TARIFF AND TRADE PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

NINETY-FIRST CONGRESS

SECOND SESSION

ON

TARIFF AND TRADE PROPOSALS

MAY 11, 12, 13, 14, 18, 19, 20, 21, 22,
JUNE 1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 15,
16, 17, AND 25, 1970

Part 7 of 16 Parts

(June 2, 1970)

Printed for the use of the Committee on Ways and Means

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TARIFF AND TRADE PROPOSALS

TUESDAY, JUNE 2, 1970

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, D.C.

The committee met at 10 a.m., pursuant to notice, in the committee room, Longworth House Office Building, Hon. John C. Watts presiding.

Mr. WATTS. The hearing will come to order.

Our first witness is our esteemed colleague, Dan Flood.

Would you come around, please?

We are certainly delighted to have you before the committee. You may proceed as you desire.

STATEMENT OF HON. DANIEL J. FLOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. FLOOD. Thank you.

Mr. Chairman, it is a privilege and a pleasure to appear before this distinguished committee to talk about international trade, about which I think you have heard something down through the years. You and other members are to be highly commended for the time and the attention that you have devoted over the years to this very critical problem.

I would like to address this distinguished committee this morning on the subject of leather and vinyl footwear.

As my colleagues, Mr. Green, and I see Mr. Schneebeli here, well know, Pennsylvania is the leading shoe State in the Nation. Last year we shipped over 25 percent of all the footwear produced in the entire United States. Over 24,000 shoe workers earned and spent $103,700,000 in Pennsylvania last year. The footwear industry is important to my State and, yet, Mr. Chairman, I see it seriously threatened by low wage imports. In my opinion, the legislation you have introduced, H.R. 16920, is literally the only thing which can save the footwear industry in this country.

So, at the end of 1969, we take another look at this industry. The tragic history of the American shoe industry over the past 10 years is illustrated by the absolutely unbelievable record of imports since 1960. Now some statistics all too uncomfortably familiar to footwear people may be helpful.

In 1960, U.S. imports of leather and vinyl footwear were 26,600,000 pair. Now, mark that, only 26,600,000. That represented 4 percent of our domestic footwear supply; our production that year was 600 million pair. The sixties were generally a decade of unparalleled

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growth in the U.S. economy. Now I repeat for the purpose of emphasis. So, at the end of 1969 we take another look at the shoe industry and what do we see? This is the end of 1969. Imports hit 195 million pairs, seven and a half times the 1960 figure. They accounted for over 25 percent of our domestic supply. Meanwhile, our American industry produces only 581 million pairs in 1969.

Mr. Chairman, that is 19 million less than in 1960, 8 years. And for the first 3 months of 1970 imports captured 32 percent of our total market; nearly one-third of all the shoes sold in America are made abroad.

For anybody who can compare a $2.79 average hourly wage, including fringes, which shoe workers earn in the United States, with $1.07 that they earn in Japan—and wait until you hear this. They earn 50 cents an hour in Spain. Now, that is more eloquent than I could be.

I have examined this study prepared by the American Footwear Manufacturers Association in October 1968 by the well-known Dr. Alfred J. Kana, associate professor of statistics and management science at Seton Hall University. Dr. Kana's forecasts show a steady increase in imports—mark this—a steady increase in imports to 468 million pairs by 1975, just around the corner, and a steady decline in domestic production to 519 million pairs in that same year, in that same year when imports will reach the incredible 48 percent of our domestic market in 1975.

Unfortunately, Dr. Kana's study has proved to be optimistic about the footwear industry despite the delaying action, as we call it over in the Department of Defense. A delaying action is a tough thing to fight.

The study forecasts 1970 imports of 220 million pairs, a figure which will be exceeded on the basis of the first quarter figures in 1970.

The study also shows production declining 600 million pairs by 1971 whereas we did not even make that pairage in 1969.

Mr. Chairman, last year I joined two-thirds of the House and two-thirds of the Senate in sending a petition asking the President to do something about this import problem. The only thing that happened was that the industry got studied, studied and studied and studied some more. I do not know what more you can learn about the industry after you have the facts which have been set before this great committee and before the public. It is time for action. It is time for action.

I have introduced H.R. 17800, a companion bill to your H.R. 16920, and this legislation is what is now needed to stop this dangerous importage.

There are people who will tell you that the reason for the import flood is that U.S. producers lag behind foreign manufacturers in style. Now, most people agree today that style has become internationalized by jet transportation. Shows that are shown in Paris or France today are in our footwear factories in Pennsylvania tomorrow or the next day. Footwear shown in New York can be produced in Europe next week. One of the biggest imports of men's shows today is what we call the wing tip. You see that advertised as the wing tip. Now, that has been a staple in American markets for many, many years.

Another very popular import style has been the hand-sewn moccasin, which is copied abroad and then sent in here at much lower prices due to the tremendous amount of handwork on that type of shoe. Now, where do you think the hand-sewn moccasin style came from?

During the mid-1930's we ran our factories in this country on sandalized shoes—remember those?—that are now being imported in tremendous numbers, the sandalized shoe. Now, the platform shoe, and this amazes me. Some think the platform shoe is something we brought in from Europe. Newspaper ads advertise the platform shoe, something new from Europe. That originated in the Americas in the 1930's. Today it is the big rage in Spain and Italy.

It must be ovious that if there were no differential in price and the imports depended on style alone, American industry could copy any new fashion that looked promising and make an excellent profit. But the fact remains that these shoes cannot be produced here at anywhere near the cost abroad.

Mr. Chairman, it is also said and has been said here and will be said here again that the American footwear industry is operating at capacities as far as labor is concerned, that we cannot supply the footwear needed and that retailers simply must go abroad to get merchandise. That just simply is not the situation. Even though the labor situation may be tight in certain areas, the shoe imports increase 30 to 40 percent a year. Domestic manufacturers are simply not going to make capital expenditures in building new factories or modernizing their old ones or spend money in employing and training new additional people. That makes sense.

Now, many people outside the industry state that the answer to the industry's problem is to increase the exports of shoes from the United States. That has been tried time and time again. Even if prices were competitive, American manufacturers could not export to any important extent. Most shoe producing companies all over the world have high tariffs to protect their domestic footwear; they have border taxes, exchange restrictions, licensing, and at the same time they do that they do this: They encourage footwear exports to the United States through export subsidies, credits on domestic taxes paid on footwear exports, and concessions, even concessions on freight. No wonder foreign footwear manufacturers think our great market is inviting, very inviting.

The U.S. tariffs on footwear prior to the Kennedy round, about which you know so much, reductions averaged about 12 percent on imported footwear. When the reductions on the Kennedy round are completed in 1972, they will average about 8 percent and there are few, if any, hidden barriers.

Another question which is often asked is why do manufacturers import footwear? What could be sillier than that? And people ask that. They will ask you. Well, wholesalers without manufacturing facilities first recognize the great possibilities in the wide price differential existing between American footwear and the footwear produced in Italy, Spain, and Japan, naturally. Then a number of domestic manufacturers who cannot compete close down their factories and become importers.

With increasing competition pressures from importers and the manufacturers' own customers, it was essential for self-preservation for aggressive domestic shoe producers to add importing to their manufacturing activities. They had established channels of distribution for years and they knew the footwear market. They saw the great inroads being made by imports, the effect on domestic growth, and, most importantly, they knew that for 10 years—this is what they knew—for 10 years they had been asking help from this Government without success. Under these circumstances, why should successful manufacturers allow wholesalers to build up such a large import business.

A substantial part of the 195 million pairs imported in 1969 were brought in by domestic manufacturing. That is an extraordinary situation. This is an extraordinary situation in any industry. As imports continue to rise, more and more footwear manufacturers must follow the same practice and more and more jobs—not shoes; more and more jobs—will be exported. Small communities all over the country will have less employment and that will cause, as it always does, a migration of workers to the ghettos of the larger cities.

Mr. Chairman, I will leave here in a couple of minutes, and as chairman of the Appropriations Subcommittee for Labor, Health, Education, and Welfare, in 10 minutes I am going to hear witnesses on just this problem of migration to the ghettos which will cost billions of dollars. Here is one case. This in turn will cause more relief, more assistance. There will be less taxes paid by the American footwear manufacturer and his allied industries. The balance of payments will become worse and worse. It is estimated that the importing of footwear contributed a deficit to the balance-of-payments trade in 1968 of $220 million and it will undoubtedly be close to $432 million in 1969.

Well, it is time to call a halt, Mr. Chairman. We must offer our beleaguered shoemakers the same assistance other governments give theirs. Your bill, H.R. 16920, is a responsible and most imaginative approach to the problem.

Mr. Chairman, I am proud to support it.

Thank you very much.

The CHAIRMAN. Does that conclude your statement, Mr. Flood?

Mr. FLOOD. Yes, Mr. Chairman.

The CHAIRMAN. Let me congratulate you on a very well thought-out statement, indicating a great deal of study of this question. We appreciate your bringing your knowledge to this committee.

Mr. FLOOD. You are very kind.

The CHAIRMAN. Are there any questions?

Mr. SCHNEEBELI. I would like to agree with my colleague from Pennsylvania. I usually do agree with him. He always has an intelligent approach.

I would like to concur in the fact that the $100 million payroll to the shoe employees of the State of Pennsylvania is a very important segment of our economy.

I, too, am glad to be a cosponsor of the so-called Mills bill of orderly marketing for the textile and shoe industry and I aline myself with many of the statements you have made and I congratulate you.

Mr. FLOOD. The gentleman from Pennsylvania is very knid.

There must be 5,000 workers, Mr. Schneebeli, in your district.

Mr. SCHNEEBELI. That is right; at least 5,000.

I was very much aware of it when I was electioneering for the primary.

Mr. FLOOD. I can imagine.

I heard you cry on our shoulders here for 3 or 4 months about what a desperate fight you had for the primaries.

Mr. SCHNEEBELI. It was very tough.

Mr. FLOOD. About 3 to 1, you won and carried every county in your district. Very tough.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Mr. Chairman, I wish to commend the gentleman from Pennsylvania. He has been in the forefront fighting for the shoe workers. The shoe industry and employees of the shoe industry appreciate his tremendous efforts.

I would like to make this observation. On Monday of this week, the U.S. Tariff Commission split evenly 3 to 3 on six petitions for adjustment assistance filed by shoe firms and employees of five plants, all in Massachusetts. The tie vote means a negative determination. In other words, they felt that the shoe industry is not entitled to any adjustment assistance despite the fact that over 55 shoe factories have closed in the last 18 months.

So, as you can see, I believe the gentleman will agree there is a great need for the legislation that our chairman has filed.

Mr. FLOOD. Fifty-five plants have closed, Mr. Burke, and where in the world would you know the story better about this problem than in New England?

Mr. BURKE. Thank you.

Mr. FLOOD. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

If not, again we thank you, Mr. Flood.

The CHAIRMAN. Mr. Stratton, our colleague from New York, the Honorable Samuel S. Stratton, Member of Congress from the State of New York.

We are pleased to have you with us.

You are recognized.

STATEMENT OF HON. SAMUEL S. STRATTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. STRATTON. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I appreciate the opportunity to appear before the committee in support of my bill, H.R. 16976, a bill designed to help the American producers of textiles and shoes retain a fair portion of the U.S. market, and a bill which is of course identical to the chairman's bill, H.R. 16920. On May 20, representatives of the textile industry testified before this committe. It is clear from their testimony that imports of textile products into the United States have reached the point where the Congress must act or we face the loss of a substantial portion of the textile producing industry. We can no longer rely on relief from voluntary quotas developed through international negotiations. After efforts extending well over a year not a single country has agreed to reduce their exports of textiles to the United States.

One of the significant new developments in these hearings is the support of organized labor for the establishment of quotas on imported textiles and shoes. Some administration witnesses have also indicated that they felt that something needs to be done. The testimony of the Secretary of Commerce certainly indicated his frustration and his lack of ability to obtain results through voluntary means. So, for the first time it is becoming clear that the time has come to stop leaning on vague hopes of voluntary actions and to recognize the economic facts of life that are threatening a substantial portion of our economy.

I believe that it is safe to say that the United States, and the United States alone, is the one nation which is looked on by the rest of the world as an open market with few restraints on imports. There has been much talk of our buy American law, but those who use that argument overlook the fact that this is limited to purchases by the U.S. Government. Some people have suggested that if quotas are established foreign governments will retaliate. But I think it would be fairer to say that our action in passing this proposed legislation might be more properly regarded as our own Nation's effort to match the restraints already established by other nations.

Within the framework of the proposed legislation there is one segment of the textile industry that I wish to discuss in particular. The cordage industry of America is a relatively small but important part of the textile industry, and its major plant is located in my congressional district. Its position was included in the presentation of the textile industry representatives and it is my undertsanding members of the committe asked some questions of the representative of the cordange industry who was present at the hearings. These questions started a discussion of the national defense implications of cordage. In this context cordage is a vital item.

All of our armed services rely on cordage in various forms under normal conditions and during wartime their requirements increase astronomically. Rope for cargo nets, slings, used aboard naval vessels, camouflage nets, practically every place you go you find the military using rope or twine in large quantities. As our military requirements increase during wartime, so do the needs of the defense supporting industries. The needs of our merchant marine increase; increased production of food requires more baler and binded twines and across the board the demand for cordage products places a critical load on the industry. So important are cordage products made from natural fibers that the strategic stockpiles have always included quantities of abaca and sisal for use in time of emergency. Yet, today we find that under the impact of imports our productive capacity has so decreased that the availability of spinning capacity to meet wartime requirements is seriously jeopardized. Indeed it is already below the danger point, so I am advised by knowledgeable members of the industry.

On the economic side, the testimony submitted to this committee from industries refers to a volume of imports ranging from 10 percent of the domestic market to in some instances as much as 50 percent. The volume of imports in the cordage field is much higher. The cordage industry production lies in three general categories. The category least affected is rope. At the present time imports of rope into the United States are 28.8 percent of the domestic market. However, it should be noted that due to the advent of synthetics the market for hard fiber rope has decreased approximately one half and imports have increased from 6.3 percent to 28.8 percent. In other words, the American producers have a smaller and smaller percentage of a shrinking market. Moreover, the only reason that the percentage of imports of rope is as small as it is, is because of the existence of a quota already in this particular category.

Hard fiber rope is divided between rope made from abaca and sisal. There is an absolute quota of 6 million pounds per year on manila rope (abaca) from the Philippines which is the main producer of that type of rope. This quota was set out in the Laurel-Langley treaty in 1954 and it has restrained the Philippines from taking over the entire manila rope market in the United States. On the other hand this same quota does guarantee to the Philippines that particular portion of the domestic market, and this situation has of course been of considerable help to them.

The second category of products in the cordage industry is industrial twines. Here imports have increased from about 48 percent of the market in 1950 to 88.1 percent of the market in 1964. In this category we also find that the market overall has decreased by approximately one half, so once again domestic producers have a smaller percentage of a reduced market.

The third category of the cordage industry is that of agricultural twine. I do not need to tell this committee the importance of binder and baler twine to our farmers. However, since 1950 imports have increased from 14.9 percent of the market to 88.8 percent and in this case the size of the domestic market has increased. Not only did the domestic producers not share in this growth proportionately, but they steadily lost ground to foreign competition. So bad is the current situation in the case of agricultural twines, that I am informed that there is only one plant still producing agricultural twine in the United States out of the 15 plants producing in 1950. This plant, which is located in New Orleans, has drastically curtailed its operations and its ability to continue will depend entirely on whether or not it can retain any proportion of the domestic market. If this plant closes it means our farmers will be completely dependent on imports. I do not believe this is an acceptable situation. It would certainly appear that our farmers would like to see at least one American plant in production in order to keep foreign prices and supply from adversely affecting their own production of agricultural products.

From all the above, Mr. Chairman, it can be clearly seen that percentagewise the cordage segment of the textile industry is in a far more drastic position than some other segments of the textile industry, all of which are suffering harm. Yet, though the facts effecting this industry have been well-known, it has been unable to secure relief through escape clause action or requests for help under the national defense section of the Reciprocal Trade Act. And standing alone it was really too small to make much of an impression in the Congress. I was delighted when the common textile legislation was amended to include the cordage industry as part of the textile industry. In this connection, Mr. Chairman, the pending legislation completely covers the cordage industry with one exception. In its present form the bill excludes items already entering this country duty free. Agricultural twines are now coming into the country duty free and, therefore, would not be covered by the bill in its present form. I strongly recommend therefore that provision be made to include agricultural twines under the coverage of this legislation, since as I have already voted, there is only one company left which still produces farm twine in America.

I urge the committee to adopt the following amendments. They have been recommended to me by the cordage industry. Two are merely clarifying and technical, while the one on agricultural twines is one of substance. On page 6, lines 8 and 9, after the words "or any article which is now entitled to entry free of duty" insert the language, "except for agricultural twine." The two clarifying amendments are: on page 6, line 2, after "manmade fiber" insert "abaca or sisal"; and, line 7, after the word "jute" insert "spun yarns of abaca and."

There are interesting developments since these hearings started on which I would like to comment. Under the pressure of these hearings according to stories in the public press several countries are preparing to offer to negotiate on a few selected textile items to be controlled for a temporary period. But I believe we must have a mandatory law which will be applied if voluntary agreements are not quickly reached. The pending bill should be passed, and I support it strongly.

I take great hope today from the fact that the atmosphere in the Congress now seems to recognize that circumstances have changed drastically since the days of Cordell Hull. Our economic position demands that Congress end our total reliance on outdated procedures in international trade. As an ideal they have a plausibility, but as a practical weapon in a modern world they simply do not work.

The CHAIRMAN. Thank you, Mr. Stratton, for bringing to the committee your very fine statement. We appreciate your coming.

Are there any questions of Mr. Stratton?

Thank you again.

Mr. STRATTON. Thank you very much, Mr. Chairman.

The CHAIRMAN. Our next witness is our colleague from New York, the Honorable Robert C. McEwen.

We are pleased to have you with us today and you are recognized.

STATEMENT OF HON. ROBERT C. McEWEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. McEWEN. Thank you, Mr. Chairman, and members of the committee.

Mr. Chairman, I have cosponsored a bill identical with your H.R. 16920.

I strongly favor this legislation. Before commenting on that, however, I would like to discuss some other matters that I consider to be of extreme importance to economic pursuits and industries in my district.

First on the matter of dairy imports.

I had the privilege 2 years ago of appearing before this committee. At that time, I mentioned that in the six counties of my congressional district in upstate New York, over a 5-year period from 1959 to 1964, we had lost 23 percent of our dairy farms. Now, the U.S. Department of Agriculture informs me that an additional 2,000 farms have been lost in the past 4 years, or an additional decline of almost 30 percent.

There is no doubt in my mind that the continuing high level of imports of dairy products is a major contributing factor to the economic plight facing our dairy farmers.

I have noted, too, Mr. Chairman, with great interest and appreciation that a member of this committee, the gentleman from Wisconsin, Mr. Byrnes, has introduced a bill which will transfer to the U.S. Department of Agriculture the authority to determine which foreign dairy products are subject to import quotas.

This, I strongly endorse, as we have seen abuses of the various commodity classifications that have permitted items to enter this country that I believe, under the quota system now in effect, should have been excluded.

The gentleman from Wisconsin, Mr. Byrnes, pointed out the classification given to a certain cheese as being Monterey which expert tasters said was cheddar cheese under another name.

Another area that is of concern to a number of my constituents is the matter of mink imports. I commend the gentleman from Wisconsin and the gentleman from Massachusetts, Mr. Burke, for their bills to place a limit on the importation of mink furs. One mink farmer told me recently that he received an average of $13 per pelt in 1969. This year he is getting $8.44 per pelt and because of the poor market is reducing his breeding stock to about two-thirds of what it was last year.

Another mink rancher told me that the price of certain prime mink pelts has dropped from $35 to $18 in the last 3 years.

In addition, this same rancher reduced the size of her herd by about 50 percent last year, again because of poor market conditions.

The Burke-Byrnes bill has my full support.

The Black-Clawson Co. which has plants in my district is a major manufacturer of papermaking machinery and machine parts. In recent months, this company has lost two potential purchasers of this machinery. The potential customers made their purchases from Finnish or Swedish companies. The reason for this is that the foreign companies can sell at a lower price and, in addition, can offer more advantageous credit arrangements because their governments provide financial backing. The machines would have been made in my district had the facts been otherwise.

As you know, our present duty on this type of machinery is 4½ percent and is scheduled to be reduced to 3½ percent in 1972.

Our colleague, Mr. King, has introduced a bill, H.R. 8295, which would raise the duty on these foreign-made machines. This measure has my support. The American manufactures, like Black-Clawson, must now think in terms of a 3½-percent tariff because it takes approximately 2 years to make delivery on an order.

Let me say, Mr. Chairman and members of the committee, that when we talk of one of these paper machines we are talking of a machine that may cost in the neighborhood of 7 or 8 million dollars. Then, peculiar to these machines, they last for possibly 100 years. So, when an American company loses the sale of a papermaking machine they not only lose the initial sale but they lose possibly for the next 50 or 100 years the sale of the parts that will go into that machine as replacement parts are needed.

Finally, I refer to the matter of shoe imports. In my district, there are two substantial employers of people in the footwear business, Trustitch Footwear Co. of Malone, N.Y., and Bombay Slipper, Inc., of Bombay, N.Y. The former company employs some 400 to 500 people with an annual payroll of $1,750,000, and the latter company employs some 275 workers with a peak of about 300 and an annal payroll of about $1,250,000.

Let me say that both are located in relatively small communities and are a substantial and major source of employment in these communities.

Mr. Chairman, you will be interested to know that I received a telegram only 8 days ago from the president of local 697 of the Boot & Shoe Workers Union which represents the workers at Bombay Slipper, Inc. He stated that 275 workers had stopped work for a few moments that day as an expression of their support for your bill.

In addition, I received over 200 individual communications from employees of that plant in support of your bill, Mr. Chairman. I have also received a petition signed by these same employees expressing their support for limitations on the imports of footwear.

I think it is a significant and most poignant gesture, that management and labor at Bombay Slipper, together, have shown me that they view the leather footwear import problem as a serious threat to their livelihood.

Finally, there is one other matter that I would mention and it has to do with another aspect of the dairy import problem.

A byproduct of the manufacture of cheese is whey. Whey presents not only an economic problem of what to do with it but also an environmental problem. Just within the last week or 10 days, I was advised by a major processor of whey in my district that imports of lactose or milk sugar into this country have resulted in a tremendous buildup of their inventories of this product. So serious, he indicated, that they are facing the possibility of not being able to take whey from cheese plants.

He told me that primarily he was aware of a plant in my district and one in the State of the gentlemen from Wisconsin where they may have to discontinue taking whey which would mean either the cheese plants would have to close or face a very serious problem of how to dispose of whey. I am sure this committee is aware that if raw whey is placed in a stream it is most devastating insofar as the depletion of oxygen is concerned. It has been a source over the past years of major fish kills in many areas of the country. I think, along with the importation of dairy products, we should look at the importation of milk sugar or lactose as well.

Thank you, Mr. Chairman, and members of the committee.

The CHAIRMAN. Thank you, Mr. McEwen, for bringing your testimony to the committee. We appreciate you doing it.

Mr. Ullman.

Mr. ULLMAN. Mr. Chairman, I want to commend the gentleman from New York for doing a fine job, particularly in bringing to our attention the particular problems that face the gentleman in his own State. It is the kind of information that is very helpful to us.

Thank you.

Mr. McEWEN. Thank you.

The CHAIRMAN. Are there any further questions?

If not, again we thank you.

Mr. McEWEN. Thank you, Mr. Chairman.

The CHAIRMAN. Next is our colleague from the State of New Hampshire, the Honorable Louis C. Wyman.

Mr. BURKE. Mr. Chairman.

The CHAIRMAN. Mr. Burke.

Mr. BURKE. Mr. Chairman, I wish to welcome our colleague from New England. He and I served on the ad hoc committee affecting the shoe industry. He has done a tremendous job on behalf of the shoe workers and the shoe industry in his own State.

The CHAIRMAN. Thank you, Mr. Burke.

We are pleased to have you with us. You are recognized.

STATEMENT OF HON. LOUIS C. WYMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW HAMPSHIRE

Mr. WYMAN. Thank you very much, Mr. Chairman.

Mr. Chairman and members of the committee:

As co-chairman of the House Footwear Steering Committee, with my distinguished colleague, Congressman Burke of Massachusetts, I certainly want to congratulate you, Mr. Chairman and the members of the committee for taking the lead in proposing some constructive action at long last on the import problem.

I think in singling out textiles and shoes you have concentrated in the areas where perhaps the greatest impact, adverse impact, to the people of this country is being felt at the moment.

I would like to mention, however, at this point, the problem that we have in New Hampshire of miniature precision bearings which are essential components in the defense industry and in the space program. There are only three sources of production of these left in the United States at the present time and unless something is done to protect this we are liable to lose this entire capability and. These essential components can't operate without these miniature precision bearings.

My colleague, Mr. Cleveland, who will appear before you subsequently has an amendment to transfer the function of initiating this type of relief from the Office of Emergency Preparedness to the Department of Defense. I hope and trust he will receive a sympathetic ear from this committee.

In my district, shoes are of the first importance, Mr. Chairman. We have but a half of 1 percent of the population of the United States but we have 6 percent of the footwear manufacture in the year 1969. We have 18,000 employees in the shoe industry and $76 million payroll in 1969 in little New Hampshire.

I think, Mr. Chairman, that anything that threatens the jobs and that payroll and these people is a pretty serious matter.

At this moment, the figures appear that not only is 32 percent of the footwear market in America lost to foreign imports but imports as a percentage of domestic production are almost at the 50 percent level. In this kind of situation it seems to me that there is something we can do and we ought to do about the problem. We have done it in steel, we have done it in other industries that have been adversely affected.

The shoe industry has lost more of its market than the other industries have and two-thirds of the Congress have signed a petition to the

President asking for relief for footwear and yet nothing has been done.

With many other Members of the Congress I have previously introduced various bills calling for orderly marketing. With Congressman Burke I have cosponsored H.R. 14178 which was introduced last year to establish a slightly different formula than that proposed in your bill, Mr. Chairman, for restricting the future rate of imports into this country in these two categories of shoes and textiles but I heartily support H.R. 16920 also Mr. Chairman.

Your bill would establish a base period of 1967 to 1968. H.R. 14178 called for a discretionary 2-year base period between 1961 to 1968. Be that as it may, there is no quarrel really about the formula here; it is the policy that is the important thing. I think we have reached a point now where it can fairly be said that the conditions in America are at such a crisis that Congress must act. We are the representatives of the people. We represent these industries, we represent these employees. I think it is time to recognize that in areas in which there is no shoe or textile employment it is not going to hurt the consuming public in the United States to have a reasonable restriction on the rate of future foreign imports of shoes and textiles. It is not going to mean that the prices they pay for these products are going to be jacked up at the expense of the consuming public in these areas. In a very real sense the price paid is an investment in the jobs of an important segment of the American labor force.

If we in Congress do not do something about this and do it now, it seems to me that those who are in the industry facing a wage rate differential on the order of six times cheaper to make these products abroad than it is in this country are going be forced to go abroad to make them if they want to compete in world markets. If they go abroad to make them, that means that people are going to have jobs abroad and they are not going to have jobs in the United States. Many who lose these jobs are too senior to be capable of job retraining.

I don't think as the Congress of the United States we ought to stand for that. It so happens that more than 20 years ago one of the first jobs I had for this Congress was as counsel to the Foreign Aid Watchdog Committee over the European recovery program. I traveled in Europe for this House of Representatives and the Senate both and made critical reports concerning the competitive Frankenstein we were creating. The handwriting was on the wall then as to what was going to happen clearly indicating what was to happen over the pages of history. We simply cannot have our cake and eat it too.

We have built up productive capabilities in these foreign countries by gift of tax payers dollars. These foreign nations are able to manufacture products whose end price is cheaper than we can produce them at and by our reciprocal trade programs we have opened up our market to these products. If you can buy in this country a product that is cheaper and in which the quality is roughly the same or in some cases better, you are going to buy it whether it is in Filene's basement or in any particular outlet that is supposed to be cut-rate or a bargain from St. Louis to Los Angeles to New York.

I think it is just not right yet it is a fact that over the years the secretaries of State and often the Commerce Departments of Administrations that have both been Democratic and Republican, have consistently come up to the hill and told the Congress that if legislation is adopted to impose some mandatory restrictions on the flood of imports that somehow we are going to lose friends or the foreign nations might retaliate. These witnesses have claimed such legislation to be akin to building a fence around this country. Let me say this. The foreign nations expect us to look after a reasonable measure of protection for our people and for our industries. They regard us with both amazement and with something less than favor when we let this unreasonably unfair competition continue unregulated, while we find our jobs and our people folding up because of foreign production selling in flood amounts in our marketplaces.

It is important to understand that 40 or 50 cents an hour abroad versus $2.78 an hour or $2.80 an hour in the United States is an economic fact of life. It is not a result of any great deficiency in management here. There is a vast difference in the standard of living abroad and here.

By passing this type of legislation, Mr. Chairman, Congress is not going to guarantee prices or subsidize inefficiency in domestic production. What is involved in this legislation is a balancing process, balancing the desire for free trade with the demonstrated need of domestic industry for reasonable protection.

There has been a lot of talk over the months as I have been working with Mr. Burke and representatives of the industry, about voluntary restrictions. I don't believe these will become reality. You are not going to get any voluntary restrictions out of a foreign importer who has no assurance when he makes an agreement to limit his exports to us that the importer from some other country is going to make any such similar agreement. Why should he agree he is only going to import *x* number of thousands of pairs of shoes or *x* number of products when the fellow in Italy or Spain or some other country might not so agree? If he limits his market voluntarily and his competitor does not, his competitor gets a greater share of the American market.

In this kind of situation, it is imperative, without any disrespect to the present administration whose President is of my political party, that the Congress should act on this legislation regardless of what the position of this administration is; in fact, even if this administration opposes this legislation. It is time now that we took this step in favor of the balancing process. We need to balance the concerns of consumers and the interests of the people whose jobs are at stake here.

We can have the reasonable restriction on amount of future imports as this legislation proposes in the mandatory sense, that is not going to mean that the American public is going to have to buy solely American shoes or that this country is not going to have foreign imports in the future. What it means is that the rate at which foreign imports are going to come into America and to the American market in the future is going to be at a level which American industry can plan for and a level which will guarantee that this country does not become a dumping ground, to which the Chairman of this committee in introducing his legislation made reference repeatedly, and which is of serious concern to Congressmen who represent districts with substantial employment in the shoe and textile industry such as my own.

Mr. Chairman, I know you have lots of witnesses, both behind and ahead, and I want to be as specific and as brief as I can on this. I think this is sound legislation. I think that it will preserve employment in this country. It will not subsidize inefficiency. There will still be marked competition. The fellow who can't make shoes and get rid of waste in the assembly line process and compete with his neighbor and his foreign importer at the levels which now exist and which are allowed to continue by this legislation, is going to fold. But you are not going to fold him in order to send jobs to Italy or to other countries, jobs that ought to be in the United States of America.

I respectfully commend the committee on its consideration of this important legislation at this time. I urge its passage now without any further delay and whether or not the administration supports or opposes it.

The CHAIRMAN. Thank you, Mr. Wyman, for coming to the committee and making a very fine statement.

Mr. Burke.

Mr. BURKE. Mr. Wyman, under the proposed Mills bill, do you understand that the averages are based on the imports of 1967 and 1968 and it also allows for an increase in the domestic market? In other words, this bill will not cause the loss of one job in a foreign country?

Mr. WYMAN. That is right.

Mr. BURKE. It will not cause the closing down of one shoe factory or textile plant in a foreign country?

Mr. WYMAN. That is right.

Mr. BURKE. Actually, it will allow them to grow with the domestic market but at a reasonable rate?

Mr. WYMAN. Precisely, Mr. Burke.

The bill which is under consideration, the principal bill by the committee, provides that beginning with the calendar year 1971 the total quantity, and I am quoting at page 4, line 5, "of each such category originating in any country which may be entered or withdrawn from warehouse for consumption during that calendar year and during each succeeding calendar year shall be increased or decreased by an amount proportionate to the increase or decrease in domestic consumption of that category during the previous calendar year in the United States."

