

UNITED STATES TARIFF COMMISSION

MEN'S, YOUTHS', AND BOYS' FOOTWEAR OF LEATHER:  
WORKERS OF THE EAGLE SHOE MANUFACTURING CO.,  
EVERETT, MASS.

Report to the President  
Worker Investigation No. TEA-W-19  
Under Section 301(c)(2) of the Trade Expansion Act of 1962



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June 1970

**UNITED STATES TARIFF COMMISSION**

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that would result in the disclosure of the operations of an individual firm. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.



REPORT TO THE PRESIDENT

U.S. Tariff Commission,  
June 1, 1970

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation, made under section 301(c)(2) of that act (the TEA), relating to men's, youths', and boys' footwear of leather.

On March 31, 1970, George O. Fecteau, General President of the United Shoe Workers of America, AFL-CIO, CLC, filed a petition for determination of the eligibility of workers of the Eagle Shoe Manufacturing Co., Everett, Mass., who are members of Local Union No. 18, to apply for adjustment assistance.

On April 3, 1970, the Commission instituted a worker investigation (TEA-W-19) to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the men's, youths', and boys' footwear produced by the Eagle Shoe Manufacturing Co. are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of such manufacturing firm. Public notice of the receipt of the petition and the institution of the investigation was given by publication in the Federal Register April 8, 1970 (35 F.R. 5754). No hearing was requested and none was held.

The information in this report was obtained principally from the petitioner, the officials of Eagle Shoe Manufacturing Co. (Eagle), the Commonwealth of Massachusetts Division of Employment Security, and from Commission files.

#### Findings Of The Commission

On the basis of its investigation, the Commission, being equally divided, 1/ makes no affirmative finding under section 301(c)(2) of the Trade Expansion Act of 1962 with respect to whether articles like or directly competitive with men's, youths', and boys' cement-process footwear of leather produced by the Eagle Shoe Manufacturing Company of Everett, Mass., 2/ are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of said Company.

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1/ Chairman Sutton and Commissioners Leonard and Newsom voted in the negative, and Commissioners Thunberg, Clubb, and Moore voted in the affirmative.

2/ Although the petition in this investigation, as well as the Commission's public notice, indicated that soled moccasins were produced by Eagle, such footwear was not produced by that firm but by the Androscoggin Co. of Lewiston, Me., which had the same stockholders as Eagle. The workers of the Lewiston plant were not covered by the petition, and therefore the operations of that plant (including the production of soled moccasins) are not considered in this report.

Views of Chairman Sutton and  
Commissioners Leonard and Newsom

Our determination with respect to the petition filed on behalf of the former workers of the Eagle Shoe Manufacturing Co. of Everett, Mass., is in the negative because the criteria established by section 301(c)(2) of the Trade Expansion Act of 1962 have not been met. Before an affirmative determination could be made, it would have to be established that each of the following conditions had been satisfied:

(1) Footwear like or directly competitive with the men's, youths', and boys' footwear produced at the Eagle Shoe Manufacturing Co. is being imported in increased quantities;

(2) the increased imports are in major part the result of concessions granted under trade agreements;

(3) a significant number or portion of the workers at the company are unemployed or underemployed or are threatened therewith; and

(4) the increased imports (resulting in major part from trade-agreement concessions) have been the major factor causing or threatening to cause the unemployment or underemployment.

In the case at hand, conditions (1) and (3) have been met. The men's, youths', and boys' footwear in question is being imported in increased quantities. In 1969, entries of such footwear were more than triple those in 1965; the imports supplied nearly 15 percent of domestic consumption in 1969, compared with 5 percent in the earlier year. Further, a significant number of the workers are unemployed. The Eagle Shoe Manufacturing Co. closed its plant in February 1970, and the petitioning group of workers were laid off.

We are not able to conclude, however, that condition (2) has been satisfied, namely, that the increased imports are in major part the result of trade-agreement concessions. It follows, therefore, that condition (4) cannot be met because increased imports resulting in major part from trade-agreement concessions have not occurred.

