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COMPARATIVE STATISTICS OF RELIEF OPTIONS

	USTR Not as happy with Option 2: USITC Remedy Quotas	Meaningful Option 3: Tariff Option	Symbolic Option 4: Liberal Tariff Option
5 Year Average Tariff (including 9% tariff)	N.A.	25/23/21/16/12 $4 price break Helps inflation	20/18/15/12/10
1st Year Reduction in Imports from 1984:			
Volume Red.	102 mil.prs.	56-99 mil.prs.	38-66 mil.prs.
% Reduction	14%	8-13%	5-9%
I/C Ratio for 5 years. 1/	61/61/62/64/68	62/63/65/68/71	65/66/67/69/71
Net Welfare Costs (Annual Average)	$55-$105 mil.	$59-63 mil.	About $40 mil.
Annual Consumer Costs (Annual Average)	$342-$572 mil.	$358-$379 mil.	$240-254 mil.
5 Year Consumer Costs	$1.7-$2.9 bil.	$1.8-$1.9 bil.	$1.2-$1.3 bil.
Producer Surplus (Annual Average)	$51-$86 mil.	$99-$102 mil.	$66-$68 mil.
Federal Revenue	0	$200-$214 mil.	$134-$143 mil.
Employment Increase	13,000-21,000 jobs	24,400-25,100 jobs	16,000-17,000 jobs
Consumer Costs per Job Created	$26,300	$15,100-$15,500	$15,000

1/ Assuming a high baseline.

SOURCE: CEA

US Market $4 1/2 Bil
For. share 80%
ITC recommend quotas 1.0
auction = tariff = for US shoe industry

July 1 ITC Det.
60 days to decide.

Commission's

Appendix H

Escape Clause Action: Sections 201-203, Trade Act of 1974

US press for vol. restraint - been used in past but no public. end

Consultations → compensation
retaliation
by EC-Tob.
Can live with quotas or tariffs

Procedures

Presidential authority to grant import relief, commonly known as escape clause or safeguard provisions, has been included in trade agreements legislation in varying forms since 1951. This authority is presently contained in Title II, Section 201, of the Trade Act of 1974. Title IV also contains special provisions which apply when imports from Communist countries are found to disrupt domestic markets.

An escape clause action is usually initiated by a petition from the industry involved to the U.S. International Trade Commission (USITC) which investigates and reports to the President. All of the following conditions must be met for the Commission to find affirmatively and recommend import relief:

1. Imports are increasing, either actually or relative to domestic production;

2. A domestic industry producing an article like or directly competitive with the imported article is being seriously injured or threatened with such injury;

3. The increased imports are a substantial cause of the serious injury or threat thereof to the domestic industry producing a like or directly competitive article.

201 buys time for adjustment with compensation

No further action is taken if the Commission finds that the statutory criteria are not met. When the finding is affirmative or the Commission is evenly divided in recommending relief, the Executive Branch agencies concerned with foreign trade examine the matter and report to the President. No later than 60 days after the Commission's report, the President determines what remedy, if any, is in the national economic interests.

Accepted under GATT

The types of remedies authorized by the Trade Act either singly or in combination are tariff increases, tariff-rate quotas, quantitative import restrictions, and orderly marketing agreements. As an alternative or as a supplement, the President may also direct that expedited adjustment assistance be provided for firms and workers in the injured industries and for communities impacted by the injurious imports.

When the USITC recommends relief and the President does not implement the recommendation, he must promptly report to the Congress his reasons for not doing so. In such cases, the Trade Act of 1974 provides that Congress may, by concurrent resolution passed by majority vote in both Houses, order the

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THE WALL STREET JOURN THURSDAY, JUNE 13, 1985

Import Quotas On Shoes Urged By Trade Panel

President to Consider Move, Or May Ask Countries To Negotiate Restraints

By Art Pine

Staff Reporter of The Wall Street Journal

WASHINGTON—The U.S. International Trade Commission recommended imposing quotas on most footwear imports for the next five years to aid the domestic shoe industry.