Mr. BURKE. The claim of some of those people who are opposing this bill that there would be a drop in the import of shoes from Taiwan or Japan or Korea or Hong Kong or Spain or Italy is not true?

Mr. WYMAN. As I understand it that is correct, but the rate of future imports into this country will be regulated by the aforementioned formula.

Mr. BURKE. If they enter into negotiations they will be allowed to participate in the American market with the growth of the American market.

Mr. WYMAN. That is right. But they are not going to be able to all of a sudden double the amount of imports that they offer into the United States and the U.S. domestic industry taken as a whole is going to be able to look at the picture and know approximately over the years to come, within certain limitations, what the amount and number of foreign imports is going to be.

Mr. BURKE. That seems to be a reasonable and generous approach.

Mr. WYMAN. It is, and it is one that is widely misunderstood. It is seriously misrepresentative to come up here and tell the committee and the American people that this legislation is restrictive, that it is like the days of the old tariff wall where you put up a fence around the United States and everybody else keep out, so they are going to put a fence around their countries and keep us out. That is just a lot of baloney.

Mr. BURKE. Thank you.

The CHAIRMAN. Mr. Betts.

Mr. BETTS. Mr. Wyman, you have discussed a subject which I think for the first time has been put in proper perspective and that is the matter of retaliation.

Mr. WYMAN. Yes, sir.

Mr. BETTS. We have had a lot of witnesses come in here and tell us we should be careful about what we do because of the possibilities of retaliation. In a nice way, you said it is time we do something to meet the restraints, as you put it, of other countries so far as imports are concerned. What you really said was that it is about time that we thought about retaliation, ourselves. Is that correct.

Mr. WYMAN. I did not hear the gentleman's last sentence.

Mr. BETTS. What you really said was that we think about retaliation, ourselves.

Mr. WYMAN. That is right. I hesitate to use the word retaliation.

Mr. BETTS. I know you did. You put it in a nice way.

Mr. WYMAN. This is simply taking those essential legislative steps that for some reason the built-in advocates of free trade within the executive branch of the Government at job levels that don't change with changes in administration have become protagonists for as well as something which I think can be said to be constructive protection for a substantial segment of the American economy.

It is not retaliation. It does not mean automatically that countries that buy from us abroad will turn elsewhere.

I would like to make this observation in response to the gentleman's question. They will buy from us a product just as long as they need it and can get it here at a favorable price and no longer. When they can buy what we have to sell, cheaper somewhere else, they will buy somewhere else regardless of whether we have certain protections for the shoe and textile or other industries.

Mr. BETTS. I commend you for your statement, Mr. Wyman.

Mr. WYMAN. Thank you.

The CHAIRMAN. Mr. Schneebeli.

Mr. SCHNEEBELI. I would like to add that I too think Mr. Wyman is a very persuasive advocate for his viewpoint. I am glad he is on our side. That is a very good statement.

Mr. WYMAN. Thank you, sir.

The CHAIRMAN. Any further questions?

Thank you again, Mr. Wyman, for coming to the committee.

Mr. WYMAN. Thank you, sir.

The CHAIRMAN. It is a pleasure to have appearing before the committee today the Honorable Harley O. Staggers of West Virginia. Please come forward; we look forward to hearing your testimony.

STATEMENT OF HON. HARLEY O. STAGGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. STAGGERS. Mr. Chairman, attached to my statement you will find a copy of my bill H.R. 17390 which would regulate and limit the importation into the United States of various textile articles and leather footwear.

The production of these two articles of commerce are highly important to the economy of West Virginia. We produce raw materials for both, and are just beginning to build up industries for their processing and manufacture.

As for leather footwear, West Virginia's most important agricultural product is cattle, providing raw hides in abundance. Tanning material is one of the more important wood products. Thus hides become leather.

In recent years, a number of leather manufacturing concerns have been put into operation in West Virginia. Several are located in my Second Congressional District, each producing a well-known advertised brand of shoes. Examples are: the Hanover Shoe Co. at Franklin; the Howes Shoe Co. at Frank; the Kinney Shoe Co. at Kingwood; others at Romney and elsewhere.

These factories furnish employment to hundreds of workmen in rural communities, many of them workmen left without work by the slump in coal production. They contribute to a general upward trend in industrial production in our State during the spring months, when most areas showed a downward trend. West Virginia needs industrial development, as is well known, and we are beginning to get it slowly. It would be most unfortunate if uncontrolled importation of shoes of foreign manufacture should limit the development of domestic factories which are just getting on their feet.

Foreign manufacturers of leather goods have the benefit of cheap labor. The information I have indicates that shoes can be purchased at very low prices in the countries where they are produced. However, these same shoes, when imported into the United States, sell at comparable prices to those of American manufacture. Thus the United States loses at both ends. It loses in reduced employment opportunities for American workmen. It loses in high prices to consumers.

Regarding textiles, much the same situation exists. Sheep as well as cattle are products of West Virginia agriculture, with wool as a by-product. Manmade textiles originate in our forests. The chemical plants of West Virginia produce dyes. Every step in the process from raw materials to finished textiles is represented in the industries of the State—production of the raw thread, spinning, dyeing, weaving, and the cutting and fashioning of articles ready to wear.

Competition of foreign textiles is already having disastrous consequences for domestic operations. A hosiery concern has recently abandoned its plant in one small city of the State. At one time this plant made most of a very well known and widely advertised brand of hosiery in the United States, and employed some 2,000 or more workers. The loss of so many jobs in one small community is very serious.

Obviously, leather goods and textiles are important to other parts of the Nation. I get letters by the thousands from Maine to California asking me to support legislation regulating importations. The fact is, as you know, that unemployment is rising to serious levels almost everywhere. A curious thing about it is that while unemployment rises, so do prices. Usually, when one goes up, the other goes down. Unemployment with lowered prices is bad enough. With high prices, it will be unbearable. One brake on unemployment at least would be some limitation on the import of cheaply made foreign goods. I speak for textiles and leather goods in this case because my people have a vital interest in them. It is, in effect, a starvation matter for a number of them. I am equally concerned with other products and other areas under similar circumstances, and I would support similar legislation in respect to them.

It is my sincere hope, Mr. Chairman, that your Committee will favorably consider legislation which would provide for orderly trade in textile articles and articles of leather footwear.

(The bill referred to follows:)

[H.R. 17390, 91st Cong., second sess.]

A BILL To provide for orderly trade in textile articles and articles of leather footwear, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 101. The Congress finds that the market for textile articles and articles of leather footwear in the United States have been disrupted by the large volume and increased amounts of such articles of foreign origin entered, or withdrawn from warehouse, for consumption in recent years.

The long-term cotton textile arrangement entered into by the United States and other nations in 1961 is not adequate to prevent disruption of markets for textile articles in the United States because the arrangement is limited to cotton textile articles whereas advances in textile technology and marketing practices have made textile articles of cotton, wool, and man-made fibers, as well as articles of blends of these and other textile fibers, competitively interdependent. The continuing high and increasingly disruptive level of imports of wool textiles, and the large and rapidly growing volume of imports of textile articles of man-made fibers, and of blends of these fibers with other fibers have increased the extent and severity of the disruption of markets for textile articles in the United States far beyond that which the President has been able or empowered to remedy under the long term cotton textile arrangement or its enabling legislation.

The Congress also finds the rapidly increasing penetration of United States footwear markets by imported shoes to be a specific cause of footwear plant closings in the United States. This increase has been relentless for more than ten years. No change in this alarming trend is now foreseen.

As a result, the increasing disruption of the Nation's textile and footwear markets has injured workers in the domestic textile and leather footwear industry through underemployment and unemployment. The standard of living of the Nation's textile and leather footwear workers, and the economic well-being of their communities, is being threatened by the ineffectiveness of present laws and international arrangement to regulate imports of textile and leather footwear articles in a manner consistent with continued participation of domestic producers of such articles in the growth of the textile and leather footwear markets of the United States on a reasonable and economically sound basis.

SEC. 102. It is the policy and purpose of this Act to provide for the regulation of commerce in textile articles and in articles of leather footwear among the several States and with foreign nations so as to foster the maintenance and expansion of economically strong textile and footwear industries in the United States and to avoid the disruption of markets for textile and leather footwear articles in the United States. This regulation shall be accomplished by the imposition of quantitative limitations, by categories, on imports of all textile articles and on imports of all articles of leather footwear in accordance with the provisions of section 103 of this Act, or by agreement with other governments or instrumentalities providing separately for limiting imports, by categories, of all textile articles or all articles of leather footwear, or both, from such nations or instrumentalities into the United States in accordance with the provisions of section 104 of this Act.

SEC. 103. Except as provided in section 104, the total quantity of each category of textile articles and articles of leather footwear originating in any country which may be entered, or withdrawn from warehouse, for consumption during the calendar year beginning January 1, 1970, shall be limited to the average annual quantity of such category originating in such country which was entered, or withdrawn from warehouse, for consumption during the two calendar years 1967–1968. Beginning with the calendar year 1971 the total quantity of each such category originating in any country which may be entered, or withdrawn from warehouse, for consumption during that calendar year and during each succeeding calendar year shall be increased or decreased by an amount proportionate to the increase or decrease in domestic consumption of that category during the preceding calendar year as compared with the average domestic consumption thereof during the two calendar years immediately preceding such calendar year as determined by the Secretary of Commerce.

SEC. 104. The President is authorized to enter into international arrangements or agreements with foreign governments or instrumentalities separately regulating, by category, the quantities of all textile articles or all articles of leather footwear, or both, originating in such nations or instrumentalities which may be entered, or withdrawn from warehouse, for consumption. The provisions of each such arrangement or agreement entered into hereunder shall substantially carry out and implement the declared purposes and findings of this Act and assure the avoidance of disruption of the markets for textile articles and articles of leather footwear in the United States. The President shall make such arrangements or agreements effective by proclamation and is authorized to issue regulations necessary to carry out the terms thereof. The total quantity of each category of textile articles or articles of leather footwear which may be entered, or withdrawn from warehouse, for consumption from any country which has entered into such an arrangement or agreement hereunder covering that category shall not be subject to the provisions of section 103 while such agreement is in force and effect. Nothing herein shall affect the authority provided under section 22 of the Agricultural Adjustment Act of 1933, as amended.

SEC. 105. The quantitative import limitations on textile articles of cotton heretofore established by the United States pursuant to the long-term cotton textile arrangement or pursuant to bilateral agreements heretofore entered into by the United States as provided in such arrangement shall supersede the provisions of this Act until the expiration of the arrangement.

SEC. 106. For the purpose of this Act—

(a) The term "textile articles" includes top, yarn, fabric, apparel, household and industrial textile products, cordage products, manmade staple fiber, filaments, and filament yarns, and all other textile manufacturers, whether spun, woven, knit, felted, bonded, laminated, or otherwise manufactured of cotton, wool, manmade fiber, or silk, or of any combination or blend thereof, or in combination with other fiber(s) or substance(s) including animal hairs or furs. The term "textile articles," for the purposes of this Act, shall not include natural fiber in its unprocessed state such as raw cotton, raw wool, raw silk, or raw jute; spun yarns or silk, wholly of noncontinuous silk fibers, not colored; or any article which is now entitled to entry free of duty.

(b) The term "leather footwear" includes those articles of leather and of vinyl specified in items 700.05 through 700.45, inclusive, item 700.55, and items 700.66 through 700.85, inclusive of the Tariff Schedules of the United States, Annotated.

(c) The term "category" means a subdivision of textile articles, or of articles of leather footwear, as the case may be, as determined by the Secretary of Commerce for the purposes of this Act, using as a guide the five-digit and seven-digit item numbers applicable to such articles in the Tariff Schedules of the United States, Annotated (1969), as published by the United States Tariff Commission, or as subsequently amended, modified, or revised.

(d) The term "textile industry" means all establishments in the Uinted States engaged in the production of textile articles.

(e) The term "footwear industry" means all establishments in the United States engaged in the production of leather footwear.

TITLE II—ADJUSTMENT OF IMPORTS AND ADJUSTMENT ASSISTANCE FOR FIRMS AND WORKERS

SEC. 201. The Congress finds that the assistance which it intended be available to domestic industries, firms, and groups of workers caused or threatened with serious injury by increased imports has, in the administration of title III of the

Trade Expansion Act of 1962, been denied virtually all applicants. The Congress intends, and finds it in the national interest, that the forms of assistance specified in such Act be promptly and readily available for any industry, firm, or group of workers caused or threatened with serious injury due in any substantial degree to increased imports even though other economic factors are found in equal or greater degree to contribute to such actual or threatened injury. It is the purpose of this title to provide for a reform of the administration of title III of the Trade Expansion Act of 1962 to this end.

SEC. 202. (a) Section 301 of the Trade Expansion Act of 1962 (19 U.S.C. 1901) is amended as follows:

(1) Subsection (b) (1) is amended by striking out "as a result in major part of concessions granted under trade agreements,".

(2) Subsection (b) (3) is amended by striking out "the major factor in causing, or threatening to cause, such injury" and inserting in lieu thereof "a substantial cause of serious injury, or the threat thereof".

(3) Subsection (c) (1) is amended by striking out ", as a result in major part of concessions granted under trade agreements,".

(4) Subsection (c) (2) is amended by striking out ", as a result in major part of concessions granted under trade agreements,".

(5) Subsection (c) (3) is amended by striking out "the major factor in causing, or threatening to cause, such injury or unemployment or underemployment" and inserting in lieu thereof "a substantial cause of such injury or unemployment or underemployment, or the threat thereof."

(b) Section 302 of the Trade Expansion Act of 1962 (19 U.S.C. 1902) is amended as follows:

(1) Subsection (b) (1) is amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused serious injury or threat thereof" and inserting in lieu thereof "have been a substantial cause of serious injury, or the threat thereof,".

(2) Subsection (b) (2) is amended by striking out "(which the Tariff Commission has determined to result from concessions granted under trade agreements) have caused or threatened to cause unemployment or underemployment" and inserting in lieu thereof "have been a substantial cause of unemployment or underemployment, or the threat thereof,".

(c) Section 351 of the Trade Expansion Act of 1962 (19 U.S.C. 1981) is amended as follows:

(1) Subsection (a) (1) is amended by striking out "causing or threatening to cause serious injury" and inserting in lieu thereof "increased imports of which have been found by the Commission to be a substantial cause of serious injury, or the threat thereof,".

(2) Subsection (a) (4) is repealed.

(3) Subsection (c) (1) is amended by striking out clause (B) in its entirety, and deleting "—(A)" in the body of the subsection and ", and" following the word "interest", and inserting a period after "interest".

(4) Subsection (c) (1) is further amended by striking out "(1)".

(5) Subsection (c) (2) is repealed.

(6) Subsection (d) (3) is repealed.

(7) Subsection (d) (4) is redesignated (d) (3), and subsection (d) (5) is redesignated (d) (4).

(d) Section 352 of the Trade Expansion Act of 1962 (19 U.S.C. 1982) is amended by striking out in subsection (a) "causing or threatening to cause serious injury" and inserting in lieu thereof "increased imports of which have been found by the Commission to be a substantial cause of serious injury, or the threat thereof,".

(e) Section 405 of the Trade Expansion Act of 1962 (19 U.S.C. 1806) is amended by adding a new subsection (7) as follows:

"(7) For the purposes of section 301(b) (I) of the Trade Expansion Act of 1962 (19 U.S.C. 1901(b) (1)), as amended by this Act, the term 'domestic industry' means the aggregate of those firms or appropriate subdivisions thereof which produce the like or directly competitive article. Where the article is produced in a distinct part or section of an establishment, whether or not the firm has one or more establishments, such part or section shall be considered an appropriate subdivision."

SEC. 203. (a) For the limited purpose of providing the President with authority to enter into such trade agreements as he may find to be appropriate in carrying out existing trade agreement obligations which he finds applicable as an incident to actions taken by him pursuant to section 351 of the Trade Expansion Act of 1962 (19 U.S.C. 1981), section 201(a)(1) of that Act (19 U.S.C. 1821(a)(1) is amended by striking out "July 1, 1967" and inserting in lieu thereof "July 1, 1973".

(b) The limitations set forth in section 201(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1821(b)) shall be applicable, without exception other than as provided in section 254 of that Act (19 U.S.C. 1884)), to proclamations issued pursuant to the authority granted under subsection (a).

SEC. 204. Any investigation by the Tariff Commission under section 301 of the Trade Expansion Act of 1962 (19 U.S.C. 1901) for tariff adjustment under section 351 of that Act (19 U.S.C. 1981) or for a limitation of imports under orderly marketing agreements pursuant to section 352 of that Act (19 U.S.C. 1982) which is in progress on the date of the enactment of this Act shall be continued under said sections 301, 351, and 352, as amended by this Act, as if the petition had been filed originally under the provisions of such amended section. For the purpose of section 301(f) of the Trade Expansion Act of 1962 (19 U.S.C. 1901(f)), such petition shall be treated as having been filed on the date of the enactment of this Act.

The CHAIRMAN. We thank you for being with us. If there are no questions, we will proceed with the next witness.

The Honorable Hastings Keith of Massachusetts is with us today and will present his statement at this time. Please come forward and proceed as you wish.

STATEMENT OF HON. HASTINGS KEITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. KEITH. Mr. Chairman, in another 5 years it is entirely possible that no American will be able to buy a pair of shoes made in the continental United States. To say the American shoe industry is in a crisis period is an understatement. U.S. shoe manufacturers are going out of business at an alarming rate—and that rate is steadily increasing. The unbalanced flow of cheaply made and low-priced foreign footware products into the United States must be curtailed immediately.

Because of this very serious situation, I am here today to offer my wholehearted support for H.R. 16920, which is co-sponsored by this committee's distinguished chairman, Mr. Mills, several of my colleagues from the New England States and myself, among others. This bill would restrict textile and shoe imports to more realistic levels and liberalize the adjustment assistance and escape clauses, so that the law will actually help the people in need of help.

My concern over the need for swift action in this area stems from my State's—as well as my district's—dominant leadership in the domestic shoe industry. Massachusetts has long been the leading shoe manufacturing State, but its position in the industry is steadily and ever increasingly being cut away by the growing volume of imports.

In 1955, Massachusetts shoe manufacturers produced 105 million pairs of leather shoes and slippers amounting to 18 percent of the total domestic production. By 1969, the State's market share dropped to 13 percent based on an output of 70 million pairs of shoes.

Since 1958, over 12,800 Massachusetts residents have been turned out of their jobs in the shoe industry because of declining production. This is at a faster rate than that for the Nation as a whole.

In every part of Massachusetts—throughout all of New England, in fact—small towns whose principal source of employment was shoe factories are quickly becoming depression-style towns. Last year alone, 27 of the 221 footwear manufacturing units in New England closed their doors. Almost 7,000 people were put out of work. Bear in mind, that is just in 1 year.

The sad state of affairs in this highly important domestic industry stems from several problems. Excessive inflation in the country has driven up wage rates to an unprecedented level in an industry that is labor intensive. Rapidly changing shoe styles require extensive retooling to compete in today's world of high fashion and haute couture.

Further, market adjustments that in the normal course of events would be expected to eliminate only marginal and inefficient producers are now operating in an erratic fashion. The war, inflation and unbalanced foreign competition are driving people out of the marketplace who would otherwise be in a competitive position.

Certainly in any marketplace in a free and competitive society, some imports can be good and offer an incentive or challenge to domestic manufacturers. The 1962 Trade Expansion Act provided for assistance to those manufacturers adversely affected by imports, but the law was a poor one. Not one manufacturer has been able to receive benefits under the present regulations.

Inflation, then, coupled with excessive imports and overly stringent laws have been operating to close down entirely an otherwise strong and essential domestic industry.

The bill I am concerned with today would seek to correct the inadequacies of past laws and provide protection for efficient manufacturers whose business is being threatened because of unusual economic and fiscal conditions.

This would be accomplished in several ways. The measure would provide for an immediate curtailment of the excessive footwear import growth that has resulted, because of the great disparity between domestic and foreign wage rates—a disparity that is a consequence of an unusual inflationary situation.

In addition, the measure would liberalize the regulations under which a manufacturer or a worker in an industry adversely affected by imports may apply for governmental adjustment assistance or escape clause protection.

The change in the adjustment assistance clause so that a domestic industry could obtain relief when imports were a "substantial" rather than "primary" cause of damage is long overdue. The application of the same criteria to the escape clause provisions has also been greatly needed for a long time.

Mr. Chairman, I could continue to quote statistics and cases substantiating the seriousness of the situation, but many others coming before you today will cover that in detail. The fact that our domestic footwear industry could be nonexistent if the present rate of market share deterioration continues is sufficient reason to alarm even the most ardent adversary of import quotas.

Relaxed trade restrictions at times can be a good means of improving a nation's economic well being. However, when abnormal market conditions adversely effect an otherwise competitive industry, Congress and the people of the United States must take action to prevent such senseless ruination.

H.R. 16920 provides for swift and effective action to curtail the excessive and greatly damaging flow of imports. Its provisions will make possible a return to order and stability in the footwear industry. I strongly urge this committee to favorably report this bill to the full body of the House for prompt passage.

The CHAIRMAN. Mr. Keith, we appreciate your being with us today. If there are no questions, we will proceed with our next witness.

The Honorable Peter Kyros of the State of Maine is with us today. If you will come forward, you may proceed as you wish.

STATEMENT OF HON. PETER N. KYROS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. KYROS. Mr. Chairman, as you are, of course, aware, H.R. 16920 is not the first piece of legislation dealing with footwear and textile imports to come before your committee. I attach special importance to this legislation, however, because of the fact that the chairman of this committee has seen fit to sponsor this measure. I would also note my own sponsorship of an identical bill, H.R. 16938, as evidence of my full support for this approach.

I am sure that overall conditions within the footwear and textile industries, and the severe impact which foreign imports are having upon these industries, have been fully documented by others who have testified before this committee. My purpose, therefore, is to speak specifically in behalf of the 28,000 residents of Maine who are employed in the footwear industry in my State, and the 12,000 Maine men and women employed in my State's textile industry.

Unfortunately for the men and women in these two industries, examples of the need for legislation such as contained in H.R. 16920 are readily available. Several months ago, the Maine Shoe Corp., in the town of Brunswick, in my district, was forced to close its operations. One of the reasons for this closure: the impact of foreign footwear imports.

Only several weeks ago, the Taylor shoe plant at Freeport, Maine, also in my district, was forced to close its operations. One of the reasons for this closure: the impact of foreign footwear imports.

With regard to these two plants, I would like to make several points. First, they were not old, outmoded manufacturing operations. In fact, they had been in operation only several years. Second, the footwear industry in Maine is hardly one which suffers from inflated wages. The average gross wage of a worker in the industry is only about $4,400 a year.

The footwear industry in Maine is not an industry dying a natural death, due to outmoded facilities or unjustifiably high wages. It is an industry which, under present conditions, is slowly dying of "unnatural causes" specifically the unrestrained import of foreign manufactures.

I wish I could be more sanguine about the present situation in the Maine textile industry. Unfortunately, this is not possible. At this very time, the Westpoint-Pepperell textile mill in Biddeford is in the process of laying off 900 workers. Again, one major reason for this action is the impact of foreign imports. As the president of the Bates Manufacturing Co., also one of Maine's major textile employers, warned only several days ago, thousands of other textile workers stand to lose their jobs unless legislation along the lines of H.R. 16920 is adopted.

Again, I would also point out that the wages of textile workers have hardly been excessive in past years, with the average gross wage amounting to only about $5,000 annually.

Mr. Chairman, when I visited Japan several months ago, I had the opportunity to discuss Japanese textile exports with our American Ambassador in Japan. At the time of my visit, the Japanese press was giving front-page coverage to legislation introduced in the other body to legislate mandatory quotas. "I didn't realize you were so serious about this," our Ambassador remarked.

I assured him that we are serious. Our Ambassador promised to bring my views to the attention of the Japanese textile producers. I believe, however, that we can convince Japan and other nations to limit their footwear and textile exports only by the passage of legislation such as contained in H.R. 16920.

In closing, I would like to make one very special plea. I know this committee will view the issues before it not just in abstract statistical terms, or in terms of outmoded concepts of "free trade versus protectionism." The issues go beyond that; they concern the very livelihood of our working men and women, in Maine, in New England, and throughout the Nation. Few things are more upsetting to a man or woman than to lose a job, and few things are more disturbing than to see one's job threatened by economic forces over which one has no control. More than 2,000 shoeworkers in Maine have lost their jobs during the past 2 years, and almost that many textile workers have been similarly affected. Unfortunately, other employment is often not readily available in Maine for these workers. Even those still employed feel threatened; during the past 2 weeks alone I have received several hundred letters and cards from shoeworkers in my State. As one of these cards states: "Please help us in Maine and do something to stop the shoe imports. We need our jobs badly."

In behalf of the 40,000 shoe and textile workers in my State, I would like to make this same plea to the committee.

The CHAIRMAN. Are there any questions? If not, we thank you for your testimony.

Our next witnesses are appearing together in the interest of time, Mr. Griffin and Mr. Glass.

Mr. Griffin, if you and Mr. Glass will identify yourselves for the record, we will be glad to recognize both of you.

STATEMENTS OF W. L. HADLEY GRIFFIN, CHAIRMAN, BOARD OF DIRECTORS, AMERICAN FOOTWEAR MANUFACTURERS ASSOCIATION; ACCOMPANIED BY IVER M. OLSON, VICE PRESIDENT, WILLIAM SHESKEY, CHAIRMAN, NATIONAL AFFAIRS COMMITTEE, AND THOMAS F. SHANNON, COUNSEL; ALSO STATEMENT OF IRVING R. GLASS, PRESIDENT, AND ROBERT W. ANDERSON, ON BEHALF OF THE TANNERS' COUNCIL OF AMERICA

Mr. GRIFFIN. Thank you, Mr. Chairman.

My name is Hadley Griffin. I am chairman of the American Footwear Manufacturers Association, and I am president of Brown Shoe Co., of St. Louis.

With me on my left is the counsel for our association, Mr. Shannon; and on my right, Mr. William Sheskey, who is chairman of the Footwear Manufacturers Association and chairman of its National Affairs Committee.

Mr. Irving Glass of the Tanners' Counsel will share the testimony time with me.

The CHAIRMAN. Let us get Mr. Glass up at the table.

Mr. GRIFFIN. And with him, Mr. Robert Anderson, chairman of Leas McVitty Tanning Co.

The CHAIRMAN. We appreciate having all of you with us.

Mr. Griffin, you are recognized.

Mr. GRIFFIN. Our association represents the manufacturers of 95 percent of the leather and vinyl footwear produced in the United States, and with its affiliate, the New England Footwear Association, about 90 percent of all the suppliers to the footwear industry. Our industry is located in 40 States and some 230 congressional districts. There are approximately 600 companies with about 900 plants producing leather and vinyl footwear.

Together, the domestic footwear manufacturing and supply industries employ a significant number of people, over 300,000, a great many of whom are located in many of the smaller communities throughout our Nation. In these smaller communities, the shoe manufacturer often is the major employer and the source of payroll of critical importance to the community's well-being.

Although our association had a previous opportunity to testify before this distinguished committee in June of 1968, we are here today because of the special urgency that the problem of imports is causing the overall market. At that time, we pointed with growing concern to the rising tide of imports but now we have evidence that our predictions were accurate, even conservative.

We appear in support of H.R. 16920 introduced by Chairman Mills, which bill has the most reasonable method of restoring an element of fairness and equity to our trade policy. We are by no means seeking closure of the U.S. market to imported footwear. We are only asking for a way of sharing the growth in that market while preserving the base from further erosion, and this is one of the great appeals of this legislation. We are talking about a base import quantity of very major proportions and in no way closing the market.

Our industry recognizes the need for a trade policy which would promote the growth of exports in this country as well as encourage other nations to export to us. However, we submit that such a policy must reflect the realities of a world which is made up of many countries where trade policy plays a major role in shaping the economies of our foreign competitors while it exerts a minimum role on the factors which affect the labor cost of their products.

By way of illustration, in our country our wage and hour, social security, unemployment compensation laws, as well as other items of social philosophy now part of our way of life, have brought about a constantly rising cost picture to all industry.

Increases in the cost structure for labor intensive industries, such as the footwear industry, where the cost of labor constitutes 30 to 40 percent of the product, has made it extremely difficult to compete in world markets where not only wage rates, child labor, and working conditions in the countries with whom we compete would be illegal here but also where they have the advantage of tax rebates and other policies to encourage their growth. For these reasons, we have been urging a flexible marketing arrangement such as is provided in H.R. 16920.

THE PROBLEM—SHOE IMPORTS NOW ACCOUNT FOR 32.1 PERCENT OF THE U.S. MARKET

Perhaps it might be helpful for me to briefly review for the committee the results of the past decade.

In 1960, domestic production amounted to 600 million pairs of shoes. At that time, imports of leather and vinyl footwear were 27 million, or 4.2 percent of the total U.S. market. In the 10 years that ensued, domestic production has varied from a low of 581 to a high of 642 million pairs. Imports, on the other hand, have grown from the low in 1960 at 27 to last year's 195 million pairs. Imports of leather and vinyl footwear in 1969 represented 25.2 percent of the total U.S. market.

There appears to be no relief in sight. There certainly has been none. For the first 4 months of this year, domestic production amounted to an estimated total of 194,393,000 pairs while imports of nonrubber footwear, according to census, totalled 91,828,000 pairs for a total U.S. market of 286,221,000 pairs. This should be compared to the 4-month period of 1969 when imports were 71,632,000 pairs and domestic production was 203,456,000 pairs for a total of 275,088,000 pairs. Imports this year, to date, account for 32.1 percent of the total U.S. market.

Every category of shoes is affected by this flood of imports. For example, since 1965 the trend of imported shoes is clear: Men's, youths; and boys' shoes up from 10.7 to 21.4 percent of the total U.S. market; women's and misses' up from 14.5 to 34.7 percent of the U.S. market; and children's, infants', and babies' up from 8.2 to 17.1 percent. We can expect this to continue in every category in the future.

A brief comparison of the growth rates in imports and of domestic consumption puts the problem in perspective. To dampen any cyclical effect, we will use a 3-year average.

During 1959–61, the total U.S. market averaged 638 million pairs per year. In 1967–69, the total U.S. market averaged 774 million pairs a year. Over the same period, imports increased from an average of 28.5 million to 166 million pairs per year. While the market over this period of time has increased by 136 million pairs, imports have increased by 137.5 million pairs. This is all the growth in the market and part of the original market base, as well. Domestic production in 1969 was actually less than it was in 1959 and was the lowest production for the decade.

The trend is serious. In 1968, we commissioned a study projecting the pattern of this industry through 1975. These projections were made by Dr. Alfred J. Kana, associate professor of statistics and management science at Seton Hall University. For 1970, Dr. Kana predicted that the industry would manufacture 570 million pairs while imports would equal 220 million pairs or 27.8 percent of the total market.

The trend indicates that domestic production will drop to 519 million pairs in 1975 while imports rise to 468 million pairs. Imports would then be 47.4 percent of total domestic market. To date, all of Dr. Kana's projections have been conservative and actually have understated the impact of imports.

Why should this be of concern to the committee? Basically, the answer is the further possibility of plant closings, lost job opportunies, and job displacement. A plant closing in the small community can have a devastating impact upon a local economy.

The 1954 Census of Manufactures reported 970 companies with 1,196 plants. The 1963 census reported 784 companies with 1,040 plants. At the present time, as we pointed out before, there are about 600 companies with less than 900 plants producing leather and vinyl footwear. While this shows that the number of domestic companies in the industry is decreasing markedly, it also shows the diverse nature of the competition.

The location of these many plants and companies are generally in more rural communities of our many States. As was noted before, in many of the areas these plants provide the major source of income to the community; however, this fragmented structure also assures an intense competitive situation. For example, the four largest companies in 1966, based on the Boot and Shoe Recorder study, produced only 20.6 percent of the total output of footwear and the first 50 companies produced 43.2 percent.