The like or directly competitive imported product

In its investigations of petitions for adjustment assistance filed by groups of workers under the Trade Expansion Act, the Commission must first identify the articles produced by the workers concerned and then determine the imported articles that are like or directly competitive therewith. The Eagle Shoe Manufacturing Co., where the petitioning workers were employed, produced men's, youths', and boys' "dress" shoes of cement construction. The shoes had uppers of leather and soles of composition rubber. The men's shoes were sold at retail in 1969 for about \$8 to \$10 per pair--thus being in the lower end of the retail price range for men's dress shoes; the youths' and boys' shoes produced by Eagle were correspondingly priced. Eagle annually produced about 30 to 50 different styles of men's and youths' shoes, and 10 to 15 styles of boys' shoes; the bulk were traditional styles. Eagle's shoes were of types generally worn for business and social occasions, as are most men's, youths', and boys' dress footwear.

Having identified the footwear produced by the Eagle Shoe Manufacturing Co., we have concluded that the men's, youths', and boys' dress shoes that enter under TSUS item 700.35 are like or directly competitive with the footwear manufactured by Eagle. The imported



shoes so identified consist largely of dress shoes of cement construction; they are generally marketed in the United States in the low and medium price ranges of men's, youths', and boys' dress shoes. Entries of dress shoes under that tariff item account for the great bulk of U.S. imports of men's, youths', and boys' dress shoes. Imported dress shoes of welt construction are somewhat similar in material, style, and use to the footwear produced at Eagle, although generally sturdier and better quality; we have concluded, however, that the imported welt shoes are not directly competitive with the footwear produced by Eagle inasmuch as most are marketed in the United States at substantially higher price ranges than Eagle's dress shoes. 1/

#### Factors affecting imports

As indicated earlier, U.S. imports of men's, youths', and boys' dress shoes that are like or directly competitive with those produced at Eagle Shoe Manufacturing Co. have increased materially in recent years. Indeed, in the 5-year period 1965-69, such imports supplied nearly the whole of the increase in U.S. consumption of men's, youths', and boys' dress shoes; annual production remained stable in volume, while the identified imports trebled. The increased U.S. demand, and the increased imports in response to that demand, resulted from a variety of causes--among which the trade-agreement concessions ranked as minor.

Throughout most of the past three decades, i.e., from 1943 to 1968, the U.S. import duty on entries of men's, youths', and boys' dress shoes of concern in this investigation has been 10 percent ad valorem. That

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1/ Commissioner Leonard has determined that the imported footwear like or directly competitive with that produced by Eagle would, besides that entered under TSUS item 700.35, include at least the welt shoes entered under items 700.25, 700.27, and 700.29. Nevertheless, in the light of the factors influencing such imports, he has concluded that the increased imports of the broader group of footwear are not in major part the result of trade-agreement concessions.

duty was a trade-agreement rate, having been reduced from 20 percent ad valorem in 1943 to carry out a trade-agreement concession. Because of the passage of so many years, however, that ancient reduction could scarcely have been the impetus for the increased imports in the late 1960's. The duty on the identified dress shoes was the subject of a second trade-agreement concession at the Kennedy round of GATT negotiations. In carrying out that concession, the rate of duty was reduced from 10 percent to  $9\frac{1}{2}$  percent ad valorem on January 1, 1968, and then from  $9\frac{1}{2}$  to 9 percent on January 1, 1969. These reductions were trivial in magnitude--both in the absolute amount of duty collected per pair and in relation to other causes stimulating imports.

As discussed in subsequent sections of this report presenting information obtained during the investigation, the U.S. market for men's dress shoes has responded increasingly in recent years to emphasis on fashion and style. Greater per capita income and the changing age structure of the population have contributed to a wider demand for "high style" and "mod" clothing and footwear. In recent years, a substantial segment of the market for men's dress shoes shifted first from the traditional conservative styles to the light-weight continental look (introduced by imports) and then to the buckled blunt-toed style. In the segment of the market that accepted the rapidly changing styles, the importer offered the retailer a wide assortment of "up-to-the-minute" fashions, generally at highly competitive prices. Many domestic producers also offered the latest fashions in men's dress shoes, but many others, such as Eagle, continued to emphasize conservative styles. Out of this complex of market forces, imported footwear supplied an increasing share of U.S. consumption of men's dress shoes.

### Conclusion

Weighing all the elements that stimulated imports of men's, youths', and boys' dress shoes, we have concluded that trade-agreement concessions were not the major factor causing increased imports of the dress shoes here considered. We are therefore compelled to reach a negative determination.

### "Tie vote" rule

The other group of Commissioners has raised a question regarding the "tie vote" provision--section 330(d), Tariff Act of 1930, as amended (19 U.S.C. 1330(d)). In order to provide as much assistance as possible, we explain below our view that this section does not apply in this case.

