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UNITED STATES TARIFF COMMISSION

WOMEN'S CASUAL SHOES:
PLA-MOC, INC.
LYNN, MASS.

Report to the President
Firm Investigation No. TEA-F-23
Under Section 301(c)(1) of the Trade Expansion Act of 1962

TC Publication 405
Washington, D.C.
July 1971

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 the publication of which would result in the disclosure of the operation of an individual concern. 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
July 16, 1971

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)(1) of that act in response to a petition filed by a firm.

On May 19, 1971, Mr. Louis J. Furash, president of Pla-Moc, Inc., Lynn, Mass., filed a petition for determination of the eligibility of that firm to apply for adjustment assistance. The Commission instituted an investigation (TEA-F-23) on June 1, 1971, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with women's casual shoes produced by the aforementioned firm, are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to such firm.

Public notice of the investigation was given in the Federal Register (36 F.R. 10913) on June 4, 1971. No public hearing was requested and none was held.

The information in this report was obtained principally from the officials of the petitioning firm and the Commission's files.

Finding of the Commission

On the basis of its investigation, the Commission 1/ finds (Commissioner Moore dissenting) that articles like or directly competitive with women's casual shoes produced by Pla-Moc, Inc., Lynn, Mass., are not, 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, serious injury to the company.

1/ Commissioner Young did not participate in the decision. Chairman Bedell was not a member of the Commission when the decision was made.

Views of Commissioners Sutton and Leonard

Our determination in the instant case is negative because the increase in imports of any footwear like or directly competitive with that produced by Pla-Moc, Inc., Lynn, Mass., is not the result in major part of concessions granted under trade agreements. Our reasoning in support of this determination is set forth in the separate statements of our views in the Commission's report on nonrubber footwear submitted to the President on January 16, 1971. 1/

1/ Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . ., TC Publication 359, 1971, pp. 25-47.

Dissenting Views of Commissioner Moore

It is my opinion that an affirmative determination should be made in this case, by reason of the fact that the requirements of section 301(c)(1) of the Trade Expansion Act of 1962 have been met.

Under section 301(c)(1), four requirements must be met before an affirmative determination can be made:

1. Imports of articles like or directly competitive with those produced by the firm must be increasing;

2. The increased imports must be a result in major part of concessions granted under trade agreements;

3. The firm must be seriously injured or threatened with serious injury; and

4. The increased imports resulting in major part from trade-agreement concessions must be the major factor causing or threatening to cause serious injury.

Increased imports in major part a result of trade-agreement concessions

The petitioning firm, Pla-Moc, Inc., Lynn, Mass., has been producing two types of casual footwear for women and misses--moccasins with applied soles and moccasin-styled loafers. Pla-Moc footwear has been sold in the low-priced end of the women's footwear market, retailing at prices from about $4 to $8 per pair.

In earlier opinions under the Trade Expansion Act, I have expressed the belief that all types of inexpensive footwear are, by and large, directly competitive with one another. In my view, the

low-priced moccasins and loafers produced by Pla-Moc compete in the U.S. market not only with identical footwear (women's moccasins and loafers), but also with sneakers, casual styles of canvas/rubber shoes, vinyl shoes in dress and casual styles, sandals of leather and plastics, desert boots, and with other inexpensive types of footwear.

For reasons set forth in earlier footwear cases, 1/ I conclude here that footwear like or directly competitive with that produced by Pla-Moc is being imported in increased quantities and that such increased imports resulted in major part from trade-agreement concessions.

Thus, the first two requirements for an affirmative determination have been met.

Threat of injury

Pla-Moc currently is at a critical juncture in its existence.

* * * * * * *

Clearly, the company is threatened with serious injury; therefore the third requirement for an affirmative determination is satisfied.