The remaining industry volume was in the hands of the smaller companies. The situation has not changed materially except that a number of companies are continually decreasing and the share of the first four has continued to drop. With a history such as I have outlined, and the projections of Dr. Kana ahead of us, is it any wonder why we are so concerned about the thinking of our legislative leaders? For the further information of the committee, we are submitting a set of statistical tables and data which will set forth, in detail, the situation which confronts our industry.

WHY THE INCREASE? THE DISPARITY OF WAGE RATES

What is the reason for the phenomenal growth of imported shoes? Many reasons have been given. Some say style; some say technology; and other say domestic inefficiency. The truth of the matter is that the disparity of wage rates is the prime cause.

Some of the domestic industry's critics contend that imports come in principally because of superior style and that well-styled shoes are not available from the U.S. shoe industry. Can it be that Europeans, who have been making shoes for centuries, learned only in the last few years of the style shoes, and that the domestic industry, capably supplying the U.S. market from the beginning, has forgotten all it knows since 1960? Hardly—the age of jet travel has internationalized style. Shoes shown in Paris, Florence, or London today may be in footwear factories in New York within a week. Footwear fashions presented in the United States may be produced in Europe next week.

Fashion centers for footwear exist in a number of cities throughout the world. There are creative fashion designers in these cities. For example, the members of the Designers Shoe Guild of America centered in New York are known internationally for their creative styling of women's high fashion footwear. To say that style is the primary reason for imports and then indicate that Italy or Spain are the fashion centers is just not so.

If one looks at the types of shoes presently being imported, one of the largest items coming in is a very basic men's wing-tipped shoe—a style that has been made in quantity in this country for many, many years.

The same applies to sandals which were made in this country in the thirties as well as the platform shoe which seems to be one of the big items on the importers' list today.

Common sense indicates that if there were no differential in price and the import advantage was in style alone, our manufacturers, particularly the smaller ones, would be able to retool their factories and make the best selling style virtually overnight.

Some will argue that the U.S. shoe manufacturer is lagging technologically. There is no basis for this theory. There is a world market in shoe machinery. In the recent international shoe machinery exhibits in Pirmasens, West Germany, American shoe manufacturers were well represented; conversely, foreign shoe manufacturers annually visit the Atlantic City, New Jersey show in large numbers.

The U.S. industry has progressed rapidly from the technological standpoint, particularly in the last 10 years. Our workers are still the most productive in the world by a large margin, but productivity alone cannot overcome a huge wage differential.

In recent years, much has been achieved in modernizing our industry. Not only has new equipment been developed but also new methods and materials introduced. Again these methods can be duplicated internationally. Our industry and its trade association which I represent has placed a high priority on improved technology, but this cannot be accomplished overnight. It is important, however, to have a strong industry to foster this development.

Even with this emphasis on technology, and, believe me, there is this emphasis, it still cannot offset the vast difference in wage rates between our country and that of our competitors.

In 1969, the average wage in American shoe industry was $2.32 an hour, according to the Bureau of Labor Statistics, with fringe benefits averaging 46 cents per hour, according to our association records. Thus, the hourly rate in the United States shoe industry is about $2.78.

This average wage must be compared to the hourly wages including fringe benefits of the various countries which are the major exporters of shoes to the United States. In Japan, which exported 63 million pairs of shoes to this country last year, the average is 70 cents with fringe benefits. Italy provided 61 million pairs where the average wage is $1.06 per hour. Spain, which exported 20 million pairs of shoes to the United States in 1969 has an hourly average of 59 cents per hour; and Taiwan, which exported 24 million pairs of shoes to the United States, has an average wage of 22 cents per hour. Quite frankly, imports today are being produced with wages and under working conditions which are simply illegal in the United States.

For example, in Spain, children 11 years old may start in shoe factories under an apprentice system which permits them to work many hours a day for 2 years without pay in order to become shoemakers. In

Southern Europe, I have seen children standing on boxes in order to operate machinery or reach the cutting board.

American manufacturers simply cannot compete with this sort of wage structure in the foreign countries. While our American workers are far more productive than the foreign shoe workers, it is not enough to make up for this wide discrepancy.

Furthermore, much of the work required in the stitching of uppers, which comprises about 50 percent of the total labor costs in a shoe, is not even performed in the southern European factories, but is done at home by women, children, or even entire families in their spare time. Such outside work in America is prohibited by our Fair Labor Standards Act unless, of course, paid as overtime.

The most obvious effect of this import surge is the increasing number of factory closings. Our association records identify over 150 factories that have closed since 1960, with quite a few having shut their doors in the first quarter of 1970. And from every footwear plant that closes the chain of reaction of closing and job losses extends back into our suppliers.

We would not try to ascribe to imports every one of these closings; however, one can look to the very narrow profit margin of our industry and relate that to the import situation. The average profit over the last 10-year period was only 2.3 percent. Yet, in these past 10 years, our country has witnessed one of the greatest periods of economic growth this country has ever seen.

For domestic footwear production, this period was a net loss, even though total footwear consumption increased dramatically. It could be expected the first plants to close would be those which were least able to stand the sharply curtailed production, the smaller producer. Yet, our smaller companies are the business enterprise that so much of our other legislation is designed to foster and encourage.

It should be pointed out that many of the closings in New England were not due to moves west or south as was suggested by a representative of the International Longshoremen's Union in his testimony before this committee during these hearings. Many of the Eastern manufactures are smaller companies who sell primarily unbranded footwear to the many chain stores and other volume users in this country. Much of this business has gone increasingly to imports. The loss of business for these smaller companies, which already operate on narrow profit margins, results in the closure of the business.

There is the problem, Mr. Chairman. One-third of the total market gone to imports in 10 years. Plants closed. Profits down. Every indication that the situation will worsen. The facts and arguments which we have presented are not seriously disputed; yet, there are many who would deny that legislation is needed. Let us comment briefly on some of the reasons for this denial.

The most unrealistic position is taken by those who shrug off the import problem with the comment that remedies are available under existing law. The fact that remedies have been enacted does not make them available. In the first place, the criteria for their application have been so vigorously interpreted and applied by the Tariff Commission and the State Department that no industry or groups of persons were able to qualify until early this year.

The escape clause, adjustment assistance, antidumping, and countervailing duty provisions of our trade law are simply not workable. In fact, the adjustment assistance provisions set up in the 1962 Trade Expansion Act were predicteed by some to be virtually meaningless in that their interpretation would prevent anyone from qualifying for assistance. So it has proven to be when one reviews the fact that only six awards of adjustment assistance have been granted since 1962, and those only recently.

Even if the present trade law were amended to make these "remedies" more available, this is not an adequate response to the import problems of footwear or textiles or several other industries which are being punished by international wage rate differentials. These measures are, like countervailing duty and antidumping laws, designed as specifics for relief of sporadic individual hardship cases. They were not intended to and cannot provide an effective remedy for basic worldwide economic imbalance.

For example, in 1969 shoe factory closing have taken the jobs of 7,000 shoe workers in New England alone. At $60 per worker per week adjustment assistance would cost the Government $21 million in just 1 year. Is this a realistic approach to the problem? We think not. Adjustment assistance for one or two plants might be helpful but not for the problems of an industry employing as many thousands of workers as we do.

Even increases in tariffs or countervailing duties would not offset the great wage differentials unless they were placed so high as would be politically impractical. Voluntary arrangements without the backup of mandatory quotas also would be difficult, if not impossible, to achieve.

There are some who argue that relief for footwear by the imposition of any kind of quota legislation should be denied even though they are concerned about our import problem. It is their conviction that world trade must be expanded and a quota system would have the opposite effect.

Basically, I feel that those who would deny the footwear industry relief on these grounds are ignoring some of the current international economic realities. No subject as complex and important as international trade can expect to be free of controls designed by each nation to advance its interests.

Trade is an instrument available to every nation and every nation uses trade to advance its interests, some more subtly and skillfully than others. This the United States has done in the past but has done less successfully in recent years.

The concept of free trade presupposes virtually a laissez-faire economy throughout the world which we all recognize as having long ago been forsaken for other social goals.

After World War II, most of the trade nations of the world needed help badly. The United States properly saw that in order to restore our own overseas markets we had to rebuild these damaged foreign economies. As a part of this effort, we did everything possible to encourage trade; we threw open our markets, the world's largest; we reduced our tariffs; and we gave economic assistance to our trading partners.

In this enterprise, we were successful beyond all expectations. Japan and the countries of Western Europe, aided in no small degree by the United States, have staged an incredible economic recovery which has been of great benefit both to them and to us.

Now Japan and Western Europe are economic powers of the first order. They are demonstrably able to compete with the United States on any terms in any marketplace including our own. Yet, we persist in treating them as though they were still struggling for recovery.

Japan is now the third most powerful economy in the world. She has arrived at this position by a great deal of careful planning, hard work, and the intelligent regulation of her foreign trade which is constantly adapted to her own needs and the realities of the world market. The June 1, 1970, issue of the "U.S. News and World Report" carried an article on the fact that Japan, now No. 2 in autos and trucks, is going for No. 1 and feels that they have a chance of outstripping our big three in all foreign markets. Its position in many other industries is equally as strong.

In Europe, the story is very similar. Government subsidies and tax assistance have helped the Italians and the Spanish to increase exports enormously while flexible dumping rules and customs practices have protected their domestic markets.

Mr. Chairman, our industry is all for trade expansion. Our hat is off to the computer manufacturer and the farm equipment manufacturers who can sell his products in overseas markets, but I doubt that they would trade their situation for ours. Shoe exports constitute about one-half of 1 percent of domestic production and are not likely to get much bigger. If we can be undersold by foreign manufacturers in our own hometowns, we certainly cannot expect to capture much of the market in Madrid or Taiwan.

So, at the point where expansion disrupts the market in the United States and displaces American workmen from their jobs, and when this expansion is principally benefiting well developed and well protected economies like Japan and Italy, then it is time to act. We are only asking that our Government apply the same rules that are applied by governments of our competitors. We don't see why we, as an industry or as a country, should bear more than our share of a trade policy that is supposed to benefit everyone in the world.

Obviously each trade problem has to be examined on its own facts, and no overall trade policy can encompass the needs of all. Where open markets attract low wage imports that seriously threaten a segment of our economy, an alternative must be found.

The alternative which you, Mr. Chairman, have introduced and some 248 other Congressmen have cosponsored, seems to be the most reasonable approach. The quota adjustment provision of H.R. 16920 is actually a flexible method which allows the foreign competitor to share in the growth of the footwear industry on a basis that is fair to all. Your bill also provides the authority to the President to negotiate voluntary agreements which supersede the legislative quotas. The flexibility afforded by these measures will enable this bill to restore fair and orderly trade in textiles, leather, and vinyl footwear.

I note that when the administration's special representative for trade negotiations, Carl J. Gilbert, appeared before this committee at the outset of hearings, he stated the Government is seeking to provide administrative relief to distressed segments of the shoe industry. He indicated to you that if this failed, the Executive will come back to Congress to seek a joint solution. Secretary Stans also made mention of a study which was soon to be published and requested that no action be taken by this committee in behalf of footwear until the study was published.

If there is a program being formulated to relieve the industry, this is the first that we have heard about it. The details have not been made known to this committee, much less to the industry, so no one really has an inkling as to what the program might involve. No member of our industry has been advised or consulted on such a program. We were permitted to make a contribution to the interagency study as we had to the Tariff Commission Study published last year and the one published a year earlier than that, but last September we presented to the White House a petition signed by over two-thirds of the Members of each House of Congress urging the President to negotiate voluntary agreements on footwear. Today we have nothing, and that is why we are here urging the passage of H.R. 16920.

Quite frankly, our industry has been studied to death but I am afraid that some individuals in the administration have their minds so made up that they refuse to accept the facts.

Much of the objection to H.R. 16920 is directed to the notion that quotas are inflationary. This idea is being given widespread circulation by a number of people with the hope that it will be accepted by the committee as reason the bill should not be passed. Specifically, as it relates to footwear, they say that even though a healthy domestic footwear manufacturing industry is necessary, imports are needed to hold footwear prices down and thus are anti-inflationary.

Quotas of themselves are not inflationary or noninflationary. For example, the wholesale price index for textile products and apparel in the first 3 months of 1970 was 109.5 as compared to an average of 116.3 for all commodities. For cotton products it was only 106. As you well know, cotton products have since 1962 enjoyed the admittedly limited protection of the long-term agreement which provides for a limited type of quotas. Experience with this agreement does not show that quotas are inflationary. In fact, one finds that price rises for cotton products have been moderate and far below the wholesale price index for all commodities. Thus, experience with quota legislation cannot lead one to the conclusion that they are per se inflationary.

Specifically, we are led to believe that imports have in fact held down prices. This is not so. The consumer price index for nonrubber footwear, which index includes imports, has risen faster since 1965 than either the consumer price index for all consumer items or the wholesale price index for nonrubber footwear, which index includes only domestically produced footwear. Thus, no credence can be given to this notion of imports holding prices down.

Actually, our best weapon against inflation is to increase our capacity to compete. If the footwear manufacturing business were given a fair opportunity to make a profit, more companies would locate factories in the many communities that are seeking them. With competion enhanced, prices will be held down.

It has also been noted by the Department of Commerce that there are some 30 different types of nontariff trade barriers that have been imposed by other countries on our products entering their doors. But, to my mind, quotas are by far the most fair regulator because of their being readily discernible to both domestic and foreign producers alike and their being based on a concept of some market sharing.

In recent months, we have heard much about this country's great natural resources and the need for preservation of them. The immense U.S. market is also a great natural resource. It is a resource that provides production jobs which underlie the economic health of our Nation, but this resource is, like our other natural resources, not unlimited. It cannot absorb abuse forever and still support the vitally needed elements in it. It is axiomatic, but sometimes forgotten, that to have consumers, you need to have producers.

As we have pointed out, our industry employs workers whose skills might not be such as would be readily usable by the computer and heavy equipment manufacturers. Our industry is located in many rural communities and has a high degree of female employment, thus providing for a second income for many families who might otherwise be involved only in the agricultural sector.

One must also view the footwear industry in the context of another problem which is plaguing us now; that of the urban crisis.

It has been pointed out on numerous occasions by numerous individuals, including the Joint Economic Committee, in its 1969 Joint Economic Report, that there is a definite connection between rural unemployment and our urban crisis. As we become more productive in agriculture, the need for agricultural labor becomes less. History has recorded the great migration to the cities, thus concentrating more problems in our urban communities. Yet, industries such as footwear act, and have acted for years, as a buffer against this migration by providing jobs for the people in the smaller communities of our nation.

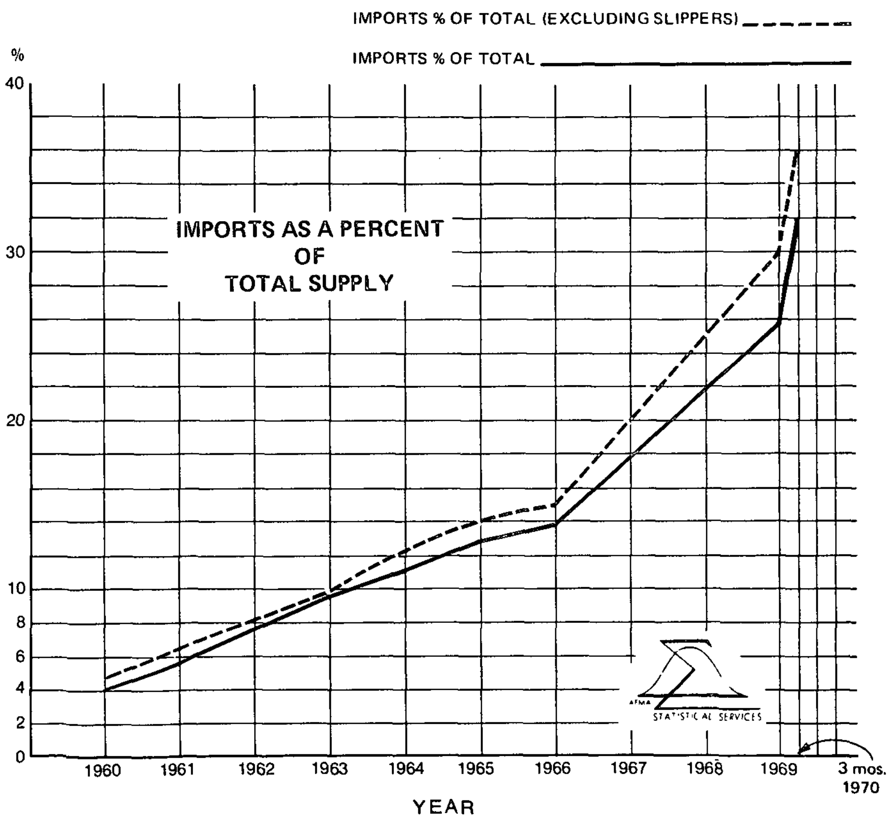
What we are asking is not for a preservation of inefficient industry or of a market riddled with unsound economics. We are asking only for fairplay so that we can compete on a basis which makes it economically justifiable to remain in business. A crisis is upon us and the decision will have to be made soon.

We strongly urge the passage of H.R. 16920. It is a most reasonable and realistic approach that Congress could take to preserve an industry which serves a very significant need in our economy.

Thank you very much.

(The attachments accompanying the statement follow:)

Attachment I



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ATTACHMENT II

U. S. FOOTWEAR PRODUCTION AND IMPORTS
(1,000 pairs)

Year	U. S. Production	Imports	% Imports of Production	Total Supply	% Imports of Total Supply
1960	600,041	26,617	4.4%	626,658	4.2%
1961	592,907	36,668	6.2	629,575	5.8
1962	633,238	55,057	8.7	688,295	8.0
1963	604,328	62,820	10.4	667,148	9.4
1964	612,790	75,372	12.3	688,162	11.0
1965	626,229	87,632	14.0	713,861	12.3
1966	641,696	96,135	15.0	737,831	13.0
1967	599,964	129,134	21.5	729,098	17.7
1968	642,427	175,438	27.3	817,865	21.5
1969	581,757	195,673	33.6	777,430	25.2
1970 (3 mos.) prel.	145,829	68,691	47.1	214,520	32.0
PROJECTIONS					
1970	570,000	220,000	38.6	790,000	27.8
1971	560,000	258,900	46.2	818,900	31.6
1972	550,000	303,300	55.1	853,300	35.5
1973	540,000	352,700	65.3	892,700	39.5
1974	530,000	408,800	77.1	938,800	43.5
1975	519,000	468,400	90.3	987,400	47.4

ATTACHMENT III

FOOTWEAR MANUFACTURING ESTABLISHMENTS,
EMPLOYEES AND PAYROLLS
FIRST QUARTER, 1968

	Total Reporting Units	No. of Employees*	Taxable Payrolls ($1,000)**
NEW ENGLAND			
Maine	84	25,243	28,522
Massachusetts	146	30,100	37,232
New Hampshire	71	17,980	20,491
Connecticut	15	1,611	1,841
Vermont	NA	NA	NA
Rhode Island	4	D	D
MIDDLE ATLANTIC			
New York	172	16,812	20,070
Pennsylvania	123	24,750	25,915
New Jersey	20	2,140	2,858
EAST NORTH CENTRAL			
Illinois	37	9,371	10,830
Ohio	22	6,768	8,339
Wisconsin	44	8,339	10,615
Indiana	4	1,799	2,149
Michigan	7	2,463	2,899
OTHER DIVISIONS			
Missouri	91	22,325	23,999
Tennessee	41	14,513	15,237
Arkansas	25	7,576	7,523
Minnesota	6	1,080	1,619
Iowa	NA	NA	NA
Nebraska	NA	NA	NA
Kansas	NA	NA	NA
Maryland	12	2,301	2,357
Virginia	10	3,453	3,251
West Virginia	5	793	692
North Carolina	8	2,826	2,979
Georgia	13	3,948	3,510
Florida	21	1,730	2,010
Kentucky	11	2,983	3,396
Alabama	6	1,527	1,432
Mississippi	5	2,328	2,469
Texas	25	2,249	2,326
New Mexico	2	D	D
Arizona	NA	NA	NA
Nevada	NA	NA	NA
Washington	NA	NA	NA
Oregon	NA	NA	NA
Hawaii	NA	NA	NA
California	47	2,783	3,194
TOTAL	1,116	220,733	248,642

* Mid-March pay period. ** January-March. NA Not available.
D Data withheld to avoid disclosure of individual company operations.
Source: 1968 County Business Patterns, U.S. Department of Commerce.

ATTACHMENT IV

EMPLOYMENT IN NONRUBBER FOOTWEAR INDUSTRY

Year	All Employees (000)	Production Workers Only (000)	Production Workers As % of All Employees	Average Wage Per Hour
Mar. 1970	219.9	191.1	86.9	$ 2.43
Mar. 1969	229.2	200.0	87.3	2.29
1969	225.6	196.2	87.0	2.39
1968	235.5	206.0	87.5	2.18
1967	231.6	203.0	87.7	2.01
1966	241.5	214.2	88.7	1.87
1965	234.5	208.8	89.0	1.82
1964	230.5	204.8	88.9	1.77
1963	231.6	206.3	89.1	1.71
1962	240.6	215.1	89.4	1.68
1961	239.6	214.0	89.3	1.63
1960	242.6	216.4	89.2	1.59
1959	247.5	222.6	89.9	1.55
1958	237.4	212.7	89.6	1.51
1957	243.8	218.8	89.7	1.47
1956	246.3	221.3	89.8	1.42
1955	248.4	223.4	89.9	1.32

Source: Employment and Earnings Statistics
U.S. Department of Labor

ATTACHMENT VA

THE SIXTIES - A DECADE IN REVIEW

DOMESTIC PRODUCTION OF LEATHER AND VINYL FOOTWEAR BY TYPES

IN MILLIONS OF PAIRS

YEAR	MEN'S	YOUTHS' AND BOYS'	WOMEN'S	MISSES'	CHILDREN'S	INFANTS' AND BABIES'	ATHLETIC	SLIPPERS	OTHER	TOTAL
1960	100.6	24.1	279.8	40.2	32.7	36.6	7.0	73.5	5.5	600.0
1961	103.3	24.2	273.4	39.2	31.7	35.8	6.6	72.6	6.1	592.9
1962	112.7	25.6	288.2	36.8	32.5	37.0	10.1	83.0	7.4	633.2
1963	110.7	24.0	275.2	35.5	30.7	33.5	9.8	77.6	7.2	604.3
1964	119.9	25.4	271.1	37.0	30.4	32.8	6.9	78.9	10.3	612.8
1965	118.2	25.6	279.9	36.5	33.5	32.5	7.0	90.2	2.8*	626.2
1966	126.9	24.6	284.2	35.9	33.6	32.5	7.3	93.8	2.9	641.7
1967	123.7	25.3	258.0	27.6	30.7	30.0	6.9	95.6	2.0	600.0
1968 r	126.3	23.5	283.7	33.0	31.4	28.7	8.3	105.4	2.1	642.4
1969 p	122.0	23.6	235.2	28.7	27.8	25.7	8.4	109.0	1.7	582.1

* Not comparable to previous years due to government changes in definition of "Other" type of footwear.
r: Latest revised Department of Commerce figures for 1968.
p: Preliminary estimates of 1969 production made by the American Footwear Manufacturers Association are based on the first eleven months of Department of Commerce data. These estimates are most likely slightly too high due to expected seasonal drop in December domestic production.
SOURCE: United States Department of Commerce and the American Footwear Manufacturers Association.

March, 1970

ATTACHMENT VB

THE SIXTIES - A DECADE IN REVIEW

IMPORTS OF LEATHER AND VINYL FOOTWEAR BY TYPES

IN MILLIONS OF PAIRS

YEAR	MEN'S	YOUTHS' AND BOYS'	WOMEN'S[1]	MISSES	CHILDREN'S	INFANTS' AND BABIES'	ATHLETIC	SLIPPERS[2]	OTHER	TOTAL
1960	6.4	0.8	14.0	0.4	0.4	0.5		4.1		26.6
1961	8.1	1.0	21.3	0.6	0.6	0.8		4.3		36.7
1962	13.1	1.6	36.6	1.1	1.2	1.5		7.9		63.0
1963	12.4	1.5	37.9	1.1	1.1	1.4		7.4		62.8
1964	13.5	1.6	49.6	1.5	2.3	2.8		4.1		75.4
1965	15.2	2.0	52.3	1.5	2.5	3.4	1.1	8.6	1.1	87.6
1966	15.9	2.2	63.7	2.4	3.2	3.0	1.2	3.6	1.0	96.1
1967	19.6	3.0	90.4	3.2	4.7	2.8	1.4	3.1	0.9	129.1
1968	26.1	3.6	124.9	5.3	7.0	2.6	1.7	2.9	1.4	175.4
1969 p	35.0	4.5	133.0	7.0	8.0	3.0	2.5	1.8	0.9	195.7

1: Women's footwear prior to 1965 included some slippers.
2: Slippers include Indian type moccasins, slippers, soft soles and wool felt footwear.
p: Preliminary estimates of 1969 imports were made by the American Footwear Manufacturers Association. These estimates were based on data provided by the Department of Commerce.
SOURCE: United States Department of Commerce and the American Footwear Manufacturers Association.

March, 1970

ATTACHMENT VI

ANNUAL PRODUCTION OF SHOES AND SLIPPERS, EXCEPT RUBBER, BY GEOGRAPHIC AREAS AND SELECTED CLASSES OF FOOTWEAR: 1968

(Thousands of pairs)

Geographic area[1]	Shoes and slippers, except rubber, total	Men's, youths', and boys' shoes	Women's shoes	Misses', children's, infants', and babies' shoes	Slippers	All other footwear, including athletic shoes
	1968					
United States, total[2]	642,427	149,789	283,700	93,091	105,437	10,410
New England	198,441	47,472	117,336	17,476	11,316	4,841
Maine	58,364	18,332	36,295	3,104	71	562
Massachusetts	85,210	19,379	44,619	10,316	7,121	3,775
New Hampshire	46,369	8,253	34,312	(D)	-	(D)
Other States	8,498	1,508	2,110	(D)	4,124	(D)
Middle Atlantic	178,067	24,206	60,111	21,930	69,248	2,572
New Jersey	16,386	-	(D)	(D)	12,928	-
New York	76,598	10,453	(D)	(D)	44,452	1,108
Pennsylvania	85,083	13,753	40,596	17,402	11,868	1,464
North Central	122,688	35,686	49,691	27,160	8,419	1,732
Illinois	19,393	6,774	6,666	4,113	(D)	(D)
Indiana	4,590	(D)	(D)	(D)	-	-
Michigan	8,134	(D)	(D)	(D)	-	(D)
Minnesota	2,730	(D)	(D)	(D)	(D)	(D)
Missouri	56,528	(D)	25,216	16,958	(D)	(D)
Ohio	16,920	(D)	10,127	(D)	(D)	(D)
Wisconsin	14,250	9,638	869	2,790	458	495
Other States	143	(D)	(D)	(D)	(D)	-
South and West	143,231	42,425	56,562	26,525	16,454	1,265
Arkansas	21,180	(D)	9,286	6,737	(D)	-
California	5,869	(D)	5,005	(D)	(D)	(D)
Florida	1,447	-	1,425	(D)	-	(D)
Georgia	13,351	6,653	(D)	(D)	(D)	(D)
Kentucky	10,682	(D)	9,680	-	-	(D)
Maryland	9,605	2,323	(D)	6,277	(D)	(D)
Mississippi	12,059	(D)	(D)	(D)	-	(D)
Oregon	46	(D)	-	-	-	(D)
Tennessee	40,857	19,092	10,009	9,887	(D)	(D)
Texas	5,427	(D)	3,045	(D)	(D)	(D)
Virginia	8,433	(D)	(D)	1,283	(D)	(D)
Washington	18	18	-	-	-	-
Other States	14,257	7,870	878	540	(D)	(D)

- Represents zero. (D) Withheld to avoid disclosing figures for individual companies.

[1]Data for each State not shown separately have been withheld to avoid disclosing figures for individual companies. These States are:

New England: Connecticut, Vermont, and Rhode Island.
North Central: Iowa, Kansas, and Nebraska.
South and West: West Virginia, North Carolina, Alabama, New Mexico, Arizona, Nevada, and Hawaii.

[2]Excludes shoes and slippers with sole vulcanized to fabric upper. (See table 8).

ATTACHMENT VII

PRODUCTION OF SHOES AND SLIPPERS, EXCEPT RUBBER, BY TYPE OF CONSTRUCTION: 1968

(Thousands of pairs)

Item	Total	Cemented excluding slip-lasted	Slip-lasted	Welt, including Silhouwelt	McKay sewed, excluding Littleway	Stitchdown	Soft sole	Turn or turned	Vulcanized or injection molded construction	Indian type moccasins	Genuine moccasin construction	Other Littleway, prewelt, etc.
Shoes and slippers, except rubber, total[1]	642,427	348,038	28,023	81,268	2,022	12,908	40,050	12,062	[2]40,995	4,647	27,744	44,670
Shoes (including athletic), total	534,911	308,271	16,388	81,182	1,846	9,825	5,032	1,572	40,995	2,998	27,701	39,101
Men's shoes (except athletic)	126,259	21,746	1,848	65,347	(D)	3,939	(D)	(D)	12,938	580	12,920	5,866
Men's workshoes	36,858	(D)	-	26,732	(D)	1,531	(D)	(D)	6,332	-	(D)	484
6" high and over (including over-the-foot boots)	27,214	892	-	19,521	(D)	1,290	-	(D)	5,218	-	(D)	(D)
Less than 6" high	9,644	(D)	-	7,211	(D)	241	(D)	(D)	1,114	-	-	(D)
Men's shoes, other than work	89,401	(D)	1,848	38,615	(D)	2,408	(D)	-	6,606	580	12,872	5,382
Handsewns (genuine moccasin construction with outsole attached)	12,567	(D)	-	(D)	(D)	(D)	-	-	(D)	(D)	9,832	1,610
Uppers of soft tannages (including desert boot and sandals)	12,163	6,634	772	(D)	(D)	869	(D)	-	(D)	137	(D)	1,546
All other men's shoes (including dress)	64,671	13,360	1,076	37,317	(D)	(D)	-	-	6,403	(D)	(D)	2,226
Youths' and boys' shoes (except athletic)	23,530	11,752	(D)	3,330	50	772	(D)	-	5,622	80	849	978
Youths' shoes	11,335	6,184	-	1,432	-	323	-	-	2,820	(D)	(D)	551
Boys' shoes	12,195	5,568	(D)	1,898	50	449	(D)	-	2,802	(D)	(D)	427
Women's shoes (except athletic)	283,700	224,741	13,361	2,906	(D)	1,691	(D)	(D)	3,931	1,809	13,124	21,526
Women's wedge heel (any height) or open toe (not over 8/8" heel)	24,702	13,050	7,040	694	-	(D)	(D)	(D)	(D)	(D)	699	2,313
All other women's shoes (except athletic)	258,998	211,691	6,321	2,212	(D)	(D)	(D)	-	(D)	(D)	12,425	19,213
Not over 8/8" heel	115,057	70,711	5,198	1,390	(D)	1,205	(D)	-	(D)	(D)	12,425	18,257
9/8" heel and over	143,941	140,980	1,123	822	(D)	(D)	-	-	-	-	-	956
Misses' shoes (except athletic)	32,980	23,482	(D)	1,555	(D)	466	(D)	(D)	4,792	(D)	107	1,724
Misses' wedge heel (any height) or open toe (not over 8/8" heel)	10,793	8,389	(D)	477	(D)	(D)	(D)	(D)	1,128	(D)	(D)	184
All other misses' shoes (except athletic)	22,187	15,093	103	1,078	(D)	(D)	(D)	(D)	3,664	(D)	(D)	1,540
Children's shoes (except athletic)	31,418	15,294	36	3,139	(D)	1,198	(D)	-	9,063	267	216	2,033
Infants' and babies' shoes	28,693	9,989	724	3,260	(D)	1,583	4,616	1,371	4,278	(D)	(D)	2,253
Athletic shoes	8,331	1,267	-	1,645	(D)	176	-	-	371	-	(D)	4,721
Men's, youths', and boys' athletic shoes	6,758	1,086	-	(D)	(D)	(D)	-	-	371	-	(D)	3,556
All other athletic shoes	1,573	181	-	(D)	-	(D)	-	-	-	-	-	1,165
Slippers, total	105,437	39,250	11,635	(D)	(D)	(D)	34,788	(D)	([2])	1,183	(D)	(D)
All slippers of slip-on type with underwedge heel or blown sponge rubber midsole	12,363	5,001	4,477	-	-	47	(D)	(D)	-	-	-	(D)
Other slippers:												
Men's, youths', and boys'	17,037	4,066	1,682	(D)	(D)	(D)	(D)	(D)	([2])	387	(D)	1,533
Men's	15,954	3,669	1,604	(D)	(D)	1,327	2,843	(D)	([2])	331	(D)	1,380
Youths' and boys'	1,083	397	78	-	-	(D)	(D)	-	([2])	56	(D)	153
Women's	64,353	28,226	5,038	-	(D)	(D)	22,603	3,527	([2])	730	10	2,884
Misses', children's, infants', and babies'	11,684	1,957	438	-	-	(D)	6,850	(D)	([2])	66	(D)	(D)
Misses' and children's	8,844	(D)	420	-	-	(D)	4,718	(D)	([2])	(D)	(D)	333
Infants' and babies'	2,840	(D)	18	-	-	-	2,132	(D)	([2])	(D)	-	(D)
Other footwear (except those with sole vulcanized or molded to fabric upper)	2,079	517	-	(D)	(D)	(D)	230	(D)	-	466	(D)	(D)

[1]Excludes shoes with sole unicanized to fabric upper. See table 8.