Under section 302(c) of the TEA, the receipt of a report from the Tariff Commission containing an "affirmative finding under section 301(c)" is a prerequisite to the President's certifying a firm or a group of workers to be eligible to apply for adjustment assistance. 1/ By historic rule, action by the Commission has been dependent upon the presence of a quorum (a majority of the Commissioners in office) and agreement by a majority of the Commissioners present and voting. The only exceptions to this rule were legislated on two occasions: (1) Public Law 83-215, approved August 7, 1953, added a new subsection (d)

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1/ Section 302(c) of the TEA provides that--

(c) After receiving a report from the Tariff Commission containing an affirmative finding under section 301(c) with respect to any firm or group of workers, the President may certify that such firm or group of workers is eligible to apply for adjustment assistance.

to section 330 of the Tariff Act of 1930, 1/ and (2) Public Law 85-630, approved August 14, 1958, added a new provision to section 201(a) of the Antidumping Act, 1921. 2/

It will be observed that, under section 330(d)(2) of the Tariff Act, half of the number of Commissioners voting are empowered to institute an investigation authorized by law or to order hearings to be held

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1/ Section 330(d) of the Tariff Act provides as follows:

(d) Effect of Divided Vote in Certain Cases.--

(1) Whenever, in any case calling for findings of the Commission in connection with any authority conferred upon the President by law to make changes in import restrictions, a majority of the commissioners voting are unable to agree upon findings or recommendations, the findings (and recommendations, if any) unanimously agreed upon by one-half of the number of commissioners voting may be considered by the President as the findings and recommendations of the Commission: Provided, That if the commissioners voting are divided into two equal groups each of which is unanimously agreed upon findings (and recommendations, if any), the findings (and recommendations, if any) of either group may be considered by the President as the findings (and recommendations, if any) of the Commission. In any case of a divided vote referred to in this paragraph the Commission shall transmit to the President the findings (and recommendations, if any) of each group within the Commission with respect to the matter in question.

(2) Whenever, in any case in which the Commission is authorized to make an investigation upon its own motion, upon complaint, or upon application of any interested party, one-half of the number of commissioners voting agree that the investigation should be made, such investigation shall thereupon be carried out in accordance with the statutory authority covering the matter in question. Whenever the Commission is authorized to hold hearings in the course of any investigation and one-half of the number of commissioners voting agree that hearings should be held, such hearings shall thereupon be held in accordance with the statutory authority covering the matter in question.

2/ P.L. 85-630 added the following sentence to section 201(a) of the Antidumping Act:

\* \* \* For the purposes of this subsection, the said Commission shall be deemed to have made an affirmative determination if the Commissioners of the said Commission voting are evenly divided as to whether its determination should be in the affirmative or in the negative. \* \* \*

in connection with an investigation, and that, under section 201(a) of the Antidumping Act, an affirmative determination is deemed to have been made by the Commission when the Commissioners voting are evenly divided. Clearly neither of these provisions applies in the present situation.

Section 330(d)(1), however, provides no such automaticity in a tie-vote situation; in such a situation, the President is empowered to consider the findings of either group as the findings of the Commission, but only

\* \* \* in any case calling for findings of the Commission in connection with any authority conferred by law to make changes in import restrictions. \* \* \*

Inasmuch as section 301(c) of the TEA does not confer upon the President any authority to make changes in import restrictions, it cannot be seriously contended that section 330(d)(1) of the Tariff Act empowers the President to consider the findings of either group as the findings of the Commission.

It follows that, in the present case--by the historic rule governing the Commission's actions--the tie (3-3) vote of the six Commissioners present and voting does not constitute an affirmative finding of the Commission under section 301(c)(2), and is, in effect, the equivalent of a negative finding.

## Views of Commissioners Thunberg, Clubb and Moore

On February 19, 1970, Eagle Shoe Manufacturing Company (Eagle Shoe) of Everett, Massachusetts, ceased operations causing certain workers to become unemployed. On March 31, 1970, the United Shoe Workers of America, AFL-CIO, CLC, filed a petition for adjustment assistance under section 301(a)(2) of the Trade Expansion Act of 1962 <sup>1/</sup> on behalf of these workers asking that they be granted adjustment assistance.