1/ Plastic- or Rubber-Soled Footwear with Fabric Uppers . . ., Investigation Nos. TEA-W-13 and 14, TC Publication 321, April 1970, at 3-8; Protective Footwear of Rubber or Plastics and Rubber- or Plastic-Soled Footwear with Fabric Uppers . . ., Investigation Nos. TEA-W-23/26, TC Publication 330, July 1970, at 9-11; and Women's, Youths', Boys', and Children's Footwear . . ., Investigation Nos. TEA-W-71/76, TC Publication 378, March 1971, at 5-6.

Major factor

The final requirement for an affirmative determination in this case is that the increased imports must be the major factor threatening serious injury to the company concerned. As I have stated in several previous cases under the Trade Expansion Act, U.S. imports of women's footwear in recent years have greatly increased, both in absolute volume and in relation to U.S. consumption. Imports of women's dress and casual shoes supplied about 40 percent of domestic consumption in 1970 compared with 17 percent in 1965. With respect to women's casual footwear alone (the category which includes the moccasins and loafers produced by Pla-Moc), imports probably supplied an even larger percentage of current domestic consumption. The imports' share of U.S. consumption of low-priced footwear, moreover, is far greater than the imports' share of consumption of more expensive footwear. 1/

As a result of the marked degree of increasing market penetration achieved by the competing imported footwear, the operations at Pla-Moc have been adversely affected.

* * * * * * *

1/ Nonrubber Footwear . . ., Investigation No. TEA-I-18, TC Publication 359, January 1971, at A-87.

In the light of the foregoing facts, I conclude that the increased imports have been the major factor threatening to cause Pla-Moc serious injury. The fourth requirement thus has been met.

Conclusion

I find that Pla-Moc, Inc. has met the statutory requirements for eligibility to apply for adjustment assistance, and therefore I believe an affirmative determination is justified in this case.

INFORMATION OBTAINED IN THE INVESTIGATION

Description of Articles Under Investigation

In recent years the output of Pla-Moc, Inc., has consisted of two types of casual footwear for women and misses 1/--hand-sewn moccasins with applied soles and casual shoes of the type generally referred to as loafers. The firm's production of such footwear, which largely has uppers of leather, is sold at retail prices of about $4 to $8 a pair. Loafers accounted for about * * * of the firm's output in 1967, but * * * in 1970.

The term "loafers" refers to a type of slip-on footwear the upper part of which resembles a moccasin. The loafers produced by Pla-Moc are constructed by stitching--by hand or machine--a piece of leather (called a plug) that covers the forepart of the foot to the sides and front of the toe portion of the leather upper (called the vamp); the assembled leather upper is then attached to an insole, and the outsole is attached with a Littleway lockstitch.

Like the loafer, the moccasin is also constructed with a plug stitched to the sides and front of the toe portion, but a single piece of leather forms the sides and sole with no inner sole. An outsole is usually attached with a Littleway lockstitch.

The principal features of women's shoes that determine the activities for which a particular pair is suitable--and thus the trade designations such as "dress," "casual," and "slippers"--are the cut of the uppers, the style and height of the heels, the material used

1/ In this report, as in the Tariff Schedules of the United States, the terms "women" and "misses" are used to differentiate size categories of footwear, not age of wearer, as follows: "women" refers to American women's sizes 4 and larger, and "misses" refers to American misses' sizes 12-1/2 and larger but not as large as American women's size 4.

for the uppers, the kind of ornamentation, and the material and construction of the sole. In general or commercial usage, however, these descriptive terms for footwear may have various meanings. Some of them are specifically defined for tariff purposes in the headnotes (including the statistical headnotes) to part 1A of schedule 7 of the Tariff Schedules of the United States (TSUS). 1/

In addition to loafers, other footwear worn for casual or leisure wear includes sandals, desert boots, moccasins, clogs, sneakers, and wedge-heeled shoes. The range of styles and quality of footwear increased greatly during the 1960's as a result of new materials, technological developments in production, and new fashions in wearing apparel. Simultaneously, consumer interest in a wide choice of footwear (as well as clothing) also increased, reflecting the changing age structure of the population, increasing per capita income, and a growth in time for leisure activities. Following these developments, the distinction between dress and casual shoes and attire diminished.