[2]The data for vulcanized or injection molded slippers are included with the data for other constructions, including Littleway, prewelt, etc., to avoid disclosing operations for individual companies.

-Represents zero. (D) Withheld to avoid disclosing figures for individual companies.

ATTACHMENT VIII

FOOTWEAR MANUFACTURING COMPANIES' PERCENT OF NET PROFITS AFTER FEDERAL INCOME TAXES TO NET SALES

Year	# Firms	% Net Profits
1969	88	2.1%
1968	99	3.1
1967	125	3.0
1966	135	2.7
1965	123	2.1
1964	119	2.5
1963	65	1.9
1962	65	1.9
1961	80	2.2
1960	109	2.1
1959	94	2.5
1958	85	2.1
1957	104	2.3
1956	83	2.0
1955	87	2.3

Source: American Footwear Manufacturers Association

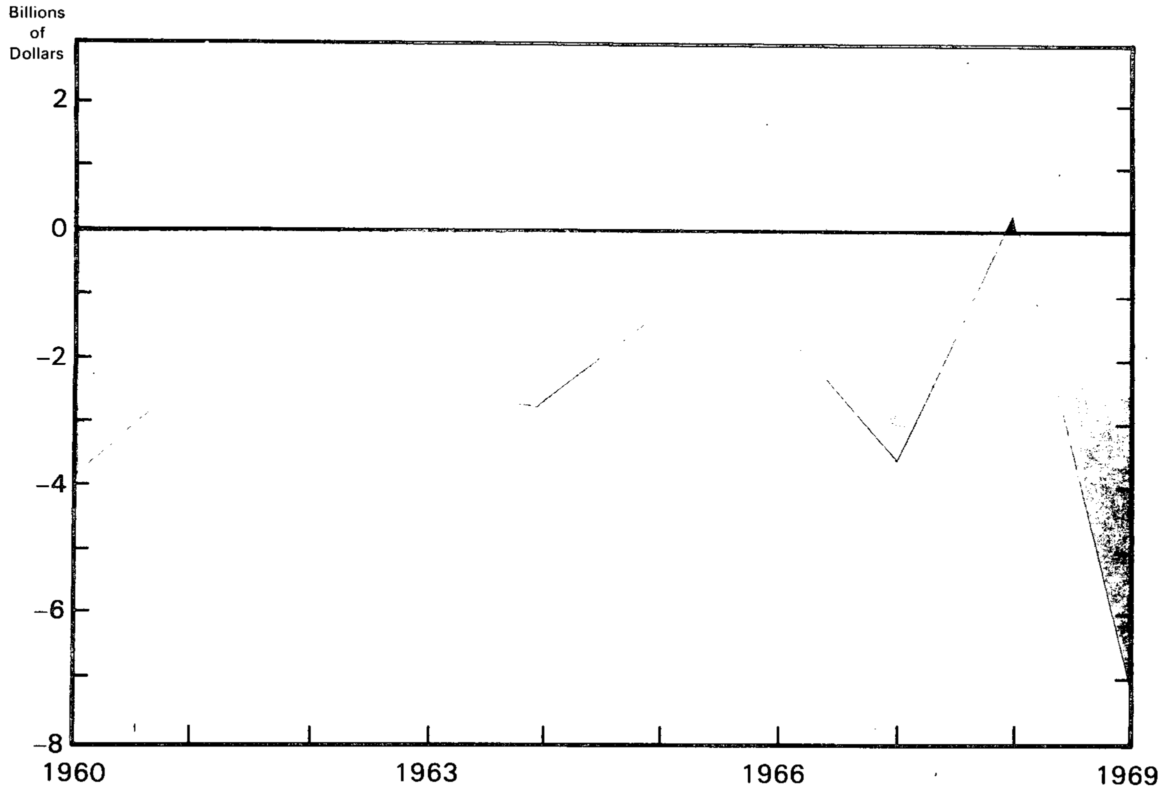
ATTACHMENT IX

Comparison of B.L.S. Retail and Wholesale Price Indexes For Footwear and of U.S. Department of Commerce-Census' Average Values of Footwear from Foreign and Domestic Sources: 1965, 1969, and First Quarters of 1969 and 1970.

			Three Months' Average		% Increase Three Months	
	1965	1969	1969	1970	69/65	70/69
CPI (All Items 1957-59=100)	109.9	127.7	124.8	132.5	+ 16.2%	+ 6.2%
CPI (non-rubber footwear 1957-59=100)	112.9	140.3	136.9	145.2	+ 24.3	+ 6.1
WPI (non-rubber footwear 1957-59=100)	110.7	133.2	131.9	136.6	+ 20.3	+ 3.6
Imports-Avg. Foreign Value ($ per Pr.)	$1.35	$2.20	$1.89	$2.00	+ 63.0	+ 5.8
Domestic-Avg. Factory Value ($ per Pr.)	$3.99	$4.98	$4.89	$5.13	+ 24.8	+ 4.9

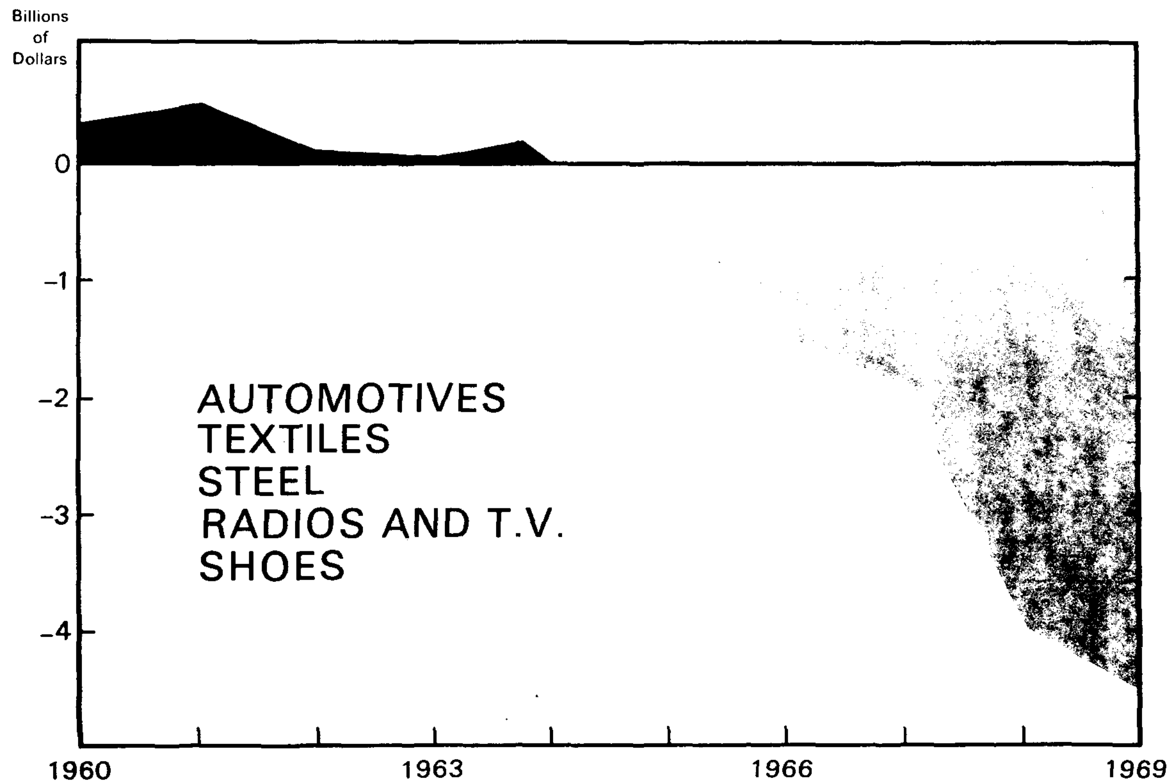
ATTACHMENT X

U.S. BALANCE OF PAYMENTS—(LIQUIDITY)



ATTACHMENT XI

U.S. TRADE BALANCE — 5 MAJOR INDUSTRIES



Mrs. GRIFFITHS. Mr. Chairman, I have a question.

The CHAIRMAN. Let us hear the other witnesses before we interrogate.

Mr. Glass, we are pleased to have you with us. We will be glad to hear you, sir.

STATEMENT OF IRVING R. GLASS, PRESIDENT, TANNERS COUNCIL OF AMERICA, INC.; ACCOMPANIED BY ROBERT W. ANDERSON

Mr. GLASS. Thank you very much, Mr. Chairman.

Mr. Chairman and Congressmen, I am Irving R. Glass, president of the Tanners' Council of America, the association of the leather industry of the United States.

SUMMARY

The present trend of shoe imports will destroy the shoe manufacturing industry of the U.S. and with it the U.S. leather industry.

Case history of smaller leather consuming industries, such as handbags and gloves, already conquered by imports, supports concern of tanners for shoes, their major market.

U.S. foreign trade now in serious deficit. Imports of shoes and leather products responsible for $600 millions of that deficit.

Tanning industry urges enactment of H.R. 16920 as forthright and feasible means of coping with present economic realities. Only reasonable import restraint can govern traffic on trade bridge between the U.S. and the rest of the world.

Honest burial needed for fictions and illusion of free trade. Lack of reciprocity by other countries worse than ever throughout the world.

Fallacies in position of import quota opponents: Mills Bill will not bar imports but will permit them to remain significant and growing factor in U.S. market.

Any other means of moderating impact of technological maturity abroad plus low wage costs is inadequate or meaningless. Adjustment assistance is exercise in rhetoric. Only quotas can stop the stampede into the U.S. market and erosion of the U.S. economy and U.S. jobs.

There are few, if any, industries which have a greater relative stake in the issue before you—national foreign trade policy. The views and recommendations which I express here are based on the industry's long history and experience in foreign trade with every other nation of the world. We have sought reciprocity for more than 30 years. It is our judgment that the concept, to which lipservice is still given in some quarters, is a mirage. That judgment is based on hard practical fact, not on theory.

We are affected at present directly and seriously in two ways: First, by the complete lack of reciprocity or equity, the one-sidedness, in our trade relations with the rest of the world. Second, by the extraordinary increase in the import of shoes and other leather products into the United States. These imports have drastically reduced our market outlets and forced curtailment and liquidation on the tanning industry.

Shoe imports are of the greatest immediate concern to our industry because shoe production absorbs the major part of leather output. Our concern is not based on conjecture. We have been on this same course with every one of the smaller leather consuming industries and have seen the U.S. market destroyed by imports. Handbags, baseball gloves, dress gloves, small leather goods, work gloves, in every instance imports have taken over a major share of the U.S. market. We have every reason and every right, therefore, to be fearful that the remaining pillar of our industry—shoe production—will be cut down by imported shoes. Survival of domestic shoe manufacturing is essential to survival of the tanning industry, the first commercial industry started in the United States.

The leather industry urges the enactment of H.R. 16920. In our opinion that bill is forthright recognition that the United States must abandon fictions and delusion in foreign trade policy. It is a reasonable and flexible proposal for coping with economic realities in the United States and the rest of the world. Our country can no longer afford the self-indulgence of burying the facts for the sake of a nonexistent and unattainable ideal of trade freedom and reciprocity. Unless Congress acts now, U.S. manufacturing industry in the shoe and leather products area will be buried and the epitaph could well read:

"Victim of the Great Reciprocity Illusion."

THE SHOE IMPORT FACTS

There is no question as to the pertinent facts about shoe imports. In less than a decade shoe imports have increased from a negligible level to almost 50 percent of domestic production. Imports have preempted all the growth in the U.S. market and during the past 2 years they have begun cutting into the base the shoe industry had before the import flood started. Domestic shoe production in 1969 was the lowest in 15 years.

(Table on U.S. shoe production and imports follows:)

U.S. SHOE PRODUCTION AND IMPORTS

[1,000 pairs]

	U.S. production	Imports	Percent imports of production	Total supply	Percent imports of total supply
1960	600,041	26,617	4.4	626,658	4.2
1961	592,907	36,668	6.2	629,575	5.8
1962	633,238	55,057	8.7	688,295	8.0
1963	604,328	62,820	10.4	667,148	9.4
1964	612,790	75,372	12.3	668,162	11.0
1965	626,229	87,632	14.0	713,861	12.3
1966	641,696	96,135	15.0	737,831	13.0
1967	599,964	129,134	21.5	729,098	17.7
1968	642,427	175,438	27.3	817,865	21.5
1969	580,857	195,673	33.7	776,530	25.2

Mr. GLASS. There has been no change of trend in 1970. There cannot and will not be unless the Congress acts. Shoe imports in the first 4 months jumped 28.2 percent and represented 47.5 percent of domestic production. This is shown in the following table:

CONTINUED UPSURGE IN SHOE IMPORTS

[1,000 pairs]

	1st 4 months		Percent change
	1969	1970	
Imports	71,632	91,828	+28.2
U.S. production	203,456	193,235	−5.0
Percent imports of U.S. production	35.2	47.5	

The basic economic causes of the shoe import flood are known to your committee. Technological knowledge and facilities are equalized virtually throughout the world. Consequently countries with significantly lower wage costs enjoy overwhelming advantage in labor intensive industries. This point has been made again and again.

MANDATED WAGE AND LABOR STANDARDS VERSUS NONE

The parallel is explicit in our own history before national fair labor standards legislation stopped the hunt for lower wage costs within the United States. Now, the process is being repeated on a global scale through imports or through the flight of productive capital to low-wage countries. For some strange reason the studies and investigations of the executive departments never come to grips with this central question and always seem to duck the problem.

THE CONSEQUENCES OF IMPORTS

The accelerated growth of imports in shoe and leather products as well as in almost every other category of manufactured goods has these far-reaching results. First, our foreign trade balance has moved significantly into the red. The official statements which accompany our monthly foreign trade reports imply and hint merely at a decline in trade surplus. The implication is false. Simple arithmetic demonstrates that on foreign trade account the United States is now in a deficit position. In less than 4 years an annual trade surplus of several billion dollars has dropped to a deficit of 2 to 3 billion.

We do not understand why the wrong implication seems to be deliberately created by official comment. Our simple arithmetic, for example, shows a deficit for 1969 of $3.7 billion, whereas the official version implied a trade surplus for the year. All we did was to deduct the gifts and the giveaways from the export side for the obvious reason that the United States is not compensated from abroad for such shipments.

(Calculations on foreign trade reckoning follow:)

Foreign trade reckoning

1969:	*Millions*
Exports	$37,444
Less giveaways (4th quarter estimate)	2,638
Total	34,808
Imports	36,052
Deficit	1,244
Plus cost, insurance, and freight on imports	2,487
Total trade deficit	3,731

(The above calculations were taken from Department of Commerce Publication FT 990.)

Mr. GLASS. Your committee will be interested to know that shoes and leather products accounted for a major share of the national trade deficit. Our imports in this product area exceed the value of exports by $600 million.

Second, the import invasion has caused plant shutdowns and liquidation in the United States. During the past 2 years at least 70 factories in shoes and other leather products have stopped operation and been liquidated. Tens of thousands of jobs have been lost. The implications have been detailed to your committee. We stress only the two that seem most important to us. The most important and immediate is the loss of job opportunity to the very segment of our population that most require jobs in metropolitan areas and in small communities. Industries such as shoes and tanning provide the jobs for the semi-skilled and unskilled which are prerequisites to economic integration, and I use that term to stress the broad context which makes job opportunity vital in the solution of present social problems. In a longer range sense we suggest that no economy can be viable without labor intensive industry.

It is a tragic mistake to assume that 200 million people can be supported by sophisticated technical operations, such as computer programing, or by service industries. The factory and the payroll are much more than symbols. They are the crux of production on which economic health and progress rests. Without production even our great economic resources can be stretched to the breaking point.

FALLACIES

It is suggested by retail interests and by importers that imports should not be restrained because they serve certain useful purposes. Such contentions are fallacies in their entirety because they misconstrue and distort the purpose of such legislation as H.R. 16920. We do not ask for a complete bar to imports. If the measure introduced by the chairman were enacted, imports of shoes would continue to play a significant market role. The future distribution of the U.S. market would be tempered on the side of equity for U.S. manufacturers and their employees but the basic give and take of market competition would continue.

With that general correction in mind, the specific contentions by opponents of import quotas can be dealt with summarily. The argument, for example, that imports help stop inflation is an emotional non sequitur. It is known and acknowledged in the shoe trade that the retail markup on imported shoes is very much greater than on the same pair of domestically crafted shoes.

Shoe manufacturing is a highly competitive business with notoriously low profit margins. Domestic shoe costs and prices are a ceiling or an umbrella which protect the profit made on the admittedly lower cost shoes from abroad. It could well be argued that shoe imports contribute to inflation by swelling retail margins beyond reasonable or normal levels. Furthermore, displacement of domestic workers contributes to enlarged relief rolls and thereby creates fiscal burdens and budget problems which are a prime cause of inflation.

It is argued that imports enlarge the choice available to consumers. The slightest familiarity with the continuous style ferment in the shoe and leather products industries makes this contention ridiculous. Lack of choice is no problem in shoes. On the contrary, the problem is the multiplicity of choice available to consumers due to competition and the unquenchable creative impulse in shoe manufacturing.

Another hobgoblin lately presented is the threat of retaliation. Other countries, it is argued, would meet reasonable U.S. import quotas by curtailing purchases of U.S. products. This argument is fallacious on two counts. First, in the absence of any U.S. measures to preserve domestic industry and employment, other countries have not hesitated to erect a network of trade barriers which discriminate against the United States Tanners have been retaliated against for many years without any excuse or provocation. Such foreign tactics have been condoned or extenuated for a long time.

To suggest now that self-preservation might encourage further retaliation means quite literally that we would be approving sin and condemning virtue. And the other factor is equally obvious. Other countries buy from us only what they must for their own profit and welfare. Whenever they develop manufacturing facilities which obviate the need for U.S. goods they stop buying. To suggest any other cause and effect is to impute eleemosynary motives in foreign trade, motives to which only the United States can plead guilty.

Finally, in certain quarters the image has been raised of the poor and disadvantaged finding shelter within imports. Can anyone overlook the fact that consumers, for the most part, must be producers? Without payrolls where will the purchasing power come from to buy imported shoes or apparel? Retail volume depends on jobs and it is economic myopia to dream that consumption can be maintained if manufacturing employment declines.

U.S. RAW MATERIAL EXPORTS—MIRROR IMAGE OF FINISHED PRODUCTS

You should be interested to know that the mirror image of our acute import problem is the accelerated flow of raw material out of the United States. Foreign governments have helped the rapid growth and development of their tanning and shoe manufacturing industries through a network of unfair trade restrictions, so-called nontariff barriers, and through subsidies of various kinds. As a result, last year we expected 40 percent of our raw cattle hides. These raw materials traveled thousands of miles from our ports and were returned to us, in almost absolute equivalent quantity, as shoes or other leather products to be sold in the retail markets of the United States.

It is economic absurdity for the United States to become the raw material supplier to such developed and industrialized countries as Taiwan, Spain, Italy, Greece, or Brazil. The United States is the only nation in the world with significant raw material for making leather which does not promote and preserve domestic industry to process and fabricate that raw material. Every other country seeks to wed the interests of agriculture and industry for its national welfare.

In 1969 we exported approximately $100 million worth of rawhides and then had the privilege of paying more than $700 million for the shoes and the leather goods returned to us. This startling and paradoxical condition is the cumulative result of nonreciprocity for U.S. industry and the huge disparity in wage rates here and abroad. The question implicit in the facts is obvious—Shall we abdicate manufacturing of products in which labor is a major component and become merely a raw material producing country?

WHY QUOTAS?

The present situation in U.S. foreign trade is the climactic stage of a development which has been in the making for years. Warnings in the past have gone unheeded because the premonitory signals were not

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acute enough. The evidence can no longer be ignored. Diffusion of technical knowledge throughout the world has brought into absolutely sharp relief the disparity between a mandated wage structure in the United States and far lower production costs abroad. Accelerated and surging imports are a plain and present threat to the existence of the U.S. shoe and leather industries.

In the context of the current situation all the traditional discussion of tariffs and trade is meaningless. Some means must be used to control the traffic on the trade bridge between the United States and the rest of the world, and particularly on products where labor costs have created the greatest vulnerability for domestic industry. Adjustment assistance, against this context, is a rhetorical exercise and a waste of money. Plants and jobs in this country must be preserved against an import flood of still unpredictable proportions.

Reasonable import restrictions are the only feasible means of preventing chaos on the trade bridge between ourselves and the rest of the world. Continuation of the stampede now underway, the stampede to take over the U.S. market, will have intolerable consequences for ourselves and for many other countries. Only a reasonable quota system can serve as arbiter in the clash of economic interests among many countries and particularly between nations with controlled economies and those devoted to the free enterprise concept. It is as much, therefore, in the interest of many nations as it is in our own that the United States use the reasonable and flexible means of H.R. 16920 to preserve the American market and American industry.

(The following data were received by the committee:)

BASIC FOREIGN TRADE FACTS, SHOE AND LEATHER PRODUCTS GROUP

1A. SHOE IMPORTS (THOUSAND PAIRS)

	Imports	Percent imports of domestic production
1955	7,739	1.3
1960	26,617	4.4
1965	87,632	13.9
1967	129,137	21.5
1968	175,292	27.3
1969	195,480	33.7
1970 (1st 4 months)	91,828	47.5

1B. PRINCIPAL SOURCES OF SHOE IMPORTS (THOUSAND PAIRS)

	1967	Percent total	1968	Percent total	1969	Percent total	1st 3 months 1970	Percent total
Italy	41,552	32.2	58,996	33.7	60,535	31.0	25,539	37.2
Japan	56,768	44.0	65,145	37.2	63,463	32.5	16,303	23.7
Spain	6,695	5.2	14,248	8.1	20,690	10.6	5,727	8.3
Taiwan	6,715	5.2	15,316	8.7	24,320	12.4	12,887	18.8
All other	17,407	13.4	21,587	12.3	26,472	13.5	8,234	12.0
Total	129,137	100.0	175,292	100.0	195,480	100.0	68,690	100.0

1C. VALUE OF FOOTWEAR IMPORTS

[In thousands of dollars]

	Amount		*Amount*
1955	13,485	1968	328,272
1960	53,257	1969	429,506
1965	118,478	1969 (1st 4 months)	132,171
1967	217,595	1970 (1st 4 months)	183,335

2. ALL LEATHER MANUFACTURERS

[In thousands of dollars]

	Imports	Exports
1955	35,388	24,000
1960	100,196	21,722
1965	222,124	22,110
1967	350,332	21,287
1968	498,944	25,396
1969	624,636	25,803

3. U.S. FOREIGN TRADE—LEATHER

[In thousands of dollars]

	Imports	Exports
1955	22,483	22,132
1960	41,447	31,800
1965	66,998	39,474
1967	68,045	42,321
1968	81,429	45,324
1969	85,805	41,586

4. BASEBALL GLOVES AND MITTENS (1,000 GLOVES AND MITTENS), A CASE HISTORY

	U.S. production	Imports	Percent imports of domestic production
1960	2,752	2,415	87.8
1961	2,225	2,801	125.9
1962	2,248	3,103	138.0
1963	1,704	3,013	176.8
1964	1,512	2,738	181.1
1965	1,028	3,481	338.6
1966	758	3,990	526.4
1967	581	3,345	575.7
1968	578	4,547	786.7
1969	[1] 504	6,056	1,201.6

[1] Estimate.

5. U.S. CATTLEHIDE EXPORTS

	Net exports (1,000 hides)	Percent exports of domestic supply
1955	5,530	19.6
1960	6,568	23.8
1965	13,019	37.7
1967	11,634	32.6
1968	12,359	33.6
1969	14,513	39.2
1970 (1st 3 months)	4,126	46.2

Source for all data: U.S. Department of Commerce.

Mr. Glass. Our interest in the question is obvious. The mainstay of our industry rests on a healthy and viable shoe business in the United States. Now we have been on this track before. Certain minor or smaller leather consuming industries in the United States have been literally destroyed by imports. You are aware, I am sure, that last year, 1969, our imports of baseball gloves represented 90-odd percent of our consumption of baseball gloves in the United States. And almost a similar development has occurred in ladies handbags, in small leather goods, in work gloves, in dress gloves. So at this juncture in the history of the tanning business, one of the first industries established in the United States, we cannot survive without a healthy shoe manufacturing industry in the United States.

What I should like to comment on, Mr. Chairman, in a sense transcends the immediate interest of the shoe and the leather industries. We concur completely and absolutely in the facts submitted by Mr. Griffin. We certainly concur in the measure you have introduced, sir. In fact, to us that represents a ray of hope. Our files have been thick for years with pleas to the executive agencies of the U.S. Government. We have asked for almost 35 years for nothing more than genuine reciprocity. Our industry, the tanning industry, by tradition, history, and experience is an industry that has thrived on world trade. We have done business with every country in the world but in the last 35 years we have had occasion again and again and again to appeal for the implementation of the reciprocity which was promulgated as the national trade policy of the United States.

I regret to tell you that the tenor of the replies we have received throughout that period have always been uniform: "Have patience, the time will come when trade will be liberalized. You must understand that West Germany right now is in a peculiar currency situation. You must recognize that our negotiators at Geneva on GATT will take measures to discuss the problem."

Not once during that period have our appeals for aid, for equality in foreign trade been met with a positive, affirmative response. We believe that to a very substantial degree the flouting of reciprocity, the condoning, the justification for others not doing unto us as we have done unto them is one of the root causes of the situation we find ourselves in today. That situation has dimensions that go beyond the importation in the first 4 months of this year of almost 92 million pairs of shoes, representing 47 percent of our domestic production.

For several times in the past 2 years we have asked a question of Members of the Congress and of the executive agencies: Why do official estimates on foreign trade of the United States either state or imply month after month that we enjoy a surplus position in our commercial trade? We do not. In our prepared statement we have practiced simple arithmetic. We have taken the data of the Department of Commerce and found that in 1969, far from having merely a diminished surplus, we had a deficit in excess of $2 billion. All we did was deduct the giveaways from the export side of the trade balance sheet. That deficit has accelerated in the last 3 years. You will be interested to know that in this product area represented by shoes and leather and leather products our imports are in excess of our exports by almost $600 million. This one product group, therefore, represents or did represent in 1969, one-quarter of the trade deficit in excess of $2 billion.

There is an aspect of that trade deficit both in our product area as well as for the country as a whole which strikes us as tremendously significant. We exported last year some 40 percent of our raw cattle hide supply. We imported—and statistically it can be demonstrated that the imports were almost the exact physical equivalent of our raw material exports—we imported some $700 million worth of shoes and other leather products. What that bespeaks is the rapid transformation of at least this segment of American industry and agriculture into colonial dependency. We have moved in a position where we are shipping raw material abroad to be tanned, fabricated, manufactured by the developed nations such as Hong Kong, Taiwan, Japan, Greece, Lebanon, Turkey, Spain, Italy, and to the tune of racking up a trade deficit in our own segment of industry of $600 million in 1 year.

There is no question in our mind that the other factor and the one on which every witness before you has dwelt and which Mr. Griffin has developed so capably, the other factor in this situation is the enormous disparity in wage rates between ourselves and the rest of the world, and for labor-intensive industries there can be no question. Labor costs in this day and age, when technology has been universalized and diffused throughout the world, there can be no question that wage rates are the major production cost differential which influences the movement of trade.

Can we forget that there was a parallel in the history of the United States; that before the Congress enacted minimum wage legislation, the Fair Labor Standards Act, we had in these United States the same migration history and the same effort to find lower cost sources of labor and invideous working conditions? We put an end to that by a mandated structure, minimum wages and fair labor standards. Now we are seeing the repetition on the global scale of the same process. Therefore, we as an industry, with our background and experience in world trade have come to this conclusion: The time has come when the fiction and delusion which appear to have guided foreign trade policy for a generation must be abandoned. Realism demands that we face the salient issue in the world today. For us, it represents the absolute necessity of controlling the traffic on the trade bridge between ourselves and the rest of the world. Unless we do that, the stampede to exploit the U.S. market will destroy both us and destroy many of our friends abroad. I point out to you another aspect of your legislative thinking. How can the concept of reciprocity and the ideal, the unattainable, of free trade be implemented in a world where controlled economies—totalitarian countries—live and trade in the same market as we do, and many of our other friends abroad who believe in the concept of free enterprise. It becomes a virtual impossibility.

Some form of adjudicating the trade traffic, some means of controlling it, such as you project, sir, in H.R. 16920, is the only feasible means not only for ourselves but for all our friends abroad, of making certain that international trade becomes a means for the viable existence of a world economy as well as our own. The alternative is going to be the destruction of industry after industry in the United States, and we can bear witness to the fact that that is not conjecture or surmise. We have seen it happen.

Thank you, sir.

The CHAIRMAN. Thank you, Mr. Glass and Mr. Griffin for very interesting statements. You have put your finger, Mr. Glass, on the very basis of our problem.

Mrs. Griffiths?

Mrs. GRIFFITHS. Thank you, Mr. Chairman.

I would like to welcome Mr. Griffin before this committee. I used to wear Buster Brown shoes. I am very pleased to see you.

How many pairs of shoes are returned by the customer to Brown Shoe Co. annually?

Mr. GRIFFIN. To get a specific figure, 2 percent, 3 percent, we will say. The category of returns for all kinds of purposes——

Mrs. GRIFFITHS. What is the chief purpose of the return?

Mr. GRIFFIN. It will vary. Late shipment can be one, for example.

Mrs. GRIFFITHS. Is that from the final customer or is that from the retailer?

Mr. GRIFFIN. From the retailer. I am speaking as a manufacturer when the shoes are returned.

Mrs. GRIFFITHS. How many pairs are returned by the customer? The person who wears them?

Mr. GRIFFIN. I don't know that those figures are available. The retail store stands behind the product, and the manufacturer behind the retailer in this. Adjustments are made frequently, as in any other kind of wearing apparel, and often shoes are returned for many reasons.

Mrs. GRIFFITHS. Like what?

Mr. GRIFFIN. Fit.

Mrs. GRIFFITHS. How many for fit?

Mr. GRIFFIN. Honestly, I could not give you the specific number of shoes in any one year that are returned for fit.

Mrs. GRIFFITHS. How do you decide the size of the American foot?

Mr. GRIFFIN. How do we decide the size?

Mrs. GRIFFITHS. Yes.

Mr. GRIFFIN. Through the tariff sizes which has been in effect for a number of years. We have a last development department, a product development department in which shoes are developed, are tested before they are adopted, to make sure they will fit. We must all remember, however, that the human foot is an irregular object and what will fit 90 percent may not fit the 10 percent.