As the Commission has frequently pointed out in earlier investigations, the Trade Expansion Act establishes four requirements to be met for an affirmative determination of eligibility for adjustment assistance: <sup>2/</sup>

- (1) Imports must be increasing;

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<sup>1/</sup> Sec. 301(a)(2) of the Trade Expansion Act of 1962 reads as follows:

A petition for a determination of eligibility to apply for adjustment assistance under chapter 2 may be filed with the Tariff Commission by a firm or its representative, and a petition for a determination of eligibility to apply for adjustment assistance under chapter 3 may be filed with the Tariff Commission by a group of workers or by their certified or recognized union or other duly authorized representative.

<sup>2/</sup> Sec. 301(c)(2) of the Trade Expansion Act of 1962 reads as follows:

In the case of a petition by a group of workers for a determination of eligibility to apply for adjustment assistance under chapter 3, the Tariff Commission shall promptly make an investigation to determine whether, as a result in major part of concessions granted under trade agreements, an article like or directly competitive with an article produced by such workers' firm, or an appropriate subdivision thereof, is being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such firm or subdivision.

- (2) the increase in imports must be a result in major part of concessions granted under trade agreements;
- (3) the workers concerned must be underemployed or unemployed, or threatened with underemployment or unemployment; and
- (4) the increased imports resulting from trade-agreement concessions must be the major factor causing or threatening to cause the unemployment or underemployment.

We believe that each of these requirements has been met with respect to the petitions of the workers of Eagle Shoe.

#### Increasing imports

When imported, footwear like or directly competitive with that produced by Eagle Shoe is classified for duty purposes in TSUS items 700.35 (cement footwear for men, youths and boys; and, men's, youths' and boys' leather shoes of miscellaneous construction) and 700.25, 700.26, 700.27, 700.29 (men's and boys' shoes of welt construction).

Imports of such footwear increased without interruption from 6 million pairs in 1965 to 20 million pairs in 1969. During this same period, U.S. production declined irregularly from 87 million pairs in 1965 to 85 million pairs in 1969; thus, the entire increase in estimated consumption during that period resulted from increased imports.

#### In major part

The second requirement is that increased imports must result in major part from concessions granted under trade agreements. As has

been stated in previous decisions, <sup>1/</sup> in order to determine whether this requirement has been met, we must ask whether imports of the product concerned would be substantially at their present level had it not been for the aggregate of trade-agreement concessions granted thereon since 1934. If they would not, then the increased imports have been a result in major part of concessions.

The bulk (nearly 80 percent) of the increase in imports of the footwear like or directly competitive with that produced by Eagle Shoe has consisted of footwear of cement construction. The rate of duty that was applicable to such footwear under the provisions of the Tariff Act of 1930 before any trade-agreement concessions were granted was 20 percent ad valorem. A 1943 trade-agreement concessions applicable to the types of footwear produced at Eagle Shoe resulted in a reduction of the rate of duty from 20 to 10 percent ad valorem. The latter rate remained in effect until January 1, 1968, when the Kennedy-round reduction became effective in three phases: 9.5 percent ad valorem from January 1, 1968, through December 31, 1968; 9.0 percent from January 1, 1969, through December 31, 1970; and 8.5 percent on and after January 1, 1971.

In the highly competitive market for low-priced footwear in which Eagle Shoe was engaged, these reductions mean the difference between sales and no sales and are a significant stimulus to imports of such footwear.

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<sup>1/</sup> Buttweld Pipe, Inv. No. TEA-W-8 (1969) at 8-11, and Transmission Towers and Parts, Inv. No. TEA-W-9 and TEA-W-10 (1969) at 10-11.



An official of Eagle Shoe stated that his firm was particularly vulnerable to import competition because imports that sold at retail in the same general price range were generally available to the retailer at a lower price. This view was confirmed in interviews with jobbers who formerly purchased substantial quantities from Eagle Shoe.

As indicated in footnote 1, page A7, we reject the conclusion that consumer interest in style and quality rather than price has been primarily responsible for Eagle's difficulties. Indeed, in the view of two of us (Commissioners Clubb and Moore), consumer interest is centered in price rather than style and quality. In the view of one of us (Commissioner Thunberg), consumers appear to react favorably to a variety of styles and qualities at various price levels, and thus show interest in style and quality as well as price.