President Reagan, who faces strong congressional pressure to provide relief for the domestic industry, has 60 days to decide whether to approve, reject or modify the panel's recommendation.

There is some speculation the president might decide instead to ask the major shoe-manufacturing countries—Taiwan, South Korea and possibly Brazil—to negotiate "voluntary" export-limitation agreements, similar to the Japanese auto restraints that expired this year. The White House generally has eschewed formal imposition of quotas.

The commission's recommendation calls for limiting imports of non-rubber footwear to 474 million pairs a year for the next two years. The ceiling would be increased gradually over the next three years, to a maximum of 564 million pairs in early 1990.

However, the quotas would be applied only to shoes with a customs value of $2.50 or more—about $5 a pair at retail. And, in a new move, the commission proposed that the quotas be "auctioned" off to would-be importers, with the government selling import licenses to the highest bidder to help defray the cost.

The 474 million-pair ceiling effectively would roll shoe imports in the $2.50-or-above range back to their 1983 levels. Total U.S. sales of foreign-made footwear rose 24.8% in 1984, to 74% of the U.S. market.

All told, foreign manufacturers sold some 725.9 million pairs of shoes in the U.S. in 1984, for a total value of $4.7 billion. Shoe industry officials say footwear imports so far this year are 25% higher than 1984 levels.

Imports of less-expensive shoes—those with a customs value of less than $2.50 a pair, which amount to about 21% of all imports—wouldn't be affected. However, Peter Mangione, president of the Footwear Retailers of America, which opposes imposition of quotas, said the $2.50-a-pair exemption would affect mainly sandals, leather thongs and the like.

Mr. Mangione called the ITC's recommendation "a disaster for consumers."

The recommendation marked a reversal of the commission's finding of a year ago, when the five-member panel ruled that the domestic industry hadn't been hurt by import competition. The change of mind reflected both economic and political factors.

Imports increased sharply last year in the wake of the sharp rise in the dollar's value. And the domestic industry succeeded in persuading Congress to relax the criteria by which the commission made its finding in 1984. The industry again filed its petition for import relief, and the ITC ruled May 22 that the domestic industry had been injured sufficiently by imports to warrant a remedy.

The panel's action yesterday came on a 4-1 vote. The lone dissenter was Commissioner Susan Liebeler, who argued that the domestic shoe industry was dying because it simply wasn't any longer able to compete, and that import restrictions wouldn't help the situation. She said an industry plan to modernize production facilities wasn't "credible or viable."

Under the majority recommendation, the import quotas would become effective retroactively as of June 1, and would continue at the 474 million-pair level through May 31, 1987. The ceiling would be raised 3% in 1987-88, 6% in 1988-89 and 9% in 1989-90. Some commissioners suggested varying the quotas in different price categories.

George Langstaff, president of the Footwear Industry Association, the domestic manufacturers' trade group, said he was "generally satisfied" with the recommendation, although he was critical of a few details in the plan.

However, Mrs. Liebeler and several consumer groups charged the move would raise prices unnecessarily for consumers.

Argentina Pays Banks $250 Million in Interest

Special to The Wall Street Journal

NEW YORK — Argentina yesterday paid creditor banks $250 million from its own foreign-exchange reserves, according to a statement from Citibank.

Citibank acts as chairman for the group of international banks that negotiates with Argentina on its $45 billion foreign debt.

The latest payment brings Argentina current to last Dec. 30 on interest payments to banks on government-owned debt. That leaves about $800 million in interest payments still overdue.

Argentina is under pressure this week to pay some overdue bank interest because U.S. regulators are meeting in Washington to review countries to which U.S. banks have made loans. Bankers had feared the regulators might lower Argentina's credit rating because of substantial overdue interest payments. Meanwhile, the country is trying to raise a short-term loan from the U.S. and other governments to help pay more overdue interest.