Mrs. GRIFFITHS. Have you ever had anybody check out the shoe repair shops to find out what happens to the shoe?

Mr. GRIFFIN. Yes. Many things happen to shoes.

Mrs. GRIFFITHS. I made a little check, myself. A few years ago in the city of Detroit there were more than 1,500 repair shops for shoes. Today there are less than 300. Now one of the answers, of course, is that people are buying foreign made shoes and most of those shoes are nonrepairable. You can't change the heels and you do not change the top. One of the interesting things I found out—because I never had a pair of American shoes that fit—is that the repairmen told me that in many American shoes, or shoes generally, including those for men, you could see the print of the toes in the sole of the shoes because those people wearing those shoes were holding them on with their toes.

Now this is one of the reasons, I think, that people do not buy shoes any more, American-made shoes. You cannot convince me, who never had a pair that fit, that anybody on earth would ever wean me away from a pair of shoes that fit, if I had one. Just to have my feet comfortable all the time would be marvelous. But if you are going to be uncomfortable anyhow, or crippled, you might as well pay $15 for them as $60.

Mr. GRIFFIN. Since we are not kinfolk—but I will be happy to talk to you after the hearings on the ability to fit—I will have to get a little commercial in. We pride ourselves, frankly, in Brown Shoe Co., speaking of my own company, on the ability to fit. We probably make as many sizes and width combinations——

Mrs. GRIFFITHS. Do you make a pair that will be, for instance, "A" in the front with a quadruple "A" heel?

Mr. GRIFFIN. We have a combination last that I think will work out very well.

Mrs. GRIFFITHS. You are not selling them in the stores, I can tell you, because I have asked over and over.

Mr. GRIFFIN. The American industry actually manufactures size-width combinations in such numbers as would confound most Europeans. The European idea of fit generally differs completely from the American idea of fit. Americans living abroad find that they miss that, and seek to have domestic shoes because they have such a wide variety of size-width combinations that they have become used to in this country.

Mrs. GRIFFITHS. I happen to go into the stores where I watched other women buy shoes. They just do not fit. The saddest thing I ever saw in one of these stores was one day, when I entered, a woman accompanied by her husband was asking for a pair of shoes. I happened to recall, I believe she asked for a pair of tan quadruple "A". The clerk was having quite a little time looking for it. Then she took off her present shoe. In that tan quadruple "A", her foot was surrounded by cotton. She had pieces of cotton stuck in her shoe to try to hold it on, and the shoe was laced.

I think one of the biggest problems is getting shoes to fit.

Mr. GRIFFIN. I agree. Imported shoes generally come in one or a maximum of two widths.

Mrs. GRIFFITHS. These men beside me say the ones I have on now fit very well. Well, they were made in Hong Kong.

Let me say further. I read a story one time on President Wilson by some writer—I don't think he made shoes—that accounted for Wilson's personal popularity when he spoke to large crowds, but when he spoke with men individually he made enemies. The writer said one of the real secrets of Wilson was that his feet hurt all the time.

I just wonder how many shoe manufacturers are really conversant with the fact that shoes just do not fit. The real truth is, I have never been to a store that would take back any pair of shoes after they had been worn one time, unless there was something defective in them. They don't take them back because they won't fit.

Mr. GRIFFIN. I would really be delighted to discuss what I am sure is a difficult problem with you at any time, because we spend a great deal of time and effort, not only in our company, but in the industry, on meeting this problem.

Mrs. GRIFFITHS. Well, I hope so. I just feel that this is one of the big problems. If you can't get them that fit, then you might as well buy some for $15 that don't fit. I have shelves of shoes, but I remember one distinct pair that I have at home for which I paid $60. I am sure I have not worn them three times. They do not fit. They feel like they fit, but you are not comfortable in them.

Mr. GRIFFIN. We will accept that challenge, Mrs. Griffiths, we really will. I think we can satisfy you.

The CHAIRMAN. The gentleman from Louisiana.

Mr. BOGGS. In connection with the question by Mrs. Griffiths, what is the breakdown on imports of men and women's shoes?

Mr. GRIFFIN. There will be many more of women's, because there are more women's shoes. Imports, men's, youths' and boy's shoes increased from 10 to 21 percent of the total market since 1965. Women's and misses' from 14½ to 34.7 of the total U.S. market. Children's, infants' and babies', from 8.2 to 17.1.

Mr. BOGGS. What was the figure again on women's?

Mr. GRIFFIN. Up to 34.7 percent.

Mr. BOGGS. From what period?

Mr. GRIFFIN. Fourteen point five in 1965.

Mr. BOGGS. So the biggest increase has been there?

Mr. GRIFFIN. Yes.

Mr. BOGGS. Is that because of styling or fit or what? Money, cost?

Mr. GRIFFIN. I think that it is price which has been the one controlling factor in here.

Mr. BOGGS. What is the average cost of a pair of women's shoes?

Mr. GRIFFIN. Of those?

Mr. BOGGS. Of any.

Mr. SHESKEY. The average price of all shoes made in the United States last year as they left the factory was $4.99 a pair, less than $5.

Mr. BOGGS. That really does not answer my question. That includes tennis shoes, slippers and Lord knows what else.

Mr. SHESKEY. This is nonrubber footwear. There are no sneakers or tennis shoes or anything in that figure. This is nonrubber footwear.

Mr. BOGGS. What is the average cost of a pair of women's shoes?

Mr. GRIFFIN. At retail, I would say the average is going to be around $7 to $8 for women's nonrubber footwear of all kinds.

Mr. BOGGS. What is the difference in the cost of the imports as compared to the domestic?

Mr. GRIFFIN. Often times, especially coming in from the Far East, it will be 50 percent, especially in the lower ones and your vinyls.

Mr. BOGGS. What about in expensive shoes?

Mr. GRIFFIN. In expensive shoes, I believe the differential would not be as great as doubling the price, we will say, in the very low ones. But there is a very significant dollar increase as it is transferred to retail.

Mr. BOGGS. Is there a difference in styling?

Mr. GRIFFIN. Well, as I tried to point out, style is international. The styles that are brought into this country are not so much styled in Europe as they are selected from among a very large selection by American buyers who are importers. There are certain styles that were associated with Italy in a somewhat bulky looking shoe 2 years ago, the broguish looking shoe. Many of those came from Italy and were associated with them. I tried to express my feeling, and it is felt by others who are very knowledgeable on style in the industry, that style is truly international.

The remark by one of your colleagues that wing tip shoes are imported in large numbers for men is simply not a matter of style, it is a matter of price. And the wage differential is the controlling factor.

Mr. SHESKEY. On the last available figures on women's shoes, which were for 1968, Department of Commerce, 1 percent of women's shoes would sell between $2.41 and $3; 6 percent, between $3 and $4.20; 25 percent, between $4.21 and $6; 26 percent, between $6 and $7.80; 19 percent, between $7.81 and $10.20; and 20 percent, over $10.

Mr. BOGGS. Do any American producers own factories abroad and export to this country?

Mr. GRIFFIN. Very, very few actually own factories in Europe or the Far East. Off-shore production, as such, does not exist in any quantity. There are some instances of domestic manufacturers who do own a factory, but to my knowledge there are not more than two or three in that category.

Mr. BOGGS. I read a study made by the Federal Reserve Bank in Boston. Have you seen this study?

Mr. GRIFFIN. Yes, I have.

Mr. BOGGS. Do you have any comments to make on it? They talked about failure to automate, and that sort of business.

Mr. GRIFFIN. You say "failure to automate"?

Mr. BOGGS. Right.

Mr. GRIFFIN. The automation of the shoe industry is a difficult problem. I commented on it in my testimony. Much has been done to improve the technology in the shoe industry, and much remains to be done and is being worked on. I like to think that this industry which I represent, the Association, has placed a high priority on technological advance, and the company of which I am president is a leader in that field. One of the difficulties of converting a two-diemensional product in a three-dimensional end product over a last which requires stretching has been a very nagging problem for automation in the full sense of the word.

Eventually we will , and it is being worked on. We will develop a great deal more in automation that we have today. Today, it is primarly in combination of manufacturing processes and in transportation of work, and much has been done in the last decade on this.

Mr. BOGGS. Are the European factories more modern than the American factories?

Mr. GRIFFIN. No. I have been in European factories that could have been described by Dickens. When I spoke of youngsters standing on boxes to reach the cutting board, I was not exaggerating. I have seen this. My colleagues in the industry have. This is not to say that there are not some modern factories in Europe, because there are. But in southern Europe where especially the wage differentials are so great, the need to modernize is not there because of the high labor content and the availablity and low cost of it.

Mr. SHESKEY. The average worker in the United States produces about 25 percent per hour more than the nations from which we import. About the only other country in the world whose productivity is near ours is Germany, and their imports are now up to 50 percent of their domestic production.

Mr. GRIFFIN. West Germany is importing half of its own, and they are heavily in synthetics.

Mr. BOGGS. Would you mind commenting on the Federal Reserve Board study?

Mr. GRIFFIN. That aspect of it—and I do not have it before me—it was a reasonably comprehensive study, but to the extent that you conclude that the American industry has failed to develop technologically, I will have to disagree with it. There are certainly companies within the industry who have done a far better job than other companies. We speak of the very, very large number of companies within the industry. Many have an active research development department. Others, many small ones frankly do not. I have commented that, faced with markedly lower production, the first to feel this are often the smaller companies, those that do not have the strength to withstand difficult times. But it is interesting that these smaller companies are members of a class of company and business enterprise which, in all other aspects of legislation, seem to be favored and encouraged at least by lip service by our national policy. Yet they have been the ones to feel the pinch first.

Mr. SHESKEY. I have studied that report. I disagree with it in many ways. I disagree with it from the point of view as well as with the statement of quantity.

First of all, our industry is a very competitive industry made up of 900 manufacturers dealing in a fairly small market, which means we have lots of small manufacturers in the United States which, to me of course, is what I understand is supposed to be our way of life. We are supposed to be competitive. We are supposed to have lots of manufacturers in each given industry rather than a few who control it.

As you know, we operated many years under a lease system in our industry that made it practically impossible for us to purchase our machinery and it had to be rented and leased, and continuously there was greatest of entry into the shoe business. Under leasing arrangements, if you study them, you realize that the people who do the leasing want as slow obsolescence as possible, because they don't obsolete what they have in their factory, they obsolete what they have in all factories. This is natural. This has been changed, but we have not had time to make all the adjustments in technology that comes in a free technology market.

It would also mean, if we were to go to very highly technical industry that you probably would have to eliminate 75 percent of the people in it because of the huge outlays for capital equipment. When you realize there are over 200 operations in making a pair of shoes and some of our domestic manufacturers who make shoes from triple "A" to triple "E", from sizes up to size 15 and 16, you are talking about 120 different sizes on one shoe. There is a tremendous variety here which we feel could only be handled by complete standardization. If the American consumer would like that, then we think technically we could become very proficient.

We are trying to do lots of things. We have gotten in a computer age. In the manufacture of full runs of sizes and shoes there are around 300,000 variations. We have only had computers in the last few years that could handle all these possible alternatives to really make us technically sufficient. I think that the Federal Reserve misinterpreted old buildings as really a lack of technology rather than having a full, concise feeling of what we have done. Technologically, ourselves and Germany are far the more advanced in the world, and none of the other countries we are discussing here even come close.

So I do not feel it is really a question of how technically proficient we are; it is still just a matter of how much wages do you pay and we are still a labor intensive industry, and I am afraid we are going to be for a while.

Mr. GLASS. There is another aspect, if I may, in which I thought the bank study was completely defective. It took the shoe industry out of the context of a labor-intensive manufacturing industry and it made completely wrong assumptions as to the stimulus for imports.

There is no question in my mind—my colleagues in the shoe industry may differ with me—but from our observations we have discovered that shoes are imported because there is an enormously larger profit margin in the import of shoes. Where the retailer would expect 50 percent markup on domestically produced shoes, the equivalent pair of shoes crafted abroad is expected to yield 75, 100, and even 150 percent. We have seen instances of that sort of markup. In fact, it has occurred to me that far from curbing inflation, imports, by making available profit margins of those dimensions, actually contribute to inflation in this country.

The markup on foreign shoes is far greater, and that is the primary reason why imported shoes are brought into the United States.

Mr. BOGGS. Your problem, then, seems to be with the retailer?

Mr. GLASS. The retailers are businessmen. If Macy's does it, Gimbles will. If they can find ways and means of maximizing their profits in the absence of any national policy which will contain or temper that desire, they will do so.

Mr. BOGGS. How many shoes are produced in the United States?

Mr. GRIFFIN. I am sorry.

Mr. BOGGS. What is the number of shoes produced in the United States?

Mr. GRIFFIN. Roughly 600 million. That was the production in 1968. It dropped to 582 million last year.

Mr. BOGGS. How does that break down between men and women?

Mr. GRIFFIN. Women's will be about half of that.

Mr. BOGGS. And children?

Mr. GRIFFIN. And children and men's split the other 50 percent, with men slightly higher than the children's.

Mr. BOGGS. The female of the species is much deadlier on shoes than the male? Why is that?

Mr. GRIFFIN. I think the distaff side of our economy in all matters of apparel, adornment, fashion, and disbursing of the budget tends to do a little better than the male. At least it is true in shoes, where the average per capital consumption by women is almost four pairs. The average man consumes slightly less than two pairs. Children consume approximately 2.4 pairs.

Mr. BOGGS. Per annum?

Mr. GRIFFIN. Per annum.

Mr. BOGGS. Those are very interesting figures. I never seem to wear out a pair of shoes. My wife seems to wear them out about every day. Every time I look at my bill, I see shoes, and I never buy any.

What about that, Jim?

Mr. BURKE. I think that women have a tendency toward style, such as spike heels and walking their feet off the ground with great difficulty. It is in style, and they seem to enjoy it.

Mr. BOGGS. What about this "hippie" movement in this country, going barefooted? Has that had an impact?

Mr. GRIFFIN. As a manufacturer and seller of shoes, I do not approve their going around barefoot for any extended period of time. Most of them don't look like such good customers. As we were advised, as an industry, by the Government to have patience, I think we will get them one of these days.

Mr. BOGGS. I have no further questions.

The CHAIRMAN. Mr. Chamberlain?

Mr. CHAMBERLAIN. Mr. Chairman, I would like to inquire if any one at the table is familiar with the situation with respect to the manufacture of athletic footwear, what the import situation is with respect to it?

Mr. GRIFFIN. The statistics that I have on imports of athletic footwear begin in 1965. The statistics on athletic footwear are submitted in this attachment. They amounted in 1969 to 2.5 million, up from 1.1 million in 1965. In 1965, 1.1 million; in 1969, 2.5 million on preliminary figures.

Mr. CHAMBERLAIN. Do you find that the foreign athletic footwear is causing you the same competitive problem that you find with other types of footwear? Are you complaining about that, as footwear people, the importation of foreign athletic footwear?

Mr. GRIFFIN. Certainly in the rubber area they have. The domestic production was 8.4 million and the importation was 2.5. So that you are talking about a 22-percent penetration of the whole market, or an equivalency of about 30 percent.

Bill, do you want to speak to that?

Mr. SHESKEY. On athletic footwear in general, yes, we are. You take in the track and field area, practically all of the shoes are imported now under a specific brand name that the two brothers have there. In football, not much, because football is not an international game. But of course what has happened in the area of sneakers and basketball shoes from Japan is well known statistically. It has been fantastic.

Mr. CHAMBERLAIN. Let us get back to the track and field footwear. You say most of the track and field footwear is imported in this country?

Mr. SHESKEY. Right.

Mr. CHAMBERLAIN. Is there any real domestic competition to this imported footwear? Do you have domestic manufacturers of comparable shoes?

Mr. SHESKEY. Yes, there are.

Mr. CHAMBERLAIN. Then you are complaining about the importation of athletic track and field shoes from abroad, is that right?

Mr. GRIFFIN. Yes, they are certainly included in the overall problem.

Mr. CHAMBERLAIN. I am led to believe that there is no serious domestic competition to the importation of some of this foreign athletic footwear and that perhaps there should be some exception made if we on this committee were to do something with reference to the importation of foreign footwear.

Mr. GRIFFIN. I know of no footwear being brought in from abroad that could not be successfully produced in the same quality and quantity within the United States.

Mr. GLASS. The impact of imported leather footwear has been less than in the major categories.

Mr. CHAMBERLAIN. Taken as a whole, I am advised, this does amount to a considerable volume and dollar amount.

Mr. GLASS. As manufacturing facilities have grown and have proliferated abroad, their ability to manufacture specialized types of footwear such as athletic goods have shown up in the last few years through imports to the United States.

Mr. CHAMBERLAIN. It is your testimony today that we are, in fact, competitive with all these people then; is that right?

Mr. GRIFFIN. I say we have the ability to produce in quantity and quality equivalent and better than any place else.

Mr. CHAMBERLAIN. Why is it our athletes are not using our own footwear?

Mr. GRIFFIN. It is a wage differential that comes in. They are made under wages and working conditions that we cannot duplicate. We can duplicate them, but it will be more costly.

Mr. CHAMBERLAIN. You say the argument, then, as far as the athletic footwear is concerned is the same as it is for conventional footwear?

Mr. GRIFFIN. Yes, it is, sir.

Mr. CHAMBERLAIN. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Burke?

Mr. BURKE. I was wondering if you were acquainted with the Victory Shoe Co. up in Massachusetts that closed up and seemed to contradict the views expressed in that Federal Reserve report. The Victory Shoe Co. was one of the most modern shoe plants in the world; it had access to transportation, it was close to interstate highways. It had everything going for it. Good financial backing and everything else. But it closed its doors because, it said, it could not compete with foreign imports.

That seems to contradict this report that Mr. Boggs has referred to.

As far as sizes of shoes that are imported, how many sizes do the foreign importers take into consideration when they send them into this country? The most popular sizes? Or do they vary in the sizes that the American producers put out?

Mr. SHESKEY. The sizing situation is pretty much this. They are now making shoes on American lasts. You can go in an Italian factory, they make shoes on one last to be sold for local distribution and they make shoes on another last to be shipped to the United States. They have tried to grade their lasts pretty much as we do now.

I would say that practically all imports that come into this country come in one width which we would ordinarily call our "D" width. If you go to buy a pair of import shoes, you usually get "D" widths, buy it as American "D" width in most cases.

Mr. BURKE. As far as this creation of style and design, what would it be easier to do, to transfer the factory over to, say, Italy or Spain, or go over to Italy and Spain and hire a designer and creator of styles and bring him or her back here?

Mr. SHESKEY. I disagree with this whole concept of style, because I don't think they really offer us what we call fashion or style direction. They offer a variety. The reason they can offer variety is that they don't buy equipment. Labor is so cheap that they handcut practically all of the patterns that they use to make shoes. By this handcutting, they have no real investment in any given style.

I have watched American buyers in their showrooms. They say "Take this heel and put it on that sole, and that sole on that shoe, and that buckle on that shoe," and this is the way the so-called styles are actually built over there. I would say that a great amount of the styling that comes from Europe is designed by the buyers from the United States. They really have variety. You can bring the same

Italian designer over here, and you could tell him now, "Because we have to buy dies and equipment that run into many thousands of dollars, you take your hundred ideas and you pick out three of them which we are going to have to buy all this equipment for and actually mechanize in order to make these." And he would be no different that the designers here.

The fact is, that you pick out what you want and it is all hand done, because a cutter over there makes—the most skilled make 50 to 60, 70 cents an hour, and a good cutter in the United States will make $3.50 to $4 an hour using equipment which we also purchase.

Mr. Burke. You have not mentioned the wages paid in the Orient. You are talking about 50 and 60 cents an hour in Europe?

Mr. Sheskey. That is right.

Mr. Burke. In Korea, we had testimony indicating that the man gets about 10 cents an hour and the woman gets 7 cents an hour, and the child gets 6 cents an hour. As you pointed out, Mr. Glass, the establishment of minimum wage standards in this country and also working conditions, fair labor standards practices is not true on a worldwide basis. We are just barking up the wrong tree when we try to straighten out this problem, unless there is some recognition of the conditions that the American worker is facing in competition with the foreign worker.

As far as foreign imports, I have gone into shoe stores. Usually when I ask for a pair of shoes the first pair of shoes given to me by a salesman is a foreign shoe. It seems to me that there must be a reason for this. The markup must be higher, the profit must be bigger for the distributor. Therefore, I think that the salesmen here in this country in the various stores are encouraged to sell the shoes where they get the biggest profit, because that would be a natural thing to do.

Actually, the consumer is not saving money. There is only that large profit that goes to the investor who invests in these countries where they have these adverse working conditions, and it would seem to me that somebody over here that is advocating this free trade idea would try to do something about raising the working conditions or working standards in some of those foreign countries.

We have seen industry go from one part of this country to another where lower wage conditions were. Then when we started the Federal minimum wage this more or less stopped the pirating of industry and put everybody on an equal basis competitively. But we are not on that basis when we are dealing with these foreign countries.

In addition to that, it should also be pointed out that many of these governments subsidize their industries in many ways. What do you think of the proposal of the adjustments that will be made for the shoe industry and for the employees under the Administration's proposal? Do you think it would be sufficient to save those industries, or what would it accomplish?

Mr. Glass. I will give you my point of view for what it is worth, Congressman. I think all of the talk of adjustment assistance which had its inception in the 1962 Trade Expansion Act is largely an exercise in rhetoric. It has no basic economic significance because the core of the problem is exactly, as you have described it, an enormous differential in wage costs.

We have more people on relief in the city of New York than the employable population of some countries where it is popular to say we must encourage development of industry and help them find markets, including our own. Are we, then, to shift to the relief roles and adjustment assistance with its staggering financial costs, it physical impact and burden on our economy and inflation, instead of promoting and retraining and preserving the jobs that are the only key to economic viability?

Mr. BURKE. I understand that the biggest shoe area in the country is in Brooklyn, N.Y. One of my colleagues not on this committee represents that district, and I believe that there are almost 40,000 people in his area who are employed in the shoe industry up there.

Of course, your unemployment in New York, the welfare rolls, as I understand it are going up to 18 percent. It would seem to me that in the New York area there would be a drive to get these people back into the shoe industry and get them employed, rather than encouragement to put them on unemployment compensation for 52 weeks and then have them on welfare after that.

It does not seem to me that anyone in authority who has been dealing with this question dealt with it realistically. I notice one of the statements of one of our future witnesses here this afternoon in favor of free trade says that there is great opportunity in the service field of this country. Now I was wondering up in Massachusetts where the Goodrich Rubber Co. laid off 5,000 people, how many of those 5,000 people could be employed in the service field industry. They could hire, say, a hundred of them, it would be an awful lot.

Mr. SHESKEY. On the area of adjustment assistance, I don't know whether it would be enough, because nobody ever got any. One thing which has not been discussed today is our unemployment problem and the difficulties that are beginning to take place. There was a time when our growth in our economy was such that it absorbed many of the shoe workers. This is not true now. We always hire maybe 20 young college students or 20 young people in the summertime to give them summer employment when they are away from school. I am sure many people hire a lot more. This year we have workers who have formerly worked with us who now must take those jobs. We are unable to provide summer employment.

This has stemmed directly from this growth of imports.

Mr. GLASS. You might be interested in the remark that Mr. Anderson made to me the other day, and I think he ought to make to you, as to what he would do if there were any confidence in the future growth possibility of the shoe and leather industries.

Mr. ANDERSON. I happen to represent the oldest tannery in the United States. It was established in 1812. Last year we closed two of those tanneries, laying off 400 men. Both of these tanneries are in small towns, one in Parisburg, Va., which is now completely desolate. The other is in Salem, Va., where many of the men have been able to obtain jobs elsewhere, in other fields. However, we have not destroyed those operations. We have put them in mothballs. I am here today to listen to the testimony and the possibility of passage of this legislation. The remote possibility that it might be passed has made me keep these tanneries in mothballs hoping that I can employ these people.

If we get some kind of limitation on the import of footwear in this country, we can reemploy these people. We also have plans to expand our operations, which would employ more people, if this should come to pass.

Mr. SHANNON. Congressman Burke, you are talking about this employment in these large cities. The Department of Labor asked us 2 years ago if we would not open ghetto plants in St. Louis and Roxbury and Chicago, and some of these other areas throughout the country. The Brown Shoe Co. has opened a plant in the worst ghetto of St. Louis, employing about 250 people. On the one hand the Labor Department is coming and saying, "You must employ some of these almost unemployable people," and on the other hand we open these floodgates and let these imports come in here and destroy us.

Mr. BURKE. Apparently we hear people speaking with forked tongues. They are all concerned about the ghetto areas of the country. They are concerned about the unemployed people. Yet they are doing everything to accelerate unemployment.

If the President is able to keep his promise that he made during the 1968 campaign on the Vietnam war and there is a cut-down in defense spending, what concerns me is where are the people going to find jobs, if we find the industries that have spoken here today and the great textile industry and glass industry and the sporting goods industry, and all these industries practically destroyed? Just where are the jobs going to be for them who are going to leave the defense industry? Nobody advocating this legislation has been able to come forward and say where they are going to put these people.

They talk about retraining them for jobs, but they don't tell you what jobs and where the jobs are going to be. This concerns me. I think that you have made excellent testimony here, and this chart here very graphically explains what is happening. I hope that we have a sympathetic ear in Congress.

The CHAIRMAN. Mr. Vanik?

Mr. VANIK. I have a couple of brief questions. I want to say at the outset I am very much impressed with the presentation of the panel. One of the problems I see is in the ability to identify the American product by brand name or by whatever way it appears. I thought for years that I was buying a domestic shoe and I find out now that it is probably made in Italy. How can a consumer who may prefer an American product—I have other reasons for asking—how can a consumer detect what is a domestic product and what is an import? The shoe I refer to is Florsheim. I have been wearing the same size—that problem is settled—probably the last 15 years or so. I want to buy the same style of shoe. That is a problem, because you keep cutting them lower and lower and I will be walking flatfooted instead of a base under my foot, as you change your styles and save leather, if it is still leather you are making them of.

I understand that my Florsheim shoe is made in Italy; is that correct?

Mr. SHESKEY. I could not answer that. I will say that every imported shoe must have the country of origin stamped on it someplace, where it was made. You might find it under the heel pad or tucked away in the breast of the heel in such small letters you won't be able to read it. Someplace on every pair of shoes, if it is an imported shoe, it does say on there "made in such-and-such a country."

Mr. VANIK. I can't find those labels. There are some stores here that specialize in almost a total import business. I have intensively searched to find a country of origin label.

I am concerned about several things. I am concerned about product warranty. I am concerned that the last or something of which my shoe might be made might be deleterious or harmful to my foot health.

Now what about the variety of materials out of which shoes are made? Is there anyone in this country that really determines whether or not either a domestic or an imported material is safe, or if it adversely affects the health of the person who wears the shoe? Is there any determination like that made?

Mr. GRIFFIN. Yes; we test every component that goes in a shoe.

Mr. VANIK. Does the Government test it?

Mr. GRIFFEN. Not component by component. It would not be sample tested the way a batch of drugs is tested.

Mr. VANIK. If the process is clear, you don't have to test everything that comes through. But what about some of the other substances out of which shoes are made? What are the other synthetics?

Mr. GRIFFIN. The poromerics are the best known, which are the upper materials which are manmade of which the trademark Corfam by Du Pont is a very important one. Cloreno, which is made in Japan.

Mr. VANIK. By a Du Pont subsidiary?

Mr. GRIFFIN. No. It is not a Du Pont subsidiary. Cloreno is not by a Du Pont subsidiary. It is marketed in this country by a domestic plant, but it is produced within Japan by Japanese. There are synthetics in the soling of shoes and heels. Not only leather soles, but there are various forms of rubber soles, crepe soles, synthetics, polyvinyl chloride.

Mr. VANIK. Then we rely substantially on the industry telling us whether or not these things are safe? Really, there is no one else that does it.

Mr. GRIFFIN. We must label. There is a labeling requirement.

Mr. VANIK. You label it with the synthetic material if it is not leather?

Mr. GRIFFIN. Yes.

Mr. VANIK. Beyond that, the Federal agency does no testing to find out whether or not the synthetic may indeed be something that is safe for human use. It may be that we might be discovering a lot of problems that we might be generating from the utilization of improper materials in our shoe structure.

We are talking now about class actions, things that the consumer can do. What kind of action would be taken against an imported item if it would prove to be harmful to the foot health of the wearer?

Mr. GRIFFIN. It is very difficult if that article is directly imported. This is one of the problems of standing behind imported products, because of the difficulty of returning them. It poses considerable problems in returning any item to a manufacturer that far from the United States.

The domestic manufacturers have, and I certainly speak for ourselves, an active program of trying to obtain and achieve customer satisfaction. This means handling returns. This is enormously difficult for directly imported shoes.

Mr. VANIK. Is there any publication that is available to the public as to the brand names that are made in the United States?

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Mr. GRIFFIN. There is a brand name guide.

Mr. VANIK. I have never seen one. Where does one find this sort of thing?

Mr. GRIFFIN. Boot and Shoe Recorder has periodically published a dictionary of brands.

Mr. VANIK. What is available to the consumer? If the consumer should believe, as I do, that I want some reasonable chance of recourse in the event of product deficiency, or I want to be sure that some minimal standards govern the development of the construction or production of the shoe, what ready guide do I have? I don't know what Brown Shoe Co. makes in the United States, I have no way of knowing how this appears on the market at all.

Mr. GRIFFIN. I will discuss this with our advertising agency.

Mr. VANIK. Is there any way that a person can do it?

Mr. GRIFFIN. I am being facetious but we like to think that our brands are associated with our company. The same with the brands manufactured by Mr. Sheskey's company and those of us who manufacture nationally advertised brands. The integrity of the maker still remains the greatest source of protection that you have. We have found certainly in branded footwear, again it is axiomatic, that if you do not give satisfaction you will lose your customers. There are many alternatives, there are many brands in this country. Our oldest one in children's shoes dates back almost 70 years, and in men's shoes longer than that.

Mr. VANIK. Take the three, four, or five leading brands of men's shoes, the ones that are generally advertised, which of them are made in the United States and which are imported?

Mr. GRIFFIN. I will defer to the men's manufacturer, Mr. Sheskey.

Mr. SHESKEY. I think of the nationally advertised brands, that most of them are made in the United States. It has only been in the last 2 or 3 years that some of these brands are buying shoes from foreign sources and selling them under their brand. If you study the brand you will usually find it is a different brand. It will be made in Italy for such and such a country, rather than the usual brand.

Mr. VANIK. When I go to the store it says Florsheim and I have associated this with a U.S. manufactured product. Now I am finding out this is not so. This happens throughout with a great many of our imported products. You can't buy Westinghouse and assume it is U.S. made because three-quarters of it is made in Japan or Taiwan or somewhere. Your brand names are getting to be mischievous because they don't relate. They relate to the abuse of the brand name. They no longer mean anything American. That is one of the problems that the consumer faces because he is trapped. He assumes if he sees a common American brand name that he is buying an American product. Very frequently he is not. How do you propose to let the consumer make a judgment? Why not say Westinghouse made in Japan, or Florsheim made in Italy, or Italian Florsheim? Why not do it that way?

You do not even tell me what brands I can buy that are American. You are here representing an industry. For some reason you don't want to tell me what kind of shoes I can buy that are American shoes. I am still searching for an American produced shoe.

Mr. SHESKEY. Since you mentioned Florsheim, let us take them as an example. Florsheim made all their shoes in the United States up until a very short time ago. They have established the Florsheim brand name and of course another thing is people have been buying shoes in Florsheim stores for years that weren't Florsheim because in addition to having a brand name of shoes they also have a chain of stores. They sell Worthmore, Evans house slippers and many kinds of items in those stores. But you always ask what do you wear and you say a Florshiem. What happened to Florsheim is simply that as the import competition became stronger and stronger they realize that if they were going to continue to run those stores and have viable retail operations and to continue their name, there are certain items that they just could not compete with because of the wage rates in Europe. So they had to go there to buy goods in order to be competitive with the stores next to them. But I assure you that in every pair of shoes that has a Florsheim label made in any place other than the United States there is a statement there which says made in Italy, made in Spain, and the consumer can not be confused in this situation.