In view of the foregoing, and taking into account the trade-agreement concessions on other pertinent types of footwear, we conclude that imports of footwear like or directly competitive with that produced by Eagle Shoe would not be at their present level had it not been for the trade-agreement concessions granted since 1934, and that increased imports have, in major part, been a result of trade-agreement concessions.

#### Underemployment or unemployment

The third requirement is that the petitioners must be unemployed or underemployed or both. Eagle Shoe ceased operations and closed its

plant on February 19, 1970. Approximately 190 of the petitioning workers were discharged. Accordingly, it is clear that this requirement has been met.

Major factor

The final requirement is that increased imports have been the major factor causing the unemployment or underemployment of the employees concerned. As we stated in previous cases, this requirement is satisfied if the unemployment or underemployment would not have occurred if the imports had not increased.

The shutdown of a manufacturing plant usually is the result of a variety of interrelated factors. So it is in this case. \* \* \* Increased imports of men's dress shoes supplied the entire increase in U. S. consumption in recent years.

Production at Eagle Shoe declined without interruption during 1965-69, while imports increased without interruption. We conclude that, had imported footwear of a type like or competitive with Eagle Shoe's output not been available in such increased quantities, Eagle Shoe would not have had to cease production and to close its plant.

In our opinion, the circumstances affecting the workers at Eagle Shoe are the type intended to be covered by the adjustment assistance provisions of the Trade Expansion Act. We find, therefore, that the petitioners have met the requirements of that Act, and we believe that they are entitled to adjustment assistance as provided by that Act.

## INFORMATION OBTAINED IN THE INVESTIGATION

## Description of the Articles Under Investigation

The Eagle Shoe Manufacturing Co., which closed its plant in February 1970, produced men's, youths', and boys' dress shoes of cement construction at its Everett, Mass., plant. 1/ In 1969, such shoes, which had uppers of leather and soles of composition rubber, were sold at the retail level for about \$8 to \$10 a pair.

The term "dress shoes" refers to the types of footwear intended principally for business and social activities; however, it generally does not refer to footwear suitable for hazardous or strenuous occupations, active sports, beachwear, or other leisure activities for which

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1/ Although the petition in this investigation, as well as the Commission's public notice, indicated that soled moccasins were produced by Eagle, such footwear was not produced by that firm but by the Androscoggin Co. of Lewiston, Me., which had the same stockholders as Eagle. The workers of the Lewiston plant were not covered by the petition, and therefore the operations of that plant (including the production of soled moccasins) are not considered in this report.

The term "men" and "youths" and "boys" are used here, as in the Tariff Schedules of the United States Annotated (TSUSA), to differentiate size categories of footwear for males (not including footwear commonly worn by both sexes) as follows: "men" refers to footwear of American men's size 6 and larger and "youths and boys" to American youths' size 11-1/2 and larger but not as large as American men's size 6. In the remainder of this report, the term "men's" will be used in general to refer to footwear intended for youths and boys as well as for men.

casual attire is worn. More specifically, the term "dress shoes" does not refer to athletic or work shoes or soled moccasins. 1/

In recent years about a fourth of the U.S. production of men's dress shoes has been made by the cement process, about a half by the welt process, and most of the remainder by the injection-molded process. In the cement process of construction (the method used by Eagle) the outsole (or midsole, if any) is affixed to the upper by an adhesive without sewing. In this report, as in the TSUSA, the term "cement" is not used to refer to footwear having vulcanized or injection-molded soles. The cement process permits narrow edges on the outsole to give a trim appearance and produces a lighter and more flexible shoe than other processes used for men's footwear. In the welt process, a narrow strip of supple leather or manmade material, called the welt, is sewed to the shoe upper and to a lip on the surface of the insole; the outsole is then sewed and/or cemented to the welt. Welt shoes are heavier in weight and appearance--and are generally regarded as more rugged and durable--than those made by the cement process. In the injection-molded process of construction, the sole and heel of polyvinyl chloride or an elastomer resin compound are simultaneously molded and attached to the shoe upper, thus reducing production time and labor costs by eliminating a number of the steps required in other processes to attach the

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1/ Here, as in the TSUSA, athletic footwear is defined as "footwear of special construction for baseball, football, soccer, track, skating, skiing, and other athletic games, or sports"; and work footwear is defined as "footwear having outsoles 1/4 inch or over in thickness. . . and having uppers of grain leather extending above the ankle".

sole to the upper. The injection-molded process has been used increasingly in recent years to produce a dress shoe of trim appearance.