Imported footwear that closely resembles (in appearance, method of construction, and price lines) the footwear produced at Pla-Moc is classified for duty purposes under TSUS items 700.43, 700.45, and 700.55. Most of the imports are probably entered under items 700.43 and 700.55. Imports entered under TSUS item 700.43, which provides for leather footwear having a foreign (export) value of not over $2.50

1/ Some of the definitions for tariff purposes of descriptive terms (e.g., "slippers" and "casuals"), however, apply to only a small portion of the footwear for which such terms are currently used in retail outlets; see U.S. Tariff Commission, Nonrubber Footwear: Report to the President on Investigation No. TEA-I-18 . . ., TC Publication 359, 1971, pp. A-2 to A-5.

a pair, as well as those entered under TSUS item 700.45, which provides for leather footwear valued over $2.50 a pair, consist predominantly of women's footwear in a wide range of styles, types, and prices. In terms of quantity, about half of the combined imports under these two items in recent years have consisted of women's sandals having a selling price at retail in the range of about $3 to $9 a pair; the remainder probably consisted predominantly of women's cement-process dress shoes of moderate prices (i.e., in the retail price range of $8 to $20 a pair) but included sturdy types with vulcanized or injection-molded soles, lightweight slippers suitable principally for housewear, and expensive high-fashion types (including boots) for leisure wear as well as formal and other dress wear. Women's footwear with supported vinyl uppers that has entered under TSUS item 700.55 in recent years has consisted predominantly of two groups: (1) street shoes (which would include casual shoes) of sturdy construction, produced in a single width for each particular length, for sale mostly at $3 to $6 a pair at self-service counters in variety stores, discount stores, and department-store basements and (2) folding slippers and sandals, usually selling at retail mostly for less than $2 a pair.

The petitioner asserted that imported moccasins, classifiable under item 700.15, are "like or directly competitive" with the footwear produced at Pla-Moc. This TSUS item provides for imports of moccasins of the American Indian handicraft type, having no line of demarcation between the soles and the uppers. Although a small amount of moccasins of this description have been produced in the Pla-Moc plant, most of

the hand-sewn moccasins made there have had applied outer soles and are similar to the soled moccasins entering under TSUSA item 700.4320.

U.S. Tariff Treatment

Women's leather footwear of the type produced at Pla-Moc was originally dutiable under paragraph 1530(e) of the Tariff Act of 1930 at 20 percent ad valorem. Such footwear is provided for in the TSUS, which became effective on August 31, 1963, in items 700.15, 700.43 and 700.45. The rate of duty applicable to moccasins, item 700.15, has remained unchanged since 1948. The rate of duty applicable to items 700.43 and 700.45 was reduced for the first time, effective January 1, 1968, pursuant to concessions granted during the Kennedy Round of trade negotiations.

Supported vinyl was not used for uppers until the late 1940's or early 1950's. During the period before the TSUS became effective, footwear with supported vinyl uppers, which is now dutiable under TSUS item 700.55, was generally dutiable by virtue of the similitude provisions of paragraph 1559 at a rate provided for "similar" leather footwear in paragraph 1530(e), principally 20 percent. In the TSUS a rate of 12.5 percent ad valorem was established for item 700.55 as the trade-agreement rate to replace the wide range of rates previously applicable to the various types of footwear provided for in this item.

Table 1 in the appendix shows the reductions in rates of duty resulting from trade-agreement concessions granted under the General Agreement on Tariffs and Trade for footwear of the types now dutiable under items 700.43, 700.45, and 700.55. Table 2 in the appendix shows,

for 1965-70, U.S. imports of women's shoes admitted under the TSUS items mentioned above and the applicable rates of duty.

U.S. Consumption, Production, and Imports

During the period 1965-70, total apparent annual U.S. consumption of all women's shoes (including dress and casual) rose from about 383 million pairs to 416 million pairs. As imports more than doubled during this period, their share of the market increased from 17 to 40 percent, as shown in the following table.

