shoe since it is the highest cost component and contains most of the fashion and quality attributes of the finished shoe. Telephone conversations with the major importers revealed that the overwhelming share of the uppers were made of kidskin leather, for which India is a major supplier.

Table 7.--Nonrubber footwear: U.S shipments of imports from India, by types, 1982

(In thousands of pairs)

Item	Leather	Other non-rubber materials	Total
Men's footwear:			
Dress shoes	***	0	***
Casual shoes	***	7	***
Total	***	7	***
Women's footwear:			
Dress shoes	0	0	0
Casual shoes	187	6	193
Total	187	6	193
Children's footwear, total	1/	1/	147

1/ Not separately reported by type of material.

Data furnished by 16 importers of footwear from India in response to the Commission's questionnaire 2/ show that their shipments in 1982 consisted almost entirely of leather dress and casual shoes, as shown in table 7.

Spain.--Since the countervailing duty order went into effect on nonrubber footwear from Spain in 1974, U.S. imports of this Spanish footwear remained at historically high levels for several years before declining to significantly lower levels during the 1980's. After declining from their record high 39 million pairs in 1972 to 35 million pairs in 1974, Spain's shipments rebounded to approximately 38 million pairs in 1975 and 1976 (table 8).

1/ In 1979, the Treasury Department determined that unlasted leather uppers were receiving a subsidy of 1.01 percent ad valorem. Because these uppers were subject to GSP treatment, and therefore duty-free, the Commission conducted an injury investigation, No. 701-TA-1. In March 1980, the Commission determined that a domestic industry was not materially injured or threatened with material injury by reason of these imports. See Unlasted Leather Footwear Uppers from India, Inv. No. 701-TA-1 (Final). (USITC Pub. 1045).

2/ These importers together accounted for *** percent of the quantity of nonrubber footwear imported from India in 1982.

Table 8.--Nonrubber footwear: U.S. imports from Spain, by types, 1973-82

(In thousands of pairs)

Year	Leather footwear		Other nonrubber footwear		Total
	Men's	Women's	Children's	Other	
1973	10,015	17,480	2,457	6,853	36,805
1974	10,062	16,270	3,451	5,250	35,033
1975	11,867	16,559	4,805	5,181	38,412
1976	12,139	15,885	4,898	5,792	38,714
1977	10,618	12,397	2,889	5,366	31,270
1978	13,188	14,949	3,125	6,196	37,458
1979	7,232	12,004	2,401	5,655	27,292
1980	4,982	7,985	1,581	3,469	18,017
1981	4,252	8,481	1,890	4,376	18,999
1982	4,888	10,603	1,780	4,958	22,229

Source: Compiled from official statistics of the U.S. Department of Commerce.

Spain's shipments began declining to sharply lower levels in 1979, when they fell 27 percent below those in the preceding year. The decline gained momentum in 1980, when shipments decreased an additional 34 percent to their lowest level since 1968. This decline was even more steep than the 6-percent drop registered in overall domestic sales of nonrubber footwear that year because of generally soft consumer demand. Imports from Spain rebounded in 1981 and 1982 but remained low by historical standards.

The decline in imports from Spain since the late 1970's has been widespread, although the major categories--women's and men's leather footwear--accounted for most of the decrease. Spain's shipments of women's leather shoes has trended downward since 1973, with the biggest year-to-year percentage decline (33 percent) occurring in 1980, when domestic shoe sales softened. This is the same market segment in which Spain's lower cost rival, Brazil, has made its greatest inroads, supplying continually larger amounts of fashionable leather footwear at significantly lower wholesale prices (table 2). The importance of men's leather footwear in Spain's shipments has diminished considerably, both absolutely and relatively, since 1974. After annually totaling more than 10 million pairs during most of the 1970's, imports of this footwear from Spain fell to substantially lower levels during 1980-82.

Although Spain continued as the fifth largest supplier of nonrubber footwear imports in 1982, with shipments valued at $232 million, its overall relative importance in the import market has been eroding over the years. Spain's share of total U.S. imports of nonrubber footwear fell from 13 percent in 1974 to less than 5 percent in 1982. This is partly attributed to its deterioriating price competitiveness vis-a-vis Brazil, which has become an

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important source of low-cost fashion leather footwear. A comparison of the average unit values of nonrubber footwear from Spain with those of Brazil and the major low-cost suppliers, Taiwan and Korea, shows that Spain's footwear has been valued considerably higher. Its footwear in recent years averaged $10 a pair, compared with $4 to $5 a pair for footwear from Taiwan, $7 for that from Korea, and $8 for that from Brazil. Although part of these differences reflects varying product mixes, the magnitude of the differences also suggests that manufacturing costs, especially labor, differ significantly.

Data furnished by 62 importers in response to the Commission's questionnaire for 1982 1/ show that their shipments consisted primarily of men's and women's dress and casual shoes, as shown in table 9.

Table 9.--Nonrubber footwear: U.S. shipments of imports from Spain, by types, 1982

(In thousands of pairs)

Item	Of leather	Of other nonrubber materials	Total
Men's footwear:			
Dress shoes	987	10	997
Casual shoes	1,969	246	2,215
Boots	333	2	335
Total	3,289	258	3,547
Women's footwear:			
Dress shoes	2,791	1,062	3,853
Casual shoes	1,625	455	2,080
Boots	156	2	158
Total	4,572	1,519	6,091
Children's footwear:			
Dress and casual shoes	1/	1/	881
Athletic footwear	1/	1/	1
Total	1/	1/	882

1/ Not separately reported by type of material.

U.S. producers 2/

The nonrubber footwear industry consists of firms ranging in financial structure and size from family-owned operations to large, publicly held corporations. Although the footwear industry does include approximately 50

1/ These importers together accounted for 47 percent of the quantity of nonrubber footwear imported from Spain in 1982.

2/ Nonrubber footwear is classified in the Standard Industrial Classification (SIC) system under SIC 3142 (house slippers); SIC 3143 (men's footwear, except athletic); SIC 3144 (women's footwear, except athletic); and SIC 3149 (athletic footwear and misses', infants', and children's footwear).

publicly owned corporations, 4 of which ranked among the nation's 500 largest companies in sales for 1980, the industry contains a large number of privately owned firms. About 70 percent of the producers each make less than 1 million pairs annually and together account for less than one-fifth of total production. In recent years, approximately 20 producers, each with annual production levels of 4 million pairs or more, together accounted for about half the industry's production. Data provided by the U.S. Department of Commerce show that in 1981, there were an estimated 285 footwear producers with 10 employees or more, compared with 334 in 1977 and 307 in 1979.

The industry's trade association, Footwear Industries of America (FIA), (formed in 1981 by the consolidation of the American Footwear Industries Association, Inc., the original petitioner in all 3 countervailing duty proceedings covered by these investigations, 1/ and the American Shoe Center (ASC)), 2/ consists of approximately 90 manufacturers together accounting for about two-thirds of U.S. nonrubber footwear production. 3/ Major producers of nonrubber footwear which are not members include Melville Corp.; Genesco, Inc.; Interco, Inc. (includes Florsheim); R. G. Barry Corp.; and Morse Shoe Corp. FIA also represents approximately 86 suppliers to the industry, including chemical, rubber, and machinery companies, and economic consulting firms.

Nonrubber footwear is produced in 38 States, but about three-fourths of the production occurs in 11 States: Maine, Missouri, Pennsylvania, New York, Massachusetts, Tennessee, New Hampshire, Arkansas, Ohio, Texas, and New Jersey. Although about 25 percent of production is still concentrated in New England, about 40 percent of nonrubber footwear is produced in the Midwest and Atlantic States, and approximately 30 percent, in the South and West.

The president of the Amalgamated Clothing and Textile Workers Union, representing a portion of the industry's workers who are union members, testified that the shoe industry is a major manufacturing employer in many local communities, since so many shoe factories are located in small towns and rural areas. He further stated that about a quarter of all shoe factories are located in towns with less than 5,000 persons, and another 15 percent, in towns with a population of between 5,000 and 10,000, and that the industry is a particularly vital source of jobs, income, and stability in many of these areas. 4/

1/ Prehearing brief filed by Collier, Shannon, Rill & Scott on behalf of certain domestic interests, p. 2.

2/ The U.S. Department of Commerce provided about $2 million in startup money for the ASC, which began operations in late 1980. ASC offered technical, managerial, and information services to its member companies in an effort to improve the manufacturing efficiency and productivity of the U.S. footwear industry.

3/ Transcript of the hearing, p. 8.

4/ Ibid., p. 18.

The number of firms responding to the Commission's questionnaire totaled 108, accounting for 89 percent of total industry production in 1982. 1/ Of those, 58 producers made men's leather footwear, with 13 of them producing exclusively men's leather shoes. Seventy producers reported making women's leather footwear, with 20 producers manufacturing only these types. The production of children's nonrubber footwear was reported by 42 firms, 15 of which made only children's shoes.

Condition of the U.S. Industry

U.S. production, capacity, and capacity utilization

Preliminary 1982 data of the U.S. Department of Commerce show that U.S. production of nonrubber footwear amounted to 325.4 million pairs, about 15 percent lower than that in 1980 and 1981 (table 10). This decline is a continuation of the long-term downward trend in U.S. footwear production, which annually amounted to more than 600 million pairs in the 1960's, but declined steadily to 562 million pairs in 1970, 413 million pairs in 1975, and to less than 400 million pairs in 1980.

Table 10.--Nonrubber footwear: U.S. production, by types, 1980-82

(In millions of pairs)

Type	1980	1981	1982 1/
Men's leather footwear 2/	84.1	83.6	67.6
Women's leather footwear 2/	84.7	79.2	69.7
Children's nonrubber footwear 3/	38.4	37.8	30.6
Other nonrubber footwear 4/	179.1	179.8	157.5
Total	386.3	380.4	325.4

1/ Preliminary.
2/ Does not include leather slippers and athletic footwear.
3/ Does not include nonrubber slippers and athletic footwear.
4/ Includes leather and other nonrubber slippers and athletic footwear, vinyl footwear for men and women, footwear with uppers of fibers, and footwear of wood.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Preliminary 1982 statistics show that footwear with leather uppers accounted for 53 percent of U.S. production of nonrubber footwear. U.S. producers made approximately 68 million pairs of men's leather footwear in

1/ Based on preliminary 1982 production data for the entire nonrubber footwear industry as provided by the U.S. Department of Commerce.

1982, representing a 20-percent decrease from the number in 1980. Production of women's leather footwear in 1982 dropped by 18 percent from that in 1980, to about 70 million pairs. Production of children's nonrubber footwear was about 31 million pairs in 1982, representing a 20-percent decrease from that in 1980. Approximately half the children's nonrubber footwear produced in 1982 had leather uppers.

According to FIA data, U.S. capacity to produce nonrubber footwear declined 9 percent between 1980 and 1982, from 519.4 million pairs to 472.4 million pairs. Capacity utilization in 1982 decreased to just under 69 percent after remaining steady at 76 percent in 1980 and 1981 (table 11). Capacity utilization in 1982 showed a decline in almost all major footwear categories, except misses' and athletic footwear, with youths' and boys' footwear showing the sharpest decline.

Table 11.--Nonrubber footwear: Capacity utilization, by types, 1980-82

(In percent)

Type	1980	1981	1982 1/
Men's	71.1	79.8	64.9
Youths' and boys'	79.2	65.3	39.1
Women's	80.6	77.8	72.2
Misses'	63.2	57.1	62.6
Children's	71.5	77.8	75.0
Infants' and babies'	80.6	81.5	63.1
Athletic	88.2	64.9	82.7
Slippers	73.7	77.4	70.4
Other	78.2	72.0	73.4
Average	76.4	76.5	68.7

1/ Preliminary.

Source: Compiled from published statistics of the Footwear Industries of America.

In response to the Commission's questionnaire, 108 firms, accounting for 89 percent of reported industry production in 1982, provided data on production and capacity by types of footwear manufactured. Downward trends in production and capacity utilization appeared throughout most of the categories in 1982 (table 12). Questionnaire respondents showed smaller declines in production and capacity utilization than that reported by Commerce for the industry as a whole.

Table 12.--Nonrubber footwear: U.S. production, capacity, and capacity utilization, by types, 1980-82

Item	1980	1981	1982
	Million pairs		
Production:			
Men's leather footwear	73.6	78.7	71.3
Women's leather footwear	64.2	63.6	64.0
Children's nonrubber footwear 1/	55.9	61.0	62.4
Other nonrubber footwear	94.8	97.2	90.9
Total, nonrubber footwear	288.5	300.5	288.6
Capacity:			
Men's leather footwear	92.9	95.7	98.7
Women's leather footwear	87.0	86.4	92.1
Children's nonrubber footwear 1/	64.2	67.6	71.3
Other nonrubber footwear	101.6	107.2	100.6
Total, nonrubber footwear	345.7	356.9	362.7
	Percent of total		
Capacity utilization:			
Men's leather footwear	79.2	82.2	72.2
Women's leather footwear	73.8	73.6	69.5
Children's nonrubber footwear 1/	87.1	90.2	87.5
Other nonrubber footwear	93.3	90.7	90.4
Average, nonrubber footwear	83.5	84.2	79.6

1/ Children's nonrubber footwear includes slippers and athletic footwear as well as some misses', youths', and boys' nonrubber footwear which are reported separately by the U.S. Department of Commerce.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

U.S. producers' shipments and exports

U.S. producers' shipments.--U.S. producers' shipments of nonrubber footwear, as reported by the Department of Commerce, fell from 384.9 million pairs in 1980 to 335.1 million pairs in 1982, or by 12 percent. The value of the shipments declined from $4.6 billion in 1980 to $4.2 billion in 1982. Data from both the Department of Commerce and responses to the Commission questionnaire show a decline in domestic shipments from 1981 to 1982, as seen in the following tabulation:

Year	U.S. Department of Commerce		Questionnaire	
	Quantity	Value	Quantity	Value
	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars
1980	384,926	4,619,915	281,438	3,558,234
1981	377,240	4,834,146	283,146	4,001,451
1982	335,053	4,186,339	271,587	3,866,040

Producers were requested to provide information about their domestic shipments by types of footwear for 1980-82. On the basis of responses of 105 firms, 26 percent of domestic shipments in 1982 consisted of men's leather footwear. Shipments in this category increased from 73.8 million pairs in 1980 to 76.4 million pairs in 1981, but declined to 70.1 million pairs in 1982 (table 13). Their average unit value increased annually from $22.10 a pair to $24.75 a pair during the period. Shipments of women's leather footwear,

Table 13.--Nonrubber footwear: U.S. producers' domestic shipments, by types, 1980-82

Type	1980	1981	1982
	Quantity (million pairs)		
Men's leather footwear	73.8	76.4	70.1
Women's leather footwear	59.0	56.9	58.8
Children's nonrubber footwear	43.7	46.2	45.3
All other	104.9	103.6	97.4
Total	281.4	283.1	271.6
	Percent of total quantity		
Men's leather footwear	26	27	26
Women's leather footwear	21	20	22
Children's nonrubber footwear	15	16	17
All other	38	37	35
Total	100	100	100
	Value (million dollars)		
Men's leather footwear	1,630.6	1,865.4	1,735.1
Women's leather footwear	900.5	1,010.7	1,027.5
Children's nonrubber footwear	269.0	304.9	286.8
All other	758.2	820.4	816.6
Total	3,558.3	4,001.4	3,866.0

Table 13.--Nonrubber footwear: U.S. producers' domestic shipments, by types, 1980-82--Continued

Type	1980	1981	1982
	Average unit value (per pair)		
Men's leather footwear	$22.10	$24.42	$24.75
Women's leather footwear	15.26	17.76	17.47
Children' nonrubber footwear	6.16	6.60	6.33
All other	7.23	7.91	8.38
Total	12.64	14.13	14.23

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

accounting for 22 percent of domestic shipments in 1982, declined from 59.0 million pairs in 1980 to 56.9 million pairs in 1981, and then increased to 58.8 million pairs in 1982. Their average unit value increased from $15.26 a pair in 1980 to $17.76 a pair in 1981, but declined slightly in 1982 to $17.47 a pair. Children's nonrubber footwear in 1982 accounted for 17 percent of domestic shipments, or 45.3 million pairs.

Domestic producers were also requested to specify the amount of nonrubber footwear they imported during 1980-82. Twenty-eight producers, representing 45 percent of reported total production, reported imports of 27.2 million pairs in 1982, representing an 87-percent increase over the number in 1980 (table 14).

Table 14.--Nonrubber footwear: Imports of U.S. producers, by types and by sources, 1980-82

Type and source	1980		1981		1982	
	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars
Men's leather footwear:						
Brazil	649	9,274	725	10,340	730	11,033
India	***	***	***	***	***	***
Spain	242	5,283	481	8,763	507	9,149
All other	***	***	***	***	***	***
Total	5,733	76,386	76,386	91,286	8,937	109,381
Women's leather footwear:						
Brazil	796	7,614	1,252	12,749	1,676	16,312
India	67	436	14	70	21	52
Spain	336	2,753	455	6,857	415	6,107
All other	1,126	10,818	1,021	9,453	1,762	13,627
Total	2,325	21,621	2,742	29,129	3,874	36,098

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Table 14.--Nonrubber footwear: Imports of U.S. producers, by types and by sources, 1980-82--Continued

Type and source	1980		1981		1982	
	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars
Children's nonrubber footwear:						
Brazil	142	710	0	-	1	10
India	0	-	0	-	0	-
Spain	7	41	0	-	11	46
All other	2,030	5,215	5,160	18,553	5,098	21,118
Total	2,179	5,966	5,160	18,553	5,110	21,224
Other nonrubber footwear:						
Brazil	66	556	166	1,428	382	3,178
India	130	520	0	-	0	-
Spain	35	313	0	-	0	-
All other	4,082	27,417	8,050	44,764	8,908	51,591
Total	4,313	28,806	8,216	46,192	9,290	54,769
Total nonrubber footwear:						
Brazil	1,653	18,154	2,143	24,517	2,789	30,533
India	***	***	***	***	***	***
Spain	620	8,390	936	15,620	933	15,302
All other	***	***	***	***	***	***
Total	14,550	132,779	22,858	185,160	27,211	221,432

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Producers were also requested to provide data on shipments of nonrubber footwear not produced in their U.S. establishments. In 1982, 40 firms reported shipments of such footwear totaling 51.8 million pairs, valued at $646.6 million (table 15). According to the reported quantity of nonrubber footwear imported by U.S. firms in 1982, 53 percent of these shipments were imports, and 47 percent were shipments of footwear produced by other U.S. firms.

Table 15.--Nonrubber footwear: U.S. producers' domestic shipments of articles not produced in their U.S. establishments, by types, 1980-82

Type	1980		1981		1982	
	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars
Men's leather footwear	9,325	202,371	9,739	217,343	11,056	232,216
Women's leather footwear	7,897	120,061	8,214	138,382	9,896	169,541
Children's nonrubber footwear	8,423	64,298	8,671	73,522	9,669	81,437
Other nonrubber footwear	12,364	127,760	19,223	162,110	21,156	163,448
Total, nonrubber footwear	38,009	514,490	45,847	591,357	51,777	646,642

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Exports.--U.S. footwear exports have traditionally been small, annually averaging about 3 percent or less of domestic shipments. Official statistics of the U.S. Department of Commerce show that U.S. exports, after increasing from just under 7 million pairs in 1978 to 13 million pairs in 1980, declined in 1981 and 1982, as shown in the following tabulation:

Year	Exports 1/ (million pairs)	Percent of total shipments
1980	13.0	3.4
1981	11.2	2.9
1982	8.9	2.7

1/ Includes cut footwear parts exported to Mexico and other countries, assembled there, and reexported to the United States under TSUS item 807.00.

The small quantity of U.S. exports is attributed by the domestic industry primarily to competition from the same countries that compete successfully in the U.S. market, foreign barriers to imports, and marketing and transportation costs. 1/ The strength of the U.S. dollar against European currencies and sluggish European economic activity also adversely affected U.S. exports in 1982.

U.S. nonrubber footwear exports consisted mostly of men's athletic and casual shoes, western boots, and work and hunting boots. Canada was the largest single export market in 1982, accounting for about 14 percent of the quantity of total exports; Europe accounted for 18 percent of the total.

1/ "Petition for Relief Under Section 301 of the Trade Act of 1974," on behalf of FIA and supporting unions, Oct. 25, 1982.

Export data were reported by 28 U.S. producers, together accounting for approximately 34 percent of total nonrubber footwear production in 1982. Their exports of nonrubber footwear increased from 2.0 million pairs in 1980 to 2.3 million pairs in 1982 (table 16). The value increased from $38.8 million in 1980 to $45.8 million in 1982. The average unit value of the exported footwear increased from $19.15 a pair in 1980 to $19.68 a pair in 1982.

Table 16.--Nonrubber footwear: U.S. exports, by types, 1980-82

Item	1980		1981		1982	
	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars	1,000 pairs	1,000 dollars
Men's leather footwear	1,025	25,611	1,319	34,609	1,205	32,895
Women's leather footwear	612	9,185	564	9,483	813	9,205
Children's nonrubber footwear	242	1,917	215	1,900	147	1,402
Other nonrubber footwear	147	2,085	204	2,184	160	2,261
Total, nonrubber footwear	2,026	38,798	2,302	48,176	2,325	45,763

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Inventories 1/

According to responses to the Commission's questionnaire by 85 U.S. producers, together accounting for about 81 percent of domestic production in 1982, their total yearend inventories of nonrubber footwear increased from 62.1 million pairs in 1980 to 71.8 million pairs in 1981, but decreased to 67.2 million pairs in 1982. The ratio of respondents' inventories to their shipments annually ranged from 22 to 25 percent throughout the period, as shown in the following tabulation:

Year	Inventories (million pairs)	Shipments (million pairs)	Ratio of inventories to shipments (percent)
1980	62.1	281.4	22.1
1981	71.8	283.1	25.4
1982	67.2	271.6	24.7

1/ Inventory data provided by U.S. producers include a large quantity of footwear, some of which is imported or purchased from other U.S. producers, in distribution centers intended for shipment to company-owned retail stores. Consequently, data on U.S. producers' inventories are overstated and should be used with caution.

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U.S. producers responding to the Commission's questionnaire reported yearend inventories of domestically produced nonrubber footwear increased by 31 percent from 43.2 million pairs in 1979 to 56.8 million pairs in 1981. However, inventories declined to 54.5 million pairs in 1982, or by 4 percent from those in 1981. Yearend inventories of U.S. producers' direct imports remained fairly stable during the period at slightly more than 1 million pairs, and their yearend inventories of footwear purchased from other domestic sources increased from 6.0 million pairs in 1979 to 13.8 million pairs in 1981, but declined to 11.4 million pairs in 1982 (table 17).