Men's dress shoes are currently sold at retail prices ranging mostly from \$8 to \$50 a pair depending on the style, construction, and materials used. Men's dress shoes of cement construction generally retail from about \$8 to \$20 a pair; men's dress shoes of welt construction generally retail from about \$15 to \$35 a pair; and injection-molded dress shoes, from about \$8 to \$20 a pair. Shoes of the latest styles and having uppers and soles of high quality leather retail at \$40 or more a pair.

The data on U.S. production in this report include a small amount (probably less than 5 percent in recent years) of shoes with uppers of manmade leather-like materials (poromerics); up to this time imports of shoes made of such materials are believed negligible. Shoes with uppers of poromerics are currently sold at a wide range of retail prices, mostly from about \$10 to \$40.

Imported footwear of the type produced by Eagle is classified for duty purposes in TSUS item 700.35 and reported for statistical purposes in TSUSA items 700.3550 (cement footwear for men) and in 700.3555 (cement footwear for youths and boys). Imported men's and boys' leather shoes of welt construction, which do not differ significantly from cement shoes in styling and appearance, are admitted under items 700.25, 700.26, 700.27, and 700.29, depending on the value per pair. Imported leather shoes of miscellaneous constructions (particularly the injection-molded and the stitchdown processes), which also do not differ significantly in

styling and appearance from cement shoes, are admitted under item 700.35 and reported in TSUSA items 700.3540 and 700.3575, respectively (for men) and in TSUSA items 700.3545 and 700.3580, respectively (for youths and boys).

#### U.S. Tariff Treatment

Footwear in chief value of leather (except with uppers in chief value of fibers) was originally dutiable in the Tariff Act of 1930 at 20 percent ad valorem under paragraph 1530(e). As indicated in the preceding section, imported footwear of cement construction, and that of the other types of construction that do not differ significantly in styling and appearance from the cement dress shoes produced by Eagle, have been admitted in recent years (since Aug. 31, 1963, the effective date of the TSUS) under items 700.25, 700.26, 700.27, 700.29, and 700.35.

From 1930 until January 1, 1948, the effective date of the earliest concessions granted by the United States under the General Agreements on Tariffs and Trade (GATT), the tariff rates on the footwear here discussed were affected by the following two pre-GATT concessions: (1) Effective January 1, 1939, the rate on welt footwear with a dutiable value of over \$2.50 a pair (now TSUS items 700.26, 700.27, and 700.29) was reduced to 50 cents a pair, but not less than 10 percent ad valorem; and (2) effective January 30, 1943, the rate on footwear of cement and miscellaneous processes (now TSUS item 700.35) was reduced to 10 percent ad valorem.

Table 1 (in the appendix) shows the 1930 and GATT concession rates (including all stages of the Kennedy Round reductions) for items 700.25,

700.26, 700.27, 700.29, and 700.35, the five TSUS items under which men's, youths', and boys' dress shoes have been admitted in recent years.

Table 2 shows, for the years 1965-69, the estimated imports of such shoes admitted under each of the five TSUS items and the applicable rates of duty.

## U.S. Consumption

Estimates of U.S. consumption of men's dress shoes are shown for 1965-69 in the following tabulation (in millions of pairs): 1/

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Apparent consumption</u>	<u>Ratio (percent) of imports to apparent consumption</u>
1965-----	87	6	93	6
1966-----	88	9	97	9
1967-----	84	11	95	12
1968-----	88	15	103	15
1969-----	85	20	105	19

All the increase in consumption of men's dress shoes from 1965 to 1969 came from imports. In recent years fashion has increasingly become the keynote of the U.S. market for men's dress shoes. Rising per capita income, growth of leisure time, the changing age structure of the population (particularly the exceedingly high rate of growth in the number of males 15 to 24 years of age 2/) and the expansion of market outlets in suburban areas are factors which have greatly affected the mode of living in the United States, including the styles of men's footwear.

The light-weight, so-called continental look in footwear introduced into the United States by imports from Italy and Spain has become popular for wear with the new fashions in men's wearing apparel. Moreover, men's dress shoes, like women's dress shoes, are now subject to

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1/ Production plus imports. In recent years, exports of men's shoes have averaged about 500,000 pairs annually.