Nonrubber footwear for women: U.S. production, imports for consumption, and apparent consumption, 1965-70

Year	Production 1/	Imports 2/	Apparent consumption 3/	Ratio of imports to apparent consumption
	Million pairs	Million pairs	Million pairs	Percent
1965	316	67	383	17
1966	320	70	390	18
1967	286	96	382	25
1968	317	133	450	30
1969	267	139	406	34
1970	251	165	416	40

1/ Production represents the output for women and misses, industry No. 3141, as reported by the U.S. Bureau of the Census. In 1970, women's shoes accounted for 90 percent of the total output.

2/ Partly estimated from the official statistics for footwear of the kinds described in p. 1A of schedule 7 of the TSUS, except imports described in items 700.32, 700.51, 700.52, 700.53, and 700.60 and except zoris (very inexpensive thonged sandals of rubber or plastics), dutiable under item 700.55. Includes imports of misses' footwear, which have been negligible compared with those of women's.

3/ Apparent consumption represents U.S. production plus imports without an allowance for exports, which in 1970 amounted to about 1 million pairs.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

U.S. imports of women's footwear entered under TSUS items 700.43, 700.45, and 700.55, shown in table 2 in the appendix, together accounted for 90 percent of the 1970 imports in the table above. Italy and Spain have been the principal suppliers of women's leather shoes (items 700.43 and 700.45). Japan and the Republic of China (Taiwan) have been the principal suppliers of women's vinyl shoes (item 700.55).

Data on U.S. production and imports of women's loafers and other casual shoes are not reported in official statistics. However, it is known that loafers (both hand-sewn and machine-sewn), which have been popular casual shoes during the past decade, have declined in popularity in recent years, and, as a result, the market for such footwear has diminished. While production data on women's loafers, as such, are not available, production figures on men's hand-sewn moccasins with outsole attached, similar in use and appearance to loafers, indicate a sharp drop in output, from 16 million pairs in 1967 to 6 million pairs in 1970. Production of women's loafers is believed to have followed a similar trend. Domestic production of women's casual shoes (of all types) has undoubtedly followed the same irregular downward trend as the production of women's shoes shown on page A-5 of this report.

While official data on imports of loafers are not available, it is known that imports of casual shoes (especially sandals) have trended upward in recent years. Imports of such footwear, entered principally under TSUS items 700.43 and 700.55, retail for about $3 to $9 a pair, and they account for a substantial part of the U.S. market for casual footwear. Annual U.S. imports of moccasins of the Indian handicraft type entered under item 700.15, most of which would be for women,

amounted to 963,000 pairs in 1966 and 1,402,000 pairs in 1967, then decreased to 461,000 pairs in 1970. Imports of women's soled moccasins which are similar in construction to the "camp" moccasins produced by Pla-Moc amounted to 143,000 pairs in 1966 and 501,000 pairs in 1970. These soled moccasins had an average unit value of $1.91 in 1966; in 1970, 371,000 pairs were imported valued not over $2.50 a pair, while the remaining 130,000 pairs were valued over $2.50 a pair (table 3). "Camp" moccasins were sold by Pla-Moc for * * * and * * * to retail for $4.98 and $5.98.

Data Relating to Pla-Moc, Inc.

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STATISTICAL APPENDIX

Table 1.--U.S. rates of duty applicable to women's and misses' footwear of types provided for in specified TSUS items, July 1, 1934, and GATT concessions to Jan. 1, 1972