Table 17.--Nonrubber footwear: Yearend inventories of U.S. producers, by types and by sources, as of Dec. 31 of 1979-82

(In thousands of pairs)

Item and source	1979	1980	1981	1982
Inventories of domestic production:				
Men's leather footwear	15,142	17,402	19,531	19,101
Women's leather footwear	8,966	10,416	11,322	11,836
Children's nonrubber footwear	4,517	6,411	8,585	6,735
Other nonrubber footwear	14,596	15,003	17,377	16,811
Total	43,221	49,232	56,815	54,483
Inventories of direct imports:				
Men's leather footwear from--				
Brazil	291	266	284	203
India	***	***	***	***
Spain	***	***	***	***
Women's leather footwear from--				
Brazil	588	560	499	685
India	0	0	0	0
Spain	147	156	147	79
Children's nonrubber footwear from--				
Brazil	28	26	20	25
India	0	0	0	0
Spain	0	0	0	0
Total	1,171	1,139	1,189	1,264
Other inventories: 1/				
Men's leather footwear	2,994	3,233	3,473	3,302
Women's leather footwear	1,892	2,232	2,687	2,790
Children's nonrubber footwear	1,124	6,257	7,607	5,327
Total	6,010	11,722	13,767	11,419
Total, all inventories	50,402	62,093	71,771	67,166

1/ Purchased from other U.S. sources.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Employment and wages

The average number of employees and production and related workers producing nonrubber footwear, as reported by the U.S. Department of Labor, declined annually during 1980-82, as shown in the following tabulation (in thousands):

Year	All employees	Production and related workers
1980	143.6	122.9
1981	142.6	122.7
1982	128.8	109.8

The number of production and related workers in 1982 was approximately half the employment level recorded by the industry during the 1960's.

According to the U.S. Department of Labor, employment in the production of men's nonrubber footwear, except athletic, increased from 55,200 employees in 1980 to 57,200 in 1981, and then decreased to 50,800 in 1982. Employment in the production of women's nonrubber footwear, except athletic, declined from 56,200 employees in 1980 to 48,100 in 1982.

Employment and wage data for 1980-82 were reported by 99 U.S. producers, representing 80 percent of total production of nonrubber footwear. Fifty-five of the producers indicated that their production and related workers were represented by a union. These workers represented 62 percent of total reported employment of production workers in 1982. As shown in table 18, employment, hours worked, and wages declined in all segments of the nonrubber footwear industry in 1982 compared with those in 1981.

Table 18.--Nonrubber footwear: Average number of employees, total and production and related workers, and hours worked by and wages paid to the latter by types of footwear, 1980-82

Item	1980	1981	1982
Average number of all employees	104,548	107,011	100,222
Production and related workers employed in the production of:			
All products	89,628	91,734	85,614
Nonrubber footwear, total 1/	87,443	89,488	83,009
Men's leather footwear	33,280	34,868	32,281
Women's leather footwear	21,540	21,955	20,097
Children's nonrubber footwear	7,708	7,871	7,528
Other nonrubber footwear	21,102	20,110	18,781

See footnote at end of table.

Table 18.--Nonrubber footwear: Average number of employees, total and production and related workers, and hours worked by and wages paid to the latter by types of footwear, 1980-82--Continued

Item	1980	1981	1982
Hours worked by production and related workers producing:			
All products-------------------1,000 hours--:	162,329	164,423	148,733
Nonrubber footwear, total 1/-----------do----:	161,090	163,213	147,452
Men's leather footwear--------------do----:	62,155	63,763	54,789
Women's leather footwear------------do----:	39,403	39,472	35,760
Children's nonrubber footwear-------do----:	13,320	13,565	12,097
Other nonrubber footwear------------do----:	36,121	34,781	32,500
Wages paid to production and related workers employed in the manufacture of:			
All products-----------------1,000 dollars--:	742,348	827,087	797,557
Nonrubber footwear, total 1/-----------do----:	724,731	805,794	771,017
Men's leather footwear--------------do----:	118,449	139,185	135,696
Women's leather footwear------------do----:	179,414	193,984	186,682
Children's nonrubber footwear-------do----:	68,770	75,442	69,051
Other nonrubber footwear------------do----:	158,710	162,540	161,797
Total compensation of production and related workers employed in the manufacture of--			
All products-----------------1,000 dollars--:	771,385	863,996	836,668
Nonrubber footwear, total 1/-----------do----:	772,354	862,479	828,629
Men's leather footwear--------------do----:	262,235	311,205	292,309
Women's leather footwear------------do----:	204,352	225,380	217,328
Children's nonrubber footwear-------do----:	75,838	84,271	77,995
Other nonrubber footwear------------do----:	180,910	186,549	186,031

1/ Data for types of nonrubber footwear will not add to the total shown, because some producers were not able to allocate by the specified types.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Many foreign countries enjoy a price advantage over U.S. producers because of their lower labor costs. In 1981, the hourly wage in Brazil, India, and Spain averaged $1.36, $0.69, and $3.93, respectively, compared with $6.22 in the United States (table 19). 1/ According to industry sources, wage

1/ Data are not available on total hourly compensation (including fringes and other benefits) for 1982. However, U.S. Bureau of Labor Statistics data show hourly wages (excluding fringes or other benefits) for the U.S. nonrubber footwear industry were $4.42 in 1980, $4.82 in 1981, and $5.12 in 1982.

Table 19.--Estimated total hourly compensation 1/ in specified industries related to footwear in 4 countries, 1979-81

Country	Industry	1979	1980	1981
Brazil 2/----------	Leather footwear----------	$1.10	$1.08	$1.36
India 3/----------	Textile products----------	.53	.60	.69
Spain 2/----------	Clothing, footwear, and leather.	3.84	3.98	3.93
United States 2/--	Footwear, except rubber--	5.22	5.71	6.22

1/ In U.S. dollars.
2/ U.S. Department of Labor, Bureau of Labor Statistics, Hourly Compensation Costs for Production Workers In Apparel and Other Textile Products Manufacturing, 23 Countries, 1975-81, April 1982.
3/ Werner International Management Consultants, Spinning and Weaving Labor Cost Comparisons.

rates are a critical factor in nonrubber footwear production, since direct labor typically accounts for approximately 30 percent of U.S. producers' total cost. The wage advantage enjoyed by most foreign producers is partially offset by transportation, insurance costs, duties, and other costs of foreign purchasing. Domestic manufacturers compete by offering nonprice advantages, including current styles, faster deliveries, availability of stock for special orders, longer payment terms, advertising, and other forms of customer service.

Financial experience of U.S. producers

Overall nonrubber footwear operations.--Ninety-two U.S. producers, accounting for approximately 73 percent of total 1982 production of nonrubber footwear, submitted usable income-and-loss data relative to their nonrubber-footwear-manufacturing operations. Sixteen of these firms, mainly larger shoe producers, reported intracompany (or intercompany) sales to other company owned divisions or affiliated companies for the purpose of resale. Such sales accounted for 15 percent of the 92 producers' aggregate net sales in 1980 and for 13 percent in 1981 and 1982. There is no evidence that any producer included any significant amount of retail operations in its financial submission to the Commission. 1/

Data for two of the largest U.S. producers, U.S. Shoe and Genesco, are not included in the financial information in this section. * * *. Financial data for the two firms, obtained from their annual reports and 10-k's, are shown in appendix F.

Overall net sales of nonrubber footwear were $3.3 billion in 1982, down 3 percent from the $3.4 billion in sales reported for 1981, and up 10 percent

1/ It is not uncommon for shoe manufacturers to retail a small amount of shoes at outlets in or near their factories. Such sales would be included in their response to the Commission's questionnaire.

Table 20.--Income-and-loss experience of 92 U.S. producers on their overall nonrubber footwear operations, 1980-82

Item	1980	1981	1982
Net sales:			
To the trade----------1,000 dollars--:	2,556,798	2,961,380	2,876,557
Intracompany------------------do----:	458,812	444,673	434,100
Total net sales--------------do----:	3,015,610	3,406,053	3,310,657
Cost of goods sold---------------do----:	2,315,895	2,567,787	2,541,091
Gross income--------------------do----:	699,715	838,266	769,566
General, selling, and administrative expenses-------------1,000 dollars--:	449,238	518,842	536,805
Operating income----------------do----:	250,477	319,424	232,761
Other income or (expense) 1,000 dollars--:	(25,972)	(21,084)	(32,159)
Net income before income taxes 1,000 dollars--:	224,505	298,340	200,602
Depreciation and amortization 1,000 dollars--:	36,529	41,702	44,950
Cash flow from operations 1,000 dollars--:	261,034	340,042	245,552
Ratio to net sales of--			
Gross income---------------percent--:	23.2	24.6	23.2
Operating income---------------do----:	8.3	9.4	7.0
Net income before income taxes percent--:	7.4	8.8	6.1
Cost of goods sold-------------do----:	76.8	75.4	76.8
General, selling, and administrative expenses-----------------percent--:	14.9	15.2	16.2
Number of firms reporting operating losses-----------------------------:	11	7	14
Number of firms reporting net losses-----------------------------:	14	10	16

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

from the $3.0 billion in sales reported for 1980 (table 20). Intracompany sales ranged from $459 million in 1980 to $434 million in 1982.

The reported 1982 operating income of $233 million, or 7.0 percent of net sales, was 27 percent less than the 1981 operating income of $319 million, or 9.4 percent of net sales, and 7 percent less than the 1980 operating income of $250 million, or 8.3 percent of net sales. Net income before income taxes ranged from a high of $298 million, or 8.8 percent of net sales, in 1981 to $201 million, or 6.1 percent of net sales, in 1982.

Eleven of the 92 firms sustained operating losses in 1980, as did 7 in 1981 and 14 in 1982. Fourteen firms sustained net losses in 1980, 10, in 1980, and 16, in 1982. Cash flow from operations rose from $261 million in 1980 to $340 million in 1981 and then fell 28 percent to $246 million in 1982.

As a share of net sales, manufacturing costs and operating expenses remained fairly stable during 1980-82. Manufacturing costs (cost of goods sold) ranged from 75.4 of net sales in 1981 to 76.8 percent in 1980 and 1982 and operating expenses (general, selling, and administrative expenses) ranged from 14.9 percent of net sales in 1980 to 16.2 percent in 1982.

Three of the 92 producers manufacture and sell western style boots. In the aggregate, their boot operations * * *. A comparison of operating income or loss margins for the 92 reporting producers, the 3 western style boot producers, and the 92 producers less the 3 boot producer is shown in the following tabulation for 1980-82 (in percent):

Year	Operating income or (loss) margins		
	All 92 producers	3 western boot producers	The other 89 producers
1980	8.3	***	***
1981	9.4	***	***
1982	7.0	***	***

As seen in the above tabulation, boot producers had a significant impact on overall industry operating results; operating margin variance was * * *, compared with a variance of 2.4 percent for the 92 producers.

Income-and-loss experience of U.S. producers on their footwear operations, by firm sizes, is shown in table 21 for 1980-82. Income margins tend to be higher for those producers producing 2 million pairs of shoes or more each year. 1/ Operating income margins for the 15 firms producing 4,000,000 pairs or more a year rose annually from 8.9 to 10.2 percent during 1980-82; the 76 firms in the other 5 size classifications experienced a decrease in operating income in 1982. 2/

Operating income margin for the 20 firms producing between 500,000 and 999,999 pairs of shoes a year averaged 6.0 and 4.5 percent in 1980 and 1981, respectively. In 1982, they sustained an operating loss equal to 2.3 percent

1/ The same conclusions were reached in prior footwear investigations, i.e., No. TA 203-7 in 1981.

2/ In analyzing the data, it should be noted that certain smaller, privately held firms have a tendency of taking profits out in salaries and other benefits.

Table 21.--Income-and-loss experience of 92 U.S. producers on their nonrubber footwear operations, by ranges of production, accounting years 1980-82 1/

Range of production and year	Net sales	Cost of goods sold	Gross income	General, selling, and administrative expenses	Operating income or (expense)	Other income or (expenses)	Net income or (loss) before income taxes	Ratio of operating income or (loss) to net sales	Ratio of net income or (loss) before income taxes to net sales
0 to 199,999 pairs:									
1980	17,097	13,355	3,742	2,780	962	307	1,269	5.6	7.4
1981	18,140	13,936	4,204	3,184	1,020	435	1,455	5.6	8.0
1982	18,597	13,964	4,633	3,632	1,001	185	1,186	5.4	6.4
200,000 to 499,999 pairs:									
1980	131,171	102,436	28,735	23,552	5,183	(2,606)	2,577	4.0	2.0
1981	142,514	109,699	32,815	25,458	7,357	(3,055)	4,302	5.2	3.0
1982	133,831	102,301	31,530	26,425	5,105	(2,498)	2,607	3.8	1.9
500,000 to 999,999 pairs									
1980	272,550	217,794	54,756	38,305	16,451	(1,996)	14,455	6.0	5.3
1981	318,211	257,456	60,755	46,531	14,224	(1,767)	12,457	4.5	3.9
1982	300,955	254,170	46,785	53,835	(7,050)	(535)	(7,585)	(2.3)	(2.5)
1,000,000 to 1,999,999 pairs:									
1980	584,562	453,218	131,344	94,194	37,150	(7,688)	29,462	6.4	5.0
1981	713,425	546,854	166,571	111,052	55,519	(7,266)	48,253	7.8	6.8
1982	718,537	558,220	160,317	121,008	39,309	(7,671)	31,638	5.5	4.4
2,000,000 to 3,999,999 pairs:									
1980	598,626	444,782	153,844	88,904	64,940	(6,503)	58,437	10.8	9.8
1981	714,065	511,467	202,598	108,388	94,210	(5,982)	88,228	13.2	12.4
1982	568,154	433,314	134,840	100,489	34,351	(5,693)	28,658	6.0	5.0
4,000,000 pairs or more:									
1980	1,411,604	1,084,310	327,294	201,503	125,791	(7,486)	118,305	8.9	8.4
1981	1,499,698	1,128,375	371,323	224,229	147,094	(3,449)	143,645	9.8	9.6
1982	1,570,583	1,179,122	391,461	231,416	160,045	(15,947)	144,098	10.2	9.2
Total, all categories:									
1980	3,015,610	2,315,895	699,715	449,238	250,477	(25,972)	224,505	8.3	7.4
1981	3,406,053	2,567,787	838,266	518,842	319,424	(21,084)	298,340	9.4	8.8
1982	3,310,657	2,541,091	769,566	536,805	232,761	(32,159)	200,602	7.0	6.1

1/ Data include 6 producers for the size range from 0 to 199,999 pairs, 16 for the ranges from 200,000 to 499,999 pairs, 20 for the range from 500,000 to 999,999 pairs, 19 for the range from 1,000,000 pairs, to 1,999,999 pairs, 16 for the range from 2,000,000 to 3,999,999 pairs, and 15 for 4,000,000 pairs and over.

Source. Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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of net sales. Operating income margins for the 16 firms producing between 2,000,000 and 3,999,999 pairs of shoes a year averaged 10.8 percent in 1980 and 13.2 percent in 1981; but fell sharply to 6.0 percent in 1982. In both instances, * * *.

Men's leather footwear.--Twenty-seven U.S. producers, accounting for about 64 percent of total 1982 production of men's leather footwear, furnished usable income-and-loss data for their men's leather footwear operations (table 22). Their sales totaled $1.1 billion in 1982, compared with $1.2 billion in 1981 and $1.1 billion in 1980. Their operating income margin was 7.0 percent in 1982, compared with 8.8 percent in 1981 and 7.4 percent in 1980.

Table 22.--Income-and-loss experience of 27 U.S. producers on their operations producing men's, youths', and boys' leather footwear, 1980-82

Item	1980	1981	1982
Net sales:			
To the trade----------1,000 dollars--:	860,796	971,396	905,595
Intra-company-----------------do----:	215,443	200,052	221,415
Total net sales--------------do----:	1,076,239	1,171,448	1,127,010
Cost of goods sold---------------do----:	835,831	893,778	864,820
Gross income--------------------do----:	240,408	277,670	262,190
General, selling, and administrative expenses--------------1,000 dollars--:	161,071	174,434	183,663
Operating income-----------------do----:	79,337	103,236	78,527
Other income or (expense) 1,000 dollars--:	(3,916)	(444)	2,383
Net income before income taxes 1,000 dollars--:	75,421	102,792	80,910
Depreciation and amortization 1,000 dollars--:	5,759	12,423	14,332
Cash flow from operations 1,000 dollars--:	81,180	115,215	95,242
Ratio to net sales of--			
Gross income----------------percent--:	22.3	23.7	23.3
Operating income---------------do----:	7.4	8.8	7.0
Net income before income taxes percent--:	7.0	8.8	7.2
Cost of goods sold-------------do----:	77.7	76.3	76.7
General, selling, and administrative expenses------------------percent--:	15.0	14.9	16.3
Number of firms reporting operating losses-----------------------------:	1	1	5
Number of firms reporting net losses-----------------------------:	3	2	5

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Cash flow from operations increased from $81 million in 1980 to $115 million in 1981, but dropped to $95 million in 1982. One firm sustained an operating loss in 1980 and 1981, and five firms sustained such a loss in 1982. Three firms sustained net losses in 1980, two, in 1981, and five, in 1982.

Women's leather footwear.--Thirty-one U.S. producers, accounting for about 58 percent of total 1982 production of women's leather footwear, furnished usable income-and-loss data relative to their women's leather footwear operations (table 23). Net sales for this group of shoe producers followed a different trend than that for all nonrubber footwear during 1980-82, rising annually during 1980-82 from $565 million to $631 million, or

Table 23.--Income-and-loss experience of 31 U.S. producers on their operations producing women's and misses' footwear, 1980-82

Item	1980	1981	1982
Net sales:			
Trade------------------------do----:	426,094	469,382	492,538
Intra-company---------------do----:	138,439	131,528	138,885
Total net sales------------do----:	564,533	600,910	631,423
Cost of goods sold-------------do----:	442,855	468,312	485,497
Gross income-------------------do----:	121,678	132,598	145,926
General, selling, and administrative expenses---1,000 dollars--:	77,316	88,292	92,322
Operating income---------------do----:	44,362	44,306	53,604
Other expense--------1,000 dollars--:	6,448	5,449	5,571
Net income before income taxes 1,000 dollars--:	37,914	38,857	48,033
Depreciation and amortization expense------------1,000 dollars--:	3,817	4,444	4,706
Cash flow from operations 1,000 dollars--:	41,731	43,301	52,739
Ratio to net sales of--			
Gross income-------------percent--:	21.6	22.1	23.1
Operating income------------do----:	7.9	7.4	8.5
Net income before income taxes-----------------percent--:	6.7	6.5	7.6
Cost of goods sold----------do----:	78.4	77.9	76.9
General, selling, and administrative expenses percent--:	13.7	14.7	14.6
Number of firms reporting operating losses----------------:	7	8	5
Number of firms reporting net losses---------------------:	8	8	5

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

by 12 percent. Their operating margin was 7.9 percent in 1980, 7.4 percent in 1981, and 8.5 percent in 1982. Cash flow from operations rose annually from $42 million in 1980 to $53 million in 1982. The number of firms reporting operating losses was seven in 1980, eight in 1981, and five in 1982. Eight firms sustained net losses in 1980 and 1981, and five firms sustained such a loss in 1982.

Children's nonrubber footwear.--Sixteen U.S. producers supplied usable income-and-loss data relative to their children's nonrubber footwear operations (table 24). Net sales rose annually from $169 million in 1980 to $189 million in 1982, or by 12 percent. Their operating income margin was 6.5 percent in 1980, 6.9 percent in 1981, and 6.2 percent in 1982. Cash flow from

Table 24.--Income-and-loss experience of 16 U.S. producers on their operations producing children's and infants' nonrubber footwear, 1980-82

Item	1980	1981	1982
Net sales:			
Trade----------------1,000 dollars--:	154,025	173,030	167,974
Intracompany------------------do----:	15,122	13,844	20,776
Total net sales--------------do----:	169,147	186,879	188,750
Cost of goods sold--------------do----:	130,338	141,646	144,335
Gross income---------------------do----:	38,809	45,233	44,415
General, selling, and administrative expenses-------------1,000 dollars--:	27,810	32,424	32,639
Operating income-----------------do----:	10,999	12,809	11,776
Other income or (expense) 1,000 dollars--:	1,842	(1,120)	(753)
Net income before income taxes 1,000 dollars--:	9,157	11,689	11,023
Depreciation and amortization 1,000 dollars--:	2,259	2,370	2,725
Cash flow from operations 1,000 dollars--:	11,416	14,059	13,748
Ratio to net sale of--			
Gross income---------------percent--:	22.9	24.2	23.5
Operating income--------------do----:	6.5	6.9	6.2
Net income before income taxes percent--:	5.4	6.3	5.8
Cost of goods sold------------do----:	77.1	75.8	76.5
General, selling, and administrative expenses-----------------percent--:	16.4	17.4	17.3
Number of firms reporting operating losses------------------------------:	2	2	2
Number of firms reporting net losses------------------------------:	2	4	2

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

operations rose from $11 million in 1980 to $14 million in 1981 and 1982. The number of firms reporting operating losses was two in each of the years 1980, 1981, and 1982. Two firms sustained net losses in 1980 and 1982, and four firms sustained such a loss in 1981.

Investment in productive facilities.--Eighty-four firms supplied data relative to their investment in productive facilities employed in the manufacture of nonrubber footwear, by production ranges, for 1980-82 (table 25). Their aggregate investment in such facilities, valued at cost,

Table 25.--Investment of 84 U.S. producers in facilities used in the production of nonrubber footwear, by ranges of production, 1980-82 1/

Production range and item	1980	1981	1982
0-199,999 pairs:			
Original cost---------1,000 dollars--	1,621	1,968	2,124
Book value--------------------do----	848	947	905
Ratio of operating income to--			
Net sales----------------percent--	3.9	5.3	4.3
Original cost---------------do----	36.3	43.3	33.9
Book value------------------do----	69.5	90.0	79.4
200,000-499,999 pairs:			
Original cost---------1,000 dollars--	16,590	15,659	17,200
Book value--------------------do----	6,816	6,826	7,415
Ratio of operating income to--			
Net sales----------------percent--	4.6	5.9	3.9
Original cost---------------do----	31.5	47.1	28.3
Book value------------------do----	76.7	108.1	65.6
500,000-999,999 pairs:			
Original cost---------1,000 dollars--	24,793	37,670	39,023
Book value--------------------do----	9,598	18,344	18,571
Ratio of operating income (or loss) to--			
Net sales----------------percent--	6.0	4.4	(2.6)
Original cost---------------do----	63.9	35.9	(19.3)
Book value------------------do----	165.0	73.6	(40.5)
1,000,000-1,999,999 pairs:			
Original cost---------1,000 dollars--	76,657	94,920	105,868
Book value--------------------do----	40,158	48,815	55,981
Ratio of operating income to--			
Net sales----------------percent--	7.1	8.5	6.0
Original cost---------------do----	48.1	58.1	36.6
Book value------------------do----	91.7	113.0	69.3
2,000,000-3,999,999 pairs:			
Original cost---------1,000 dollars--	79,612	99,417	106,857
Book value--------------------do----	39,724	55,384	55,767
Ratio of operating income to:			
Net sales----------------percent--	10.9	13.3	6.1
Original cost---------------do----	81.1	94.3	31.7
Book value------------------do----	162.5	169.3	60.7

See footnote at end of table.