2/ From 1960 to 1968, males in the 15-24-year age bracket increased by 32 percent, compared with an increase of almost 12 percent in the U.S. population.



frequent style changes. Recently, buckled, blunt-toed oxfords and boots have been popular. Because of the increasing consumer interest in style and quality rather than price, the market for low-priced shoes of conservative styles, such as Eagle produced, has been dwindling. <sup>1/</sup>

#### U.S. Production

##### Volume

During the period 1965-69, annual production of men's footwear ranged between 84 and 88 million pairs as shown in the following tabulation of production by type of construction (in millions of pairs): <sup>2/</sup>

<u>Year</u>	<u>Welt</u>	<u>Cement</u>	<u>Other</u>	<u>Total</u>
1965-----	44	26	17	87
1966-----	45	26	17	88
1967-----	39	23	22	84
1968-----	41	25	22	88
1969-----	40	24	21	85

The downward trend in the production of welt and cement-process shoes during 1965-69 resulted in part from the increasing use of the injection-molding process which eliminates many operations required in the manufacture of conventional welt and cement shoes. Style changes stimulated domestic production of men's shoes during 1968.

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<sup>1/</sup> Commissioners Thunberg, Clubb, and Moore disagree with the conclusion that consumer interest in style and quality rather than price has caused injury to Eagle. Commissioner Thunberg observes that consumers appear to react favorably to a variety of styles and qualities at various price levels and thus show interest in style and quality as well as in price.

<sup>2/</sup> Includes footwear other than athletic or work reported in SIC No. 3141 as (1) men's shoes except handsewns and footwear with uppers of soft tannage (desert boots and sandals) and (2) youths' and boys' shoes. Production of "other" men's footwear include footwear made principally by the injection-molded and other processes of affixing the sole and the heel unit to the assembled uppers. Detailed data for 1969 relating to type of construction are estimated.

Prices

The following tabulation shows domestic production of men's shoes (other than athletic or work) in 1968, by manufacturer's selling prices, which generally are about a half of the retail selling prices: 1/

<u>Manufacturer's selling price</u>	<u>Quantity (1,000 pairs)</u>	<u>Percent of total</u>
\$2.41 - \$3.00-----	1,252	1.4
\$3.01 - \$3.60-----	2,771	3.1
\$3.61 - \$4.20-----	1,967	2.2
\$4.21 - \$4.80-----	9,119	10.2
\$4.81 - \$5.40-----	5,990	6.7
\$5.41 - \$6.00-----	14,483	16.2
\$6.01 - \$7.20-----	12,248	13.7
\$7.21 - \$8.40-----	12,516	14.0
\$8.41 - \$10.20-----	11,890	13.3
\$10.21 - \$12.00-----	6,884	7.7
\$12.01 and over-----	<u>10,281</u>	<u>11.5</u>
Total-----	<u>89,401</u>	<u>100.0</u>

Nearly all of the shoes produced by Eagle in 1968 ranged between \$3.50 and \$4.50 a pair at the wholesale level (about \$7.50 to \$10.00 at retail), i.e., the low end of the men's footwear market. Dress shoes of Eagle's price range are currently found in discount outlets and budget shops of department stores. As indicated in the Commission's nonrubber footwear report of December 1969, 2/ many of the long established shoe chains in the United States have upgraded and increased their product lines in recent years. The well known "price-houses" of

1/ These data include handsewns (13 million pairs) and footwear with uppers of soft tannage (desert boots and sandals) (12 million pairs)--two types of footwear not included in the preceding tabulation of U.S. production in 1965-69--but do not include shoes for youths and boys (24 million pairs), which are included in preceding tabulation. About 60 percent of the 1968 production of shoes for youths and boys was sold at wholesale between \$2.41 and \$4.80 a pair.

2/ Nonrubber Footwear, TC Publication 387, p. 16.

15 to 20 years ago (i.e., the retail chains that sold footwear at one low price, or within a narrow price range) are now featuring fashion products (both imported and domestic) of higher quality and in a wide price range.

### U.S. Imports

#### Volume

Estimates of total U.S. imports of men's dress shoes, by types, are shown in table 2 for the years 1965-69. Such imports, which increased from 6 million pairs in 1965 to 11 million pairs in 1967 and to 20 million pairs in 1969, supplied 6 percent of apparent consumption in 1965 and 19 percent in 1969. Shoes made by the cement process have accounted for about two-thirds of the total imports. It is believed that a very large portion of the imports of men's dress shoes have soles of leather.