IN · 1.51
Footwear

ITC Urges Import Cut For Shoes

Agency Proposes That Firms Bid For New Quotas

By Warren Brown
Washington Post Staff Writer

The International Trade Commission yesterday recommended a sharp limit on shoe imports for the next five years and proposed for the first time that businesses be forced to bid for a share of the new quotas.

Four of the five commission members supported the recommendations, which would cut shoe imports by 35 percent, from 726 million pairs in 1984 to 474 million.

The ITC plan, intended to protect the domestic shoe industry, will be sent to President Reagan July 1 for final action.

The import restrictions would have the greatest effect on Taiwan, Korea, Brazil, Italy, Spain, Hong Kong and the Philippines.

Sales of quotas had been proposed in the past by some commission members to protect the beleaguered U.S. sugar industry. But yesterday's vote marked the first time that a majority of the ITC called for quota sales, which were authorized by the 1979 Trade Agreements Act, to help defend an endangered segment of U.S. business, said ITC counsel William W. Gearhart.

ITC Vice Chairman Susan Liebeler, the lone opponent of the commission's recommendation, said that consumers would wind up paying an additional $1.3 billion for shoes each year the quotas are in effect. She said that most of that money would flow out of the United States to foreign shoe companies, which would benefit from higher prices caused by scarcities.

Shoe retailers contended the quotas would cost consumers several billion dollars a year and save only a few thousand jobs in U.S. shoe manufacturing plants.

Opposing commissioners disagreed with Liebeler's figures but conceded that quotas would drain money from the U.S. economy. The auction plan is meant to return some of that money to the U.S. Treasury, but is not meant to benefit consumers per se, those commissioners said.

White House officials yesterday declined comment on the ITC vote. Under federal law, the president has 60 days from the time of receipt to act on the commission's recommendations. The proposals would be implemented within 15 days after presidential approval.

U.S. import quotas on shoes were last imposed in 1981 to limit the number and kinds of footwear products coming into this country from Taiwan and South Korea. Those quotas, in effect since 1977, ended after the Reagan administration declined to renew them.

But domestic shoe manufacturers and their supporters were confident yesterday that the Reagan administration is ready to accept import restraints on shoes. A U.S. trade deficit that could reach $150 billion this year—including a 77.4 percent import penentration into the U.S. shoe market—all argue for relief from foreign competition, the U.S. shoe manufacturers said.

The ITC's unanimous vote last May 22 that the domestic shoe companies were being hurt by foreign competition and the commission's majority vote yesterday recommending a remedy also bode well for favorable administration action, supporters said.

The import restrictions would have the greatest effect on Taiwan, Korea, Brazil, Italy, Spain, Hong Kong, and the Philippines.

"The stronger the recommendations, the better the chance for victory at the White House," said Fawn Evenson, national affairs vice president for the Virginia-based Footwear Industries of America, which represents most of the nation's non-rubber footwear manufacturers.

Three of the five commission members asked that the proposed remedy be made retroactive to June 1. It would be in effect for five years.

The proposal does not affect shoes valued at $2.50 a pair or less—a provision meant to keep low-cost imported footwear available for low-income consumers.

During the first two years of quotas, foreign manufacturers would be limited to annual U.S. sales of 474 million pairs of shoes. That ceiling would rise by increments of 3 percent for each of the remaining three years of quotas.

President Reagan, assuming that he approves the concept, would have to determine how the auction would work. For example, the president would be responsible for choosing a federal agency to conduct the auction.

"The licensing of quotas is an appropriate idea because it keeps the quota rents in this nation," said George Q. Langstaff, Footwear Industries of America president. But Langstaff and FIA vice president Evenson said that they are concerned that the commissioners may have given foreign manufacturers a big loophole by not placing a limit on the number of low-cost foreign shoes that can be sold in this country.

"The U.S. Customs people don't open up boxes and crates. This is all done with bills of lading. It's paperwork. If the paperwork says that this box contains $2.50 shoes, Customs accepts that. Almost anything can get through," Evenson said.

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