Table 25.--Investment of 84 U.S. producers in facilities used in the production of nonrubber footwear, by ranges of production, 1980-82 1/--Continued

Production range and item	1980	1981	1982
4,000,000 or more pairs:			
Original cost---------1,000 dollars--:	207,991	226,880	233,639
Book value--------------------do----:	103,599	116,294	115,428
Ratio of operating income to--			
Net sales-------------------percent--:	12.7	13.6	13.7
Original cost------------------do----:	57.8	62.8	66.8
Book value--------------------do----:	116.1	122.5	135.1
Total, all production ranges:			
Original cost---------1,000 dollars--:	407,264	476,514	504,711
Book value--------------------do----:	200,743	246,610	254,067
Ratio of operating income to:			
Original cost-------------percent--:	59.8	65.7	44.9
Book value-------------------do----:	82.5	127.0	89.2

1/ The data include 5 producers for the 0-199,999 size range, 13 for the 200,000-499,999 range, 19 for 500,000-999,999, 18 for 1,000,000-1,999,999, 15 for 2,000,000-3,999,999, and 14 for 4,000,000 and over.

Source: Compiled from data submitted in response in questionnaires of the U.S. International Trade Commission.

increased $97 million during 1980-82 to $505 million, and the book value of such assets increased $53 million to $254 million. Operating income, as a share of the aggregate cost of such facilities, ranged from 65.7 percent in 1981 down to 44.9 percent in 1982, and the relationship of operating income to the book value of such assets ranged from 82.5 percent in 1980 to 127.0 percent in 1981. The 14 producers in the production category of 4 million pairs or more accounted for about half of the aggregate investment in productive facilities, both at cost and book value.

Capital expenditures.--Capital expenditures for land, buildings, and machinery and equipment used in the manufacture of nonrubber footwear increased from $49 million in 1980 to $77 million in 1981, and then declined 25 percent to $57 million in 1982 (table 26). Machinery and equipment accounted for about two-thirds of total capital expenditures during 1980-82.

Table 26.--U.S. producers' capital expenditures for land and land improvements, building and leasehold improvements, and machinery and equipment used in the production of nonrubber footwear, 1980-82

(In thousands of dollars)

Year	Land and land improvements	Building and leasehold improvements	Machinery and equipment	Total
1980	1,803	12,924	34,475	49,202
1981	2,053	22,387	52,160	76,600
1982	2,893	20,598	33,938	57,429

Source: Compiled from data submitted by 78 producers in response to questionnaires of the U.S. International Trade Commission.

Research and development expenditures.--Forty-two U.S. shoe producers, accounting for approximately 31 percent of total 1982 U.S. production of nonrubber footwear, submitted usable data relative to their research and development expenditures incurred in the manufacture of such footwear during 1980-82. Such expenditures are shown in the following tabulation (in thousands of dollars):

Year	Value
1980	$8,337
1981	8,353
1982	10,168

The major technological changes in the footwear industry have generally been aimed at reducing labor input at different stages of the production process. 1/ Although information is not adequate for fully assessing the effects of such efforts, information submitted by 99 producers in response to the Commission's questionnaire indicates that their output per production worker increased from 1.7 pairs of shoes an hour in 1980 to 1.9 pairs an hour in 1982, or by 9 percent, as shown in the following tabulation:

Item	1980	1981	1982
Production--1,000 pairs	280,330	290,512	278,551
Hours worked--1,000 hours	161,090	163,213	147,452
Output per hour--pairs	1.73	1.78	1.89

1/ U.S. General Accounting Office, Slow Productivity Growth in the U.S. Footwear Industry--Can the Federal Government Help? FGMSD-803, Feb. 25, 1980, p. 30.

It should be noted, however, that such output changes do not take into account changes in product mix, which also may have contributed to the change.

Testimony presented to the Commission indicated that the domestic industry is engaged in a variety of technological and innovative programs to improve its competitiveness in the market place; notable among the programs are computer-aided design, robotics, and laser cutting. 1/ In addition, a wide range of programs have been started in marketing, technology, finance, and management to (1) create a better understanding of the U.S. consumer, (2) respond to the consumer's need, (3) increase labor productivity, (4) improve product quality, and (5) use advanced and sophisticated finance and management techniques. 2/

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U.S. consumption

Apparent U.S. consumption of nonrubber footwear increased 7 percent from 752 million pairs in 1980 to 805 million pairs in 1982 (table 27), with imports generating all the growth. U.S. production of nonrubber footwear in 1982 declined to its lowest level since at least the 1960's, whereas imports climbed to their highest level ever. U.S. production during 1980-82 declined annually from 386 million pairs to 325 million pairs; in 1982, it declined 15 percent, or by about 55 million pairs. Imports, on the other hand, increased 28 percent, or by more than 100 million pairs, in 1982, to a total of nearly 480 million pairs, after showing little growth from 1980 to 1981. As a result, the share of the domestic market supplied by imports increased significantly in 1982 to nearly 60 percent from just under 50 percent in 1980 and 1981. This pattern of U.S. production being at its lowest level and imports and their market share being at their highest levels in 1982 repeats itself in men's and women's leather footwear, children's nonrubber footwear, and other nonrubber footwear, as discussed below.

Men's leather footwear.--U.S. consumption of men's leather footwear remained fairly steady at 152 million pairs in 1980 and 1981, before increasing to nearly 162 million pairs in 1982 (table 27). U.S. production declined continuously during the period, decreasing 20 percent from about 85 million to 68 million pairs, with two-thirds of the decline coming in 1982 alone. By contrast, imports in 1982 climbed 37 percent above those in 1981 to a total of 94 million pairs, after showing little growth from 1980 to 1981. Consequently, the share of the domestic market supplied by imports expanded sharply in 1982 to 58 percent from about 45 percent in the preceding 2 years.

1/ Prehearing brief of the Florsheim Shoe Co., p. 8.
2/ Transcript of the public hearing, p. 13.

Women's leather footwear.--U.S. consumption of women's leather footwear rose annually during 1980-82, increasing 13 percent from 163 million to 184 million pairs (table 27). U.S. production of this footwear declined annually from about 85 million pairs to just under 70 million pairs, whereas imports increased annually from 79 million pairs to 114 million pairs. Imports' share of this domestic market increased continuously from 48 percent in 1980 to a high of 62 percent in 1982.

Children's nonrubber footwear.--U.S. consumption of children's nonrubber footwear declined annually from 54 million pairs in 1980 to approximately 50 million pairs in 1982 (table 27). U.S. production declined from 38 million pairs in 1980 to 30 million pairs in 1982, whereas imports increased from 15 million pairs in 1980 and 1981 to 20 million pairs in 1982. The increase in imports, coupled with the decline in U.S. production, led to imports' share of the market expanding sharply to 39 percent in 1982 from about 29 percent in 1980 and 1981.

Other nonrubber footwear.--U.S. consumption of other nonrubber footwear, consisting largely of men's and women's dress and casual footwear and slippers with vinyl or fiber uppers, trended erratically upward from 383 million pairs in 1980 to 409 million pairs in 1982. Domestic output, after averaging about 179 million pairs in 1980 and 1981, fell 12 percent to 157 million pairs in 1982. Imports, on the other hand, climbed 30 percent in 1982, compared with imports in 1981, reaching 252 million pairs. This helped push imports' market share up nearly 10 percentage points to 61 percent in 1982.

Market penetration by imports

Brazil.--U.S. imports of nonrubber footwear from Brazil, after increasing 37 percent from 31 million pairs in 1980 to 43 million pairs in 1981, decreased 4 percent in 1982 to 41 million pairs (table 27). The share of the overall nonrubber footwear market supplied by Brazil followed a similar pattern, rising from 4.2 percent in 1980 to a high of 5.7 percent in 1981, before declining to 5.1 percent in 1982. Nevertheless, Brazil remained the fourth largest foreign supplier in 1982, following Taiwan, Korea, and Italy.

About 88 percent of the imports from Brazil in 1982 consisted of women's leather footwear, especially dress and casual shoes, for which it is the third largest foreign supplier. Shipments of this footwear from Brazil rose 43 percent from slightly less than 27 million pairs in 1980 to almost 38 million pairs in 1981, before declining 5 percent to 36 million pairs in 1982. Similarly, Brazil's share of the women's leather footwear market rose from 16 percent in 1980 to 21 percent in 1981, and then declined to just under 20 percent in 1982.

The only other category for which Brazil supplied at least 1 percent of the U.S. market was men's leather footwear, for which its market share rose steadily from 2.1 percent in 1980 to 2.5 percent in 1982. Imports of Brazilian men's footwear increased annually from 3 million to 4 million pairs during the period. Brazil's position in the market for children's nonrubber footwear and other nonrubber footwear trended downward during 1980-82, accounting for less than 1 percent of both markets.

Table 27.--Nonrubber footwear U.S. production, imports for consumption, total and from Brazil, India, and Spain, and apparent consumption, by types, 1980-82 1/

Type and year	Production	Imports				Apparent consumption	Ratio to consumption of imports--			
		Total	From Brazil	From India	From Spain		Total	From Brazil	From India	From Spain
	1,000 pairs						Percent			
Total.										
1980	386,311	365,743	31,338	2,711	18,017	752,054	48.6	4.2	0.4	2.4
1981	380,383	375,600	43,028	1,651	18,999	755,983	49.7	5.7	.2	2.5
1982	2/ 325,418	479,663	41,114	1,228	22,229	2/ 805,081	2/ 59.6	2/ 5.1	2/ .2	2/ 2.8
Men's leather footwear:										
1980	84,504	67,573	3,133	1,321	4,982	152,077	44.4	2.1	.9	3.3
1981	83,556	68,367	3,550	593	4,252	151,923	45.0	2.3	.4	2.8
1982	2/ 67,629	93,897	4,059	543	4,888	2/ 161,526	2/ 58.1	2/ 2.5	2/ .3	2/ 3.0
Women's leather footwear:										
1980	84,668	78,512	26,523	898	7,985	163,180	48.1	16.3	.6	4.9
1981	79,192	98,250	37,962	660	8,481	177,442	55.4	21.4	.4	4.8
1982	2/ 69,672	114,305	36,018	418	10,603	2/ 183,977	2/ 62.1	2/ 19.6	2/ .2	2/ 5.8
Children's nonrubber footwear										
1980	38,357	15,467	421	455	1,581	53,824	28.7	.8	.8	2.9
1981	37,796	15,109	403	378	1,890	52,905	28.6	.8	.7	3.6
1982	2/ 30,591	19,894	270	252	1,780	2/ 50,485	2/ 39.4	2/ .5	2/ .5	2/ 3.5
Other nonrubber footwear: 3/										
1980	178,782	204,191	1,261	37	3,469	382,973	53.3	.3	4/	.9
1981	179,839	193,874	1,113	20	4,376	373,713	51.9	.3	4/	1.2
1982	2/ 157,526	251,567	767	15	4,958	2/ 409,093	2/ 61.5	2/ .2	4/	2/ 1.2

1/ Does not include U.S. exports, which represented about 3 percent of U.S. production during 1980-82.
2/ Preliminary.
3/ Includes footwear not specified by gender and nonleather nonrubber footwear for men and women.
4/ Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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India.--The relative importance of India in the U.S. nonrubber footwear market has been declining in recent years, as its shipments fell 55 percent from 2.7 million pairs in 1980 to 1.2 million pairs in 1982. India's share of the market remained small, having declined from 0.4 to 0.2 percent during the period.

Spain.--The share of the U.S. nonrubber footwear market supplied by Spain increased from 2.4 percent in 1980 to 2.8 percent in 1982, as its shipments rose from 18 million to 22 million pairs. Most of the growth came in women's leather footwear, shipments of which rose from 8 million pairs in 1980 to slightly more than 10 million pairs in 1982.

Spain is also a supplier of children's nonrubber footwear, accounting for 3.5 percent of this market in 1982. Other nonrubber footwear accounted for an appreciable part of the imports of all nonrubber footwear from Spain, representing 1.2 percent of the domestic market in 1982.

Importers' inventories

Brazil.--U.S importers' end-of-year inventories of nonrubber footwear, after expanding from about 4.6 million pairs in 1979 to 4.9 million pairs in 1980 and 1981, declined slightly in 1982 to a total of 4.8 million pairs (table 28). All but a small part of their inventories consisted of women's leather footwear.

Table 28.--Nonrubber footwear: U.S. importers' end-of-year inventories, by specified sources and by types, as of Dec. 31 of 1979-82

(In thousands of pairs)

Source and item	1979	1980	1981	1982
Brazil:				
Men's leather footwear	452	395	535	496
Women's leather footwear	4,067	4,518	4,315	4,252
Children's nonrubber footwear	33	32	32	37
Other nonrubber footwear	0	0	0	22
Total	4,552	4,945	4,882	4,807
India:				
Men's leather footwear	***	***	***	***
Women's leather footwear	***	***	***	***
Children's nonrubber footwear	***	***	***	***
Other nonrubber footwear	***	***	***	***
Total	***	***	***	***
Spain:				
Men's leather footwear	309	322	404	397
Women's leather footwear	690	763	704	534
Children's nonrubber footwear	14	17	31	48
Other nonrubber footwear	***	***	***	***
Total	***	***	***	***
Grand total	5,804	6,286	6,263	5,946

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

India.--U.S. importers' inventories of nonrubber footwear from India * * *.

Spain.--End-of-year inventories of Spanish nonrubber footwear held by U.S. importers * * * pairs in 1979 to * * * pairs in 1980 and 1981 before * * * pairs in 1982. The major part of the inventories were made up of men's and women's leather footwear.

The foreign industry

Brazil. 1/--Brazil's footwear industry in 1982 comprised 3,666 registered manufacturers, of which more than 3,000 were very small, local producers; about 600 were medium or large producers. Approximately 200 of the medium and large producers were exporters. The most recent information on the capacity of the Brazilian industry was for 1979, when it was estimated at approximately 500 million pairs, about half of which was for sandals, tennis shoes, and synthetic footwear. Total production in 1979 amounted to 324 million pairs, which resulted in a 65-percent capacity utilization. The capacity estimate was based on a hypothetical 3-shift production schedule and consequently may have been overstated.

Brazil's total footwear production in 1982 was estimated at about 485 million pairs, 2/ which is approximately 17 percent greater than total U.S. production of rubber and nonrubber footwear. Of Brazil's total 1982 production, 235 million pairs were leather footwear, unchanged from the 1981 level but up from 199 million pairs in 1979. Brazil, with one of the largest cattle inventories in the world, enjoys easy access to hides for leather production.

Most of Brazil's footwear production is consumed internally. In 1982, an estimated 424 million pairs, or 87 percent of its total production, were consumed internally. With respect to leather footwear, 177 million pairs, or 75 percent of production, were consumed domestically.

Footwear ranked as Brazil's ninth largest export earner in 1982, with shipments totaling $524 million, compared with $586 million in 1981. The overwhelming share of the exports were of leather footwear, amounting to $483 million in 1982 compared with $534 million in 1981. Brazil's footwear exports, after rising rapidly from 1980 to 1981, fell significantly in 1982, as shown in table 29.

1/ This section is based entirely on information received from the U.S. Department of State, "Industrial Outlook Report," Mar. 15, 1982, from Porto Alegre, Brazil, and a report from the U.S. Embassy, Brazilia, March 1983.
2/ Based on estimated production of 235 million pairs of leather shoes and a very general estimate of 250 million pairs, or more, of shoes of materials other than leather.

Table 29.--Nonrubber footwear: Brazilian exports, by types, 1982

Type	1980	1981	1982 1/
Men's and boys'--------1,000 pairs--:	1,535	1,877	1,651
Women's----------------------do----:	46,333	65,602	57,730
Children's-------------------do----:	1,059	1,988	1,750
Other------------------------do----:	103	293	258
Total-----------------------do----:	49,030	69,760	61,389
Share of total accounted for by leather footwear---------percent--:	88	88	95

1/ Estimated.

Source: U.S. Embassy, Brazilia, "Industrial Outlook Report," Mar. 15, 1982.

Brazil's largest export market for footwear is by far the United States, which accounted for 72 percent of Brazil's exports in 1982 compared with 60 percent in 1980. Its exports to the United States in 1982 amounted to 44 million pairs, 94 percent of which were women's footwear. Leather footwear made up approximately 90 percent of the shipments to the United States during 1980-82. In spite of Brazil's efforts to diversify its export markets, no significant shifts are foreseen in the near future.

Brazil's second largest footwear export market in 1982 was the United Kingdom, which received only 5 million pairs, or 8 percent of Brazil's total exports. The remaining exports were sold to a large number of markets, particularly in Europe, Africa, and Latin America. The decrease in Brazil's exports to markets other than the United States in 1982 and the subsequent increase in the percentage share going to the United States are explained by the appreciation of the U.S. dollar against European currencies. Brazilian shoe export prices are quoted in dollars.

As reported in the U.S. Embassy report of March 1983, Brazil's footwear industry hopes to recover from the recession in 1982 and regain growth during 1983, with perhaps a 10-percent increase in exports by 1984. According to the U.S. Consulate and Brazilian trade sources, removal of the U.S. countervailing duty would not encourage domestic producers which are not already exporting to enter the U.S. market. The U.S. Consulate in Porto Alegre indicated in its March 15, 1982, report that reestablishment in 1981 of the export promotion incentive program (IPI) with a 15-percent subsidy prompted Brazil's shoe industry to ask for and obtain a tax equivalent to the IPI on exports to the United States and the European Community (EC), effectively canceling out any charge of receiving a subsidy. Local industry officials are aware of the adverse effects on their exports should any subsidy scheme be put into practice for shoes, and this has made them reluctant to seek relief for the problems they face related to Brazil's high interest and inflation rates.

India. 1/--India, with one of the largest bovine, sheep, and goat populations in the world, is a major producer of hides and skins, processing over 100 million pieces annually. Most of these hides and skins are believed to be goat and kidskins. 2/

Although the Government of India has encouraged a gradual shift in exports from raw and semiprocessed hides and skins to finished leather and leather products, the necessary infrastructure to support the more sophisticated aspects of their manufacture has not been set up. An inefficient internal transport system has handicapped industries not directly within reach of an international port or airport, slowing deliveries to their export markets. About 75 percent of India's exports of leather goods are shipped by air. Moreover, it is estimated that only 10 percent of India's tanners have been able to modernize their facilities: the remainder have been unable to do so because of the high capital outlay required to purchase modern equipment, which is not available in India.

With respect to leather footwear, the great majority of its production in India is reserved by the Government for small producers, which may hinder India's ability to compete in world markets. Total output of leather footwear by the small-scale sector is estimated at 225 million pairs annually. 3/

India's exports of all leather products increased from $396 million in 1981 to $499 million in 1982, or by 26 percent. Major factors in this trend have been increased shipments to the U.S.S.R., other Eastern Bloc countries, and, particularly, increased shipments of footwear components to the EC. Exports of footwear components to the EC rose from about $38 million in 1981 to about $84 million in 1982.

The most recent production estimates for the Indian footwear industry indicate no growth, as shown in the following tabulation (in millions of pairs):

Footwear type	1976	1980
Leather	261	264
Rubber	40	42
Plastic	45	40
Total	346	346

1/ This section is based entirely on information from Leather, International Journal of the Industry, March 1983, except as noted.
2/ Reported verbally to the Commission staff by counsel for Florsheim.
3/ Report from the U.S. Embassy, New Delhi, March 1983.

Exports of leather footwear from India in 1980 amounted to only about 12 million pairs. The major markets were the United Kingdom (3.2 million pairs), the United States (2.7 million), France (1.8 million), and Italy (1.5 million). 1/

Approximately 85 percent of the leather footwear imported into the United States from India is produced in the cottage industry, according to testimony presented to the Commission. 2/ The footwear is handwoven with strips of leather. Moreover, the cottage industry, producing an average of only 2,600 to 3,600 pairs a month, is affected by poor quality control, frequent delays in deliveries, and the ability to produce for only about 6 to 7 months a year because of the monsoon season. 3/ These problems largely explain its limited market in the United States and its declining interest among U.S. importers.

The Florsheim Shoe Co., the largest U.S. importer of closed nonrubber footwear from India, is a partner in a joint venture with an Indian firm in a footwear plant in Madras. The plant, opened in March 1980, employs approximately * * * and is alleged to be the only facility making men's leather dress and casual shoes in India. The plant presently produces between * * * pairs a year. * * *. However, given the the machinery on site, the floor space available, and after a full complement of workers has been trained, Florsheim believes that, even under optimum conditions, production could not exceed * * *. 4/ Most of the footwear manufactured in the plant is exported to the United States. 5/

Spain. 6/--Spain's footwear industry consists of about 1,700 firms, providing employment for about 57,000 persons. Most of the firms are small, employing less than 100 workers; only 18 firms employ more than 250 workers. The footwear industry, concentrated in the province of Alicante where over 50 percent of the firms operate, must import approximately 75 percent of the skins used for leather footwear production and almost all the chemicals required to process the hides.

Spain's total capacity for all footwear production was estimated at 209 million pairs in 1982, and based on production of 133 million pairs, capacity utilization was 64 percent. Its production of all footwear increased

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1/ Shoe and Allied Trades Research Association, World Footwear Review 1980, Kettering, Northant, England, December 1981, and a report from the U.S. Embassy, New Delhi, March 1983.

2/ Prehearing brief on behalf on Elan Imports, Inc., Apr. 10, 1983, pp. 3 and 4.

3/ Ibid.

4/ Confidential brief submitted to the Commission from counsel for Florsheim, Apr. 25, 1983.

5/ Reported verbally to the Commission staff by counsel for Florsheim.

6/ This section is based entirely on information received from the U.S. Department of State, "Industrial Outlook Report," July 16, 1982, Madrid, and a report from the U.S. Embassy, Madrid, February 1983.

18 percent during 1980-82, as shown in the following tabulation (in millions of pairs):

Type	1980	1981	1982 1/
Men's and boys'	45.2	52.1	53.2
Women's	56.5	65.2	66.5
Children's	11.3	13.0	13.3
Total	113.0	130.3	133.0

1/ Estimated.