Italy, Spain, and the United Kingdom have been the principal suppliers of the dress shoes considered here. Italy and Spain supplied principally cement shoes; the United Kingdom, welt shoes.

#### Prices

Of the estimated imports of 20 million pairs in 1969, about four-fifths, principally men's dress cement shoes, were admitted with an average dutiable value of about \$4 a pair. <sup>1/</sup> About a million pairs of men's dress welt shoes were admitted with an average dutiable value of about \$6 a pair and about 2 million pairs at an average dutiable value of about \$10 a pair.

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<sup>1/</sup> After payment of ocean freight, U.S. import duty, and miscellaneous expenses, these shoes would have a landed value of nearly \$5 a pair.



A-10 through A-16

It is believed that the bulk of the men's dress cement shoes were sold at a retail price of \$8 to \$20 a pair and the bulk of the men's dress welt shoes at a retail price of \$15 to \$35 a pair.

Eagle Shoe Company

\* \* \* \* \*



Appendix





provided for in specified TSUS items, 1930 and GATT concessions

TSUS item No.	Abbreviated description	GATT concessions <sup>1/</sup>		Effective dates
		1930 rate	Rate	
		Percent ad val.	Percent ad val. or cents per pair	
700.25	Leather footwear: Welt, valued per pair-- Not over \$2-----	20%	19% 19% 17%	June 30, 1956 - June 29, 1957 June 30, 1957 - June 29, 1958 June 30, 1958 to date
700.26 <sup>2/</sup>	Over \$2 but not over \$5--	20%	40¢ 38¢ 36¢ 34¢ 30¢ 27¢ 23¢ 20¢ 17¢	Jan. 1, 1948 - June 29, 1956 June 30, 1956 - June 29, 1957 June 30, 1957 - June 29, 1958 June 30, 1958 - Dec. 31, 1967 Jan. 1 - Dec. 31, 1968 Jan. 1 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1 - Dec. 31, 1971 Jan. 1, 1972
700.27 <sup>2/</sup>	Over \$5 but not over \$6.80.	20%	40¢ 38¢ 36¢ 34¢ 6% but not more than 34¢ 5.5% but not more than 34¢ 5%	Jan. 1, 1948 - June 29, 1956 June 30, 1956 - June 29, 1957 June 30, 1957 - June 29, 1958 June 30, 1958 - Dec. 31, 1967 Jan. 1, 1968 - Dec. 31, 1969 Jan. 1 - Dec. 31, 1970 Jan. 1, 1971
700.29 <sup>2/</sup>	Over \$6.80 (except ski boots).	20%	40¢ but not less than 5% 38¢ but not less than 5% 36¢ but not less than 5% 5%	Jan. 1, 1948 - June 29, 1956 June 30, 1956 - June 29, 1957 June 30, 1957 - June 29, 1958 June 30, 1958 to date
700.35	"Other" footwear (including cement process) for men, youths, and boys)	20%	10% 9.5% 9.0% 8.5%	June 6, 1951 - Dec. 31, 1967 Jan. 1 - Dec. 31, 1968 Jan. 1, 1969 - Dec. 31, 1970 Jan. 1, 1971

<sup>1/</sup> For concessions granted in the Kennedy Round, shows staged rates to become effective up to and including Jan. 1, 1972.  
<sup>2/</sup> New item effective Jan. 1, 1968.

Table 2.--Men's, youths', and boys' dress shoes of leather: U.S. tariff rates and estimated imports, by types, 1965-69

Year	Cement process (in 700.35) 1/		Not over \$2 (in 700.25)		Over \$2, not over \$6.80 (item 700.29)		Welt, valued per pair--	
	Million pairs	Percent ad val.	Quantity Million pairs	Tariff rate	Quantity Million pairs	Tariff rate	Quantity Million pairs	Tariff rate
1965	6	10%	5	17%	2/	34¢	1	5%
1966	9	10%	7	17%	2/	34¢	1	5%
1967	11	10%	8	17%	2/	34¢	2	5%
1968	15	9.5%	12	17%	2/	(30¢ 3/) (6% 3/)	1	5%
1969	20	9%	16	17%	2/	(27¢ 3/) (5.5% 3/)	1	5%

1/ Estimates consist principally of cement process shoes, but also include shoes with injection-molded soles and those made by the stitchdown and miscellaneous processes.

2/ Less than 500,000 pairs.

3/ But not more than 34 cents a pair.



