The following communication dated 18 February 1977 has been received from the Permanent Mission of the United States.

The United States International Trade Commission on 8 February reported to President Carter that the domestic footwear industry is being seriously injured by imports and recommended that tariff rate quotas be imposed to relieve the injury. The investigation was undertaken at the request of the Senate Finance Committee. The Commission's report is the culmination of a four-month investigation conducted under the "import relief" provision, Section 201, of the Trade Act of 1974.\(^1\)

The Commission's injury determination was unanimous. Chairman Daniel Minchew, Vice Chairman Joseph O. Parker, and Commissioners George M. Moore and Catherine Bedell recommended tariff rate quotas as a form of relief. Commissioner Will E. Leonard recommended higher tariffs, and Commissioner Italo H. Ablondi recommended adjustment assistance. The relief would last up to five years, with a possible extension of three years thereafter, if the President decides that such an extension would be in the national interest.

The tariff rate quota system proposed by the four Commissioners would permit up to 265 million pairs of shoes to enter at present rates of duty, which are generally between 6 and 15 per cent. All "over quota" imports would be dutiable initially at a tariff rate of 40 per cent.

Commissioners Parker, Moore and Bedell propose that the over quota tariff be 40 per cent for the first three years and be phased down to 30 per cent in the fourth year and 20 per cent in the fifth year before being terminated. Commissioner Minchew

\(^1\)Cf. document L/4314 and Add.1
proposes a 40 per cent over quota tariff for the first two years, phased down to 35 per cent in the third year, 30 per cent in the fourth year, and 20 per cent in the fifth year. The Commissioners recommend that the tariff rate quotas be administered on a country-by-country basis. They would exempt zoris and disposable paper footwear, which are not generally made in this country, and would also exempt athletic footwear valued for customs purposes at over US$8 a pair.

Commissioner Leonard proposed that tariffs be increased on all of the imported footwear under investigation (except disposable paper footwear) to 30 per cent for the first two years, with such relief being staged down to 28 per cent in the third year, 25 per cent in the fourth year, and to 20 per cent in the fifth and final year of import relief measures.

Commissioner Ablondi recommended adjustment assistance. Such assistance could provide shoe workers with special unemployment and training benefits and could provide firms with loans and loan guarantees. The adjustment assistance programme is administered by the Departments of Labor and Commerce.

In 1975 there were 376 companies producing non-rubber footwear, compared with 409 in 1974. The major footwear producing areas in the United States are the Middle Atlantic and New England States, although shoes are manufactured in thirty-seven States. The non-rubber footwear industry employed 163,000 workers in 1975, a decrease of nearly 10 per cent from 1974. There was a substantial decline in the number of workers engaged in the production of rubber footwear during 1974-75.

The President will make a decision on the disposition of the recommendation within sixty days from the date of receipt of the report, i.e., by 9 April.