Source: U.S. Embassy, Madrid, "Industrial Outlook Report," Feb. 1983.

Leather footwear accounted for about 62 percent of the production in each of the above categories in 1982, according to Spanish industry estimates, totaling about 82 million pairs.

About half of Spain's production of footwear was exported in 1980 and 1981. Spain's exports of nonrubber footwear amounted to nearly 58 million pairs in 1980 and 65 million pairs in 1981. By contrast, its imports of nonrubber footwear amounted to 28 million pairs in 1980 and nearly 17 million pairs in 1981.

Nonrubber footwear was Spain's second largest export item in 1981, surpassed only by automotive products. Spain's largest export markets for nonrubber footwear were the United States and the EC, as shown in the following tabulation (in millions of pairs):

Market	1980	1981	1982 1/
United States	15.5	17.3	15.9
EC	28.4	28.6	32.0
All other	14.0	18.7	5.5
Total	57.9	64.6	53.4

1/ January-October.

Men's footwear is the single most important export category, accounting for about 37 percent of Spanish footwear exports during 1980-82, as shown in the following tabulation (in millions of pairs):

Type	1980	1981	1982 1/
Women's	14.6	18.7	17.7
Men's and boys'	21.4	23.8	19.1
Children's	4.6	5.8	4.5
All other	17.2	16.3	12.0
Total	57.9	64.6	53.4

1/ January-October.

Spain's footwear industry has ceased mass production of inexpensive footwear that at one time allowed it to occupy a more prominent place in the world market. This was brought about by rising labor costs, thereby nullifying the industry's basic advantage during its earlier expansion, coupled with the fact that it must import most of its raw materials. The industry, now focusing on quality and fashion footwear, reported that its sector is inadequately structured due to heavy costs and low productivity. In response to this, the Government in May 1982 presented a reconversion plan that called for the implementation of investment plans designed to (1) promote adaptations to current market demands; (2) rationalize production and improve organization; (3) produce new items as a result of advanced technology, enhanced quality, and design; (4) further adjust personnel costs as required by the market for each product; (5) increase productivity; and (6) stimulate exports and maintain the maximum number of jobs.

Prices

The quantity of domestic nonrubber footwear purchased generally changes significantly as a result of changes in the difference between domestic and imported prices. 1/ Important exceptions include nonrubber footwear that is significantly differentiated by style, type of leather, or brand name.

The quantity of all nonrubber footwear purchased, however, generally does not change significantly as a result of changes in the relative price of nonrubber footwear (relative to the prices of other goods) or changes in income. 2/ This relationship may not hold for large changes in the relative price of footwear or for large changes in incomes.

1/ High relative-price elasticities of demand between imported and domestic nonrubber footwear were estimated by the Commission staff (in the 1977 nonrubber footwear investigation--No. TA-201-18) and by Szenberg. These estimates, which ranged from -1.33 to -1.74, suggest a high degree of substitutability between domestic and imported nonrubber footwear. For example, a relative-price elasticity of -1.5 means that a 10-percent decrease in the price of the imported product (domestic prices remaining unchanged) will lead to a 15-percent increase in the quantity of the imported product purchased, largely at the expense of the domestic product. See: Szenberg, M.; Lombardi, J. W.; and Lee, E. Y., Welfare Effects of Trade Restrictions, London and New York: Academic Press, 1977.

2/ Low price and income elasticities of demand for all nonrubber footwear (less than -1 and +1, respectively) were estimated by Houthakker, Taylor, and Szenberg. These estimates suggest that the quantity of all nonrubber footwear purchased will change proportionately less than changes in relative prices or in incomes. For example, a price elasticity of -.5 means that a 10-percent decrease in the price of nonrubber footwear relative to the prices of other goods (other factors remaining unchanged) will lead to only a 5-percent increase in the quantity of all nonrubber footwear purchased. Similarly, an income elasticity of +.5 means that a 10-percent increase in incomes (other factors remaining unchanged) will lead to only a 5-percent increase in the quantity of all nonrubber footwear purchased. See (1) Houthakker, H.S. and Taylor, L.D., Consumer Demand in the United States, 1929-1970, Cambridge, Mass., Harvard University Press, 1966, and (2) Szenberg, M.; Lombardi, J.W.; and Lee, E.Y., op. cit.

Domestic producers and importers of nonrubber footwear generally quote prices f.o.b. plant or warehouse and sell from price lists. In some instances, however, both domestic producers and importers may quote delivered prices, and for large sales, may sell on a negotiated price basis.

Usual payment terms offered by domestic producers are 2 percent 30 days, or net 60 days from the date of invoice; but terms can vary up to net 90 days, depending on market conditions. Importers' terms vary up to net 90 days, again depending on market circumstances.

Questionnaire price data.--The Commission asked domestic producers and importers for their average net selling prices for three categories of leather footwear, 1/ by the types of outlets served and by quarters for 1981 and 1982. The three specified leather footwear categories were (1) men's leather dress shoes, (2) women's leather dress shoes, and (3) women's leather dress boots. The specified types of outlets were (1) discount stores, (2) retail chains, and (3) fashion salons. These three types of outlets cover a broad spectrum of footwear prices.

U.S. importers reported price data on all three categories of leather footwear imported from Brazil, India, and Spain that were sold to retail chains, on men's and women's leather footwear from Brazil and Spain sold to discount stores, and on women's leather footwear from Spain sold to fashion salons. Domestic producers provided price data on all three categories of leather footwear that were sold to retail chains, and on men's leather dress shoes to fashion salons (reported by one U.S. producer). At the public hearing on April 19, 1983, the Footwear Industries Association stated that many of its members produce and service the discount market and that lack of response concerning U.S. producer's sales to discount stores was related to misinterpretation of the Commission's questionnaire. 2/

FIA further commented that proper price comparisions between domestic and imported footwear should be based on shoes that have the same construction features and that are sold to the same type of outlet. In response to these comments, the staff requested that FIA provide specifications on men's and women's shoes for which price data could be gathered from producers and importers. In addition, FIA was also requested to describe the major types of outlets to which these shoes were sold and to name some stores as examples of these outlets.

FIA supplied the Commission staff with specifications of two men's leather shoes and two women's leather shoes. A man's casual shoe similar to a boat-shoe and a women's plain kid pump were chosen to be representative of the domestic shoes competing with Brazilian footwear; and a man's unit-sole casual shoe and a woman's kidskin patterned pump were chosen to be representative of the domestic shoes competing with Spanish footwear. FIA stated that a relevant market sector for these shoes were department stores and independent

1/ Prices of only leather footwear were requested, because the bulk of the nonrubber footwear imported from Brazil, India, and Spain is made of leather.
2/ Transcript of the hearing, pp. 90-92.

shoe stores as opposed to discount stores (Fayva, Pic'n Pay, etc.), chain stores and mass merchandisers (Sears, Kinney, etc.), and high-priced specialty shops. Based on the types of outlets designated, prices and quantities for 1982 were requested from domestic producers and importers on their sales to their largest account for each specified shoe. FIA passed these requests to its member footwear manufacturers and the Commission staff requested the same information from 27 importers.

The additional information gathered by the staff generally confirms the price data included in the report which was based on responses to the Commission's questionnaire. That is, in 1982 Brazilian men's and women's leather shoes undersold domestic producers by significant margins and that, on the average, Spanish men's and women's leather shoes also undersold domestic producers but by smaller margins than did the Brazilian footwear. The data and information on which this conclusion was based, along with importers' comments concerning competition between domestic and imported footwear, and descriptions of the four types of shoes has been entered into the record of these investigations.

Domestic producers' and importers' net selling prices requested were f.o.b. point of shipment, after discounts and allowances and excluding inland freight. In addition to showing trends, such data on nonrubber footwear prices may be useful in comparing the levels of domestic producers' and importers' prices. Inland delivery costs are generally less than 5 percent of the f.o.b. price and are similar for most suppliers. 1/

Thirty-three domestic producers and 37 importers which responded to the questionnaires provided usable price data, but not necessarily for every footwear category or every quarter requested. The weighted-average f.o.b. selling prices and average margins of underselling, calculated from reported price data based on sales to retail stores, are presented in tables 30-32. All three tables show weighted average prices of the domestically produced leather footwear. In addition, these tables show weighted-average prices of the leather footwear imported from Brazil (table 30), from India (table 31), and from Spain (table 32). Reported price data based on sales to discount stores and fashion salons were too sparse to be shown in the tables, but will be discussed separately.

The weighted-average prices and average margins of underselling shown in tables 30-32, should be viewed with caution. These prices and margins may reflect quarter-to-quarter differences in the number of responses, in the product mixes, and in the types of outlets to which sold, as well as changes in prices. In some instances, fluctuations in the weighted-average price resulted largely from changes in the number of responses and/or possible changes in the mix of reported shoe styles and types of outlets sold, which outweighed the effects of actual price trends. To the extent that the

1/ Based on Commission staff conversations with marketing personnel of * * * during a field trip of Jan. 27-31, 1983.

Table 30.--Weighted-average net selling prices and average margins of underselling for sales of leather footwear produced domestically and imported from Brazil to retail chains, by footwear categories and by quarters, 1981 and 1982 1/

Category and period	Prices to retail chains: Domestic	Prices to retail chains: Brazil	Average margins of (underselling) or overselling 2/
			------Percent------
Men's leather dress shoes:			
1981:			
January-March	$23.30	$23.47	(1)
April-June	23.32	24.10	(3)
July-September	23.41	24.73	(6)
October-December	23.28	23.29	3/
1982:			
January-March	23.64	20.66	13
April-June	24.08	19.67	18
July-September	23.67	18.88	20
October-December	23.51	19.24	18
Women's leather dress shoes: 4/			
1981:			
January-March	$25.41	$16.42	35
April-June	25.92	14.28	45
July-September	24.39	15.11	38
October-December	28.34	12.81	55
1982:			
January-March	25.75	17.89	31
April-June	23.89	17.38	27
July-September	23.88	14.20	41
October-December	24.77	15.80	36
Women's leather dress boots:			
1981:			
January-March	$31.92	$25.37	21
April-June	36.29	21.89	40
July-September	34.14	34.97	(2)
October-December	35.65	30.64	14
1982:			
January-March	35.96	27.44	24
April-June	37.34	28.00	25
July-September	35.80	33.01	8
October-December	35.55	29.10	18

1/ Net selling prices requested were on an f.o.b., point-of-shipment basis and were for the respondents' single bestselling specific style in each of the 3 specified leather footwear categories. 2/ Overselling is shown in parentheses. 3/ Less than 0.5 percent. 4/ Medium-height heel.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

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Note.--The value of a specific pair of shoes is found in a combination of factors, some very subjective, such as stitching, design, style, and color. As a result, the price ranges offered by the 3 types of outlets often overlap.

Table 31.--Weighted average net selling prices and average margins of underselling for sales of men's leather dress shoes produced domestically and imported from India to retail chains, by quarters, 1981-1982 1/

Period	Prices to retail chains 2/		Average margins of underselling/overselling 3/
	Domestic	India	
			Percent
1981:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***
1982:			
January-March	***	***	***
April-June	***	***	***
July-September	***	***	***
October-December	***	***	***

1/ Net selling prices requested were on an f.o.b., point-of-shipment basis and were for the respondent's single best selling specific style in each of the 3 specified leather footwear categories.
2/ Prices for domestic sales and import sales reported by Florsheim.
3/ Overselling is shown in parentheses.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--The value of a specific pair of shoes is found in a combination of factors, some very subjective, such as stitching, design, style, and color. As a result, the price ranges offered by the 3 types of outlets often overlap.

* * * * * * *.

Table 32.--Weighted-average net selling prices and average margins of underselling for sales of leather footwear produced domestically and imported from Spain to retail chains, by footwear categories and by quarters, 1981 and 1982 1/

Category and period	Prices to retail chains		Average margins of (underselling) or overselling 2/
	Domestic	Spain	
			-------Percent--------
Men's leather dress shoes:			
1981:			
January-March----------	$23.30	$12.55	46
April-June------------	23.32	20.56	12
July-September--------	23.41	21.47	8
October-December------	23.28	29.88	(28)
1982:			
January-March---------	23.64	16.29	31
April-June------------	24.08	18.80	22
July-September--------	23.67	18.92	20
October-December------	23.51	30.26	(29)
Women's leather dress shoes: 3/			
1981:			
January-March-------	$25.41	$22.00	13
April-June----------	25.92	21.49	17
July-September------	24.39	18.34	25
October-December----	28.34	16.81	41
1982:			
January-March-------	25.75	22.21	14
April-June----------	23.89	21.70	9
July-September------	23.88	23.27	3
October-December----	24.77	19.37	22
Women's leather dress boots:			
1981:			
January-March-------	$31.92	***	***
April-June----------	36.29	***	***
July-September------	34.14	***	***
October-December----	35.65	***	***
1982:			
January-March-------	35.96	***	***
April-June----------	37.34	***	***
July-September------	35.80	***	***
October-December----	35.55	***	***

1/ Net selling prices requested were on an f.o.b., point-of-shipment basis and were for the respondents' single best selling specific style in each of the 3 specified leather footwear categories. 2/ Overselling is shown in parentheses. 3/ Medium-height heel.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--The value of a specific pair of shoes is found in a combination of factors, some very subjective, such as stitching, design, style, and color. As a result, the price ranges offered by the 3 types of outlets often overlap.

different reported shoe styles are not directly competitive or the types of outlets to which sold are not comparable, these changes in the weighted-average prices may be misleading. Average-margin calculations may also be affected because of possible product differences from one respondent to another.

The weighted-average f.o.b. selling prices of domestically produced leather footwear, presented in tables 30-32 show prices to retail chains for all product categories and all periods requested. Eighteen domestic producers reported prices of men's leather dress shoes, 19 reported prices of women's leather dress shoes, and 9 reported prices of women's leather dress boots. In 1981, domestic producers' weighted-average price of men's leather dress shoes remained almost constant; prices of the other two categories fluctuated but increased. In 1982, the weighted-average prices of all three categories fluctuated, but ended the fourth quarter at levels slightly below those in the first quarter. Possible changes in the reported product mix may have significantly affected fluctuations in the weighted-average prices of women's leather dress shoes in 1982 and women's leather dress boots in 1981 and 1982.

Prices of men's leather dress shoes sold to fashion salons, reported by a single domestic producer, * * * per pair in 1981 to * * * per pair in 1982 and ranged from *** percent * * * the weighted-average price of the domestic product to retail chains.

Brazil.--The weighted-average f.o.b. selling prices of leather footwear imported from Brazil, presented in table 30, show prices to retail chains for all product categories and all periods requested. Twelve importers reported prices of men's leather dress shoes, 14 reported prices of women's leather dress shoes, and 9 reported prices of women's leather dress boots. The weighted-average price of Brazilian footwear sold to retail chains fluctuated without any clear trends. In 1981 and 1982, prices of men's and women's leather dress shoes decreased, and prices of women's leather dress boots increased. The decrease in the weighted-average price of men's leather dress shoes between 1981 and 1982 is largely explained by the absence of 1982 data from two significant respondents which provided price data in 1981. Reported prices, however, generally declined between 1981 and 1982, so that the declining trend in weighted-average prices probably overstates the decline in actual prices. Fluctuations in the weighted-average price of women's leather footwear were largely affected by * * *.

A comparison of weighted-average prices between domestic and Brazilian leather footwear sold to retail chains show 19 instances of underselling, ranging from 8 to 55 percent, 4 instances of overselling, ranging from 1 to 6 percent, and 1 instance where the weighted-average domestic and Brazilian prices were approximately equal. The average margins (as a percentage of the domestic producers' price) fluctuated without any clear trends.

India.--The weighted-average f.o.b. selling prices of leather footwear imported from India, presented in table 31, show prices to retail chains for men's leather dress shoes, but not for all periods requested. 1/ In 1981, the weighted-average prices * * * for the period.

1/ * * *.

Comparisons of domestic and Indian prices to retail chains 1/ indicated * * *. In 1981, * * * but in 1982 * * *.

Spain.--The weighted-average f.o.b. selling prices of leather footwear imported form Spain, presented in table 32, show prices to retail chains for all three categories of shoes, but not necessarily for every quarter requested. Twelve importers reported prices of men's leather dress shoes, 13 reported prices of women's leather dress shoes, and 2 reported prices of women's leather dress boots. The trends in the weighted-average prices of Spanish footwear sold to retail chains were mixed. In 1981, prices of men's leather dress shoes increased steadily; prices of women's leather dress shoes decreased steadily; and prices of women's leather dress boots * * *. In 1982, prices of men's leather dress shoes increased steadily, prices of women's leather dress shoes fluctuated but fell for the period, and prices of women's leather dress boots * * *. Quarter-to-quarter fluctuations in the weighted-average prices of all three footwear categories resulted largely from changes in the firms responding, as well as from possible changes in the mix of shoe styles reported.

The sharp jump in the weighted-average price of men's leather dress shoes in the second and fourth quarters of 1981 and the fourth quarter of 1982 are explained by price data reported by * * *. * * *, reported sharply reduced volume in the second quarter of 1981 compared with that in the preceding quarter. The resulting * * * in the second quarter average price led to an * * *. * * *, reported price data for only the fourth quarters of 1981 and 1982, and accounted for approximately * * *, of the volume of Spanish men's shoes reported for the two periods. As a result, the two fourth quarter weighted-average prices * * *.

Comparisons of domestic and Spanish prices show 18 instances of underselling, ranging from 3 to 46 percent, and 3 instances of overselling, ranging from 28 to 45 percent. In 1981, underselling (as a percentage of the domestic producers' price) in men's leather dress shoes steadily decreased and turned to overselling by October-December. Underselling in women's leather dress shoes steadily increased, and underselling in women's leather dress boots * * * in the third quarter and then * * * to * * * by the fourth quarter. In 1982, underselling in men's leather dress shoes steadily decreased and turned to overselling by October-December. Underselling in women's leather dress shoes fluctuated, but increased for the period, and * * * in women's leather dress boots * * *.

* * * reported sales of men's leather dress shoes from Spain to discount stores during 1981 and 1982. * * * reported sales of the women's footwear from Spain to fashion salons during 1981 and 1982.

1/ Indian prices reported by Florsheim.

Producer and consumer price indexes. 1/--Domestic producers' prices of nonrubber footwear, all commodities, and wearing apparel increased from 1978 to 1982, but at different and varying rates during much of this period (table 32 and fig. 1, app. G). 2/ From 1978 to 1981, producers' prices of nonrubber footwear increased at a relatively rapid rate, averaging approximately 9 percent annually. In comparison, producers' prices of all commodities increased at an even more rapid rate, averaging approximately 12 percent annually, whereas producers' prices of wearing apparel increased less rapidly, averaging approximately 7 percent annually. During 1982, producer price increases slowed appreciably. In 1982, increases in producer prices of nonrubber footwear slowed to approximately 4 percent, whereas increases in producer prices of all commodities and wearing apparel slowed to almost zero.

Producers' prices of nonrubber footwear increased most rapidly between January-March 1978 and July-September 1979. The rapid increase in prices of 16 percent annually coincides with a similar escalation of the producers' price of leather, an important input to footwear manufacture. The price of leather increased much more rapidly during this period than did the price of other intermediate materials used in nondurable manufacturing (table 33 and fig. 2, app. G). Leather prices have been relatively stable since the 1978-79 period, partly as a result of a hide-export monitoring program currently administered by the U.S. Department of Agriculture. 3/

1/ The Producer Price Index and the Consumer Price Index are compiled and published monthly by the Bureau of Labor Statistics (BLS), and include data on nonrubber footwear prices from a sample of major producers in the United States and across a representative range of nonrubber footwear types. Analysts at BLS stated that the above price indices accurately reflect changes in transaction prices (telephone conversation with Commission staff on Mar. 8, 1983).

2/ Similarities in industry structure and conditions of production and consumption between the nonrubber footwear and apparel industries suggest a ready comparison. These include (1) easy entry and exits of firms, (2) a few large conglomerates producing a significant share of industry output accompanied by a large competitive fringe of generally small, independent firms, (3) channels of distribution where producers generally sell directly to retail outlets, (4) a stable, labor-intensive production technology, (5) similar work force characteristics, and (6) a stable per capita consumption trend.

3/ Renewal of this monitoring program is currently being considered by Congress. If this program is not continued, the Tanners' Council fears that the days of widely fluctuating hide and leather prices may well return. (Telephone conversation with Commission staff and Mrs. Elinor Talmadge, president of the Tanners' Council, Mar. 10, 1983.)

Table 33.--Indexes of U.S. producer prices for selected commodity categories, by quarters, 1978-82

(January-March 1978=100)

Period	All commodities	Wearing apparel 1/	Nonrubber footwear	Leather	Interim goods, nondurable manufacturing
1978:					
January-March	100	100	100	100	100
April-June	103	101	103	102	102
July-September	105	102	105	117	103
October-December	107	103	110	130	105
1979					
January-March	111	105	116	153	108
April-June	115	107	124	194	114
July-September	118	107	128	170	119
October-December	123	108	130	155	124
1980					
January-March	128	111	131	157	130
April-June	131	114	133	137	135
July-September	135	117	134	142	137
October-December	138	118	136	149	139
1981.					
January-March	142	120	137	151	144
April-June	146	123	138	155	149
July-September	147	125	139	148	151
October-December	147	127	137	147	151
1982:					
January-March	148	129	137	149	151
April-June	148	130	140	146	150
July-September	149	130	142	144	147
October-December	149	129	142	147	146

1/ Excludes footwear.

Source: Compiled from official statistics of the U.S. Bureau of Labor Statistics.

Consumer prices increased at less rapid rates than producer prices during 1978-82 (table 34 and fig. 3, app. G). Consumer prices of footwear increased more slowly than consumer prices of all commodities, but more rapidly than prices of wearing apparel, as had been the case for producers' prices. The upsurge in producers' prices of leather and nonrubber footwear in 1978 and 1979 is not reflected in consumer footwear prices in that period. In 1982, the increase of producers' nonrubber footwear prices (although less than previously) was not reflected in consumer footwear prices, which remained almost unchanged during this period.

Appreciation of the U.S. dollar.--The recent strength of the U.S. dollar against the currencies of Brazil, India, and Spain may have enhanced the price competitiveness of footwear produced by those countries vis-a-vis U.S.-produced footwear. However, the prices of footwear imported from these foreign countries may not have decreased as much as the percentage depreciation of the foreign currencies against the dollar. Many factors, including the following two, could account for this. First, if foreign producers import raw materials from the United States or from countries whose currencies are tied to the dollar, a portion of their costs will rise with the dollar. Of the three countries, only Spain imports leather and hides from the United States. Brazil imports leather from Argentina and India uses its own indigenous leather supply. (Bilateral trade between Brazil and Argentina is not subject to dollar exchange-rate fluctuations.)