Mr. VANIK. Where should he look? Should we have uniform place he can look?

Mr. SHESKEY. I certainly would agree with that. I think it should be much larger, myself, so that it is an identifiable thing.

Mr. VANIK. Is it under the toe inside?

Mr. SHESKEY. We are in total agreement with you.

Mr. VANIK. I think imported things have a right to compete with us. I think they should be identifiable for reasons that the consumer thinks are important. Let us forget about the industry. What is important to the consumer? I want to be sure that a fabric that I buy is not going to blow up or that the suit I buy might not be made of some chemical that might dissolve in American pollution and leave me completely bare somewhere. I want to be sure that there is going to be some standard of quality in the material and in the process under which it is built and constructed and produced.

What about Nunn-Bush? Is that made in the United States or what?

Mr. SHESKEY. Nunn-Bush shoes again up to a few years ago were practically all made in the United States. In the last 2 or 3 years Nunn-Bush has been imported shoes and each of those shoes will have a Nunn-Bush label in them "Made in" wherever they were made.

Mr. VANIK. Is there one brand name of men's shoe that compares with either of these that is made in the United States?

Mr. GRIFFIN. The Roblee brand of shoe of Brown Shoe Co. is made in the United States, I will be happy to say that.

Mr. VANIK. I will promise you I will try it out. I frankly feel that the consumer is the paramount person, he is the first person to think about. He should be. He certainly is the factor here.

Do you have any recommendations as to how we can insure product warranty to the person who buys an imported item? Is there something we should do to insure a higher degree of product warranty and quality?

Mr. GRIFFIN. Of course the consumer buys strictly from the retailer and has direct recourse with the retail outlet.

Mr. VANIK. That is absolutely impossible now. You go to some of these totally import places. You don't come back; you just stop going there. You don't bring anything back. Where are Footjoy Shoes made?

Mr. SHESKEY. Made in Brockton, Mass.

Mr. VANIK. What about Nettleton?

Mr. SHESKEY. Syracuse, N.Y.

Mr. VANIK. Edwin Clapp?

Mr. SHESKEY. Edwin Clapp are now part of the French Shriner organization and are made in Boston.

Mr. VANIK. Are French Shriners totally American? We are getting some valuable information this morning.

Mr. SHESKEY. I don't know whether they are totally or not. I would say that they are primarily made in the United States as I would also say Florsheim shoes are primarily made in the United States. I do not know if there are any shoes that are branded as regularly Florsheim that are imported or not. I don't know because they have such a large store program.

Mr. VANIK. Would there be any value to a restriction on the use of the brand names? In other words, provide that a brand name that is developed in this country should apply solely to the domestic product and not be transferable or used offshore? Would there be any purpose in sort of restricting the use of brand names as a means of protecting the consumer?

Mr. GLASS. There is statutory authority, sir. Customs has the authority to require the clear identification of all products. We have encountered the same problem in the other leather goods ranging from baseball gloves to handbags where the country of origin has been inadvertently or deliberately omitted from the product and sold without any clear identification as to country of origin at retail. Customs has been investigating that in several instances on industry complaint and strong action by customs requiring identification of country of origin could solve the problem.

Mr. VANIK. I was talking about something different. I was talking about restraints here which would limit the use of brand name to a domestic product.

Mr. SHESKEY. We find that most manufacturers who import and put their brand on the shoes go to great length to call attention to the fact it was made in Italy, it is an import.

Mr. VANIK. They do that specifically because of style or some other reason?

Mr. SHESKEY. Yes.

Mr. VANIK. Thank you very much, gentlemen. I certainly appreciate your very thorough testimony.

Mr. BURKE (presiding). Mr. Gibbons.

Mr. GIBBONS. Thank you, Mr. Chairman.

Mr. Griffin, I was struck by the statement on the last page of your prepared statement which said, "We are only asking for fair play so that we can compete on a basis which makes it economically justifiable to remain in business and that there is a crisis upon us and the decision will have to be made soon."

Mr. Griffin, can you give me the number of failures that you have had in U.S. companies producing non-rubber footwear in the last year?

Mr. GRIFFIN. I believe 150 is listed.

Mr. GIBBONS. What is the source of that, sir?

Mr. GRIFFIN. It would be trade association figures. Fifty-seven last year and 16 the first 3 months of this year, and I have a paper that I will get out in a moment that will document it.

Mr. GIBBONS. Did these companies that went out of business, fold up, or did they merge?

Mr. GRIFFIN. They would have gone out of business.

Mr. GLASS. Shut down and/or liquidated.

Mr. GIBBONS. Are you familiar with Dun & Bradstreet figures in this same area? How do your figures compare with the Dun & Bradstreet figures in this same area?

Mr. OLSEN. Dun & Bradstreet covers very few of the total closures. Feakes Mercantile in Boston covers many more of them. Both of these mercantile agencies do not get turnkey closures of factories in the United States to the extent that our records do where we keep records of every factory that closes.

Mr. GIBBONS. Mr. Chairman, I would ask if the gentleman would put in the record at this point the list of all the closings in the year 1969. Will you do that at this point in the record?

Mr. GRIFFIN. We will be pleased to add that to the record.

(For the information requested, see letter addressed to Chairman Mills, p. 2036.)

Mr. GIBBONS. Mr. Chairman, I want to cite these Dun & Bradstreet figures. You mentioned that 1960 was an apparently pretty good year for the shoe industry. Is that right? The imports were very low.

Mr. GRIFFIN. They were higher in 1960 than they had been prior to that time, but they were very low.

Mr. GIBBONS. They were very low as compared to now, is that right?

Mr. GRIFFIN. Yes. The percentage was, I believe, about 4 percent, and in 1955 it was half of that.

Mr. GIBBONS. Has there been a steady increase since 1960?

Mr. GRIFFIN. Yes, sir, it has.

Mr. GIBBONS. I would like to call your attention to 1960, Dun & Bradstreet said you had 36 failures in U.S. companies producing nonrubber footwear and that they had liabilities, which is about the best measure that you can have of a failed company, of $10,182,000.

I would assume that since we had 36 failures in 1960 we would probably have about 60 failures by 1970 but Dun & Bradstreet only report nine failures in 1967 and the liabilities of the companies at that time were only $3,107,000. So either Dun & Bradstreet does not know what they are talking about or there is some big information credibility gap we have here. Dun & Bradstreet has a great reputation for having produced accurate financial business figures for a long period of time.

Mr. SHESKEY. Do the Dun & Bradstreet figures talk about factories or companies?

Mr. GIBBONS. They are talking about U.S. companies.

Mr. SHESKEY. We are talking about factories.

Mr. GIBBONS. You mean you shut down a branch and you call that a failure but the company goes on, is that right?

Mr. GRIFFIN. Excuse me, sir. I believe the definition could include retail establishments as well in 1960, could it not?

Mr. GIBBONS. These are failures of U.S. companies producing nonrubber footwear. That is what you are doing. You are making non-rubber footwear. As I understand it, you are shoe manufacturing companies.

Mr. GRIFFIN. That is correct.

Mr. GIBBONS. Mr. Chairman, I would like to put this information in the record at this point.

Mr. BURKE. It is very good but I think in fairness you should point out that when Goodrich Rubber Co. closes down in Massachusetts and has 5,000 employees, those 5,000 employees lose their jobs.

Mr. GIBBONS. I am not talking about Goodrich. I imagine that was a rubber shoe.

Mr. BURKE. When Victory Shoe Co. closed down there were 600 who lost their jobs. When a factory closes, it closes, and the people employed there lose their jobs. I have read Dun & Bradstreet reports. They are not complete, they are not as complete as the statistics that this organization can present here because they are with the industry and their figures and facts will be more accurate.

Mr. GIBBONS. Mr. Chairman, let us put the Dun & Bradstreet figures in the record. If you have any other figures I would like to see them and compare them.

Mr. BURKE. Without objection we will put them in with the understanding that Dun & Bradstreet is not complete.

Mr. GIBBONS. It is the most complete that we have had so far.

Mr. BURKE. I would not say so. You apparently have not listened to all the testimony.

Mr. GIBBONS. Well, I have listened pretty thoroughly.

(For the information requested, see letter to Chairman Mills, p. 2036.)

Mr. GIBBONS. You are from the Brown Shoe of St. Louis, I understand. Is that right?

Mr. GRIFFIN. Yes, sir.

Mr. GIBBONS. I imagine you are probably one of the better companies in the United States as far as profits are concerned, is that right?

Mr. GRIFFIN. Well, we seek to make a profit. Fortunately we have been able to make one.

Mr. GIBBONS. I am glad you are because it helps to pay my salary and I appreciate it. Of course I believe in the profit system. But you stated that 1960 was a good year as far as imports were concerned. I notice that your profits have steadily climber since 1960. In fact, your profit ratio, sales to profits, have steadily increased since 1960. Is it just Brown that is doing well, or is the rest of the industry?

Mr. GRIFFIN. We are an integrated manufacturer and retailer of shoes and related products. We have other products within the company other than shoes. The overall figure since 1959 have increased and this is not a matter of apology, it is a matter that we have worked hard at it.

Mr. GIBBONS. I don't want you to apologize. I am glad you are making a profit.

Mr. GRIFFIN. There are many in the industry, I am sure, that would like to have had the profit performance that we have been able to have. I speak here in two capacities: one as head of the association which represents all companies in the industry and as president of our own company which operates within the overall market. I indicated that the market for closure which has taken place from imports has expectedly hit at the smaller companies first. I think that is clear.

As to the year 1960, to categorize it out of context with the years preceding and following it, the statistics for that particular year speak for themselves. It was from the imports, while they were small related to the overall industry, they were larger than the year preceding it because imports had hardly been very much of a factor.

Mr. GIBBONS. Was not 1968 your best year? You said that imports had steadily increased since 1960.

Mr. GRIFFIN. We took a decade. I have a page here from our association's publication facts and figures on footwear, which lists manufacturing failures in the footwear industry beginning back as far as 1937 when there were 33 failures. In 1960 the total liabilities exceeded any year before or after so far as the total liability of failures for 1960.

Mr. GIBBONS. That was a terrible year, really, in the shoe industry?

Mr. GRIFFIN. For those companies, 36 companies, it certainly was. I would not be truthful if I said right now exactly what caused those failures in 1960.

Mr. GIBBONS. You were a lot better off in 1967 than you were in 1960, were you not, for total failures?

Mr. SHESKEY. May I interject one second, because I have dug out some information. 1960 just happens to be the year in which we started making comparisons on imports. The reason for it is that the domestic industry made about 600 million pair in 1960 and imports were very low. We are still only making about 600 million pair. 1960 happened to be a disastrous year in the shoe business. The net profit to net sales was 1.46, which is probably one of the lowest years we have had in the last 20 years. But that was part of the cycle that was taking place and it was part of our general economic conditions if you will remember back.

So, number of failures that year has nothing to do with the number of failures in 1967.

Now I will tell you that in New England alone we have had about 40 factories close in the last 2 years.

Mr. GIBBONS. Are these factories or companies?

Mr. SHESKEY. Factories.

Mr. GIBBONS. Did those factories close down in New England and open up, say, in Hialeah, Fla.?

Mr. SHESKEY. No.

Mr. GIBBONS. None of them did?

Mr. SHESKEY. There might be one or two but I would say that 95 percent of them did not open some place else.

Mr. GIBBONS. You are not talking about the companes that own those factories. You are just talking about the factories. Is that right?

Mr. SHESKEY. Well, if you give some thought to unit of production in a factory, they are optimum units. You move in a small town. There are 250 people employable in that town. You open a factory making so many pairs of shoes. So if your production increases, instead of you expanding that factory you move over to the next town and you build a second factory, and a third factory. Then when your sales fall off one-third you close a factory. Dun & Bradstreet does not record anything, but that means 250 people went out of work. Your production went down to two-thirds of what it used to be. When your sales go down to one-third, you close a factory some place else. This is what we have in New England.

I am not talking about large companies that have closed factories, et cetera. In one case I bought a company. The first thing I did was close the factory because there was no way we could compete.

Mr. GIBBONS. It was obsolete, is that it?

Mr. SHESKEY. No, it wasn't obsolete at all.

Mr. GIBBONS. Why did you buy it if you were going to close it down? You are the most charitable figure that I have run into in years. I have some clients who would want to sell you some businesses. Why did you buy the factory and close it down?

Mr. SHESKEY. I bought the factory, I shipped the lasts, dies and patterns and the management and much of the leather to Europe and I am making the same shoes under the same brand name, sell them to the same customers, with the same management, with the same equipment, for one reason. The labor where I am buying the shoes is 50 cents an hour as compared to $3 that I was paying. Now I have to do that in order to survive. So you can use the technology argument, you can use any argument you want. Here is a per example of where I took everything American except the labor and that is exactly why I bought it. So I was not so charitable.

Mr. GIBBONS. Let me go back to Mr. Griffin.

I figured you had a good reason for buying it. I haven't known many people who have money that practice throwing it away. That is meant as a compliment, sir, not as a criticism.

Mr. Griffin, have you been manufacturing shoes overseas?

Mr. GRIFFIN. No. We do not have manufacturing facilities overseas.

Mr. GIBBONS. I realize we are running out of time, Mr. Chairman. I had one more item I would like to bring up.

Mr. Chairman, I would like at this point to place in the record a chart showing the operating incomes as a percentage of sales of U.S. shoe producers and distributors. I understand some of this is carried in Standard & Poor's.

Mr. BURKE. Without objection, it is so ordered.

(The material referred to follows:)

TABLE 13.—NONRUBBER FOOTWEAR: FAILURES AND LIABILITIES, 1947–69

	Failures (number)	Liabilities (thousands of dollars)
1947	33	$2,198
1954	41	4,247
1958	41	9,616
1960	36	10,182
1961	25	2,319
1962	34	9,473
1963	29	8,775
1964	22	5,630
1965	13	3,727
1966	14	4,798
1967	9	3,107
1968	11	3,253
January to October 1968 (10 months)	9	2,718
January to October 1969 (10 months)	10	3,203

Source: Dun & Bradstreet.

TABLE 14.—COMPARATIVE PROFIT RATES, SELECTED INDUSTRIES

Year	Nondurable goods	Textile mill products [1]	Apparel and finished products [2]	Leather and leather products [3]
Net profit after taxes as percent of sales:				
1960	4.8	2.5	1.4	1.6
1961	4.7	2.0	1.2	1.1
1962	4.7	2.5	1.6	1.7
1963	4.9	2.3	1.4	1.8
1964	5.3	3.1	2.1	2.6
1965	5.5	3.8	2.3	3.8
1966	5.6	3.6	2.4	3.0
1967	5.3	2.9	2.3	2.9
1968	5.3	3.1	2.4	3.3
1969	5.0	2.9	2.3	2.6
Net profit after taxes as percent of net worth:				
1960	9.9	5.9	7.7	6.3
1961	9.6	5.0	7.1	4.4
1962	9.9	6.2	9.1	6.9
1963	10.4	6.0	7.7	6.9
1964	11.5	8.5	11.7	10.5
1965	12.2	10.8	12.6	11.6
1966	12.7	10.0	13.3	12.9
1967	11.8	7.5	11.9	11.8
1968	11.9	8.8	12.9	13.0
1969	11.5	7.9	11.9	9.3

[1] SIC Major Group 22.
[2] SIC Major Group 23.
[3] SIC Major Group 31, of which approximately two-thirds of the value added is from nonrubber footwear.

Source: Securities Exchange Commission-Federal Trade Commission.

TABLE 17.—SALES AND NET PROFITS OF PUBLICLY OWNED FOOTWEAR MANUFACTURERS, 1968–69

[Dollars in millions]

	Net sales		Net profits after taxes		Net profits after taxes (percent of sales)	
	1968	1969	1968	1969	1968	1969
Genesco	$1,112.9	$1,185.6	$34.1	$30.3	3.7	2.6
Interco	669.5	706.1	25.1	25.4	3.8	3.6
Brown Shoe Co	384.6	395.0	21.3	16.3	5.5	4.1
Melville Shoe	293.0	362.5	16.2	19.1	5.5	5.3
SCOA Industries	271.1	281.1	4.4	5.5	1.6	2.0
U.S. Shoe Corp	244.6	275.7	10.8	11.1	4.4	4.0
Endicott Johnson [1]	110.1	119.5	1.8	[2] (11.3)	1.6	[2] (9.5)
Wolverine Worldwide	90.7	100.8	3.8	3.7	4.2	3.7
Craddock-Terry	57.8	63.0	2.2	2.4	3.8	3.8
Weyenberg Shoe	50.9	52.5	2.1	2.3	4.2	4.4
Green Shoe	43.5	43.4	3.5	2.8	8.0	6.5
Consolidated National	32.4	29.7	1.0	(.2)	3.1	(.1)
Hanover Shoe	22.9	25.2	1.25	[3] 3.64	5.5	14.4
Penobscot Shoe	22.2	22.5	1.38	1.0	6.2	4.4
R. G. Barry	19.8	25.3	.81	.70	4.1	2.8
Frier Industries	18.6	23.5	.73	.92	3.9	3.9
Shaer Shoe	11.9	9.18	.83	.27	7.0	2.9
Julian & Kokenge [1]	9.71	9.56	(.4)	(.31)	(0)	(3.2)
Caressa	9.01	8.98	.59	(.18)	6.5	(2.0)
Beck Industries	5.71	6.64	.16	.19	2.8	2.9
Total	3,480.9	3,745.7	132.0	113.8	3.8	3.0

[1] 9 months.
[2] After a debit of $10,400,000 for nonrecurring costs.
[3] Includes special credit from antitrust settlements.

Source: Compiled from public financial reports.

TABLE 18.—SALES AND NET PROFITS OF PUBLICLY OWNED FOOTWEAR MANUFACTURERS, 1967 AND 1968

[Dollar amounts in thousands]

	Sales		Percent change	Net profit after taxes		Percent change	Net profit as percent of sales		Stockholders' equity		Net profit as percent of stockholders' equity	
	1968	1967		1968	1967		1968	1967	1968	1967	1968	1967
R. G. Barry	$19,805	$16,247	+21.9	$813	$686	+18.5	4.1	4.2	$4,743	$3,208	17.1	21.4
Brown	375,219	327,594	+14.5	20,880	19,050	+9.6	5.6	5.8	135,721	122,722	15.4	15.5
Caressa	9,006	6,504	+38.0	592	461	+28.4	6.6	7.1	3,234	2,701	18.3	17.1
Caribbean	11,602	7,749	+49.7	335	162	+106.8	2.9	2.1	2,524	1,180	13.3	13.7
Certified Creations	5,817	4,392	+32.4	551	193	+185.5	9.5	4.4	1,432	1,200	38.5	(1)
Cons. Nat. A	32,448	27,707	+17.1	985	(111)	(2)	3.0	(2)	7,636	6,651	12.9	(2)
Craddock-Terry	53,861	45,404	+18.6	1,959	1,597	+22.6	3.6	3.5	16,377	14,933	11.9	10.7
Endicott Johnson	147,103	140,855	+4.4	2,410	2,479	−2.8	8.6	.5	58,628	59,389	2.2	1.2
Genesco	1,008,066	970,329	+3.9	32,005	30,005	+6.5	3.2	3.1	247,230	225,637	12.9	13.3
Green	43,522	40,461	+7.6	3,486	2,403	+45.1	8.0	5.9	19,584	19,084	17.8	12.6
Geo. E. Keith	17,522	16,780	+4.4	655	615	+6.5	3.7	3.7	4,016	3,361	16.3	18.3
International Seaway	19,012	19,067	−.2	926	1,221	−24.2	4.9	6.4	6,344	4,669	14.6	26.2
Interco	669,456	617,760	+8.4	25,088	20,551	+22.1	3.7	3.3	196,852	179,965	12.7	11.4
Penobscot	22,184	18,108	+22.5	1,381	1,062	+30.0	6.2	5.9	9,731	8,898	14.2	11.9
Ramer	21,962	16,225	+35.4	351	[3] 144	+143.8	1.6	.9	3,789	2,112	9.3	6.8
Shaer	11,931	10,760	+10.9	[4] 839	632	+32.8	7.0	5.9	4,505	3,986	18.6	15.9
U.S. Shoe	241,085	195,267	+23.5	10,700	8,531	+25.4	4.4	4.4	65,866	59,599	16.2	14.3
Walker BB	19,619	19,283	+1.7	[4] 721	655	+10.1	3.7	3.4	4,188	3,721	17.2	17.6
Wellco	14,465	14,023	+3.2	[4] 600	[4] 904	−33.6	4.1	6.4	3,677	2,769	16.3	32.6
Westminister	8,070	5,836	+38.3	682	607	+12.4	8.5	10.4	2,781	2,151	24.5	28.2
Weyenberg	30,925	31,911	+59.6	2,131	1,927	+10.6	4.2	6.0	14,726	13,477	14.5	14.3
Wolverine World Wide	16,220	54,839	+11.6	2,916	2,857	+2.0	4.8	5.2	22,323	20,916	13.1	13.7
Total or average	2,863,900	2,607,101	+9.9	111,006	96,681	+14.8	3.9	3.7	835,907	762,329	13.3	12.7

[1] Not available.
[2] Not applicable.
[3] Before extraordinary items.
[4] After extraordinary items added.

Source: Footwear News.

TABLE 24.—NUMBER OF INSURED UNEMPLOYED, LEATHER AND LEATHER PRODUCTS, AND NUMBER AS PERCENT OF ALL MANUFACTURING INSURED UNEMPLOYED, 1960-69

Year	Leather insured unemployed	Percent of all manufacturing	Year	Leather insured unemployed	Percent of all manufacturing
1960	33,700	(1)	1965	19,500	(1)
1961	35,000	(1)	1966	16,100	(1)
1962	29,400	(1)	1967	19,400	3.4
1963	31,400	(1)	1968	14,600	2.9
1964	24,800	(1)	1969	21,800	4.4

[1] Not available.

Source: Department of Labor.

Mr. GRIFFIN. May I make a comment, Mr. Chairman?

Mr. BURKE. Yes.

Mr. GRIFFIN. I believe Standard & Poor's would be restricted to publicly owned companies and as such I do not believe would reflect the entire industry or the profit structure of the entire industry.

Mr. GIBBONS. I realize that. Could you put it in for the rest of the industry by companies?

Mr. GRIFFIN. We have submitted profitability percentages for the industry as part of the record of this testimony.

Mr. GIBBONS. I am going to put in here the publicly-owned ones. As I understand it, these are the people who manufacture and sell most of the shoes in the country, is that right?

Mr. GRIFFIN. No, sir, the publicly-owned firms do not. Many of the publicly owned firms are conglomerate in nature, at least have products other than shoes. They are diversified so that the contribution of the shoe portion is not necessarily identifiable from Standard & Poor's.

Mr. GIBBONS. I realize that. What I am really trying to do is to build a record so that we can look at it and understand what has gone on in the industry. If you have any additional data you would like to submit at this time I would be most happy to have it. Would you put the names of all the companies in this list in the record and show what their profit situation is.

Mr. BURKE. Will the gentleman yield at this point?

For each individual company to publish what their profits are?

Mr. GIBBONS. They are asking us to pass a law to protect them. I don't know why we can't ask them what their profits are.

Mr. BURKE. It might give their competitors quite an advantage if they knew what their financial condition is. It might drive a few shoe factories out of business.

Mr. GIBBONS. I don't want to run them out of business.

Mr. BURKE. If I were in business I would like to know what my competitor's financial position was.

Mr. GIBBONS. We can put it in under some kind of code.

Mr. BURKE. On the eighth page of their exhibits they have a breakdown of the American Footwear Manufacturers Association as their source for the net profits of the businesses from 1955 to 1969. I would assume that it would be a reliable source.

Mr. GIBBONS. It is getting late. I know we have to go over there for a quorum call. I will call off the questioning now. I want to just observe, Mr. Chairman, there is a great gap in the testimony we hear from these people and what appears in the only financial record that we have to judge this by.

Mr. Burke. The only thing I can say to the gentleman is that I will invite him up to New England and give him a tour of some of those empty factories. Maybe that will convince him.

Mr. Gibbons. Sir, I have a number of empty factories in my district. They are closed down for various reasons.

(The following letter was received by the committee:)

American Footwear Manufacturers Association,
New York, N.Y., June 17, 1970.

Hon. Wilbur Mills,
Chairman, House Ways and Means Committee, Longworth House Office Building, Washington, D.C.

Dear Mr. Chairman: During the course of our testimony on June 2, 1970, we offered to submit some supplementary and amplifying material in response to questions by the Committee.

This material is attached and we would appreciate very much your including it in the official record.

Sincerely yours,

Iver M. Olson, *Vice President.*

Supplementary Information Submitted by American Footwear Manufacturers Association

I. Plant closings in the footwear manufacturing industry, 1967–1970
II. Profits in the industry, 1960–1970
III. The Consumer Price Index of the Bureau of Labor Statistics covers imported and domestic footwear.

Plant Closings in the Footwear Manufacturing Industry—by Name and Location for the Years 1967–1969, and First Quarter 1970

The question was raised whether factory closings in the industry in any given area were not in fact accompanied by reopenings in other areas by the same companies. The facts presented indicate this it not the case.

1970 closings

Attachment A sets forth the names of 16 factories that closed during the first quarter of 1970. Of these, none were replaced by new plants at other sites.

1969 closings

Attachment B sets forth the names of 72 plants that were closed in 1969. Of these, four companies replaced the plants in new locations as shown on the last page of Attachment B. The companies are Uniroyal, B. F. Goodrich, B–W Footwear and Florsheim. One new factory opening in Hialeah by Continental Shoe Corporation replaced three closed operations of Miami Shoe, New Miami Shoe and Olem.

1968 closings

As shown in Attachment C none of the 23 closings included openings of plants elsewhere.

1967 closings

Of the 43 closings in 1967, production of six plants through the process of consolidation was transferred to plants in other locations, as shown Attachment D.

Closings are not always financial failures

The question was raised as to the apparent difference existing between our closings count and financial failures in the industry as reported by Dunn and Bradstreet.

It is simply a matter of different definitions and situations. Closings, whether or not they are bankruptcies involving creditor liabilities, are where the entrepreneur "turns the key" and stops all production. In many cases the closing is to prevent insolvency. In recent years a substantial number of shoe manufacturers foresaw that they could not continue at a profit in the face of potentially greater imports competition.

As can be seen in Attachments A through D, a few of these companies opened plants in "surplus" or lower wage labor areas. In some cases, even this stratagem was futile and, at a later time, these replacement operations were closed. Our fear is that many more in the near future will set up operations overseas as they "turn the key" in domestic factories. It is a relatively easy step once they scrap social and moral responsibilities that they feel towards domestic workers.

In many cases, manufacturers waited too long to close their factories and were forced to undergo liquidation, bankruptcy, or, in a few instances, continued operations under Chapter XI or some other arrangement, or withdrew voluntarily. In all such cases, there were unpaid obligations.

These are the companies reported as financial failures by Feakes Mercantile, Boston, Mass., or by Dun and Bradstreet, New York, N.Y. Over the years, as was stated at the hearing on June 2, the number of financial failures reported by these two credit agencies has varied. As far as we know both agencies use the same criteria, but we have observed that Feakes Mercantile consistently reports a higher number of failures than Dun and Bradstreet.

Below is a comparison of AFMA's record of plant closings with the numbers of failures reported by the credit agencies:

	AFMA records			Financial failures	
Year	Closings (exits)	New plants (entries)	Entries minus exits	Feakes Mercantile	Dun & Bradstreet
1960	39	48	+9	32	36
1961	36	46	+10	19	25
1962	52	35	−17	39	34
1963	51	42	−9	32	29
1964	40	32	−8	25	22
1965	24	24	0	15	13
1966	27	35	+8	23	14
1967	43	27	−16	14	9
1968	23	13	−10	14	11
1969	72	20	−52	22	12
1st quarter 1970	16	3	−13	16	5
Total, 1960–69	407	322	−85	235	205
Average number per year	41	32	−9	24	21

An interesting correlation between the figures on closing (exits) and entries minus exits with pairs imported for each of the ten years, is shown in the following table:

	Census		AFMA records	
	Leather and vinyl footwear imports (1,000,000 pairs)	Annual increase of imports (1,000,000 pairs)	Total closings (exits)	Entries minus exits
1960	26.6	+4.3	39	+9
1961	36.7	+10.1	36	+10
1962	63.0	+26.3	52	−17
1963	62.8	−0.2	51	−9
1964	75.4	+12.6	40	−8
1965	87.6	+12.2	24	0
1966	96.1	+8.5	27	+8
1967	129.1	+33.0	43	−16
1968	175.4	+46.3	23	−10
1969	195.7	+20.3	72	−52
1970	68.7	+24.2	16	−13

Although there is not an exact year-to-year relationship, the cumulative effect between increased imports and net closings toward the decade is readily discernible.

PROFITS IN THE INDUSTRY, 1960–1969

The question was raised at the June 2, 1970 hearing as to why Standard & Poor's report shows the shoe manufacturing industry seems to be enjoying high or increasing profits, if, as spokesmen for the industry have said, the industry is suffering from increasing imports.

We have obtained Standard & Poor's (S & P) Composite Industry Data on the shoe manufacturing industry and find that it consists of two measures of industry profits: "profit margin as a percent of sales" and "net earnings as a percent of sales, after taxes." Both are composite indexes where the base is 1941–1943 equals 10, and only five companies' figures are included in the index since 1941. They are Brown Shoe Co., Endicott Johnson, Genesco (formerly General Shoe Co.), Interco (formerly International Shoe Co.) and Melville Shoe Corp. The indexes do indeed show a sharp rise in earnings in the five years ending in 1968, the latest published, and for 1969, which is a cumulative preliminary figure for the four quarters of 1969 obtained from S & P's financial anlayst. The composite index figures for the five companies appear below:

Year	Net earnings percent of sales (after taxes)	Profit margin percent of sales	Year	Net earnings percent of sales (after taxes)	Profit margin percent of sales
1960	2.54	7.05	1965	3.05	7.20
1961	1.31	5.26	1966	3.43	7.70
1962	2.46	6.87	1967	3.50	7.84
1963	1.88	6.15	1968	3.54	8.48
1964	2.71	6.99	1969	[1] 2.63	([2])

[1] Preliminary.
[2] Not available.

Actually, the index is in the process of being revised because it is no longer representative of shoe manufacturing industry's net earnings and operating profit trends, according to the S & P analyst with whom we have spoken.

We concur. The index is not representative of the 500 and more shoe manufacturers of today or even of the last five years. First, all the companies are large, integrated companies, operating large retail divisions. Four of these companies have outstanding earnings records and four of them have been substantial importers, especially in recent years.

The same can be said of many other profit reports wherein composite industry figures reflect generally the operations of the largest companies of the industry, many of which are publicly held and that do far more than simply manufacture shoes, including retailing, or importing or both.

In 1968, 17 of the 25 publicly held manufacturing companies earned a net profit after taxes that ranged from 3.2% to 10.6%. The entire group of 25 averaged a net profit of 4.3%. This compares with the Federal Trade Commission-Security Exchange Commissions' reported figure of 3.3% for the "leather and leather products, including shoes" manufacturing industry group—most of which is shoes. The American Footwear Manufacturer's comparable figure for this year is 3.1%, and represents *shoe manufacturing* operations *only*.

Figures for the 25 publicly held shoe manufacturers appear in Attachment E, "Operating and Financial Ratios Fiscal 1968," Copyright 1968, James Salinger. This same report also shows financial ratios for large, publicly owned shoe chain retailers. Most of these companies, as the report shows, make consistently larger profits than do shoe manufacturers.

Some of these retail companies are also large shoe manufacturers, e.g., Melville. Shoe Corporation of America (SCOA), Beck, Spencer, and Hanover Shoe; and their figures are often included in industry profit reports, as has been the practice with Standard & Poor's, Dun & Bradstreet, and various bank reports such as Morgan Guaranty's and First National City Bank's.

