



AFFORDABLE FOOTWEAR INITIATIVE

The Fundamental Objective of AFI.

- The AFI seeks to remove or reduce regressive import duties on a range of shoe types popular with today's consumers.
- If enacted, the AFI would save American footwear consumers billions of dollars annually.
- This initiative is not controversial – there is virtually no U.S. production of these items, and domestic footwear producers do not oppose this initiative.

The American Footwear Consumer Is Paying Outdated, Regressive Shoe Taxes.

- U.S. import duties on footwear are very high; some rates are as high as 67.5 percent. U.S. footwear firms paid **\$1.9 billion** in duties to the U.S. government in 2006, more than the duties paid on imports of virtually any other single type of product.
- The U.S. tariff system with respect to footwear is regressive in that it charges higher rates of duty for lower-valued merchandise. As such, footwear duties act as a regressive tax on low- and middle-income American households, including single-parent households, who spend a larger share of their disposable income on basic necessities.
- Because shoes are marked up both at wholesale and again at retail, that \$1.7 billion in import duties translates into **a \$4–5 billion tax** each year on hardworking U.S. families.

Elimination of Footwear Duties Is Not Controversial.

- High footwear duties originated in the 1930s, when U.S. domestic footwear production was at its height.
- Over the last 20 years, the U.S. footwear production has practically disappeared. Current U.S. footwear manufacturers generally produce either specialized types of rubber or leather products or high-end athletic shoes.
- For remaining shoe types, there is virtually no U.S. production. Nearly all low-priced shoes are now made in Asia – primarily China, Vietnam and Indonesia. Yet, high protective tariffs remain.
- The DR-CAFTA negotiations and a recently enacted tariff bill led the domestic footwear industry to determine that 17 out of 115 HTS shoe classifications are still made in the United States. Now, with the acquiescence of the remaining U.S. shoe manufacturers, all but these 17 HTS shoe classifications, i.e. 98 shoe types, can now enter the United States duty-free from the Caribbean and Central America.
- The AFI does not include those few footwear types which are still produced in the United. So, no domestic manufacturing interest has a reason to oppose the effort.
- The trade bill passed by Congress at the end of 2006 included provisions that eliminated duties on 27 specific footwear types that are imported in relatively modest volumes and, thus, are not significant from a revenue perspective. These provisions were unopposed, further demonstrating the lack of controversy surrounding this issue.

Hardworking U.S. Families Win if Duties are Eliminated.

- The cutthroat competition that exists in the U.S. footwear market ensures that virtually all of the duty-savings will be passed on to U.S. families. In fact, retail prices for footwear have fallen over 4 percent since 1998 while overall retail prices grew almost 25 percent during the same period.
- The result is tax-relief for low- and middle-income American households in the form of lower prices on footwear – something every man, woman and child must wear.

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