Table 34.--Indexes of U.S. consumer prices for selected commodity categories, by quarters, 1978-1982

(January-March 1978=100)

Period	All commodities	Wearing apparel 1/	Footwear
1978:			
January-March	100	100	100
April-June	103	103	102
July-September	105	103	103
October-December	107	105	106
1979:			
January-March	110	103	106
April-June	114	105	110
July-September	118	105	112
October-December	121	108	115

See footnote and source at end of table.

Table 34.--Indexes of U.S. consumer prices for selected commodity categories, by quarters, 1978-1982--Continued

(January-March 1978=100)

Period	All commodities	Wearing apparel 1/	Footwear
1980:			
January-March	125	108	116
April-June	128	111	118
July-September	131	112	120
October-December	134	115	123
1981:			
January-March	137	113	123
April-June	140	115	126
July-September	142	116	126
October-December	143	118	129
1982:			
January-March	144	116	128
April-June	145	117	129
July-September	148	118	129
October-December	148	120	129

1/ Excludes footwear.

Source: Compiled from official statistics of the U.S. Bureau of Labor Statistics.

Second, U.S. importers may choose to increase their profitability by lowering their dollar prices by less than the currency devaluation would allow. By passing on only part of the cost reduction to consumers, they could increase their per unit profit and also increase sales volume, if sufficient demand existed.

Table 35 presents indexes of real exchange rates between the U.S. dollar and the currencies of Brazil, India, and Spain, by quarters, for 1981 and 1982. 1/ When the index is less than 100, the foreign currency has depreciated against the dollar from the base period. Depreciation of the foreign currency tends to make the foreign product more competitive.

1/ Real exchange rates are analyzed, instead of nominal exchange rates, to more accurately show the effect of exchange-rate changes on international competitiveness. A domestic inflation rate greater than the inflation rate of a trading partner increases the home-currency price of the traded product, thereby offsetting (at least partially) a lower foreign currency price resulting from devaluation of the home currency. The index of a real exchange rate provides a combined measure of changes in the rate of inflation between the two countries' changes and in the nominal exchange rate.

Table 35.--Indexes of real exchange rates of selected foreign currencies against the dollar, by quarters, 1981 and 1982 1/

(January-March 1981=100)

Period	Brazil	India	Spain
1981:			
January-March	100	100	100
April-June	99	99	95
July-September	95	93	89
October-December	94	91	95
1982:			
January-March	92	88	92
April-June	96	88	90
July-September	95	88	86
October-December	92	86	2/

1/ The indexes were calculated from period average exchange rates that were expressed in U.S. dollars per unit of foreign currency.
2/ Not available.

Source: Compiled from official statistics of the International Monetary Fund.

Between January-March 1981 and October-December 1982, the Brazilian cruzeiro 1/ and the Indian rupee depreciated against the U.S. dollar by 8 and 14 percent, respectively. Between January-March 1981 and July-September 1982, (latest period for which data are available), the Spanish peseta depreciated against the U.S. dollar by 14 percent. These percentage changes indicate the maximum amount that foreign producers could have reduced the dollar prices of their footwear while keeping their profit margins constant, assuming they had no dollar-denominated costs.

1/ On Feb. 25, 1983, Brazil devalued the cruzeiro to 380.5 cruzeiros per U.S. dollar, or by 23 percent. Footwear News, Feb. 28, 1983, reported that some domestic footwear retailers expected discounts of up to 15 percent as a result of the devaluation, although others were told by their foreign suppliers that no discounts would be forthcoming. Brazilian footwear producers cited their country's high inflation rate as the major factor limiting such discounts.

APPENDIX A

U.S. INTERNATIONAL TRADE COMMISSION'S FEDERAL REGISTER NOTICE OF INSTITUTION OF THE INVESTIGATIONS

[Investigation Nos. 104-TAA-16, 17, and 18]

Certain Nonrubber Footwear From Brazil, India, and Spain

AGENCY: International Trade Commission

ACTION: Institution of countervailing duty investigations and scheduling of a hearing to be held in connection with the investigations

EFFECTIVE DATE: January 25, 1983

SUMMARY: Pursuant to section 104(b)(2) of the Trade Agreements Act of 1979 (19 U S C 1671), the U S International Trade Commission is instituting countervailing duty investigations to determine whether an industry in the United States would be materially injured, or would be threatened with material injury, or the establishment of an industry in the United States would be materially retarded, by reason of imports of certain nonrubber footwear from Brazil, India, and Spain covered by an outstanding countervailing duty order, if the order wire to be revoked The investigations cover imports of nonrubber footwear provided for in items 700 05–45; 700 56; 700 72–83; and 700 95 of the Tariff Schedules of the United States (TSUS). With respect to India, the investigation covers all of the above footwear except huaraches (TSUS item 700 05); leather ski boots (TSUS item 700 28); and chappals, slippers and footwear having an open toe and heel, however provided for in part 1, subpart A of Schedule 7 in the TSUS

FOR FURTHER INFORMATION CONTACT: Mr. Reuben Schwartz (202-523-0114), Chief, Textiles, Leather Products, and Apparel Division, U S International Trade Commission.

SUPPLEMENTARY INFORMATION:

Background.—On September 12, 1974, the Department of the Treasury (Treasury) issued countervailing duty orders T D 74-233 and T D 74-235, under section 303 of the Tariff Act of 1930 (19 U S C 1303), on certain nonrubber footwear imported from Brazil and Spain, respectively (39 FR 32903 and 39 FR 32904) On October 26, 1979, Treasury issued countervailing duty order T D 79-275 on certain nonrubber footwear imported from India (44 FR 61588). On January 1, 1980, the provisions of the Trade Agreements Act of 1979 (Pub L. 96-39) became effective, and on January 2, 1980, the authority for administering the countervailing duty statutes was transferred from Treasury to the Department of Commerce (Commerce)

Participation in the investigations—Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in section 201 11 of the Commission's Rules of Practice and Procedure (19 CFR 201 11, as amended by 47 FR 6189, Feb 10, 1982), not later than 21 days after the publication of this notice in the Federal Register Any entry of appearance filed after this date will be referred to the Chairman, who shall determine whether to accept the late entry for good cause shown by the person desiring to file the entry

Upon the expiration of the period for filing entries of appearance, the Secretary shall prepare a service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations pursuant to section 201 11(d) of the Commission's rules (19 CFR 201 11(d), as amended by 47 FR 6189, Feb. 10, 1982) Each document filed by a party to these investigations must be served on all other parties to the investigations (as identified by the service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service (19 CFR 201 16(c) as amended by 47 FR 33682, Aug. 4, 1982)

Staff report.—A public version of the staff report containing preliminary findings of fact in these investigations will be placed in the public record on April 1, 1983, pursuant to section 207.21 of the Commission's rules (19 CFR 207.21)

Hearing.—The Commission will hold a hearing in connection with these investigations beginning at 10:00 a.m , on April 19, 1983, at the U S International Trade Commission Building, 701 E Street NW , Washington, D C. 20436 Requests to appear at the hearing should be filed in writing with the Secretary to the Commission not later than the close of business (5:15 p m) on March 24, 1983 All persons desiring to appear at the hearing and make oral presentations should file prehearing briefs and attend a prehearing conference to be held at 10:00 a.m., on March 28, 1983, in room 117 of the U.S. International Trade Commission Building. The deadline for filing prehearing briefs is April 12, 1983

Testimony at the public hearing is governed by section 207.23 of the Commission's rules (19 CFR 207.23, as amended by 47 FR 33682, Aug 4, 1982) This rule requires that testimony be limited to a nonconfidential summary and analysis of material contained in prehearing briefs and to information not available at the time the prehearing brief was submitted All legal arguments, economic analyses, and factual materials relevant to the public hearing should be included in prehearing briefs in accordance with section 207 22 (19 CFR 207 22, as amended by 47 FR 33682, Aug 4, 1982) Posthearing briefs must conform with the provisions of § 207 24 (19 CFR 207 24, as amended by 47 FR 6191, Feb 10, 1982) and must be submitted not later than the close of business on April 26, 1983

Written submissions—As mentioned, parties to these investigations may file prehearing and posthearing briefs by the dates shown above In addition, any person who has not entered an appearance as a party to the investigations may submit a written statement of information pertinent to the subject of the investigations on or before April 26, 1983 A signed original and fourteen (14) true copies of each submission must be filed with the Secretary to the Commission in accordance with section 201.8 of the Commission's rules (19 CFR 201 8, as amended by 47 FR 6188, Feb 10, 1982, and 47 FR 13791, Apr 1, 1982). All written submissions except for confidential business data will be available for public inspection during regular business hours (8:45 a m to 5:15 p m) in the Office of the Secretary to the Commission

Any business information for which confidential treatment is desired shall be submitted separately The envelope and all pages of such submissions must be clearly labeled "Confidential Business Information " Confidential submissions and requests for confidential treatment must conform with the requirements of § 201 6 of the Commission's rules (19 CFR 201 6)

For further information concerning the conduct of the investigations, hearing procedures, and rules of general application, consult the Commission's Rules of Practice and Procedure, Part 207, Subparts A and C (19 CFR Part 207, as amended by 47 FR 6190, Feb 10, 1982, and 47 FR 33682, Aug 4, 1982), and Part 201, Subparts A through E (19 CFR Part 201, as amended by 47 FR 6188, Feb 10, 1982; 47 FR 13791, Apr 1, 1982; and 47 FR 33682, Aug. 4, 1982)

This notice is published pursuant to § 207 20 of the Commission's rules (19 CFR 207 20, as amended by 47 FR 6190, Feb 10, 1982)

Issued: January 27, 1983

By order of the Commission

Kenneth R. Mason,

Secretary

[FR Doc 83-2854 Filed 2-1-83; 8:45 am]

BILLING CODE 7020-02-M

APPENDIX B

WITNESSES APPEARING AT THE
PUBLIC HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing on:

Subject : Certain Nonrubber Footwear from Brazil, India and Spain

Inv. Nos. : 104-TAA-16, 17 and 18

Date and time: April 19, 1983 - 10:00 a.m.

Sessions were held in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

IN OPPOSITION TO THE REVOCATION OF THE OUTSTANDING COUNTERVAILING DUTY ORDERS

Collier, Shannon, Rill & Scott--Counsel
Washington, D.C.
on behalf of

Footwear Industries of America, Inc. ("FIA"); The Amalgamated Clothing and Textile Workers Union, AFL-CIO ("ACTWU"); and the United Food & Commercial Workers International Union, AFL-CIO ("UFCWU")

Footwear Industries of America, Inc.

George Q. Langstaff, President

Fawn Evenson, Vice President--National Affairs

Amalgamated Clothing and Textile Workers Union, AFL-CIO

Murray H. Finley, President

Art Gundersheim, Assistant to the President

Richard W. Shomaker, President, Brown Shoe Company

- more -

Ronald M. Ansin, Chairman, Anwelt Corporation

Economic Consulting Services, Inc., Washington, D.C.

Stanley Nehmer, President

Mark Love, Vice President

Julie Solomon, Economist

Thomas F. Shannon)
Lauren R. Howard)
Michael Kershow) --OF COUNSEL
Lawrence Lasoff)

IN SUPPORT OF THE REVOCATION OF THE OUTSTANDING COUNTERVAILING DUTY ORDERS

Arter, Hadden & Hemmendinger--Counsel
Washington, D.C.
on behalf of

The Associacao Commercial E. Industrial De Novo Hamburgo of Novo, Hamburgo, Brazil

Noel Hemmendinger)
William J. Clinton)--OF COUNSEL

Sonnenberg & Anderson--Counsel
Chicago, Illinois
on behalf of

The Florsheim Shoe Company

Ronald Mueller, President of the Ambassador Division

Joseph Bistany, Vice President in charge of Material Procurement

Steven P. Sonnenberg--OF COUNSEL

- more -

Plaia, Schaumberg & deKieffer--Counsel
Washington, D.C.
on behalf of

The Federacion de Industrias del Calzados Espanol

ICF Incorporated, Washington, D.C.

John G. Reilly, Principal

P. Lance Graef

Herbert C. Shelley--OF COUNSEL

Bobo, Hunt & Bobo--Counsel
Shelbyville, Tennessee
on behalf of

Elan Importers

Fred B. Hunt, Jr.--OF COUNSEL

APPENDIX C

TREASURY'S FEDERAL REGISTER NOTICE OF FINAL COUNTERVAILING DUTY DETERMINATIONS

[T.D. 74-233]

PART 159—LIQUIDATION OF DUTIES

Non-rubber Footwear From Brazil

In the FEDERAL REGISTER of March 8, 1974 (39 FR 9213), the Commissioner of Customs announced that information had been received pursuant to the provisions of § 159.47(b) of the Customs Regulations (19 CFR 159.47(b)) which appeared to indicate that certain payments, bestowals, rebates, or refunds granted by the Government of Brazil upon the manufacture, production, or exportation of non-rubber footwear constitute the payment or bestowal of a bounty or grant directly or indirectly, within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303), upon the manufacture, production, or exportation of the merchandise to which the payments, bestowals, rebates, or refunds apply. The notice provided interested parties 30 days from the date of publication to submit any relevant data, views, or arguments with respect to the existence or nonexistence and the net amount of a bounty or grant.

In the FEDERAL REGISTER of April 26, 1974 (39 FR 14734), the time period for the written submissions was extended from 30 days to 90 days.

An investigation was conducted pursuant to § 159.47(c) of the Customs Regulations (19 CFR 159.47(c)).

After consideration of all information received, the United States Customs Service is satisfied that exports of non-rubber footwear from Brazil are subject to bounties or grants within the meaning of section 303.

Accordingly, notice is hereby given that non-rubber footwear manufactured in Brazil, imported directly or indirectly from Brazil if entered for consumption or withdrawn from warehouse for consumption after the expiration of 30 days after publication of this notice in the Customs Bulletin, will be subject to the payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

In accordance with section 303, until further notice the amount of such bounty or grant under the information presently available has been estimated to be 12.3 percent of the f.o.b. or ex-works price to the United States of shoes manufactured by firms whose export sales account for 40 percent or less of the value of their total sales and 4.8 percent of the f.o.b. or ex-works price to the United States of shoes manufactured by firms whose export sales account for more than 40 percent of the value of their total

Effective on the 31st day after the date of publication of the notice in the Customs Bulletin and until further notice, upon the entry for consumption or withdrawal from warehouse for consumption of such dutiable non-rubber footwear, manufactured in Brazil, imported directly or indirectly from Brazil which benefits from such bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in the amounts estimated in accordance with the above declaration. To the extent that it has been or can be established to the satisfaction of the Commissioner of Customs that imports of shoes manufactured by a particular firm are the recipients of a bounty or grant smaller than the amount which would otherwise be applicable under the above declaration, the smaller amount so established shall be assessed and collected on imports of such shoes.

Any merchandise subject to the terms of this order shall be deemed to have benefited from a bounty or grant if such bounty or grant has been or will be paid, credited or bestowed directly or indirectly, upon the manufacture, production, or exportation of non-rubber footwear manufactured in Brazil

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting under column headed "Country," the name "Brazil" and by inserting for Brazil "Footwear, non-rubber" in the column headed "Commodity," the number of this Treasury Decision in the column headed "Treasury Decision," and the words "Bounty Declared—Rate" in the column headed "Action."

(R.S. 251, as amended, secs. 303, 624, 46 Stat. 687, 759, 19 U.S.C. 66, 1303, 1624.)

[SEAL] G. R. DICKERSON,
Acting Commissioner of Customs.

Approved September 9, 1974.

DAVID R. MACDONALD,
Assistant Secretary of the Treasury.

[FR Doc.74-21064 Filed 9-11-74;8:45 am]

61588 Federal Register / Vol. 44, No. 209 / Friday, October 26, 1979 / Rules and Regulations

DEPARTMENT OF THE TREASURY

Customs Service

19 CFR Part 159

[T.D. 275]

Countervailing Duties—Certain Footwear From India

AGENCY: U S Customs Service, Treasury Department

ACTION: Final Countervailing Duty Determination and Suspension of Liquidation

SUMMARY: This notice is to advise the public that a countervailing duty investigation has resulted in a final determination that the Government of India has given benefits considered to be bounties or grants within the meaning of the countervailing duty law on the manufacture, production or exportation of leather shoes and uppers. It has further been determined that all other non-rubber footwear subject to this investigation has not received benefits from the Government of India considered to be bounties or grants and therefore no countervailing duties will be imposed on those products

Certain uppers entering the United States receive duty-free treatment under the Generalized System of Preferences Before countervailing duties will be imposed on those duty-free uppers the U S International Trade Commission will investigate whether a U S industry is being or is likely to be injured by reason of imports of Indian shoe uppers benefiting from such bounties or grants.

EFFECTIVE DATE: October 26, 1979

FOR FURTHER INFORMATION CONTACT: Leon McNeil, Technical Branch U S Customs Service, 1301 Constitution Avenue, N W Washington, D C 20229 (566-5492)

SUPPLEMENTARY INFORMATION: On November 24 1978 a negative Preliminary Countervailing Duty Determination was published in this case in the Federal Register (43 FR 55028) That notice stated that it had been preliminarily determined that benefits which constituted bounties or grants within the meaning of section 303 of the Tariff Act of 1930, as amended (19 U S C. 1301) (hereinafter referred to as 'the Act) had not been bestowed by the Government of India (GOI) to manufacturers/exporters of certain footwear

For purposes of this notice 'certain footwear' includes footwear classifiable in item numbers 700 05 through 700 85, inclusive of the Tariff Schedules of the United States Annotated (TSUSA) (except items 700.28, 700.51, 700.52, 700.53, 700.54, 700.60 and 700.8510) It also includes other leather articles cut or partly manufactured into forms or shapes suitable for conversion into footwear, previously classified under TSUSA item number 791 25 However, in March 1979 TSUS number 791 25 was abolished and replaced by two new tariff numbers, 791.24 and 791.26. Certain goods entering under item number 791.26 are eligible for duty-free entry under the Generalized Systems of Preferences (GSP) and therefore an injury test woud be required prior to the application of countervailing duties on these duty-free goods.

In the preliminary negative determination, the following programs were found not to constitute bounties or grants within the meaning of section 303 of the Act, which findings are hereby made final:

(1) *Import permits* Indian exporters involved in this investigation are eligible to receive automatically permits to import components and raw materials used to manufacture their products, up to a fixed percentage of the f o.b. value of their exports. These permits are negotiable and can also be transferred to 'supporting manufacturers In the preliminary determination it was stated that to the extent the permits were transferred for cash their receipt might be considered a bounty or grant' At that time it did not appear that the permits are in fact sold or transferred by Indian footwear manufacturers and information supplied by the GOI since the preliminary determination has corroborated that fact

(2) *Customs duty drawback and excise tax rebates* The preliminary determination stated that the drawback and excise-tax rebates provided are limited to the amounts actually paid by the manufacturers of these products, and that no drawback or rebates are allowed on machinery or equipment. Non-excessive Customs duty drawbacks and excise tax rebates upon exports are not considered to be bounties or grants if they are limited to the amounts actually paid on the exported product and raw materials or components incorporated into the exported final product, as in this case

(3) *Export insurance provided by the Export Credit and Guarantee Corporation (ECGC)* The ECGC underwrites political and commercial risks not insurable by commercial carriers The corporation is owned by the Indian Government but charges premiums for its policies The availability of this insurance is determined not to be a bounty or grant because the ECGC covers its claims

from operating income, and, therefore appears to be actuarily sound.

A number of other programs were preliminarily determined as not applicable to, or not utilized by, Indian footwear manufacturers subject to this investigation, which findings are hereby made final:

(1) *Tax credit certificates.* It was alleged that exporters were entitled to receive certificates equal to 15 percent of the export value of merchandise, which would be used to offset income or business taxes owed. This program was proposed but never adopted by the Indian Government.

(2) *Grants for export promotion.* The Market Development Fund provides grants to exporters to cover a variety of trade promotion activities. The Fund was not utilized by footwear exporters during the period investigated.

(3) *Export financing through The Industrial Development Bank.* Loans under this program are limited to engineering goods and are therefore not applicable to manufacturers or exporters of the goods subject to this investigation.

(4) *Location in the Kandla Free Trade Zone.* Firms located in this area benefit from a number of import duty exemptions, foreign exchange concessions and other financial assistance from the Indian Government. There are no footwear producers or exporters in the Kandla Free Trade Zone.

(5) *Reimbursement of shipping charges.* The Government of India provides for the partial reimbursement of shipping charges on certain products shipped by air. However, since virtually all Indian footwear exports are shipped by sea, footwear exporters do not qualify for this program.

The Notice of the preliminary determination stated that before a final determination would be made in the proceeding, consideration would be given to any relevant data, views, or arguments submitted in writing and received by the Commissioner of Customs. Based upon an analysis of the information submitted subsequent to the preliminary determination, no change in the Treasury Department's position with respect to these programs is warranted.

One additional program was identified in the preliminary determination as not constituting a bounty or grant. Additional information has since been collected from the Government of India with respect to that program. The results of the analysis of that information are described below.

Cash rebates upon export. Exporters of certain identified products are provided a cash rebate calculated as a percentage of the f.o.b. value of the exported product which is intended to offset indirect taxes borne on the manufacture of the exported goods. For products covered by this investigation, the percentages vary from 5 to 15 percent. The preliminary determination was based on data submitted with respect to the indirect tax incidence on products receiving a 5 percent cash rebate. It was determined that indirect taxes assessed on the exported product or on items physically incorporated into the product, actually exceeded the cash rebate. These products accounted for approximately 85 percent of total Indian exports to the United States of the products covered by the investigation.

It was also indicated in that Notice that additional information would be collected with respect to products receiving 12.5 percent (uppers) and 15 percent (leather shoes) cash rebates, even though those products constitute only a small portion of Indian non-rubber footwear exports.

The Government of India supplied a breakdown of all the various indirect taxes which are allegedly borne by Indian leather shoes and uppers, but not rebated on exports. While all the indirect taxes listed are assessed on items physically incorporated into the exported product, and therefore allowable as offsets to the cash rebate, the Government of India was unable to supply documentation that all of the taxes listed were, in fact, incurred in the amounts alleged. To the extent that adequate documentation is not available to Treasury, such offsets to the export payment cannot be granted. Having reviewed the data submitted and identified the value of allowable indirect taxes, it has been determined that with respect to items receiving a 12.5 percent rebate on export (uppers) the cash rebate exceeds the allowable indirect taxes by 0.93 percent. With respect to those products receiving a 15 percent cash rebate (leather shoes) the cash rebate exceeds the allowable indirect taxes by 4.16 percent. Therefore, for the purposes of this final determination, this program operates to bestow countervailable benefits on Indian exports of these two products. However, the GOI has indicated that appropriate documentation will be submitted which will show that there are additional allowable taxes which would effectively eliminate the bounty or grant found on these two products. When submitted, this data will be reviewed.