It is our belief that the most accurate portrayal of industry profits is shown in FTC-SEC's annual report of manufacturing industry profits which appears on the next page, a reproduction from AFMA's "Facts and Figures." Although this report includes large integrated manufacturers as well as the small, it shows the pitifully low earnings rates of the shoe manufacturing industry over the last two decades.

In fact, as can be seen from close inspection, the industry group "Leather and leather products," of which shoes comprises an estimated two-thirds, has been consistently the lowest profit earner among all American manufacturing industries.

It is small wonder that the industry has been fighting so vigorously against the oppressive imports which threaten to wipe away even this slender profit margin.

AVERAGE NET PROFITS PER DOLLAR OF SALES, BY INDUSTRY, AFTER FEDERAL INCOME TAXES

[In cents]

Industry	1950	1954	1958	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
All manufacturing corporations, except newspapers	7.0	4.5	4.1	4.4	4.3	4.6	4.7	5.2	5.6	5.6	5.0	5.1	4.8
Durable goods										5.6	4.9	4.9	
Transportation equipment	7.7	4.6	3.2	4.2	4.0	5.2	5.3	5.5	6.0	5.1	4.1	4.7	4.1
Electrical machinery, equipment, and supply	7.2	4.5	3.8	3.6	3.4	3.8	3.8	4.2	4.7	4.9	4.4	4.3	3.9
Other machinery	7.3	4.4	3.8	3.9	4.1	4.5	4.7	5.8	6.2	6.4	5.7	5.5	5.4
Other fabricated metal products	6.8	3.1	3.0	2.4	2.4	3.1	3.2	3.7	4.6	4.9	4.5	4.1	3.8
Primary metal industries	8.5	5.8	5.1	5.1	4.8	4.4	5.0	5.9	6.3	6.7	5.6	5.3	5.4
Stone, clay and glass products	10.1	7.4	6.7	6.5	5.6	5.4	5.0	5.5	5.8	5.5	4.7	5.1	4.7
Furniture and fixtures	5.0	2.1	2.0	2.1	1.5	2.4	2.3	2.9	3.7	3.9	3.5	3.4	3.5
Lumber, and wood products, except furniture	9.3	3.4	2.6	1.7	1.8	2.4	3.2	3.9	3.9	3.8	3.4	5.3	4.8
Instruments and related products	8.6	5.5	5.2	5.9	5.4	5.9	6.0	7.1	8.6	9.5	8.5	8.1	7.8
Miscellaneous manufacturing and ordnance	5.4	2.8	2.6	3.3	3.6	3.4	3.3	4.5	3.8	4.8	4.2	3.9	3.8
Nondurable goods										5.6	5.3	5.3	
Food and kindred products	3.4	2.1	2.2	2.3	2.3	2.3	2.4	2.6	2.8	2.7	2.6	2.6	2.6
Tobacco manufacturers	4.9	4.2	5.4	5.5	5.7	5.7	5.9	5.9	5.9	5.9	5.9	5.6	5.2
Textile mill products	5.8	1.0	1.7	2.5	2.1	2.5	2.3	3.1	3.9	3.6	2.9	3.1	2.9
Apparel and other finished products	2.6	1.1	.9	1.4	1.2	1.6	1.4	2.1	2.3	2.4	2.3	2.4	2.3
Paper and allied products	8.7	5.6	4.5	5.0	4.6	4.6	4.5	5.1	4.9	5.3	4.7	4.8	4.3
Printing and publishing, excluding newspapers	4.6	3.4	3.1	3.6	2.8	3.4	3.2	4.3	4.8	5.2	4.4	4.1	4.7
Chemicals and allied products	10.3	6.8	6.9	7.4	7.3	7.4	7.5	7.9	7.9	7.8	6.9	6.8	6.5
Petroleum refining and related industries	10.6	10.3	9.2	9.7	10.1	9.6	10.5	10.7	10.8	11.0	10.9	10.6	10.0
Rubber and miscellaneous plastics products	5.6	4.0	3.9	3.6	3.8	3.7	3.6	4.1	4.3	4.4	4.0	4.5	3.8
Leather and leather products (including shoes)	3.6	1.9	1.7	1.7	1.1	1.8	1.8	2.6	2.8	3.0	2.9	3.3	2.6

Source: Federal Trade Commission, Securities Exchange Commission.

The Consumer Price Index of the Bureau of Labor Statistics Covers Imported and Domestic Footwear

Testimony was offered by a volume retail group suggesting that the BLS consumer price index for footwear virtually excluded imported footwear from the sample from which the CPI is derived. We have obtained documents certified by the Bureau of Labor Statistics to be true copies of its "Consumer Price Index—Commodities and Service Collection Manual—July 1, 1969," page 12 plus BLS specifications for footwear to be included in the sample from stores in over 50 cities. These are included as Attachments F-1 through 4. Analysis of these documents indicate that most imported shoes would be eligible for inclusion on the same basis as any domestic shoes.

The city sample which includes all the large port cities, where imports have their heaviest distribution, would most surely be included in a proportion greater than the 25.2% penetration which imports as a per cent of total supply represented in 1969.

Discussion with the responsible personnel in the Bureau of Labor Statistics that have put these documents in our hands indicates that imports would not be restricted from inclusion in the product specifications of the pricing procedure instructions to field workers who collect the data unless the import feature was a price factor. From our analysis of the coding system and knowledge of how most imported footwear has been priced, retail price would not be a special factor.

(Attachments A, B, C, and D referred to were of a confidential nature and retained in the committee files.)

ATTACHMENT E

OPERATING & FINANCIAL RATIOS FISCAL 1968	Fisc. Year	Net Profit to Net Sales	Net Worth to Net Sales	Net Sales to Inventory	Net Sales to Work. Cap.	Net Sales to Fixed Assets	Net Profit to Net Worth
MANUFACTURERS		%	%	Times	Times	Times	%
Genesco	7/31	3.2	25	5.0	3.3	14.0	12.9
Interco	11/30	3.7	29	4.7	3.3	9.7	12.7
Brown	10/31	5.6	36	4.6	4.2	9.0	15.4
U.S. Shoe Corp.	10/31	4.4	27	4.0	3.5	12.7	16.2
Endicott-Johnson	12/3	c).9	40	2.5	2.7	7.6	c)2.2
Wolverine	12/31	4.8	36	4.1	4.5	4.4	13.1
Craddock-Terry	9/30	3.6	30	5.1	4.1	8.1	11.9
Weyenberg	12/31	3.9	29	4.9	2.9	13.9	13.6
Green Shoe Mfg.	12/3	8.0	45	4.8	3.5	6.7	17.8
Consolidated National	11/30	3.0	24	5.1	4.7	9.6	12.9
Penobscott	11/26	6.2	44	4.3	3.3	7.5	14.2
Ramer	12/31	1.6	17	3.5	7.6	11.6	9.2
R.G. Barry	1/1	4.1	24	5.1	4.4	13.5	17.1
B.B. Walker	11/27	c)2.7	21	3.7	3.7	16.3	c)12.6
Geo. E. Keith	10/31	2.7	23	3.9	4.5	11.1	16.3
Frier Industries	6/30	7.1	27	3.5	5.3	11.3	16.5
Wellco Ro-Search	6/30	b)3.6	25	4.6	13.0	5.8	b)14.0
Julian & Kokenge	10/31	.2	48	3.9	3.2	9.3	.4
Suave Shoe Co.	9/30	4.0	13	7.8	20.0	9.2	30.0
Shaer Shoe Corp.	10/31	6.8	38	9.8	3.0	45.0	18.0
Caribbean	9/30	2.9	22	26.0	6.0	24.0	13.3
Daniel Green	12/31	10.6	58	9.2	2.4	18.0	18.4
Caressa	9/30	6.6	36	9.8	3.6	12.1	18.0
Westminster Shoe Corp.	8/31	8.5	34	8.8	4.5	4.3	25.0
Johnson, Steph., Shnkl.	10/31	Loss	33	6.2	3.5	9.1	Loss
1968 Average of Above		4.3	31	6.2	5.0	12.1	14.1
1967 Average (Previous Study)		4.1	32	5.9	4.8	12.2	12.7
RETAILERS							
Melville	12/31	5.5	23	5.0	5.3	11.5	24.0
Shoe Corp. of America	12/31	1.6	14	4.8	6.6	16.3	11.7
Edison Brothers	12/31	4.8	28	5.0	3.7	10.7	17.1
Morse	1/1	5.1	22	4.8	5.3	19.7	23.3
Beck Industries	12/31	3.5	20	3.9	8.5	15.7	16.8
National	1/30	1.8	22	4.0	7.1	12.8	8.5
Butlers	12/31	6.0	27	5.9	5.0	15.9	22.5
Mortons	6/30	3.0	17	5.2	6.5	3.1	17.6
Spencer	5/30	2.3	20	5.0	5.6	31.0	11.5
Hanover	12/31	5.5	65	2.3	2.0	6.3	8.5
Gilbert	12/25	c)3.4	23	3.2	3.9	33.0	c)14.8
Felsway Shoe Corp.	2/28	6.9	31	3.4	3.9	[illegible]	21.7
Cannon	1/31	3.1	25	4.1	4.3	24.0	12.0
Kobacker	1/31	b)4.2	20	3.9	6.3	7.9	b)20.8
Epko	1/31	6.6	29	4.3	4.6	15.2	23.1
Volume Shoe Corp.	7/31	6.6	28	2.8	5.2	14.0	23.9
American Self Service	5/31	5.1	31	3.2	3.9	23.0	16.7
MULTI-INDUSTRY COMPANIES							
Northwest Industries	12/31	c)5.4	86	5.9	4.1	.9	c)6.2
U.S. Industries	12/31	c)5.5	31	4.7	5.0	7.1	c)17.5
Blue Bell Inc.	9/30	3.4	33	3.5	3.2	12.5	10.4
Lehigh Valley Ind. Inc.	12/31	c)3.2	43	4.8	3.7	8.5	c)7.4
Standard Prudential	6/30	1.0	34	e)	e)	e)	2.9
Dero Research & Dev. Co.	8/31	c)4.8	59	4.2	2.7	6.5	c)8.1

ATTACHMENT E—Continued

Curr. Assets to Curr. Liab.	Net Worth to Curr. Liab.	Net Worth to Total Liab.	Long Term Debt to Work. Cap.	Collection Period	Cost of Goods Sold	Sell Gen & Ad. Exp.	Sales Inc(+) or Dec(-)	Net Profit Inc(+) or Dec(-)
Times	Times	%	%	Days	%	%	%	%
6.1 -	4.2 -	125	35.3	34	67.9	25.6	+15	+27
4.1 -	3.0 -	126	37.6	56	70.6 -	22.5	+ 8	+22
3.2	3.4	224	8.9	40	62.4	26.4	+15	+10
2.9 -	1.8	95	43.0	63	68.8	22.0	+23	+25
3.0	2.1	118	38.0	42	68.7	29.3	+ 4	c)+64
2.0	1.7	116	37.0	60 -	69.7	19.8 -	+12	+ 2
2.3	1.6	113	29.2 -	79 -	69.9	20.3	+19	+23
4.6	3.0	123	40.1	59	68.6	20.4	+60	+11
3.7	4.2	388	-	39	65.9	16.5	+ 8	+ 4
2.1	1.2	86	32.0	62	77.9	15.5	+17	+987
4.4	4.9	397	5.8	48	79.2 -	7.9	+22	+30
1.5 -	.6	51	38.0	31	85.0 -	10.9 -	+35	+144
2.7	1.8	113	33.0	45	63.3	25.8	+22	+19
2.6	1.2 -	70	45.0	29	77.0	13.5	+ 2	c)-20
2.1 -	1.2	66	66.0	42	75.2	15.8	+ 5	+ 7
1.7	1.0	96	8.2	52 -	84.0	7.1	+21	+33
1.4	1.3	95	103.0	15	78.0	12.5	+ 3	b)-18
6.0	6.1	372	12.0	68	83.0	16.5	+ 9	-90
1.4 -	.9 -	65 -	94.0 -	15 -	80.4 -	9.3 -	+46	+11
5.6	5.2	523	-	37	82.0	4.3	+11	+28
2.8	2.3	223	2.4	72	82.0 -	11.5	+50	+107
8.3	9.1	1011	-	68	78.5		+ 4	- 4
3.9 -	3.7	279	8.0	50	75.0	12.8	+38	+28
1.8	1.3	88	56.0	11 -	75.4	6.7	+38	+12
4.2	3.8	376	-	50	84.3	17.7	+ 9	Loss
3.4	2.8	213	30.9	46	74.7	16.3	20	59
3.7	3.2	215	32.0	52	75.2	17.1	15	19
2.8	2.2	156	17.5	75	56.8	32.3 -	+13	+13
2.3	1.2 -	70	61.0	10	65.6.	29.4	+ 3	+25
4.7	3.9	194	26.0	23 -	64.4	25.3	+10	+ 1
2.6	1.9 -	143	17.4	14 -	66.6 -	23.8 -	+35	+19
1.4	.6	59	20.0	37	58.5	37.2	+16	+21
2.0	1.6	108	39.0	3	62	34.0	+10	+103
2.9	2.5	245	2.0	9	70.4	19.5	+11	+32
2.2	1.3	108	12.0	18	66.1	27.6	+ 6	+44
2.1	1.3	81	41.0	30	64.0	29.0	-26	+403
8.1	11.9	411	-	17	62.1	21.8	+ 8	- 2
2.6	1.4	95	30.0	11	93.7		+25	c)+48
2.4	1.7	151	7.9	15	61.3 -	21.2 -	+21	+44
4.3	3.7	259	6.0	13	63.6	30.6	+15	+54
2.0	1.3	81	54	1 -	63	29.2	+23	b)+64
2.6	2.1 -	205	-	8 -	64.0	23.4	+14	+ 3
1.7	1.0	101	-	3 -	61.0	29.0	+43	+87
4.1	3.7	368	-	7	61.0	31.0 -	+16	+11
2.1	3.7	89	280.0	56	85.0	6.4	+ 6	c)+19
1.9	1.4	79	57.0	60	73.8	14.7	+20	c)+24
2.3	1.4	105	30.0	78	79.0	13.3	+18	+27
2.6	2.7	158	42.0	70	79.1	13.3	+87	c)+117
1.9	.5	25	88.0	e)	e)	e)	+71	+47
2.7	2.7	207	5.0	17	84.0	7.0	+285	c)+135

ATTACHMENT E—Continued

Information has been obtained from sources believed to be reliable but its accuracy and completeness are not guaranteed.

L- Loss

a- Does not include other long term receivables.

b- Refigured to reflect tax that would have been paid without provision for tax loss carry forward and special credits.

c- Does not include profit on extraordinary items or special credit.

d- Extraordinary items.

e- Finance company figures are not comparable.

f- Assuming conversion of convertible securities and options.

NET PROFIT/NET SALES: Net Profit for all companies gives effect to Federal Income Tax Paid. Where a company has a tax loss carry forward and reported a net profit without provision for Federal Income Tax, the net profit figure has been reduced to reflect the tax that would have been paid if there had been no tax loss carry forward. Net Sales for all companies does not include other income, sale of assets, or other revenue derived from "unusual" sources.

NET WORTH/NET SALES: Reflects the company's revenue production in relation to net dollars invested in doing business. The danger indicated by a high % ratio might be inefficiency and a low % ratio, undercapitalization.

NET SALES/INVENTORY: This ratio is not an actual physical turnover in inventory. It is a yardstick to compare one concern with another or with the industry. Low turnover could indicate obsolescence which will adversely affect future profits ... high turnover suggests the possibility of increasing sales.

NET SALES/WORKING CAPITAL: High ratio might indicate tight money condition for operations and suggests that company might be slow pay and should, if possible, consider long term financing. Low ratio indicates surplus of assets and funds that might be used to produce more sales or income.

NET SALES/NET FIXED ASSETS: Indicates use of property, plant, and equipment in relation to sales. It is characteristic of the shoe industry to have a high ratio especially if lasts, dies, and patterns are charged off as expense when purchased. An unusually high ratio suggests possibility of modernizing plant and equipment to increase efficiency and sales --- also indicates the danger that plant and equipment has been charged off and that the cost of the product no longer realistically reflects depreciation.

Shoe retailers, operating in leased premises, show an unusually high ratio.

NET PROFIT/NET WORTH: Measures the profit producing efficiency of net dollars invested in the business. Indirectly reflects the proficiency of management. Generally a relationship of at least 10% is regarded as a desirable objective for providing dividends plus funds for future growth.

CURRENT ASSETS/CURRENT LIABILITIES: Low ratio indicates need for long term financing and more working capital.

NET WORTH/CURRENT LIABILITIES: Indicates financial strength and borrowing power. Ordinarily, trouble piles up when this relationship is less than 1.25 times.

NET WORTH/TOTAL LIABILITIES: When this relationship is less than 100%, the equity of creditors in the assets of the business exceeds that of owners. Important ratio to establish credit rating.

LONG TERM DEBT/WORKING CAPITAL: Low % indicates good borrowing power and high % vise-versa.

COLLECTION PERIOD DAYS: $\frac{\text{Accounts Receivable} \times 365}{\text{Net Sales}}$

This study uses year end accounts receivable figures only. Shoe company receivables generally peak in February, March, August and September and valley in December, January, June and July.

COST OF GOODS SOLD AND SELLING, GENERAL & ADMINISTRATIVE EXPENSES: Accounting varies widely from company to company. The combined % is quick indicator of operating efficiency.

NOTE: ↑ Indicates UP trend compared to four year average.

↓ Indicates DOWN trend compared to four year average.

ATTACHMENT F-1

DL-1-126
MAY 1965

U.S DEPARTMENT OF LABOR

Washington

RECORDS AUTHENTICATION CERTIFICATE

I HEREBY ATTEST, That the annexed copy, or each of the specified number of copies, of each document listed below is a true copy of a document in the official custody of the Department of Labor.

CONSUMER PRICE INDEX - COMMODITIES AND SERVICES COLLECTION MANUAL - JULY 1, 1969

SIGNATURE AND OFFICIAL TITLE	DIVISION AND BUREAU	DATE
John Gracza Acting Assistant Commissioner	Office of Data Collection and Survey Operations Bureau of Labor Statistics	June 5, 1970

I HEREBY CERTIFY, That John Gracza who signed the foregoing attestation, is now and was at the time of signing (title) Acting Assistant Commissioner and has legal custody of the official records of the United States Department of Labor therein attested and that full faith and credit should be given to his act as such.

IN WITNESS WHEREOF, I

WILLIAM D. STEAD

duly designated by the Secretary of Labor as Authentication Officer of the Department of Labor, have hereunto subscribed my name and caused the seal of the Department of Labor to be affixed this 5TH day of June 19 70.

William Stead

Authentication Officer
Department of Labor

ATTACHMENT F-2

Consumer Price Index

Commodities And Services Collection Manual

July 1, 1969
~~November 1967~~

UNITED STATES DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
OFFICE OF PRICES AND LIVING CONDITIONS
OFFICE OF DATA COLLECTION AND SURVEY OPERATIONS
Washington, D.C. 20212

321.11 (cont.) an item to meet specification is not available, an item not meeting specification is acceptable as outlined in sections 321.2 and 322.3.

2. "Sup." Specification. The specification is priced only when so instructed by the Washington office in the monthly supplemental instructions to commodity agents. The primary use of "Sup." specifications is for experimental purposes or special price series. When the "Sup." becomes part of a specification series, the "Sup." is dropped. If the "Sup." was priced experimentally as a possible alternative specification to others, when it becomes part of the series it will no longer have to be priced in addition to another specification of the series. (See 322.4 and 331.3 for additional discussion.)

3. Preferred/acceptable factors. For those specifications which state that a given factor is preferred, select an item with the preferred factor, if possible. Selecting an item with the preferred factor may result in selecting an item which is not the volume seller among all items meeting the specification. In this case, the rule to select an item with the preferred factor takes precedence over the rule to select the volume seller.

4. Choices Within Specification. Almost all specifications permit, or require, choices to be made when selecting the item or service to price. Within the specification, some choices are coded by the use of capital letters and others by lower case letters. Capital letters signify that the choices indicated involve quality differences; lower case letters signify that the choices indicated do not involve a quality difference. The capital letter codes are referred to as "price choice factors." Unless stated otherwise in the specification (see 3 above), all choices may be made by outlet, the choice(s) being dependent on the characteristic(s) of the volume selling item or service. These choices must be made in the field. (See 312.2)

5. Imports. The specifications include all the important price factors. Some specifications require imports, some provide for pricing domestic or import items (domestic or import designated as price choice factors) and others make no reference to source. For the latter, imports are acceptable for pricing provided the import feature is not a price factor.

321.12 The item must be regular, up-to-date merchandise in good condition. This criterion applies only to merchandise. The following do not meet the conditions of regular, up-to-date merchandise in good condition:

(1) Out-of-date models or numbers when the new models or numbers are available.

(2) An item of durable goods for which no replacement stock has been reordered for one year or more.

ATTACHMENT F-3

APPAREL | FOOTWEAR

	33-001
A-B	MEN'S STREET SHOES: Oxford; calf upper, medium quality; Goodyear welt, leather sole

STYLE:
Oxford

MATERIAL:
Upper:
Smooth calf, medium quality
Outsole:
Leather, semi-fine grade, 8 to 9 irons
Insole:
* Leather or non-leather, medium quality
Lining:
Leather or non-leather, medium quality
Heel: Rubber

CONSTRUCTION:
Goodyear welt

* WORKMANSHIP:
Medium quality

SIZE RANGE:
6½ to 12, A to D

* BRAND:
A. Manufacturer's, nationally advertised
B. Manufacturer's or distributor's, not nationally advertised

SEASONS AND AREAS:
Year-round, all cities

* SPECIFY:
Brand by A or B

Redefined and Restated

A-B	33-002 MEN'S STREET SHOES: Oxford; side upper	or	33-002 A MEN'S STREET SHOES: Oxford; kip upper

STYLE:
Oxford

MATERIAL:

33-002:	Upper:	Smooth side, good quality
	Outsole:	Synthetic, 12 to 15 irons
	Insole:	Leather
	Lining:	Quarter: Leather or plastic, 3/4 or full cut
	Heel Pad:	Imitation leather
	Heel:	Leather board or rubber composition base with top lift; or May have solid rubber heel
33-002 A:	Upper:	Smooth kip, good quality
	Outsole:	Leather, No. 1 scratch, 8 to 9 irons
	Insole:	Leather or synthetic
	Lining:	Quarter: Leather or plastic, 3/4 or full cut
	Heel:	Leather board or rubber composition base with top lift

CONSTRUCTION:
Goodyear welt

SIZE RANGE:
6½ to 12, B to D

SEASONS AND AREAS:
Year-round, all cities

Reissued

33-046

B MEN'S WORK SHOES: High; elk tanned upper,
* good quality

STYLE:
6" high
Good quality

MATERIAL:
Upper:
Elk side tanned leather, good quality
Outsole:
Composition, including cork, cord, crepe or neoprene crepe types; vinyl
Insole:
Leather or non-leather
Heel:
Same as outsole

* CONSTRUCTION:
A. Goodyear welt
B. Injection molded
C. Vulcanized
D. Cement

SIZE RANGE:
6 to 12, wide

BRAND:
E. Manufacturer's, nationally advertised
F. Manufacturer's or distributor's, not nationally advertised

SEASONS AND AREAS:
Year-round, List 2 cities

SPECIFY:
* Construction by letter
Brand by letter

Redefined by ink correction May 1968

A-B

33-271

WOMEN'S DRESS SHOES:
Pump; high medium quality

STYLE:
Pump
Conservative colors and styling

MATERIAL:
Upper:
Calf, smooth or suede, or kid suede, medium to high quality
Outsole:
Leather, 6 to 7 irons, semi-fine
Insole:
Composition, cushioned fiber, flexible split leather
Lining:
Quarter: Chrome sheep, kid, non-slip, leather, fabric or simulated leather
Sock: Kid, leather, fabric, simulated leather, skiver (grain split of a sheepskin)
Heel:
Plastic or wood, covered with celluloid, leather (smooth or suede), simulated leather, or enamel
Composition or nylon top lift
Medium to high

CONSTRUCTION PROCESS:
Cement
Exclude: Sbicca-Del-Mac

WORKMANSHIP:
Quality: High medium grade with careful attention to detail in trim, stitching, and finish. Would tend to have look and feel of durability. Would be reputed to wear well and maintain its shape. Would tend to have leather components, or high quality non-leather components

SIZE RANGE:
Usually 4 to 9, AA to C

SEASONS AND AREAS:
Year-round, all cities

Reissued

A-B

33-272

WOMEN'S DRESS SHOES:
Pump; low medium quality

STYLE:
Pump

MATERIAL:
Upper:
Suede kid, kip or side leather or vinyl patent
Outsole:
Non-leather
5 to 7 irons
Insole:
Fiber
Lining:
Quarter: Split leather, suedette cloth, simulated leather
Sock: fabric or simulated leather
Heel:
Plastic, covered with suede leather, vinyl patent, celluloid, or enamel
Nylon or composition top lift
Medium or high

CONSTRUCTION PROCESS:
Cement

WORKMANSHIP:
Quality: Low medium grade with little attention to detail in trim, stitching, and finish. May have plastic binding rather than folded edges. May have unlined vamp. Would tend to have medium quality non-leather components.

SIZE RANGE:
Usually 4 to 10, AA to B

SEASONS AND AREAS:
Year-round, all cities

Reissued

A-B

33-316
WOMEN'S EVENING SHOE:
Pump; dyeable fabric upper

STYLE:
Pump

QUALITY:
A. Medium grade
B. Low medium grade

MATERIAL:
Upper:
Brocade, satin, rayon peau de soie, linen
Outsole:
Leather or composition, 3 to 6 iron
Lining:
Vamp:
Kid or other lightweight leather, imitation leather, faille or other fabric, or unlined
Counter:
Genuine suede, imitation suede or smooth vinyl
Sock:
Non-leather
Insole:
Leather, cellulose fiber, or other non-leather material
Heel:
Plastic or wood, covered with self material or sprayed, 12/8 to 23/8 height

CONSTRUCTION:
Process:
Cement

WORKMANSHIP:
Quality A: Medium grade with added attention to detail in trimming and stitching
Quality B: Low medium grade with minimum attention to detail

SIZE RANGE:
Quality A: 4 to 11; AAA to B widths
Quality B: 4 to 11; AAA to B widths or may be narrow, medium and wide

SEASONS AND AREAS:
Year-round, all cities

SPECIFY:
A or B quality

Reissued

33-361.1

A WOMEN'S PLAY SHOE: Side leather upper; cement construction

STYLE:
A. Sandal or open strap type
B. Pump or slip-on, may be open toe with closed back, closed toe with open back, or closed toe with closed back.
Use: For play or very informal wear

MATERIAL:
Upper:
Side leather, lightweight
Outsole:
Leather or composition, lightweight

LINING:
Upper: unlined

HEEL:
3/8" leather or composition
May be low wedge with plastic wrapper

CONSTRUCTION:
Cement process
Quality:
C. Low-medium
D. Medium quality

SIZE RANGE:
4 to 10, medium

SEASONS AND AREAS:
Year-round, List 1 cities

SPECIFY:
Style by A or B
Quality by C or D

Reissued

A

33-406

WOMEN'S HOUSE SLIPPERS:
* Scuff style; platform sole, wedge heel

STYLE:
Scuff

MATERIAL:
Upper, Wrapper and Outsole:
A. Capeskin upper and wrapper
Leather outsole

B. Capeskin upper and wrapper
* Non-leather outsole; exclude crepe

C. Vinyl plastic upper and wrapper
Non-leather outsole; exclude crepe

Platform:
* Padded insole

Heel:
Wedge, wood base
7/8 to 12/8 height

CONSTRUCTION:
Slip-lasted

SIZE RANGE:
* 4 to 10, medium width

BRAND:
* D. Manufacturer's, nationally adverised; or
E. Manufacturer's or distributor's, not nationally advertised

SEASONS AND AREAS:
Year-round, List 1 cities

SPECIFY:
* Material by A, B or C
Brand by D or E

Redefined and Restated

B | 33-541 A CHILDREN'S SHOES: Oxford, goodyear welt | or | 33-541 B CHILDREN'S SHOES: Oxford, cement or injection molded

STYLE:
Oxford

QUALITY:
* A. Good
B. Medium

MATERIAL:
33-541 A: Upper: Side leather. Exclude split leather
Outsole: Hard non-leather, 7 to 9 irons. Exclude crepe
Insole: Leather or non-leather
Lining: Quarter: Leather or non-leather
Vamp: Fabric
Heel Pad: Leather or non-leather
Heel: Leather board base with rubber top lift; or spring heel
Binding: Plastic or folded edges
33-541 B: Upper: Side leather. Exclude split leather
Outsole and Heel: One piece PVC (poly vinyl chloride)
Counter: Leather or non-leather
Insole: Fiber, or other non-leather material
Lining: Quarter: Leather or non-leather
Vamp: Fabric
Heel Pad: Leather or non-leather
Binding: Plastic or folded edges

CONSTRUCTION PROCESS:
33-541 A: Goodyear welt
* 33-541 B: C. Cement
D. Injection molded

WORKMANSHIP:
Quality A: Good grade with attention to detail in trimming, stitching and finish. Should be neatly bound and carefully made.
Quality B: Medium grade with less attention to detail. May lack feel of heftiness and look of good quality shoe. Would tend to have non-leather rather than leather components.

SIZE RANGE:
* E. 8 1/2 to 12
F. 12 1/2 to 3

SEASONS AND AREAS:
Year-round, List 2 cities

SPECIFY:
* Quality by A or B
Construction by C or D (33-541 B only)
Size by E or F

Restated

* A

33-586

SNEAKER:

STYLE:
Oxford, protective bumper toe guard

MATERIAL:
Upper:
Good quality cotton duck
Outsole:
C. Crepe type rubber (nonmolded)
D. Molded rubber, suction grip (basketball and deck types)
Insole:
Cushioned sponge rubber

SIZE RANGE:
Boys' sizes, 2 to 6

BRAND:
A. Manufacturer's, nationally advertised
B. Manufacturer's or distributor's, not nationally advertised

SEASONS AND AREAS:
Year-round, List 1 cities

SPECIFY:
Brand by A or B
Outsole by C or D

Redefined

46-127 O - 70 - pt. 7 -- 9

B

33-766
GIRLS' DRESS SHOES: Strap style with patent finished upper

STYLE:
Strap style
Plain toe or vamp ornament or stitching

MATERIALS:
Upper:
A. Patent leather, medium quality
B. Patent finished vinyl plastic
Outsole:
Composition, approximately 5 irons
Insole:
Man-made, split leather, or fiber, 2 to 2-1/2 irons
Lining:
Man-made or split leather quarter and sock lining
Fabric vamp lining
Heel:
Compositon
3/8 to 6/8 height

CONSTRUCTION:
Cement process

SIZE RANGE:
12-1/2 to 3, medium width

SEASONS AND AREAS:
Year-round, List 2 cities

SPECIFY:
Upper material by A or B

Reissued

ATTACHMENT F-4

U.S. Department of Labor
Bureau of Labor Statistics
Washington, D. C. 20212

City Weights for Revised CPI:
Population Weights and Relative "Cost-Pop" Weights,
December 1963

	Index weights (percent)	
	Population weights 1/	Relative cost-pop weights 2/
Total U. S.	100.000	100.000
A Stratum	40.021	44.240
Boston	1.930	2.127
New York	12.577	14.386
Philadelphia	2.703	2.888
Pittsburgh	1.565	1.552
Chicago	5.552	6.445
Cleveland	1.325	1.580
Detroit	2.895	3.070
St. Louis	1.428	1.353
Baltimore	1.402	1.354
Washington	1.255	1.231
Los Angeles-Long Beach	5.017	5.568
San Francisco-Oakland	2.372	2.686
B Stratum	25.825	25.615
Buffalo	2.347	2.621
Hartford	2.348	2.664
Dayton	2.210	2.305
Indianapolis	2.209	2.036
Wichita	2.210	2.032
Atlanta	3.267	3.175
Dallas	3.267	2.982
Nashville	3.266	2.828
Denver	2.174	2.221
Seattle	2.173	2.363
Honolulu	.354	.388
C Stratum	13.781	12.692
Lancaster	1.803	1.533
Portland, Me.	1.803	1.566
Cedar Rapids	1.284	1.347
Champaign-Urbana	1.284	1.243
Green Bay	1.284	1.120
Austin	1.250	1.018
Baton Rouge	1.250	1.224
Durham	1.250	1.023
Orlando	1.250	1.130
Bakersfield	1.323	1.488

	Index weights (percent)	
	Population weights 1/	Relative cost-pop weights 2/
D Stratum	20.373	17.453
Kingston, N.Y.	1.171	.996
Millville, N.J.	1.171	.991
Southbridge, Mass.	1.170	.995
Crookston, Minn.	1.352	1.141
Devils Lake, N.D.	1.352	1.141
Findlay, Ohio	1.352	1.139
Logansport, Ind.	1.352	1.151
Niles, Mich.	1.351	1.142
Florence, Ala.	1.227	.991
McAllen, Tex.	1.227	.993
Mangum, Okla.	1.226	.986
Martinsville, Va.	1.227	.992
Union, S.C.	1.227	.987
Vicksburg, Miss.	1.226	.994
Klamath Falls, Ore.	1.338	1.366
Orem, Utah	1.339	1.349
Anchorage, Alaska	.065	.099
By region:		
Northeast	30.588	32.319
North Central	28.440	28.245
South	24.817	21.908
West (includes Honolulu and Anchorage)	16.155	17.528

1/ Based on estimated number of urban index consumer units.
2/ Based on December 1963 index aggregates (cost-pop weights) converted to a percentage distribution.

