THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
WASHINGTON

MAR - 1 1978

Honorable Paul E. Tsongas
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Tsongas:

The Commissioner of Customs has forwarded to us, for additional comment, your letter supporting the request of domestic nonrubber footwear manufacturers that imports of certain nearly finished footwear, e.g. lasted uppers, now entering as components under TSUS 791.25 be classified as finished footwear under various tariff items between 700.05 and 700.85.

In his reply, the Commissioner of Customs cited present classification practice and the steps that could be taken to secure a change. However, the reclassification requested by the industry would not bring footwear components within the scope of the restraints on finished footwear, as is explained below. The only direct effect would be to increase the duties paid, since most finished footwear enters at rates well above the 5 percent levied on components under TSUS 791.25.

The orderly marketing agreements (OMAs) on nonrubber footwear that were concluded last spring with the Republics of China and of Korea did not cover footwear uppers and other parts because such parts were not included in the investigation, or the injury finding, of the U.S. International Trade Commission. The Administration did not then, nor does it now, have the legal authority in these circumstances to limit imports of articles that are not covered by an injury finding of the U.S. International Trade Commission.

We have, nevertheless, been aware of the possibility that the agreed restraints could be made less effective through increased imports of footwear parts, and have taken steps to watch such imports carefully. Over the past six months, this subject has been discussed within the interagency committee that monitors the OMAs on footwear. There have also been discussions between Custom's officials and this Office on this problem. As a result of these conversations:

(1) The U.S. International Trade Commission has begun to report, to the extent possible, the number of components imported each month. Prior to September, 1977, component imports were reported in total dollar value only;

(2) The Interagency Committee for Statistical Annotation of the Tariff Schedules (known as the 484e Committee) was asked to assign statistical reporting numbers to the various nonrubber footwear components so that the volume of imported components directly competitive with finished nonrubber footwear covered by the agreements can be monitored. Only a few specific components types can be readily identified from present import data. We are asking the Committee to expedite action on this request.

In addition, last June the representatives of the Governments of the Republics of China and of Korea unilaterally expressed their intention not to increase exports of footwear uppers and parts to the United States in a way that would undermine the effectiveness of the orderly marketing agreements with those countries. Although these unilateral statements may be grounds for consultations with the Republics of China and of Korea, they do not furnish legal basis for the Administration to restrain imports of footwear parts. In fact, even if footwear components now classified under TSUS item 791.25 were reclassified as finished footwear items, we would not have the legal authority to impose restraints on such components unless and until the USITC made a finding of domestic injury with respect to them.

We understand the industry's desire to maintain the effectiveness of the footwear escape clause remedy. As regards the potential threat from imports of lasted shoe uppers, however, we believe the most prudent first step would be to get a clearer picture of the trade in the various items entering under TSUS 791.25. The statistical reporting changes requested of the 484e Committee would produce such information and thereby provide a sound basis for determining what action, if any, is appropriate.

Sincerely,

Robert S. Strauss