Two remaining programs were identified in the preliminary determination as having been utilized by manufacturers/exporters of Indian footwear, but the benefits bestowed were preliminarily determined to be *de minimis* in size, and therefore not bounties or grants. The two programs are:

(1) Export financing for up to 90 days by the Government of India at rates less than those which would otherwise be commercially available; and

(2) A deduction from a firm's taxable income up to 133 percent of certain overseas business expenses incurred by the firm.

Additional company specific data was collected subsequent to the preliminary determination in order to calculate more accurately the *ad valorem* benefits received under each program. Based upon this additional information, the *ad valorem* benefit received under the export financing program has been determined to be 0.03 percent, and under the overseas business expense deduction program to be 0.05 percent.

Therefore, on the basis of an investigation conducted pursuant to § 159.47(c) of the Customs Regulations (19 CFR 159.47(c)), it has been determined that benefits are provided by the GOI to manufacturers/exporters of footwear from India, but that, with respect to all products except those receiving 12.5 percent or 15 percent cash rebates on exports, the aggregate amount of the benefits are 0.08 percent, an amount considered *de minimis*. With respect to leather shoes, which receive a 15 percent cash rebate, the aggregate benefits are 4.24 percent *ad valorem* and with respect to leather uppers, which receive a 12.5 percent cash rebate, the aggregate benefits are 1.01 percent *ad valorem*. The aggregate benefits bestowed on leather shoes and uppers represent the sum of the benefits received under the export cash rebate program, the preferential financing program and the overseas business expense deduction program.

Therefore, with regard to leather shoes and uppers subject to this determination, notice is hereby given that effective on or after October 26, 1979, and until further notice, upon the entry, or withdrawal from warehouse for consumption of leather shoes and uppers, imported directly or indirectly from India which benefit from these bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in the amount ascertained in accordance with the above declaration. To the extent it can be established to the satisfaction of the Commissioner of Customs that imports of leather shoes and uppers from India are benefiting from a bounty or grant smaller than the amount which otherwise would be applicable under the above declaration. The smaller amount so established shall be assessed and collected.

Any merchandise subject to the terms of this order shall be deemed to have benefited from a bounty or grant if such bounty or grant has been or will be credited or bestowed. directly or indirectly upon the manufacture, production or exportation of leather shoes and uppers from India.

As stated above imports of certain leather shoe uppers included in TSUSA item number 791 26 from India are eligible to enter the U S. duty-free pursuant to the GSP In accordance with section 303(a)(2) of the Act (19 U S C. 1303(a)(2)) countervailing duties may not be imposed upon any article or merchandise which is free of duty in the absence of a determination by the U S International Trade Commission that an industry in the United States is being, or is likely to be injured, or is prevented from being established, by reason of the importation of such subsidized article or merchandise into the United States

Accordingly, the International Trade Commission is being advised of this determination and effective on or after October, 26, 1979, upon the entry, or withdrawal from warehouse, for consumption of those leather uppers which are duty-free pursuant to the GSP, liquidation will be suspended until further order or publication after determination of the Commission, whichever comes first

§ 159 47 [Amended]

The table in § 159 47(f) of the Customs Regulations (19 CFR 159.47(f) is amended by inserting after the last entry for India , the words "leather shoes and uppers , in the column headed ' Commodity ; the number of this Treasury Decision in the column headed "Treasury Decision"; and the words ' Bounty declared-rate" in the column headed" Action

(R S 251 as amended section 303 as amended, 624 46 Stat. 687 as amended, 759 (19 U.S.C. 66 1303 1624)).

This final determination is published pursuant to section 303(a) of the Tariff Act of 1930, as amended (19 U S C 1303(a))

Pursuant to Reorganization Plan No. 26 of 1950 and Treasury Department Order No. 101-5, May 16 1979, the provisions of Treasury Department Order No 165 Revised November 2, 1954, and section 154.47 of the Customs Regulations (19 CFR 159 47), insofar as they pertain to the issuance of a countervailing duty determination by the Commissioner of Customs, are hereby waived.

David R. Brennan,

Acting General Counsel of the Treasury.

October 19, 1979.

[FR Doc. 79-33127 Filed 10-25-79; 8:45 am]

BILLING CODE 4810-22-M

[T.D. 74-235]

PART 159—LIQUIDATION OF DUTIES

Non-rubber Footwear From Spain

In the FEDERAL REGISTER of July 10, 1974 (39 FR 26046), the Commissioner of Customs announced that information had been received in proper form pursuant to § 159.47(b) of the Customs Regulations (19 CFR 159.47(b)) which appeared to indicate that certain payments or bestowals made by the Government of Spain on the exportation from Spain of non-rubber footwear constitute the payment or bestowal of a bounty or grant, directly or indirectly, within the meaning of section 303 of the Tariff Act of 1930 (19 U.S.C. 1303) upon the manufacture, production or exportation of the merchandise to which the payments apply. The notice provided interested parties 30 days from the date of publication to submit data, views, or arguments with regard to the existence or nonexistence and the net amount of a bounty or grant. A subsequent notice (39 FR 30364) extended the period for comments an additional 14 days.

In the FEDERAL REGISTER of August 14, 1974 (39 FR 29205), an "Amendment of Notice of Countervailing Duty Proceedings" was published to more specifically define the merchandise under consideration as "non-rubber footwear" from Spain.

An investigation was conducted pursuant to § 159.57(c) of the Customs Regulations (19 CFR 159.47(c)).

After consideration of all information received, the United States Customs Service is satisfied that exports of non-rubber footwear from Spain are subject to bounties or grants within the meaning of section 303.

Accordingly, notice is hereby given that non-rubber footwear imported directly or indirectly from Spain, if entered for consumption or withdrawn from warehouse for consumption after the expiration of 30 days after publication of this notice in the Customs Bulletin, will be subject to payment of countervailing duties equal to the net amount of any bounty or grant determined or estimated to have been paid or bestowed.

In accordance with section 303, the amount of the bounties or grants, under the information presently available, has been determined to be 3 percent of the f.o.b. or ex-works price to the United States.

Effective on the 31st day after the date of publication of the notice in the Customs Bulletin and until further notice, upon the entry for consumption of such dutiable non-rubber footwear imported directly or indirectly from Spain which benefit from these bounties or grants, there shall be collected, in addition to any other duties estimated or determined to be due, countervailing duties in the amount ascertained in accordance with the above declaration.

Any merchandise subject to the terms of this order shall be deemed to have benefited from a bounty or grant if such bounty or grant has been or will be paid or credited, directly or indirectly, upon the manufacture, production, or exportation of such non-rubber footwear from Spain.

The table in § 159.47(f) of the Customs Regulations (19 CFR 159.47(f)) is amended by inserting under the column headed "Country," the name "Spain" and by inserting for Spain the words "non-rubber footwear" in the column headed "Commodity," the number of this Treasury decision in the column headed "Treasury Decision," and the words "Bounty Declared—Rate" in the column headed "Action."

(R.S. 251, secs. 303, 624 46 Stat. 687 759; 19 U.S.C. 66 1303, 1624)

[SEAL] VERNON D. ACREE,
Commissioner of Customs.

Approved: September 9, 1974

DAVID R. MACDONALD,
Assistant Secretary of the Treasury.

[FR Doc.74-21066 Filed 9-11-74 8:45 am]

APPENDIX D

COMMERCE'S FEDERAL REGISTER NOTICES OF PRELIMINARY AND FINAL RESULTS OF ADMINISTRATIVE REVIEW

Non-Rubber Footwear From Spain; Preliminary Results of Administrative Review of Countervailing Duty Order

AGENCY: International Trade Administration, Commerce

ACTION: Notice of preliminary results of Administrative review of countervailing dury order

SUMMARY: The Department of Commerce has conducted an administrative review of the countervailing duty order on non-rubber footwear from Spain The review covers the period January 1, 1980 through December 31, 1980 As a result of the review, the Department has preliminariiy determined the amount of the net subsidy to be 4 91 percent of the f o b invoice price of the merchandise Interested parties are invited to comment on these preliminary results

EFFECTIVE DATE: April 4, 1983

FOR FURTHER INFORMATION CONTACT: Charles Anderson or Joseph A Black, Office of Compliance, International Trade Administration, U S Department of Commerce, Washington, D C 20230; telephone: (202) 377–2786

SUPPLEMENTARY INFORMATION:

Background

On September 12, 1974, the Department of the Treasury (Treasury") published in the Federal Register (T D 74–235, 39 FR 32904) an affirmative final countervailing duty determination regarding non-rubber footwear from Spain The notice stated that the Government of Spain had provided bounties or grants on the manufacture, production or exportation of such merchandise within the meaning of section 303 of the Tariff Act of 1930 ("the Tariff Act")

On January 1, 1980, the provisions of title I of the Trade Agreements Act of 1979 ("the TAA") became effective On January 2, 1980, the authority for administering the countervailing duty law was transferred from Treasury to the Department of Commerce ("the Department") The Department published in the Federal Register of May 13, 1980 (45 FR 31455), a notice of intent to conduct administrative reviews of all outstanding countervailing duty orders As required by section 751 of the Tariff Act, the Department has now conducted an administrative review of the order on non-rubber footwear from Spain

Scope of Review

The merchandise covered by the review is non-rubber footwear, imported directly or indirectly from Spain Such imports are currently classifiable under items 700 0500 through 700 4575, 700 5605 through 700 5673, 700 7220 through 700 8360, and 700 9515 through 700 9545 of the Tariff Schedules of the United States Annotated

The review covers the period January 1, 1980 through December 31, 1980, and the following programs: (1) A rebate upon exportation of indirect taxes, under the Desgravacion Fiscal a la Exportacion ("the DFE"); and (2) an operating capital loans program

Analysis of Programs

(1) *Desgravacion Fiscal a la Exportacion* Spain employs a cascading tax system Under this system, the government levies a turnover tax ("IGTE") on each sale of a product through its various stages of production, up to (but not including) the final sale in Spain Upon exportation of the product, the government, under the DFE, rebates both accumulated IGTE indirect taxes and certain final stage taxes

Although the Spanish government rebates upon exportation all indirect taxes paid under the cascading tax system, the Tariff Act allows the rebate of only the following: (1) Taxes borne by inputs which are physically incorporated in the exported product (see Annex 1 1 of part 355 of the Commerce Regulations); and (2) indirect taxes levied at the final stage (see Annex 1 2 of part 355 of the Commerce Regulations) If the payment upon export exceeds the total amount of allowable indirect taxes described above, the Department considers the difference to be an overrebate of indirect taxes and, therefore, a subsidy

Physical incorporation is a question of fact to be determined for each product in each case In this case, the physically incorporated inputs are the raw materials previously allowed by Treasury The rebate of two final stage taxes, the parafiscal tax on export licenses and the tax on freight and insurance, is also allowable when calculating whether or not there is an overrebate of indirect taxes under the DFE.

In its questionnaire response, the Spanish government submitted a cost structure for non-rubber footwear which also estimated the incidence in the final product of indirect taxes on both physically incorporated and non-physically incorporated inputs. During verification, we discovered that the cost structure submitted overstated the proportion of the value attributable to physically incorporated raw materials Consequently, the tax burden attributable to physically incorporated inputs was also overstated. We have therefore relied on information gathered during verification to construct a weighted-average cost structure for Spanish footwear exporters during the period of review, and have used those data to calculate the total incidence of allowable indirect taxes. Also allowing for the rebate of the two final stage taxes, we preliminarily determine that an overrebate upon export equal to 4 50 percent *ad valorem* existed in Spain during the period of review

As of July 1, 1981, the Spanish government increased the IGTE turnover tax rate on business transactions from 2 4 to 3 8 percent while maintaining the previous rate for the export rebate On January 1, 1982, this rate was further increased to 4 6 percent, while once again the DFE remained unchanged As a result of these changes, we preliminarily determine, for purposes of cash deposits of estimated countervailing duties, that the overrebate has been reduced to 0 66 percent *ad valorem*

(2) *Operating Capital Loans* The Spanish government requires banks to set aside funds to provide short-term operating capital loans These loans are granted for a period of less than one year To calculate the subsidy attributable to the operating capital loans program, we compared the interest rate on operating capital loans to the interest rate on comparable commercial loans For 1980, the Spanish government fixed the interest rate for such loans at 8 percent, which was 1 5 percent below the legally established commercial interest rate of 9 5 percent Using verified information on the actual level of usage, we preliminarily determine the net subsidy attributable to

this program to be 0 41 percent *ad valorem*

Effective March 1, 1981, the Spanish government increased the interest rate on operating capital loans from 8 to 10 percent while eliminating the interest rate ceiling on comparable short-term commercial loans. To determine the interest rate on comparable commercial loans for purposes of calculating a deposit rate, we took the average national prime interest rate for loans of comparable length, added the prevailing interest charge over prime facing borrowers of average creditworthiness, and added the legally established fees and commissions.

The Spanish government is currently phasing out its operating capital loans program Since 1981, the maximum annual amount footwear manufacturers can borrow under this program has been reduced from 40 percent to 20 percent of their previous year's exports

Using the interest rate differential prevailing in 1982 (9 38 percent), and assuming in the absence of knowledge of current usage levels, that the Spanish footwear manufacturers borrowed the maximum amount to which they were legally entitled as of January 1, 1983, we preliminarily determine, for purposes of cash deposits of estimated countervailing duties, that the net subsidy attributable to this program has increased to 1 88 percent *ad valorem*

Verification

We verified the information used in reaching these preliminary results through examination of Spanish laws and documents and company books and records Documents examined included production and export records company financial statements and cost structure records

Preliminary Results of the Review

As a result of our review, we preliminarily determine that the aggregate net subsidy conferred during 1980 by the two programs is 4 91 percent *ad valorem* Accordingly, the Department intends to instruct the Customs Service to assess countervailing dutes of 4 91 percent of the f o b invoice price on all shipments of Spanish non-rubber footwear entered, or withdrawn from warehouse for consumption on or after January 1, 1980, and exported on or before December 31 1980

The provisions of T D 74-235 (39 FR 32904), T D 78-165 (43 FR 25814), or T D 79-23 (44 FR 3477) and section 303(a)(5) of the Tariff Act, prior to the enactment of the TAA, apply to all entries made prior to Janurary 1, 1980 Accordingly, the Customs Service shall assess countervailing duties on unliquidated entries of non-rubber footwear which were entered, or withdrawn from warehouse, for consumption prior to January 1, 1980, at the applicable rates set forth in T D 74-235, T D 78-165, or T D 79-23

Further, as provided for by section 751(a)(1) of the Tariff Act, the Department intends to instruct the Customs Service to collect a cash deposit of estimated countervailing duties of 2 54 percent of the f o b invoice price on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of the current review This deposit requirement shall remain in effect until publication of the final results of the next adminstrative review

Interested parties may submit written comments on these preliminary results within 30 days of the date of publication of this notice and may request disclosure and/or a hearing within 10 days of the date of publication If requested, a hearing will be held 45 days after the date of publication or the first workday thereafter Any request for an administrative protective order must be made no later than 5 days after the date of publication The Department will publish the final results of this administrative review including the results of its analysis of issues raised in any such written comments or at a hearing

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U S C 1675(a)(1)) and § 355 41 of the Commerce Regulations (19 CFR 355 41)

Dated: March 29,1983

Gary N Horlick,

Deputy Assistant Secretary for Import Administration

[FR Doc. 83-8641 Filed 4-1-83; 8:45 am]

BILLING CODE 3510-25-M

Preliminary Results of Administrative Review of Countervailing Duty Order; Non-Rubber Footwear From Brazil

AGENCY: International Trade Administration, Commerce.

ACTION: Notice of preliminary results of administrative review of countervailing duty order

SUMMARY: The Department of Commerce has conducted an administrative review of the countervailing duty order on non-rubber footwear from Brazil The review covers the period December 7, 1979 through December 31, 1980 As a result of the review, the Department has preliminarily determined the amount of the net subsidy to be 4 77 percent of the f o b invoice price of the merchandise for the period December 7, 1979 through December 31, 1979 and 3 48 percent for 1980 Interested parties are invited to comment on these preliminary results

EFFECTIVE DATE: March 9, 1983

FOR FURTHER INFORMATION CONTACT: Lorenza Olivas or Laura Kneale, Office of Compliance, International Trade Administration, U S Department of Commerce, Washington, D C. 20230; telephone: (202) 377-2786

SUPPLEMENTARY INFORMATION:

Background

On September 12, 1974, the Department of the Treasury ("Treasury") published in the Federal Register (39 FR 32903) a final countervailing duty determination concerning non-rubber footwear from Brazil The notice stated that the Government of Brazil had provided bounties or grants on the manufacture, production or exportation of such merchandise within the meaning of section 303 of the Tariff Act of 1930 ("the Tariff Act")

On January 1, 1980, the provisions of title I of the Trade Agreements Act of 1979 became effective On January 2, 1980, the authority for administering the countervailing duty law was transferred from Treasury to the Department of Commerce ("the Department")

On January 4 1980, T D 80-13 was published in the Federal Register (45 FR 1013) announcing the suspension of liquidation of all entries of such footwear exported from Brazil on or after December 7, 1979, and entered, or withdrawn from warehouse, for consumption on or after January 4, 1980 The Department published in the Federal Register of May 13, 1980 (45 FR 31455), a notice of intent to conduct administrative reviews of all outstanding countervailing duty orders As required by section 751 of the Tariff Act the Department has now conducted an administrative review of the countervailing duty order on non-rubber footwear from Brazil

Scope of the Review

The merchandise covered by the review is non-rubber footwear, imported directly or indirectly from Brazil Such imports are currently classifiable under items 700 0500 through 700 4575, 700 5400 through 700 5673, and 700 7200 through 700 9500 of the Tariff Schedules of the United States Annotated.

The review covers the period December 7, 1979, through December 31, 1980, and four programs found countervailable in the original investigation: preferential financing for exports, income tax exemptions for export earnings, and two export credit premiums, for the Goods Circulation Tax ("ICM") and the Industrial Products Tax ("IPI") The review also covers eight programs which, although not included in the original investigation, are now alleged by the petitioner to confer subsidies on exports of non-rubber footwear from Brazil

Analysis of Programs

(1) Preferential Financing for Exports Under this program companies are declared eligible by the Department of Foreign Commerce of the Banco Central do Brasil ("CACEX") to receive working capital loans at preferential rates These loans have a duration of up to one year Each firm producing non-rubber footwear can obtain preferential financing for up to 40 percent of the value of its previous year's exports

We calculated the subsidy under this program by multiplying the value of loans outstanding under the program during the period by the differential between the commercial interest rate and the preferential interest rate for each loan In the absence of specific export data for the last three weeks of 1979, we calculated the outstanding principal for all of 1979 and included the portion of loans granted prior to 1979 that extended past January 1 of that year For 1980, we prorated loans extending past December 31, 1980

The commercial rate for short-term working capital is the rate established by the Banco do Brasil for discounting sales of accounts receivable We choose this as the benchmark rate because information provided by the Government of Brazil indicates that working capital is normally raised within the Brazilian financial system through the sale of accounts receivable The commercial rate includes the tax on financial transactions, from which loans under the preferential financing program are exempt, and varied from 26 40 to 37 98 percent during the period January 1 1978, through December 31 1980

During the period of review, firms exporting non rubber footwear had loans outstanding under Resolutions 515 (effective February 8, 1979) 602 (effective March 5, 1980) and 641 (effective October 22, 1980) of the Banco Central do Brasil The effective annual rate for loans taken out under these resolutions ranged from 8 70 to 31 75 percent and the differential between the commercial and preferential rates ranged from 6 23 to 17 70 percent We calculated the benefit conferred by the program to be 4 00 percent *ad valorem* for the period December 7, 1979 through December 31, 1979, and 2 32 percent *ad valorem* for the period December 7, 1979 through December 31, 1979, and 2 32 percent *ad valorem* for the period January 1, 1980 through December 31, 1980

With the publication of successor Resolution 674 effective January 22, 1981, there was an increase in potential benefits under the program The effective rate of interest for loans under this resolution is 44 percent. The comparable rate for discounting sales of accounts receivable is 72.00 percent plus the 4 60 percent tax on financial transactions The differential is 32 6 percent.

To estimate the potential benefit and cash deposit of estimated countervailing duties for this program, we summed the prorated value of loans outstanding during the review period, and found an actual use rate of 22 46 percent We then multiplied the differential between the new benchmark commercial and preferential interest rates by the loan use rate to find a potential benefit under this program of 7 32 percent *ad valorem*

(2) Income Tax Exemptions for Export Earnings Exporters of non-rubber footwear are eligible under this program for exemption from income tax of the percentage of profit attributable to export revenue The Brazilian government calculates the tax-exempt fraction of profit as the ratio of export revenue to total revenue The benefit equals the product of the amount of tax-exempt profit and the prevailing 35 percent corporate income tax rate We therefore preliminarily determine the benefit from this program to be 0 43 percent *ad valorem* for the period December 7, 1979 through December 31, 1979, and 9 82 percent *ad valorem* for the period January 1, 1980 through December 31, 1980

(3) IPI Export Credit Premium The Brazilian government eliminated the IPI credit premium on December 7, 1979, but reinstated it on April 1, 1981 As a result this program provided no benefit during the review period Currently, the

Government of Brazil collects a tax on exports of non-rubber footwear to the United States which fully offsets the benefit received under this program Therefore, for purposes of the cash deposit of estimated countervailing duties, the potential subsidy under this program is zero percent

(4) ICM Export Credit Premium This program, which provided Brazilian companies with an overrebate of a state value-added tax on goods destined for export, was eliminated by Convention 01–79 on January 12, 1979. Therefore, this program provided no benefit during the review period

(5) Tax Reductions on Equipment Used in Export Production Decree Law No 1248 of December 2, 1975, authorizes the Commission for Export Incentives ("CIEX") to provide a reduction of up to 90% of the import duty and IPI tax on equipment and machinery imported by a company that makes minimum export commitments One footwear exporter received a benefit under this program in 1980 Dividing this benefit by total exports of non-rubber footwear in 1980, we preliminarily determine an *ad valorem* benefit of 0.03 percent from this program Because we have no information with regard to this program for 1979, we preliminarily applied the 0 03 percent benefit to that period as the best information available

(6) Preferential Export Financing under CIC–CREGE 14–11 CIC–CREGE 14–11 is a program operated by the Banco do Brasil which provides preferential financing to exporters, who are then required to maintain a minimum fixed level of foreign exchange contracts with the Banco do Brasil Exporters of non-rubber footwear participated in this program in 1980

The Government of Brazil, in its questionnaire response, argues that the Banco do Brasil operates this program as a commercial endeavor in which it can make a profit and ensure access to foreign currency, satisfying its government-mandated foreign exchange obligations However, the Brazilian government has not yet provided the Department with sufficient evidence to enable us to dĕtermine whether this program is operated in a manner consistent with commercial considerations. Therefore, we preliminarily determine this program to confer a subsidy

To calculate the amount of benefit conferred under the program, we multiplied the prorated value of loans outstanding during 1980 by the differential between the commercial and preferential interest rates on each loan Using the preferential rates for each loan (provided by the Brazilian government) and again using the rates for discounting accounts receivable as the commercial rates, the differential between the commercial and preferential rates ranged from 6 98 to 43 5 percent We preliminarily determine the benefit conferred by the program to be 0.30 percent *ad valorem* for the period January 1, 1980 through December 31, 1980. We once again applied the 1980 rate to the portion of 1979 covered by the review as the best information available.