TSUS item No.	Abbreviated description	Rate of duty		
		July 1, 1934 1/	GATT concessions 2/	
			Rate	Effective dates
		Percent ad val.	Percent ad val.	
	Leather footwear:			
	"Other" (including cement process):			
700.43	Valued not over $2.50 per pair	20%	19%	Jan. 1-Dec. 31, 1968.
			18%	Jan. 1-Dec. 31, 1969.
			17%	Jan. 1-Dec. 31, 1970.
			16%	Jan. 1-Dec. 31, 1971.
			15%	Jan. 1, 1972.
700.45	Valued over $2.50 per pair	20%	18%	Jan. 1-Dec. 31, 1968.
			16%	Jan. 1-Dec. 31, 1969.
			14%	Jan. 1-Dec. 31, 1970.
			12%	Jan. 1-Dec. 31, 1971.
			10%	Jan. 1, 1972.
700.55	Footwear having uppers of supported vinyl.	Principally 20% 3/	12.5% 4/	Aug. 31, 1963-Dec. 31, 196
			11%	Jan. 1-Dec. 31, 1968.
			10%	Jan. 1-Dec. 31, 1969.
			8.5%	Jan. 1-Dec. 31, 1970.
			7%	Jan. 1-Dec. 31, 1971.
			6%	Jan. 1, 1972.

1/ Except as noted, the rate on July 1, 1934, was the same as the original rate in the Tariff Act of 1930, effective June 18, 1930.

2/ For concessions granted in the Kennedy Round, effective Jan. 1, 1968, the table shows stage rates scheduled to become effective up to and including Jan. 1, 1972.

3/ Supported vinyl was not used for shoe uppers until the late 1940's or early 1950's. When footwear with supported vinyl uppers was imported during the 1950's and early 1960's, it was generally dutiable, by virtue of the similitude provisions of par. 1559, at the rate provided for "similar" leather footwear in par. 1530(e).

4/ The trade-agreement rate established in the TSUS, effective Aug. 31, 1963, under authority of the Tariff Classification Act of 1962 (Public Law 87-456) to replace the wide range of rates previously applicable to the various types of footwear provided for in this TSUS item.

Note.--The GATT concession rates are applicable to the products of all countries except those designated as Communist in General Headnote 3(e) of the TSUS; i.e., they are column 1 rates. Products of Communist countries are dutiable at column 2 rates, which for the TSUS items listed above except item 700.55 are the same as the rates shown for July 1, 1934. For item 700.55, the column 2 rate is 35 percent. That rate replaces the wide range of rates applicable in 1934 to the various types of footwear provided for in item 700.55.

Table 2.--Nonrubber footwear for women and misses: U.S. rates of duty and imports for consumption, by specified TSUS items, 1965-70

Year	Footwear with uppers of supported vinyl (700.55)		Certain leather footwear (700.43 and 700.45) 1/	
	Tariff rate	Quantity	Tariff rate	Quantity
	Percent ad val.	Million pairs	Percent ad val.	Million pairs
1965	12.5	35	20	21
1966	12.5	33	20	28
1967	12.5	50	20	38
1968	11	69	2/ 19	2/ 34
			3/ 18	3/ 20
1969	10	71	2/ 18	2/ 29
			3/ 16	3/ 27
1970	8.5	77	2/ 17	2/ 37
			3/ 14	3/ 35

1/ Before Jan. 1, 1968, in TSUS item 700.40.
2/ TSUS item 700.43.
3/ TSUS item 700.45.

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

Table 3.--Soled moccasins for women: U.S. imports for consumption by value ranges, 1/ 1966-70

Item	1966	1967	1968	1969	1970
Valued not over $2.50 per pair:					
Quantity--1,000 pairs	2/	2/	125	169	371
Value--1,000 dollars	2/	2/	228	308	554
Unit value per pair	2/	2/	$1.82	$1.82	$1.49
Valued over $2.50 per pair:					
Quantity--1,000 pairs	2/	2/	112	151	130
Value--1,000 dollars	2/	2/	481	800	761
Unit value per pair	2/	2/	$4.29	$5.30	$5.85
Total:					
Quantity--1,000 pairs	143	135	237	320	501
Value--1,000 dollars	273	423	709	1,108	1,315
Unit value per pair	$1.91	$3.14	$2.99	$3.46	$2.62

1/ Foreign value.
2/ Not separately reported prior to Jan. 1, 1968.

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

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