In his first major policy decision on import relief, President Carter has directed a major new federal trade adjustment effort to be undertaken to assist the domestic footwear industry to become more competitive. At the same time, in order to facilitate this effort, the President has instructed his Special Representative for Trade Negotiations, Ambassador Robert Strauss, to seek within the next ninety days temporary agreements with foreign footwear exporting nations designed to moderate recent rapid shifts in trade causing injury to United States shoe firms, workers and communities. Further, President Carter has ordered a full review of all existing federal trade adjustment assistance programmes, which have proved inadequate in the past, for the purpose of developing recommendations to the Congress for an effective new programme, also within ninety days.

The President determined these courses of action to be in the national economic interest, in accordance with the Trade Act of 1974. In determining the national economic interest, the President must take into account criteria spelled out in the Trade Act, including the effects of any action on consumer costs and inflation, and on United States exports and trade relations with other countries, as well as on the domestic market.

The decisions result from a presidential review of a report and recommendation for a five-year system of tariff-rate quotas by the United States International Trade Commission, which found that the domestic footwear industry is being seriously injured,
substantially because of increased imports of non-rubber footwear. The President rejected the United States International Trade Commission recommendation on the grounds that it would be highly inflationary and the costs of saving and creating jobs would be excessive.

To resolve longer term problems of the shoe industry and other industries impacted by increasing imports, a new and integrated trade adjustment system will be designed and presented to the Congress to revise the inadequate present trade adjustment assistance programmes. The President will recommend to the Congress within the next ninety days legislation required to assure that particular firms, communities, and groups of workers are not forced to bear alone the costs of the benefits to all Americans of expanded trade.

To deal with these problems, other federal programmes as well as trade adjustment assistance programmes will be thoroughly reviewed to develop ways in which other industries experiencing problems caused by shifting patterns of trade, similar to those faced by the shoe industry, can become more efficient and competitive.

Ambassador Strauss has been directed to seek agreements initially with the appropriate import suppliers. Import levels will be sought which provide the opportunity for the domestic industry to adjust, without serious inflationary impact. If new problems arise with respect to other suppliers, consultations will be sought to prevent further disruption of the United States market.

The principal shoe import suppliers are the Republics of China and Korea, Brazil, Spain and Italy, which account for 80 per cent of United States imports of non-rubber footwear. The Republics of China and Korea have recorded the largest gains since 1974, equivalent to the overall increase of imports of 104 million pairs.

Orderly marketing agreements, which are authorized under the Trade Act, are formal trade agreements between governments. They are intended to be used as vehicles for required temporary import adjustment, and may be modified or terminated by the President at any time, taking into account the advice of the Secretaries of Commerce and Labor and the United States International Trade Commission.

This action is being taken pursuant to GATT Article XIX. The United States welcomes consultations on its proposed action.

In announcing his decision, President Carter said "I am very reluctant to restrict international trade in any way. For forty years, the United States has worked for the reduction of trade barriers around the world, and we are continuing
to pursue this goal because this is the surest long-range way to create jobs here and abroad. Only problems as extreme as those faced by the American shoe industry could force me to seek even modest mandatory limits on imports."

Additional data regarding the United States non-rubber footwear industry has been provided to the secretariat, who will make it available upon request.