(7) Incentives for Trading Companies Under Resolution 643, trading companies can obtain preferential export financing One exporter of non-rubber footwear used the services of a trading company in 1980 However, the Government of Brazil did not provide us with information on whether the trading company received preferential financing on this transaction. Therefore, we calculated the benefit by multiplying the estimated loan amount by the estimated preferential interest rate differential We estimated the loan amount by multiplying the amount of exports which the footwear exporter shipped through the trading company by the rate of maximum eligibility for preferential financing on exports of non-rubber footwear (40 percent). For the interest rate differential, we used the weighted-average differential for loans received in 1980 under Resolutions 602 and 641 (7 54 percent) We preliminarily determine the *ad valorem* benefit under this program to be 0 01 percent in 1980 and applied that figure to 1979.

(8) Fundo de Democratizacao do Capital das Empresas. This program, which provided Brazilian companies with export financing, was funded by the U S. gcvernment through the Alliance for Progress Under section 701(a) of the Tariff Act, the Department must determine whether "a country under the Agreement" or "a person who is a citizen or national of such a country, or a corporation, association, or other organization organized in such a country" is providing a subsidy with respect to a class or kind of merchandise The United States, however, is not a "country under the Agreement," as defined by section 701(b) Therefore, the program is not countervailable

(9) Other Programs We also examined the following programs and preliminarily find them not to have been used by exporters of non-rubber footwear during the period of review:

a. The Commission for the Granting of Fiscal Benefits for Special Export Programs ("BEFIEX")

b Preferential Financing for the Storage of Merchandise Destined for Export under Resolution 330

c Gold Draft of Exportation

d Export Credit Financing ("FINEX")

Preliminary Results of the Review

As a result of our review, we preliminarily determine that the aggregate net subsidy conferred during the period December 7, 1979 through December 31, 1979 is 4 77 percent *ad valorem*, and 3 48 percent *ad valorem* for the period January 1, 1980 through December 31, 1980 Accordingly, the Department intends to instruct the Customs Service to assess countervailing duties of 4 77 percent of the f o b invoice price on all shipments of Brazilian non-rubber footwear exported on or after December 7, 1979 and on or before December 31, 1979 The Department will instruct the Customs Service to assess countervailing duties of 3 48 percent for the f o b. invoice price on all shipments exported on or after January 1, 1980 and on or before December 31, 1980

All unliquidated entries of this merchandise which were exported from Brazil before December 7, 1979 shall be liquidated at the applicable rates set forth in Federal Register notices dated May 17, 1977 (44 FR 28791), July 3, 1979 (44 FR 38839), September 28, 1979 (44 FR 55825), and February 26, 1980 (45 FR 12413)

Effective July 26, 1982, the Government of Brazil subjected exports of non-rubber footwear to the United States to an offseting export tax of 8 percent of the f o b invoice price Because of the increase in potential benefits under the preferential financing program and the reduction under the offsetting export tax, we calculate the potential aggregate net subsidy to be 0 48 percent The Department considers this rate, since it is less than 0 50 percent, to be *de minimis*

Therefore, the Department intends to instruct the Customs Service to waive the collection of a cash deposit of estimated countervailing duties, as provided by section 751 (a)(1) of the Tariff Act, on all shipments of this merchandise entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of the current review. This deposit waiver shall remain in effect until publication of the final results of the next administrative review

Interested parties may submit written comments on these preliminary results within 30 days of the date of publication of this notice and may request disclosure and/or a hearing within 10 days of the date of publication Any hearing, if requested, will be held 45 days after the date of publication or the first workday thereafter Any request for an administrative protective order must be made no later than 5 days after the date of publication The Department will publish the final results of this administrative review including the results of its analysis of issues raised in such written comments or at a hearing

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U S C. 1675(a)(1)) and § 355 41 of the Commerce Regulations (19 CFR 355 41)

Dated: March 4 1983

Gary N Horlick,

Deputy Assistant Secretary for Import Administration

[FR Doc 83-6020 Filed 3-8-83; 8:45 am]

BILLING CODE 3510-25-M

DEPARTMENT OF COMMERCE

International Trade Administration

Certain Footwear From India; Final Results of Administrative Review of Countervailing Duty Order

AGENCY: International Trade Administration, Commerce

ACTION: Notice of Final Results of Administrative Review of Countervailing Duty Order

SUMMARY: On August 12, 1981, the Department of Commerce published in the Federal Register a notice of the preliminary results of its administrative review of the countervailing duty order with respect to certain footwear from India The review covers the period January 1, 1980 through December 31, 1980 The notice stated that the Department had preliminarily determined that the *ad valorem* rates of net subsidy were 15 08 percent for leather footwear and 12 58 percent for leather uppers other than unlasted leather uppers Interested parties were invited to comment After analysis of all comments received, the Department determines that countervailing duties at the rates indicated shall be assessed on unliquidated entries of merchandise entered on or after January 1, 1980, and exported on or before December 31, 1980

EFFECTIVE DATE: February 17, 1982

FOR FURTHER INFORMATION CONTACT: Joseph A Black, Office of Compliance, Room 2096, International Trade Administration, U S Department of Commerce, Washington, D C 20230 (202-377-1774)

SUPPLEMENTARY INFORMATION:

Background

On October 26, 1979 the Department of the Treasury published in the Federal Register (T D 79-275, 44 FR 61588) a countervailing duty order on certain footwear from India On August 12, 1981 the Department of Commerce ("the Department") published in the Federal Register (46 FR 40781) a notice of the preliminary results of its administrative review of the countervailing duty order regarding this merchandise The

Department has now completed that review

Scope of the Review

The merchandise covered by this review is leather footwear (except sandals, slippers, huaraches and chappals) and leather uppers other than unlasted leather uppers This merchandise is currently classifiable in the Tariff Schedules of the United States under item numbers 700 05 through 700 95 (except items 700 28, 700 51, 700 52, 700 54, 700 60 and 700 90) In our preliminary results we indicated that we had received a request from the Government of India to review our clarification of the definition of sandals published in the **Federal Register** on January 14, 1981 (46 FR 3254) The clarification defined sandals as "footwear generally consisting of a sole held to the foot by uppers, composed of thongs or straps, with heel height of not over one inch, or without heels "

The Indian government proposed an additional clarification which would remove the heel height limitation on sandals The question of what leather footwear was excluded by Treasury from the order depended on the amount of rebate of indirect taxes a product received under the Cash Compensatory Support ("CCS") program The final determination reiterated the preliminary determination that products receiving a 5 percent cash rebate upon export were not subject to countervailing duties Treasury determined sandals (without further description) fell into this category

During the comment period of this review we received additional comments from the Indian government and importers of this merchandise that proposed that sandals should be defined in terms of whether they have open fronts, sides or backs Treasury received two communications from the Government of India in Novmeber and December 1979 after the imposition of the order which contained different definitions of the term sandals The information in these comments has not been verified

After a review of the record in the original investigation, and comments received during the present review, we have determined that leather footwear means full shoes with leather uppers We have also determined that sandals are defined as footwear consisting of a sole held to the foot by uppers exclusively composed of thongs or straps without regard to heel height There was nothing contained in the record of the investigation to justify the inclusion of the one inch heel height limitation

Without verification of the class of merchandise that received a 5 percent CCS payment at the time of the investigation, we cannot determine whether footwear that is not leather footwear or sandals, as defined above, and not slippers, huaraches or chappals, is within or excluded from the scope of the order Therefore, entries of the subject merchandise that are not leather footwear or sandals, as defined above, and not slippers, huaraches or chappals, remain suspended until the Department can resolve the issue

The review covers the period January 1, 1980 through December 31, 1980 and is limited to the programs cited in T.D 79-275 These programs are: (1) Short-term preferential financing, (2) a deduction from taxable income of up to 133 percent of overseas business expenses, and (3) cash rebates on export under the CCS program

Analysis of Comments Received

The Government of India officially declined to respond to our questionnaire requesting information on the status of benefits bestowed on footwear under these three programs during the review period Therefore, the Department is using the data developed by Treasury in its investigation of this merchandise as the best information available The *ad valorem* benefits using this information are: 0 03 percent under the short-term preferential financing program; 0 05 percent under the overseas business expense deduction program; and 15 percent for leather footwear and 12 5 percent for leather uppers other than unlasted leather uppers under the CCS program

(1) Comment: Information currently available to the Department demonstrates that an increase in countervailing duty based on the CCS payment would be inappropriate

Determination: The original investigation record contains data regarding the indirect tax experience of several of the manufacturers of footwear in India; however, there is no indication in the record that any attempt was made by the Government of India to calculate the indirect tax incidence on the footwear industry in India, or that such tax incidence specifically was taken into account in determining CCS payments Without such a demonstration we have no recourse but to find that the full amount of the CCS payment constitutes a subsidy under the Tariff Act of 1930 ('the Tariff Act'), as amended by the Trade Agreements Act of 1979 ("the TAA")

(2) Comment: The final review and assessment of countervailing duties should be suspended until the International Trade Commission ("the ITC") makes an injury determination in this case.

Determination: On September 25, 1981, the United States recognized India as a "country under the Agreement," as defined in section 701(b) of the Tariff Act, and as such, this order is subject to an injury determination by the ITC On October 13, 1981, the ITC notified the Department of India's request for such a determination

Section 104(b)(3) of the TAA provides that the Department shall suspend liquidation of entries of the affected merchandise made on or after the date of receipt of the ITC's notification However, entries prior to that date must still be liquidated according to the results of a section 751 review without regard to the question of injury The present review applies to 1980 entries Thus, these entries must be liquidated without regard to the question of injury

(3) Comment: Estimated duty deposits should not be increased during the pendency of the ITC determination because that decision is "likely" to be negative

Determination: The Department is not authorized to judge the merits of an ITC injury investigation We must follow the requirements of section 751 of the Tariff Act to conduct annual reviews and to establish estimated duty deposit rates based on those reviews

(4) Comment: A retroactive increase of countervailing duties is improper because it violates the *Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade* ("the Subsidies Code")

Determination: The Indian government points to Article 5, paragraph 6 of the Subsidies Code which states, "[i]f the definitive contervailing duty is higher than the amount guaranteed by the cash deposit or bond, the difference shall not be collected "

Section 707(a)(1) of the Tariff Act reflects this provision of the Subsidies Code Section 707(a)(1) applies to estimated deposits made under section 703(d)(2), that is, deposits required by the administering authority as the result of an affirmative preliminary determination Article 5 of the Subsidies Code and section 707(a)(1) of the Tariff Act govern the application of *provisional* measures and are not applicable to this case which concerns estimated duties deposited under a countervailing duty order Section 707(b)(1) of the Tariff Act instead, applies to this situation It requires that the difference between the deposit of estimated duties and the duty determined under a countervailing duty order "* * * be collected, to the extent that the deposit under section 706(a)(3) is lower than the duty determined under the order" Section 707(b)(1) is consistent with Article 4, paragraph 2 of the Subsidies Code which covers the imposition of definitive duties This provision only states that definitive duties may not exceed the amount of the subsidy

Section 707(b) states that the difference in duties shall be collected after the ITC ("Commission") makes an affirmative injury determination Since there has not been an injury determination the Government of India maintains that this provision is not applicable This position ignores section 103(b) of the TAA which amends section 303 of the Tariff Act and which provides that duties imposed under section 303 shall be done in accordance with Title VII of the TAA (countervailing duties) except that "* * * any reference to determinations by the Commission * * * shall be disregarded " Since this was a section 303 case for the period of the review and is governed by that provision, the determination by the Commission cited in 707(b) is not required and therefore irrelevant to this review

(5) Comment: The General Agreement on Tariffs and Trade prohibits non-tariff barriers to trade under Article XI, and the threat of a retroactive increase in duty is a *de facto* non-tariff barrier

Determination: As discussed above, the Department's action is consistent with United States law and the Subsidies Code Accordingly, it constitutes a permissible action and is not a non-tariff barrier to trade

(6) Comment: Section 1504 of Title 19 of the United States Code requires liquidation within one year after the date of entry; therefore, a retroactive increase in duty going back two years appears to contravene the law

With certain exceptions, 19 U S C 1504 requires liquidation within one year Under paragraph 1504(b)(2), liquidation may be extended if "liquidation is suspended as required by statute "

Since the statutory scheme of section 751 of the Tariff Act requires the retroactive assessment of countervailing duties suspension of liquidation of entries covered by the countervailing duty order is necessary to the implementation of section 751 When the review is completed, the suspended entries that were made during the review period are liquidated at the rate calculated during that review Liquidation of all subsequent entries subject to the same order is suspended and estimated duties are deposited at the new rate pending the results of the next section 751 review If the Department does not finish its review within 12 months beginning on the anniversary of the date of publication of the order, it is necessary for Customs to continue to suspend liquidation until the Department completes its review and informs Customs of the rate at which suspended entries are to be liquidated and deposits for future entries under the order are to be made.

Where a statute imposes a duty upon a governmental agency to carry out the express statutory purposes and objectives, the statute carries with it by necessary implication the authority to effect the legislative mandate and purpose Accordingly, the authority to order suspension of liquidation is present by necessary implication in section 751 and suspension of liquidation beyond one year is permissible under 19 U S C 1504(b)(2)

Final Results of Review

As a result of our review, we determine that the total net subsidy conferred by the programs cited above is 15 08 percent for leather footwear as defined and 12 58 percent for leather uppers other than unlasted leather uppers for the period of the review Accordingly, the Department will instruct the Customs Service to assess countervailing duties in those amounts on the f o b invoice price on the merchandise entered, or withdrawn from warehouse, for consumption on or after January 1, 1980, and exported on or before December 31, 1980 Entries of sandals as defined in this notice shall be liquidated without regard to countervailing duties

As explained above these instructions do not apply to the subject merchandise that does not meet our definition of leather footwear or sandals and are not slippers, huaraches, or chappals Entries of such merchandise shall remain suspended until further notice.

The assessment of countervailing duties by the Customs Service is subject to the provisions of section 778 of the Tariff Act which require interest on overpayments or underpayments of the amounts deposited as estimated countervailing duties The rate at which such interest is payable is the rate in effect under section 6621 of the Internal Revenue Code of 1954 on the date of determination of these final results That rate currently is 12 percent per annum The interest shall be calculated from the date of payment of estimated duties through the date of liquidation.

As required by section 751(a)(1) of the Tariff Act, a cash deposit of estimated countervailing duties of 15 08 percent of the f o b invoice price for leather footwear and 12 58 percent of the f o b invoice price for leather uppers other than unlasted leather uppers shall be required on shipments of this merchandise entered, or withdrawn from warehouse, on or after the date of publication of these final results Leather footwear that is not specifically excluded shall be subject to the 15 08 percent deposit requirement

The Department intends to complete the next administrative review by the end of October 1982 The amount of countervailing duties to be imposed on exports made during 1981 will be determined during that review Consequently, the suspension of liquidation previously ordered will continue on all shipments exported on or after January 1, 1981

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U S C 1675(a)(1)) and § 355.41 of the Commerce Regulations (19 CFR 355 41)

Gary N Horlick,

Deputy Assistant Secretary for Import Administration

February 10, 1982.

[FR Doc. 82-4206 Filed 2-16-82; 8:45 am]

BILLING CODE 3510-25-M

APPENDIX E

PART 1, SUBPART A, SCHEDULE 7, OF THE TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

CSP	Item	Stat Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2

PART 1. - FOOTWEAR; HEADWEAR AND HAT BRAIDS; GLOVES; LUGGAGE, HANDBAGS, BILLFOLDS, AND OTHER FLAT GOODS

Subpart A. - Footwear

Subpart A headnotes:

1. This subpart covers boots, shoes, slippers, sandals, moccasins, slipper socks (socks with applied soles of leather or other material), scuffs, overshoes, rubbers, arctics, galoshes, and all allied footwear (including athletic or sporting boots and shoes) of whatever material composed and by whatever method constructed, all the foregoing designed for human wear except —
   - (i) footwear with permanently attached skates or snowshoes (see part 5D of this schedule),
   - (ii) hosiery (see part 6C of schedule 3), and
   - (iii) infants' knit footwear (see part 6F of schedule 3).

2. For the purposes of this subpart —
   (a) the term "huaraches" (item 700.05) means a type of leather-soled sandal having a woven-leather upper laced to the insole, with the insole machine-stitched to the outsole, and having a heel which is nailed on;
   (b) the term "McKay-sewed footwear" (item 700.10) means footwear the soles of which are sewed to the upper by means of a McKay chainstitch, with the stitching passing through the outsole, upper, lining, and insole;
   (c) the term "moccasins" (item 700.15) means footwear of the American Indian handicraft type, having no line of demarcation between the soles and the uppers;
   (d) the term "welt footwear" (items 700.25 through 700.29) means footwear constructed with a welt, which extends around the edge of the tread portion of the sole, and in which the welt and shoe upper are sewed to a lip on the surface of the insole, and the outsole of which is sewed or cemented to the welt;
   (e) the term "slippers" (item 700.32) means footwear of the slip-on type without laces, buckles, zippers, or other closures, the heel of which is of underwedge construction, and (1) having a leather upper permanently trimmed with a real or imitation fur collar, or (2) having a leather upper and a split leather tread sole (including heel) held together by a blown sponge-rubber midsole created and simultaneously vulcanized thereto;

G S P	Item	Stat Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2

(f) the term "footwear for men, youths, and boys" (item 700.35) covers footwear of American youths' size 11-1/2 and larger for males, and does not include footwear commonly worn by both sexes; and

(g) the term "fibers" means unspun fibrous vegetable materials, vegetable fibers, wool, silk, or other animal fibers, man-made fibers, paper yarns, or any combination thereof.

3 For the purposes of items 700.51 through 700 56, the rubber or plastics forming the exterior surface area specified, if supported by fabric or other material, must coat or fill the supporting material with a quantity of rubber or plastics sufficient to visibly and significantly affect the surface otherwise than by change in color, whether or not the color has been changed thereby

Subpart A statistical headnote:

1. For the purposes of this subpart --

(a) the term "athletic footwear" covers footwear of special construction for baseball, football, soccer, track, skating, skiing, and other athletic games, or sports;

(b) the term "work footwear" covers footwear having outsoles 1/4 inch or over in thickness (measured at the ball of the foot) and having uppers of grain leather extending above the ankle;

(c) the term "soled 'moccasins'" covers footwear in which the vamp extends completely under the foot, whether or not seamed, forming both the bottom and the sides to which an outsole is attached;

(d) the term "cement footwear" covers footwear in which the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing, but not including footwear having vulcanized soles or injection molded soles;

(e) the term "casual footwear" covers footwear constructed with a wedge heel, or with an open toe and so constructed that the heel of the foot is not over 1 inch above the ball of the foot;

(f) the term "boots" covers footwear the uppper of which extends above the ankle (other than footwear of oxford height), designed to be worn next to the sock rather than over the shoe;

(g) the term "footwear for men" covers footwear of American men's size 6 and larger for males, and does not include footwear commonly worn by both sexes;

(h) the term "footwear for youths and boys" covers footwear of American youths' size 11-1/2 and larger but not as large as American men's size 6, and does not include footwear commonly worn by both sexes;

G S P	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			(i) the term "footwear for women" covers footwear of American women's size 4 and larger, whether for females or of types commonly worn by both sexes;				
			(j) the term "footwear for misses" covers footwear of American misses' size 12-1/2 and larger but not as large as American women's size 4, whether for females or of types commonly worn by both sexes;				
			(k) the term "footwear for children" covers footwear of American children's size 8-1/2 and larger but not as large as the footwear described in statistical headnotes (i) and (j);				
			(l) the term "footwear for infants" covers all footwear not included in the foregoing statistical headnotes (g), (h), (i), (j), and (k)				
			Footwear, of leather (except footwear with uppers of fibers):				
	700.05	00	Huaraches	Prs	20% ad val.		20% ad val.
	700.10	00	McKay-sewed footwear	Prs	10% ad val.		30% ad val.
	700 15	00	Moccasins	Prs	10% ad val.		20% ad val.
	700 20		Turn or turned footwear		2.5% ad val.		10% ad val.
		20	For men, youths, and boys	Prs			
		45	For women	Prs.			
		50	For misses	Prs.			
		60	For children and infants	Prs.			
			Welt footwear:				
	700.25	00	Valued not over $2 per pair	Prs	17% ad val.		20% ad val.
	700.26		Valued over $2 but not over $5 per pair		17¢ per pair		20% ad val.
		10	Work footwear	Prs.			
			Other:				
		30	For men	Prs.			
		50	Other	Prs.			
	700.27		Valued over $5 but not over $6.80 per pair		5% ad val.		20% ad val.
		18	Work footwear	Prs.			
			Other:				
		38	For men	Prs			
		48	Other	Prs			
			Valued over $6.80 per pair:				
	700.28	00	Ski boots	Prs	Free		20% ad val.
	700.29		Other		5% ad val.		20% ad val.
		20	Athletic footwear other than ski boots	Prs.			
		40	Work footwear	Prs.			
			Other:				
		60	For men	Prs.			
		80	Other	Prs.			
	700.30	00	Footwear with molded soles laced to uppers	Prs	5% ad val.		20% ad val.
	700 32	00	Slippers	Prs	5% ad val.		20% ad val.

CSP	Item	Stat Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Footwear, of leather, etc. (con):				
			Other (con):				
			For other persons (con):				
			Other (con):				
	700 45		Valued over $2.50 per pair . .	. . .	10% ad val		20% ad val
			Athletic footwear:				
		06	For women and misses . ..	Prs			
		07	Other	Prs			
			Casual footwear:				
		10	For women...	Prs			
		15	Other..	Prs			
			Soled "moccasins":				
		20	For women	Prs			
		25	Other.. . . .	Prs			
			Other:				
			With soles vulcanized to uppers or with soles simultaneously molded and attached to uppers:				
		30	For women . .	Prs			
		35	Other	Prs			
			Cement footwear:				
		40	For women.. ..	Prs			
		45	For misses . . .	Prs			
		50	For children...... .	Prs.			
		55	For infants.	Prs			
			Other:				
		60	For women.	Prs			
		65	For misses.. . ..	Prs			
		70	For children	Prs			
		75	For infants . . .	Prs			
			Footwear (whether or not described elsewhere in this subpart) which is over 50 percent by weight of rubber or plastics or over 50 percent by weight of fibers and rubber or plastics with at least 10 percent by weight being rubber or plastics:				
			Hunting boots, galoshes, rainwear, and other footwear designed to be worn over, or in lieu of, other footwear as a protection against water, oil, grease, or chemicals or cold or inclement weather, all the foregoing having soles and uppers of which over 90 percent of the exterior surface area is rubber or plastics (except footwear with uppers of nonmolded construction formed by sewing the parts thereof together and having exposed on the outer surface a substantial portion of functional stitching):				
	700 51	00	Having soles and uppers of which over 90 percent of the exterior surface area is polyvinyl chloride, whether or not supported or lined with polyvinyl chloride but not otherwise supported or lined.. . . .	Prs	9 6% ad val	6 6% ad val	25% ad val

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1983)

SCHEDULE 7. - SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS
Part 1. - Footwear; Headwear and Hat Braids; Gloves; Luggage, Handbags, Billfolds, and Other Flat Goods

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty LDDC	Rates of Duty 2
			Footwear (whether or not described elsewhere in this subpart) which is over 50 percent by weight of rubber or plastics or over 50 percent by weight of fibers and rubber or plastics with at least 10 percent by weight being rubber or plastics (con):				
			Hunting boots, galoshes, rainwear, etc. (con.):				
	700.52	00	Footwear (except footwear provided for in item 700 51), the uppers of which do not extend above the ankle, designed for use without closures, whether or not supported or lined	Prs	25% ad val		50% ad val.
	700.53		Other	....	37 5% ad val		75% ad val.
		20	Boots	Prs.			
		40	Other..	Prs			
			Other footwear (except footwear having uppers of which over 50 percent of the exterior surface area is leather):				
			Having uppers of which over 90 percent of the exterior surface area is rubber or plastics (except footwear having foxing or a foxing-like band applied or molded at the sole and overlapping the upper):				
A	700.54	00	Zoris (thonged sandals).	Prs.....	4.2% ad val	2.4% ad val.	35% ad val.
	700.56		Other..	..... .	6% ad val.		35% ad val
			Athletic footwear:				
		05	Ski boots..........	Prs.			
			Other:				
		10	For men	Prs.			
		15	For youths and boys.. ..	Prs.			
		20	For women and misses......	Prs.			
		25	For children and infants .	Prs.			
		30	Sandals and similar footwear of plastic, produced in one piece by molding	Prs.			
			Other:				
			Footwear having supported vinyl uppers:				
		36	For men	Prs.			
		38	For youths and boys	Prs			
		46	For women.......	Prs			
		48	For misses.......	Prs			
		56	For children..	Prs.			
		58	For infants..........	Prs.			
			Other:				
		68	For men.	Prs.			
		69	For youths and boys.. ..	Prs			
		70	For women....	Prs.			
		71	For misses.	Prs.			
		72	For children...	Prs.			
		73	For infants	Prs.			

Note: For explanation of the symbol "A" or "A*" in the column entitled "CSP" see general headnote 3(c)

GSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	LDDC	2
			Footwear (whether or not described elsewhere in this subpart) which is over 50 percent by weight of rubber or plastics or over 50 percent by weight of fibers and rubber or plastics with at least 10 percent by weight being rubber or plastics (con.):				
			Other footwear (except footwear having uppers of which over 50 percent of the exterior surface area is leather) (con.):				
			Other:				
	700 57	00	Hunting boots, galoshes, rainwear, and other footwear designed to be worn over, or in lieu of, other footwear as a protection against water, oil, grease, or chemicals or cold or inclement weather ...	Prs	37.5% ad val		66% ad val.
	700 59	00	Footwear with open toes or open heels; footwear of the slip-on type, that is held to the foot without the use of laces or buckles or other fasteners, the foregoing except footwear provided for in item 700 57 and except footwear having a foxing or foxing-like band wholly or almost wholly of rubber or plastics applied or molded at the sole and overlapping the upper ...	Prs	37.5% ad val.		66% ad val.
			Other:				
			Footwear having soles (or midsoles, if any) of rubber or plastics which are affixed to the upper exclusively with an adhesive (any midsoles also being affixed exclusively to one another and to the outsole with an adhesive); the foregoing except footwear having a foxing or foxing-like band applied to or molded at the sole and overlapping the upper and except footwear with soles which overlap the upper other than at the toe or heel:				
	700 61	00	Valued not over $6.50 per pair ...	Prs	37.5% ad val		66% ad val.
	700 62	00	Valued over $6.50 but not over $12 per pair ...	Prs.	90¢ per pr. + 20% ad val		$1.58 per pr. + 35% ad val
	700 63	00	Valued over $12 per pair ...	Prs	20% ad val		35% ad val.
			Other:				
	700 64	00	Valued not over $3.00 per pair ...	Prs.	48% ad val		84% ad val
	700 67	00	Valued over $3.00 but not over $6.50 per pair ...	Prs.	90¢ per pr + 37.5% ad val		$1.58 per pr + 66% ad val
	700 69	00	Valued over $6.50 but not over $12 per pair ...	Prs	90¢ per pr + 20% ad val		$1.58 per pr + 35% ad val
	700 71	00	Valued over $12 per pair ...	Prs	20% ad val		35% ad val

SCHEDULE 7 - SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS
Part 1. - Footwear; Headwear and Hat Braids; Gloves; Luggage, Handbags, Billfolds, and Other Flat Goods

CSP	Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	LDDC	2
			Footwear, with uppers of fibers:				
			With soles of leather:				
	700.72		Valued not over $2.50 per pair.	...	15% ad val		35% ad val
		20	Slipper socks..	Prs			
			Other:				
		40	For men, youths, and boys..	Prs.			
		60	Other...	Prs			
	700.73		Valued over $2.50 per pair.	...	10% ad val		35% ad val.
		20	Slipper socks	Prs			
			Other:				
		40	For men, youths, and boys	Prs			
		60	Other	Prs			
			With soles of material other than leather:				
	700 74		With uppers of vegetable fibers	...	7.5% ad val		35% ad val
		20	For men, youths, and boys.	Prs			
		65	For women	Prs			
		70	For misses	Prs			
		75	For children	Prs.			
		80	For infants	Prs.			
	700 75		With soles and uppers of wool felt	..	4 9% ad val		35% ad val.
		10	For men (459)	Prs. v Lb.			
		20	For youths and boys (459)	Prs. v Lb.			
		30	For women (459)	Prs. v Lb.			
		40	For misses (459)	Prs. v Lb.			
		50	For children (459)	Prs. v Lb.			
		60	For infants (459)	Prs. v Lb.			
	700.80		Other	...	12 5% ad val.		35% ad val.
		20	For men, youths, and boys.	Prs.			
		65	For women..	Prs.			
		70	For misses	Prs.			
		75	For children	Prs			
		80	For infants	Prs			
			Other footwear:				
	700 83		Of wood	...	8% ad val		33-1/3% ad val
		10	For men	Prs			
		20	For youths and boys	Prs			
		30	For women	Prs			
		40	For misses	Prs			
		50	For children.	Prs.			
		60	For infants	Prs			
			Other:				
	700.90	00	Disposable footwear, designed for one-time use	Prs	10% ad val	7 5% ad val	35% ad val.
	700.95		Other	...	12 5% ad val		35% ad val.
		15	For men, youths, and boys	Prs			
		25	For women	Prs			
		30	For misses	Prs.			
		35	For children	Prs			
		45	For infants.	Prs.			

APPENDIX F

FINANCIAL DATA FOR GENESCO AND U.S. SHOE

Table F-1.--Income-and-loss experience of Genesco on its footwear operations, 1980-82

Item	1980	1981	1982
Net sales:			
Retail:			
United States 1/------------1,000 dollars--	131,833	146,851	158,250
Canada 1/----------------------------do----	59,127	64,314	62,438
Wholesale and manufacturing:			
United States 1/------------1,000 dollars--	195,070	195,280	192,932
Canada 1/----------------------------do----	23,465	25,721	22,523
Raw materials and components:			
Total net sales----------------------do----	450,953	483,583	482,016
Net income before income taxes:			
Retail:			
United States 1/------------1,000 dollars--	9,584	10,730	5,890
Canada 1/----------------------------do----	6,216	6,034	4,024
Wholesale and manufacturing:			
United States 1/------------1,000 dollars--	(965)	9,188	(40)
Canada 1/----------------------------do----	3,418	3,647	2,311
Raw materials and components:	6,420	7,771	5,506
Total net income before income taxes----------------------------do----	24,673	37,370	17,691
Ratio of net income or (loss) before income taxes to net sales:			
Retail:			
United States 1/-----------percent---------	7.3	7.3	3.7
Canada 1/----------------------------do----	10.5	9.4	6.4
Wholesale and manufacturing:			
United States 1/-----------percent---------	(0.5)	4.7	2/
Canada 1/----------------------------do----	14.6	14.7	10.3
Raw materials and components:	15.5	15.1	12.0
Total net income before income taxes------	5.5	7.7	3.6

1/ Footwear includes shoes and hosiery.
2/ Less than 0.05 percent.

Source: Compiled from data contained in Genesco's annual reports.

Table F-2.--Income-and-loss experience of U.S. Shoe Corp. on its overall footwear operations, 1980, 1981, January-October 1981, and January-October 1982 1/

Item	1980	1981	January-October 1981	January-October 1982
Manufacturing and wholesaling net sales:				
Women's shoes--------------1,000 dollars--	301,860	312,098	2/	2/
Men's shoes------------------------do----	52,106	50,808	2/	2/
Western and casual boots--1,000 dollars--	68,304	85,332	2/	2/
Juvenile shoes---------------------do----	5,170	-	2/	2/
Total-------------------------------do----	427,440	448,238	2/	2/
Retailing net sales------------------do----	172,408	182,031	2/	2/
Total net sales--------------------do----	599,848	630,269	474,177	488,848
Operating income 3/-----------------do----	49,281	61,941	40,655	49,721
Ratio of operating income to total net sales---------------------------percent--	8.2	9.8	8.6	10.2

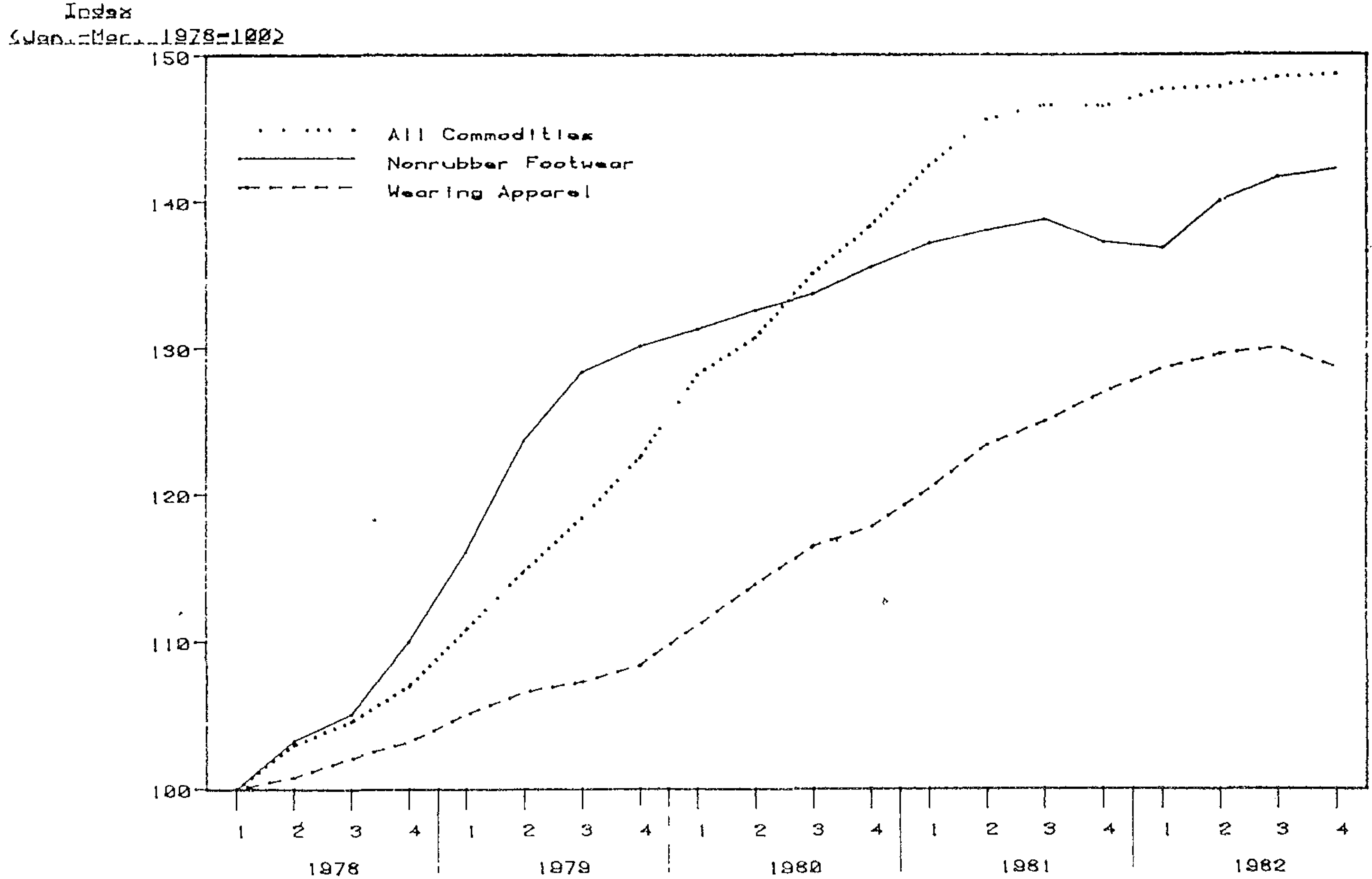
1/ U.S. Shoe Corp.'s accounting year ends Jan. 31.
2/ Not available.
3/ Not available by types of shoe operations.

Source: Compiled from annual and interim reports of U.S. Shoe Corp.

APPENDIX G

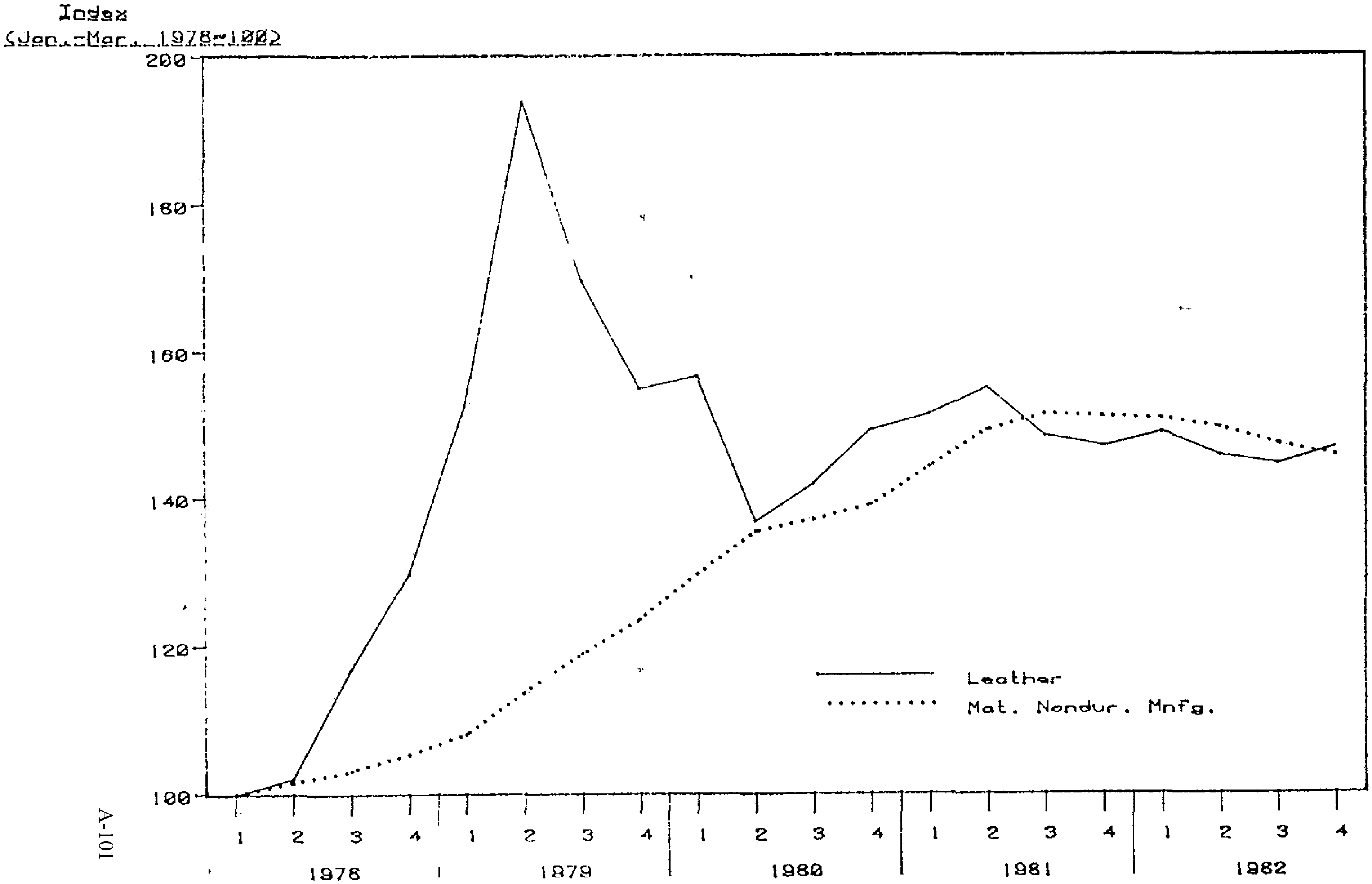
FIGURES

Figure 1.--Producer Price Index for all commodities, nonrubber footwear, and wearing apparel, by quarters, 1978-82



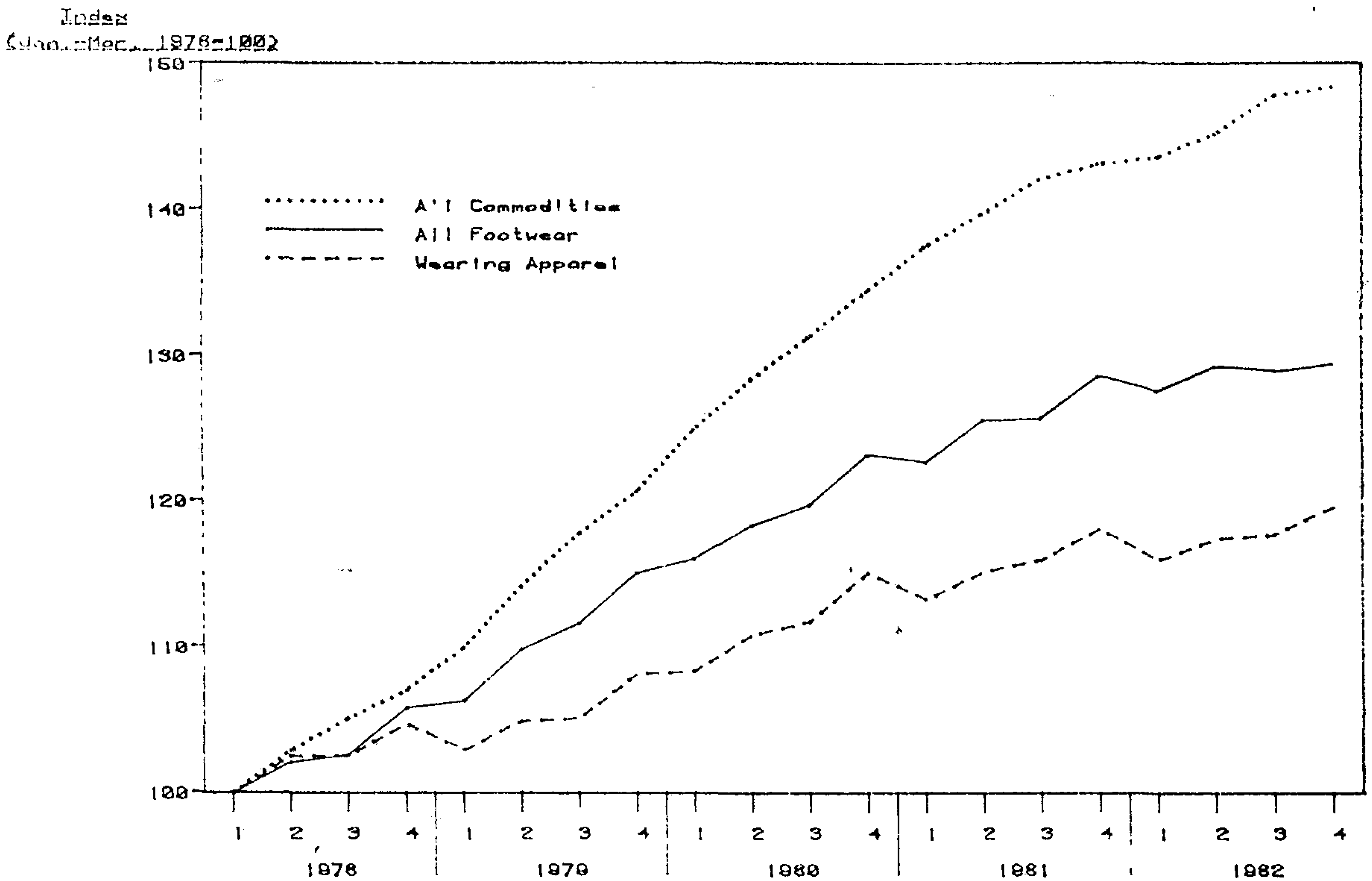
Source: Bureau of Labor Statistics, U.S. Department of Labor

Figure 2.--Producer Price Index for leather and other intermediate materials used in nondurable manufacturing, by quarters, 1978-82



Source: Bureau of Labor Statistics, U.S. Department of Labor.

Figure 3.--Consumer Price Index for all commodities, all footwear, and wearing apparel, by quarters, 1978-82



Source: Bureau of Labor Statistics, U.S. Department of Labor.