Labor - D. C.

Mr. BURKE. We will recess until 2 o'clock, when we will hear Mr. Fecteau and Mr. Mara.

(Whereupon, at 12:55 p.m. the committee was recessed, to reconvene at 2:00 p.m. the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Wilbur D. Mills, chairman, presiding.)

The CHAIRMAN. The committee will please be in order.

Our next witnesses, appearing together, are Mr. Fecteau and Mr. Mara.

For the purposes of our record, we would like for you to identify yourselves, Mr. Fecteau and Mr. Mara, giving us your name, address, and capacity in which you appear.

You may proceed, Mr. Fecteau.

STATEMENT OF GEORGE O. FECTEAU, GENERAL PRESIDENT, UNITED SHOE WORKERS OF AMERICA; AND JOHN E. MARA, GENERAL PRESIDENT, BOOT & SHOE WORKERS' UNION

Mr. FECTEAU. This is a joint statement. Mr. Mara and I discussed this, and we decided I would read my statement, and then he will present his.

Mr. Chairman, our memberships total in excess of 90,000 shoe workers in 30 States.

We represent people engaged in the manufacture of footwear and component parts. Therefore our members are those most directly concerned with the economic health of domestic producers of nonrubber footwear. That economic health is now threatened by the nightmare flood of millions of pairs of foreign shoes pouring into the United States, while thousands of badly needed jobs are sent overseas.

It is indeed a pleasure to appear before this distinguished committee to discuss the serious plight of American shoe workers, and to speak out in enthusiastic support of H.R. 16920, the Mills footwear trade bill for 1970.

SHOE FACTORIES AND SHOE WORKERS

Today there are approximately 220,000 persons directly employed in the footwear industry, including both production and nonproduction employees.

This employment is distributed among about 600 companies with over 1,000 factories scattered in some 600 cities and communities in 41 different States.

Counting employees engaged in the manufacture of components, materials, equipment, and machinery, a total of 350,000 to 400,000 persons depend on the footwear industry for their employment. It is generally recognized that a plant employing 500 people affects the economic welfare of 1,500 to 2,000 people in the community.

On the basis of this rough measure, shoe manufacturing in the United States affects the economic welfare of a million to a million and a half citizens.

Most of our factories are located in small communities, where they are a major—and often the major—factor in the economic life of the community. In these communities when shoe plants shut down, the impact on the community is tragic.

The shoe industry is an old industry. A large part of its work force has grown old in its service.

A survey of 6,000 shoe workers in the State of Massachusetts shows their average age to be 52½ years; their average service 24½ years.

These people have very low mobility. They cannot possibly uproot themselves and move to other areas for employment, even if other employers are willing to hire them. Nor are they good prospects for retraining for skilled employment in newer rising industries.

This does not reflect upon the energy, skill or ambition of our members, who have given long years of faithful service to the shoe industry. It is a hard fact which the history of our retraining efforts has amply documented.

In our larger cities the shoe industry has offered an avenue of employment to disadvantaged minority groups. If this avenue is closed such employees revert to the hardcore unemployed in the ghetto, aggravating a problem for which no one has any viable solution.

I refer to such areas in New York, Brooklyn, Chicago, Los Angeles, and throughout the country where we have large groups of so-called minority workers now employed which came from the ghetto and returned to the ghetto when their factories closed.

The import statistics have been recited so often, Mr. Chairman, that they must be as familiar to this distinguished committee as the air it breathes. For shoe workers declining production tells the story. In 1960 we turned out 600 million pairs of leather and vinyl shoes. In 1969 we produced 581 million pairs. Meanwhile consumption jumped from 626.6 million pairs to 776 million pairs. That increase in consumption of 150 million pairs was entirely absorbed by the increase in imports which over the same period jumped from 26.6 to 195 million pairs.

In January 1969 we employed 203,700 production workers in the shoe industry. Total employment in footwear was 232,900 people. In March of 1970 the figure for production workers had declined 6.2 percent and the figure for total shoe workers was off 5.6 percent. Just in 15 months.

There is another factor in the import picture which adversely affects the American shoe workers. Increasingly, American manufacturers are importing partially completed footwear. Complete shoe uppers, cut and fitted and ready to have the soles attached, are being brought in. By this arrangement, operations representing about half of the total work done on a pair of shoes are performed in foreign countries at low foreign rates of pay.

I should like to note that while this is a very extensive problem in our industry there is no specific agency which keeps accurate track of the amount of partially finished footwear that arrives in the United States. There is a real need for some better records here, because this problem contributes substantially to our overall difficulties.

We have been warning of the developing danger of footwear imports for many years, Mr. Chairman. In a 1960 statement to Congress when imports rose to 3.5 percent of domestic production in 1959, before the GATT hearings in 1964, when imports had grown to over 12 percent of domestic production, before this committee in 1968, before the Tariff Commission, the Senate Finance Committee, in every forum which has been offered we have appeared to tell our story.

Our members are now asking, "How high must the import percentages rise before serious attention will be given to our problem?"

And they also want to know how many more thousands of their jobs will be shipped overseas before we receive the serious attention this problem deserves.

In a basic sense, it is not only our problem, but the country's problem. The footwear industry is an essential industry whose products were rationed during World War II. If we allow imports to run rampant and eventually destroy the shoe industry in America as excessive imports have destroyed other industries, what assurance would we have that the American people and its fighting men would have an ample supply of footwear in any future war?

BASIS OF FOREIGN COMPETITION

Since the shoe industry in the United States is modern, competitive, alert to changes in markets, and can produce more shoes than America consumes, how did this import problem get so serious?

The answer is relatively simple. Shoe manufacturing is actually an assembling operation. The labor cost in producing a pair of shoes amounts to 30 or more percent of the total cost. Modern shoe machinery is of a relatively simple nature and is easily available in any of the countries which export footwear to the United States.

The productivity of larger factories in Spain, Italy, and Japan which supply the export market, approximates and in some cases even exceeds that of American factories producing comparable footwear. Wages in these countries, however, range from a half to less than a fifth of the wages paid in the United States, and in no case even approach Federal minimum wage requirements that must be met here.

I could go on and point out in Spain, for instance, they have apprenticeship training programs where children 10, 12 years old work for nothing for a period of 2 years as apprentices in some industries. After they have learned their job they work in the factories for wages of 50 cents an hour or less.

I think we are all familiar with the rise in the imports that have come from Spain.

This, gentlemen, regardless of all other excuses that may be put forward here, is the sole reason why today the shoe industry in the United States faces extinction, because it simply cannot compete with such ridiculously low wages.

Thus foreign countries land shoes in the United States at prices 20 to 50 percent lower than equivalent footwear produced here. This boils down to a simple case of lower price labor in foreign countries competing against higher price labor in America.

Foreign-made shoes penetrate American wholesale markets because they are cheaper and not for any other reason.

While such difference in prices permit greater profits by foreign manufacturers and by U.S. wholesale and retail outlets, they are by no means passed on to the American consumer. Yet some people would indicate that without imports inflation would grow much faster than it has, especially in the shoe industry.

U.S. shoe retailers are in vigorous competition with each other. They search constantly for ways to widen their profit margins while underselling their competitors. By purchasing shoes made abroad at savings of 20 to 50 percent and pushing—I emphasize the word "pushing"—such shoes upon the American consumer, such retailers are able to accomplish both objectives.

Therefore, there is every encouragement for retail outlets to buy more footwear from lower wage countries and less from domestic producers.

Consequently, more and more U.S. manufacturers of shoes are closing U.S. factories and opening new factories abroad either because they can no longer meet competition from imports, or because they have discovered that their customers in the United States can be supplied with shoes made abroad that yield far greater profits.

Some exponents of free trade insist that the answer to excessive and ruinous imports is more exports. However, the facts are that leather footwear imports in 1968 were 70 times as high as footwear exports, which incidentally declined 52 percent, from 4.6 million pairs in 1955 to about 2.2 million pairs in 1969.

Several factors contribute to this imbalance of trade in the shoe industry. Among these are lower U.S. tariffs as against discriminatory restrictions and hidden taxes leveled against U.S. footwear by other countries as well as their tremendous advantage of extremely cheap labor.

EXPORT OF JOBS

At 1969 levels our production was about 2,900 pairs per production worker. The 195 million pairs of shoes which were imported in that year represented a loss of 66,000 jobs to production workers in the footwear industry.

It appalls us, Mr. Chairman, that this sort of thing can be tolerated. Two-thirds of the House and Senate sent a petition to the President demanding action, and what do we get? Some mealy-mouthed nonsense from administration spokesmen about a plan they're working out for the footwear industry—they can't tell us about it but they'll try it out and then when it doesn't work, and we've lost another 50,000 jobs, we will again embark on the same old merry-go-round. The trouble is, a couple more trips on that merry-go-round and there will be no American shoe industry left to worry about.

We hear a great deal about the shortage of help in the shoe industry, particularly in some of the trade journals. You don't hear so much of it, however, in the union journals, which are haunted by shoe workers who have been put out of work and are looking for jobs.

You don't hear that kind of report from the unemployment compensation divisions where displaced shoe workers draw unemployment compensation as long as they are able to, and then fade into oblivion because they can't find work at their own skills or at any other type of skilled work.

The facts are there is an abundance of 40- to 50-year-old workers who have been put out of jobs and who would travel reasonable distances to find employment at their trades, because their only choice after unemployment compensation has been exhausted in the welfare rolls.

Then there are the younger people who can see what imports are doing to the American shoe worker, thereby leaving them with no desire to enter an industry which seems to be doomed by foreign imports.

It is sometimes said that vinyl footwear and sandals coming from abroad do not compete with the vinyl and sandal footwear made in the United States. What is the reason for this?

There was a time we made plenty of such footwear here. We could still make such footwear here. But the reason we are not making it here now is because low wage foreign countries have driven domestic producers of vinyl and sandal footwear from American markets because they could no longer compete. Therefore, they no longer manufacture this type of footwear.

SUMMARY

We firmly believe in world trade and intelligent elimination of trade barriers, but it cannot be denied that certain high labor content industries in the United States must be protected against the results of extremely low wages paid abroad.

While any further lowering of U.S. tariffs would certainly aggravate the import problems of the American shoe industry, we do not believe that further fiddling with tariffs is the answer to our problem.

We are willing to share our domestic shoe market, but we are not willing to turn it over look, stock, and barrel along with the industry and the jobs it provides to foreign countries.

We see no logical way of preventing this, however, except to limit imports of foreign-made shoes in some equitable fashion that would allow such countries to enter our markets but would prevent them from taking these markets over.

We reject any ridiculous suggestion that this or any other American industry is expendable and, if necessary, should be allowed to expire rather than risk antagonizing foreign countries into boycotting goods that American produces.

We believe that foreign countries buy from us because they need the goods we produce at the price, quality, and quantity we produce them for, and that they will not deviate from this sound economic practice simply because America takes reasonable and necessary steps to protect its industries and the jobs they provide.

In closing, Mr. Chairman, we must reiterate the firm support which our workers extend to your bill H.R. 16920 now before this distinguished committee. We must have relief, and you have proposed the most reasonable and rational quota bill seen in Congress for many years. We implore you, Mr. Chairman and members, not to abandon the thousands of shoe workers whose jobs and livelihoods are now imperiled by the continuing flood of low wage imports. Thank you.

I just want to add that we have been hearing much about the administration's program which, for one thing, is supposed to liberalize adjustment assistance under the present trade act.

Just yesterday my own union received a decision from the Tariff

Commission which Congressman Burke referred to this morning, whereby applications we had made for our members in five Massachusetts factories had been turned down. Four of the factories closed down last year and one had substantially curtailed its production. These applications were filed in March of this year and had been thoroughly investigated by the Tariff Commission.

There is no question that close to 2,000 people lost their jobs when these factories closed, that these factories closed because of excessive imports and the manufacturers could no longer compete.

That some of these manufacturers went into the importing business, that many of the workers remain on welfare at this time. Yet because of some technicality under the law all of these applications were turned down.

This, gentlemen, does not indicate to me that there will be sufficient liberalization of the present law, so that people thrown out of work because their jobs have been shipped overseas will ever realize any meaningful relief.

Even if such relief were forthcoming it is definitely not the answer to the problem of excessive imports of footwear. The people we represent are not bums, they are not looking far charity, relief or welfare. They simply ask for a chance to pursue the skills which they have worked at all their lives and continue to provide a living for their families in the communities in which they choose to live.

A bill providing for reasonable quotas of footwear such as you have suggested is the only way the shoe workers of this country may have an opportunitv to earn their living within their industry and the only way that industry can possibly survive the extreme differences in wages paid here and abroad.

Not long ago an article appeared in a trade paper that Japanese manufacturers who export to the United States are finding it increasingly difficult to compete with shoes made in Taiwan, therefore many are moving to Taiwan to take advantage of the even lower wage rates which are available there.

Such unconscionable conniving for American markets shows little concern or consideration for the welfare of America's shoe industry or its shoe workers.

We of labor are concerned with something more than temporary profits or losses. Our primary concern is with the thousands of shoe workers' jobs that may be lost forever as well as this old and honored industry of our country and where it is going from here.

Unless some congressional action is taken, and soon, whereby American manufacturers can see some chance of survival here, then it is only a question of time before more and more of them will find some source of labor cheap enough to assure such survival.

However, the people Mr. Mara and I represent make their living in the shoe industry here or they don't make it at all. This is why we are so deeply concerned and why we so strongly support H.R. 16920.

Thank you very much.

STATEMENT OF JOHN E. MARA

Mr. MARA. My name is John E. Mara. I am president of the Boot and Shoe Workers' Union with headquarters in Boston, Mass., and membership in 23 States.

Gentlemen, it's a long road that has lead President Fecteau and me, who between us represent more than half the shoeworkers of this country, before your committee today. For 12 years we have watched the shoe industry suffer mounting inroads from the production mills of cheap labor countries. For the same 12 years we have listened to the repeated justification by Government economists, business theorists, and people not in the shoe industry of the misnamed free-trade policies that have led our industry and its workers into the desperate situation both now face.

Statistics are small solace in the face of disaster. Shoeworkers cannot live on statistics; only statisticians can. No statistic can feed a shoeworker displaced from his job by the closing of his factory. And when that factory is phased out of existence by the competition of shoes imported from a country whose shoeworkers work 55- or 60-hour weeks for wages less than an American shoeworker is accustomed to pay his children's babysitter. When he had a job, statistics do him little good.

This committee has heard and will hear more of such statistical arguments setting forth the overall, longrun benefits to be enjoyed by U.S. business under the free and open trading policy called, mistakenly, I think, free trade. And, because it has been the custom in such hearings as this for one side to rebut the statistical argument of the other with more abstruse statistics, your nightmare is far from over.

You have heard, or certainly shall hear, from the importers of shoes, from the trade associations of all those countries who export shoes to the United States, from those defenders of free trade who continue to fight for what has become meaningless in light of multinational business and finance.

You have heard the Commerce Department spokesmen defend the open trading policies which has already cost our shoe industry almost all the expanding market it should have gained merely by our own population increase. Indeed, in a decade which has been marked by a phenomenal growth on our country's Gross National Product, the shoe industry, because of the free trade policies you have heard defended here, has failed to show even a small percentage of the proportional increase it ought to have experienced in such a rise of general prosperity.

Yet, in spite of these two facts: no gain in production through population increase, and no proportional increase in its share of GNP, the defenders of free trade in respect to the shoe industry insist on presenting statistical evidence that the shoe industry must not receive the life-giving transfusion of even minimal relief from unchecked shoe imports from low-wage countries.

The factor of these low wages competing with wages earned in American shoe production is the root cause of the shoe import imbalance. Unless this wide discrepancy can be more nearly equalized, there can be no relief for our domestic shoe industry in competition for our own domestic market.

But, since we cannot dictate, or negotiate wages for workers in other countries, equalization of wages as a means of balancing trade is a remote solution to our imports problem. There are two other alternatives, however; one is to write off the American shoe industry;

the other, to arrive at some kind of quota agreement until the time in future when wages can be more nearly balanced or, at least calculated to meet decent standards of living for human beings.

The first of these choices is not a wise one. America needs its shoe industry. I don't think anyone really believes that a country of more than 200 million people can ever depend on extra national sources for its footwear. There are too many demands on our shoe industry for defense, for health, for its 300 years of skill and know-how, ever to think that even multinationalism of the shoe manufacturing industry could force this country to import all its footwear. Though in view of current shoe import figures, it might seem that we are trying to do that very thing, doesn't it?

There is more common sense in the second possibility, the one this committee has suggested in the bill which this hearing is being held to discuss.

For the very good reason that we cannot control the wages of workmen in other countries, we must of necessity fall back on a quota system for shoe imports. Two trenchant reasons for such a course are, quite simply: to prevent the shameless exploitation of cheap labor for the benefit of the entrepreneur at the expense of American shoeworker labor; and to prevent the continuing vision, in the minds of such exploiters-of-labor, of America as a bottomless market for any and all products produced by wages lower than those won in years of struggle and achievement by the American workman and his unions.

What kind of economics is it that persuades anyone to believe that a jobless America can support every low-wage country's output? What kind of patriotism is it that stacks the ten-cents-an-hour labor of children in another country against the wages earned by American workers to the ultimate weakening of America's economy?

Are we caught up in the throes of some wild Malthusian rhythm that would deliberately destroy this country's high achievement and living standards by pitting against them the low-wage nations and the production of those nations? Can this so-called free trade thinking that has brought the shoe industry and many other industries close to ruin be akin to the "crime, disease, war, and vice," set forth by Malthus as necessary checks on overpopulation?

If those who demand free trade at the expense of a small industry and its workers haven't said this in so many words, it's probably only because they haven't thought of it. But if they are successful in persuading this committee to vote against granting quota relief to the troubled shoe, textile, piano and other industries they will have added low-wage imports to that list of population checks set forth by Robert Malthus. War has been called "nature's pruning hook." If the shoe industry cannot get help in the form of quotas, and get it speedily, cheap wage imports may well be called the "overdose of sleeping pills," that has done-in too many of America's small industries.

Others have given statements loaded with statistical proof that our industry is suffering sorely. My fellow union president, George Fecteau, whose organization has suffered drastically and grievously has given or will give you actual factory closing data and details of jobs lost, families forced to go on welfare when sales fall to foreign-made shoes and shops must be shut down.

He has told you, or he will tell you, of the economic hardship suddenly thrust upon the shoe worker whose job disappears. His economic base is his week's pay. Take it away from him, or cut it in half by cutting his hours of work, and he's in desperate trouble. Multiply his fate by the dozen or two dozen other people dependent on his earnings—his family of four, the bank which carries his mortgage, the finance company underwriting his automobile, an aged parent in his care, his grocer, fuel dealer, and so on and on.

You have the picture of the havoc wrought on many people because one man was so unfortunate as to have spent most of his life learning to be a good shoemaker only to be displaced in his trade by a horde of ill-payed, exploited children in some other country.

President Fecteau has told you, or will tell you, how this builds up into panic situations. He has already, as have I, in our respective roles as union presidents, been asked to approve wage cuts in some of our factories under contract. In other instances we have both been asked to approve the postponement, even the renunciation of contractual wage increases already negotiated and agreed to. These requests have come, and there will be more, from factories feeling the cruel impact of low-wage-produced shoes from other countries. So, already, the shoe industry is reacting to the grinding abrasion of cheap labor competition.

Make no mistake about it, these things are happening because of the unchecked and continuing flood of imported shoes robbing us of greater and greater parts of our market here in our own country. They are not happening for any other reason.

But, as I have said, you have heard all this, or you will hear all this, from President Fecteau whose members have already suffered job losses in the thousands as a direct result of those imports.

Let me talk to you in terms of human beings. You are men, not computers. Even if all the pertinent figures concerning the plight or prosperity of the shoe industry were to be poured into your minds in these weeks of hearings, no conclusions can possibly be arrived at with the cold, starkly impersonal print-out efficiency of an IBM machine. Your conclusions must be reached only after all the material you are to hear filters through the layers of human factors that have made you Members of Congress.

Your own human nature is the first of these factors. Perhaps some of you have personal knowledge of past economic disasters in your own lives; in the lives of your families or friends. Maybe you know the cruel bite of deprivation. You might know the ruthless pursuit of creditors on the heels of the man who suddenly cannot pay his bills because he has no job. Perhaps it has been your job to have been one of the pursuers, to get what little money a jobless debtor has before some other creditor gets it. So, you have a little commonality, or a lot, with the shoe worker forced out of work.

And there are the voters who sent you to represent them here in the Congress. Your constituents are not faceless votes. You know thousands of them, working men and women as well as business managers and owners. And you know that what you have in empathy and in common with the economic suffering of the jobless shoe worker is felt, too, by the people whose confidence has placed you in this hearing room today. They have asked you to represent them not because you might have a computer mind or a legal sharpness so much as that they know you are a man, a human being who can in the long run see things in a human light. They know you are the kind of men whom they think can translate complexities of law and legislation into human, understandable terms.

Your constituents, then, look on you just as I look on my own Congressman, as a man who has the capacity to see, understand, and help me when I have a problem. My problem has to be quite important, it must be of wide and general concern not merely narrow and personal before I will bring it to his attention. And it is the very generalness of my problem which makes it important to my congressional representative. Because my problem touches many people it can command his utmost attention; if he's the kind of Congressman I voted for, he will, therefore, look at my problem as the concern of thousands of his constituents.

That's the process by which the subject matter of this hearing came before you men. Workers in all the small industries asking your help today are joined in their pleas by the owners of the businesses that employ them, and in almost every case, by the trade associations into which these owners and managers are grouped. They come from as many sections of the United States as you committee members do. Our problem is general. It is important. It touches the lives and the well-being of hundreds of thousands of Americans.

Further than that, it touches the lives and the futures of millions.

Continued unchecked imports of shoes, and of other products whose representatives have talked with you, will certainly impoverish more of our citizens, your constituents among them. Such unchecked imports of any commodity made at the competitive advantage of substandard wages will not only maintain low wages economics of other countries, underdeveloped countries most of all, but will continue the abhorrent practice of child labor and the undermining of human dignity where children work with men for the same low wages. What hope can there be for the development of nations which must depend on the equality of children and adults in cheap labor pools? With both getting child's pay.

What can be the future of American wage and living standards, if they are forced to continue to face this impossible competition?

Like the operation of Gresham's law in economics, which says that bad money chases out good money to the ruin of all, so does this present pounding sea of shoe imports from low-wage countries drive out good jobs and will, sooner than we might guess, ruin all including the foreign shoe producers and low-wage earners who make them.

When I implore your understanding of this critical situation facing my industry, I speak for 40,000 American shoeworkers. Without your understanding, and speedy help, these 40,000 shoeworkers, the 1,100 shoe factories in the United States, and the 700 companies which operate them could very well be out of the picture.

Won't you please take a closer look at our desperate plight?

Won't you please reexamine your concept of free trade in terms of what I have tried to say to you today . . . that statistics are not the whole story. There's an overriding human factor that gives the lie to statistics. After all, when the American Cancer Society says that, "This year one out of seven persons will die from cancer," it doesn't really hit home, shocking though it be. But if it was to tell you that this year you will be the one in seven whom cancer will kill, you would pay more attention. Wouldn't you?

The statistics offered by those who would substitute adjustment assistance for the jobs our present free trading policies are taking from our industry are this kind of impersonal, textbook figures. Who would accept a year of weekly payments of less than one's average earnings as a shoemaker as a payoff for the loss of livelihood? Not many shoeworkers that I know.

Statistically, it might be a neat, efficient way of phasing out two or three hundred shoeworkers here and there when their plants close down, victims of imports. But where are the statistics that show how these shoeworkers whose skills are special, and whose average age is over fifty, can get back into industrial jobs where they will be earning at comparable rates and with comparable skills before their 1 year of adjustment assistance payments is exhausted?

There probably are such tabulated figures. But what if you are the statistic who doesn't manage to adjust according to the computer's timetable? And what about your family? And all those others who depend on you and on your regular earnings?

No, sirs. Assistance of this nature is, as has been aptly said, no better than flowers for a funeral. Something for the living in the form of reasonable job protection is what we consider far greater in importance. Reasonable quotas for low-wage-country shoes coming into the United States are not too unreasonable to expect. Adjustment assistance might be fine for the fellow who can't do his job because of physical change in himself. But when a man's job is artificially abolished, such as it is when imports put his firm out of business, then I say check imports; restore the injured business. Don't offer the men a sop in the form of another kind of a dole.

Chairman Mills, on behalf of the members of the union I represent, particularly those who live and work in Arkansas, thank you for having brought House Bill 16920 to this stage. It is closer than we have been to gaining relief in the twelve years we have been begging for help.

Thanks to all the Members of Congress who have spent so much effort toward finally bringing order to what has been madness in marketing. May we hope for quick action in getting sensible and orderly rules for sharing our shoe market and putting a quick end to the present giveaway of our own country's buying power and the export of our jobs?

I seem to remember a fable that was told about an ancient man who spent a lifetime on a project designed to train horses to go without eating. In his years of trying, many times he felt that he was close to success. But each time, just as his horse had apparenty got used to his foodless routine, the horse died.

Let's hope, with a deep fervor, that the free traders, by clinging to a hopelessly unworkable thesis in the new world we live in, will not be allowed to bring about the shoe industry the same kind of results the old horse trainer had.

Thank you.

The CHAIRMAN. We thank you, Mr. Fecteau, and Mr. Mara, for coming to the committee, for giving us your views and those of the members whom you represent.

You take word back to them that the members of this committee are interested in their welfare just as we are interested in the welfare of all of our citizens. We are trying as best we can to see to it that they have this opportunity that you suggest they want, of being able to work rather than going on unemployment or welfare.

Mr. Burke?

Mr. BURKE. Mr. Chairman, I would like to ask unanimous consent to have inserted in the record at this time a statement released by Congressman Michael J. Harrington with reference to the U.S. Tariff Commission's report this week, whereby they turned down the adjustment assistance applied for by the five shoe plants in Massachusetts.

The CHAIRMAN. Do you have a copy of the notice of the decision of the Tariff Commission, Mr. Burke?

Mr. BURKE. Not at the moment.

The CHAIRMAN. Without objection, the documents will be included in the record at this point.

(The documents referred to follow:)

[From the U.S. Tariff Commission, Office of the Secretary, Washington, June 1, 1970]

TARIFF COMMISSION REPORTS TO THE PRESIDENT ON WOMEN'S AND MISSES' DRESS SHOES WITH LEATHER, VINYL, OR FABRIC UPPERS

The U.S. Tariff Commission today reported to the President the result of an investigation of five petitions for adjustment assistance. One petition was filed by a domestic producer of women's and misses' dress shoes with leather, vinyl, or fabric uppers—the Benson Shoe Co. of Lynn, Mass.—for assistance to the firm; the other four petitions were filed by the United Shoe Workers of America, AFL–CIO, CLC, on behalf of workers of the Benson Shoe Co. and the workers of three other producers of women's and misses' dress shoes—Dartmouth Shoe Co., Brockton, Mass., and the Hartman Shoe Manufacturing Co. and Lemar Shoes, Inc., both of Haverhill, Mass.

Pursuant to section 403(a) of the Trade Expansion Act of 1962 (the TEA), the Commission conducted a consolidated investigation of the five petitions under setcions 301(c)(1) and 301(c)(2) of the TEA.

The vote of the Commission was equally divided with respect to each of the five petitions. Chairman Sutton and Commissioners Leonard and Newsom found in the negative. Commissioners Thunberg Clubb, and Moore found in the affirmative.

In this investigation, the Commission was to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the women's and misses' dress shoes produced by the four aforementioned firms are being imported into the United States in such increased quantities as to cause, or threaten to cause, serious injury to the Benson Shoe Co. (TEA–F–10) and the unemployment or underemployment of a significant number or proportion of the workers of that firm and of the three other firms (TEA–W–15, TEA–W–16, TEA–W–17, and TEA–W–18).

The Commission prepared a single report on the five petitions. A part of the material contained in the report may not be made public since it includes information that would disclose the operations of individual firms. The Commission, therefore, is releasing to the public only those portions of the report that do not contain business confidential information.

Copies of the public report, which contains statements of the reasons for the Commissioners' findings, will be released as soon as possible. They will be available on request as long as the supply lasts. Requests should be addressed to the Secretary, U.S. Tariff Commission, 8th and E Sts., N.W., Washington. D.C. 20436.

[From the U.S. Tariff Commission, Office of the Secretary, Washington, June 1, 1970]

TARRIFF COMMISSION REPORTS TO PRESIDENT ON MEN'S, YOUTHS', AND BOYS' FOOTWEAR OF LEATHER

The U.S. Tariff Commission today reported to the President the result of an investigation of a petition for adjustment assistance filed by the United Shoe Workers of America, AFL-CIO, CLC, on behalf of workers of the Eagle Shoe Manufacturing Co., Everett, Mass. The investigation was conducted under section 301(c)(2) of the Trade Expansion Act of 1962.

In this investigation (TEA-W-19), the Commission was to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with the men's, youths', and boys' footwear produced by the Eagle Shoe Manufacturing Co. are being imported into the United States in such increased quantities as to cause, or threaten to cause, the unemployment or underemployment of a significant number or proportion of the workers of that firm.

The vote of the Commission was equally divided. Chairman Sutton and Commissioners Leonard and Newsom found in the negative. Commissioners Thunberg. Clubb, and Moore found in the affirmative.

A part of the material contained in the report may not be made public since it includes information that would disclose the operations of an individual firm. The Commission, therefore, is releasing to the public only those portions of the report that do not contain business confidential information.

Copies of the public report, which contains statements of the reasons for the Commissioners' findings, will be released as soon as possible. They will be available on request as long as the supply lasts. Requests should be addressed to the Secretary, U.S. Tariff Commission, 8th and E Sts., N.W., Washington, D.C. 20436.

[From the Washington office of Congressman Michael J. Harrington, of Massachusetts]

PETITIONS REJECTED

The U.S. Tariff Commission split evenly three to three Monday on six petitions for adjustment assistance filed by a shoe firm and employees of five plants, all in Massachusetts.

The tie votes means a "negative determination," reported a spokesman for the Commission.

Congressman Michael J. Harrington (D.-Bev.) in whose district four of the six petitions originated said he was disappointed by the Tariff Commission vote.

"This action means continued frustration and hardship for parts of the shoe industry injuried by foreign imports. I had hoped that within the existing government framework some kinds of assistance would become available, but the rigid decision of the Tariff Commission means that other ways will have to be found.

"Our national trade policy," continued Harrington, "has got to be more flexible."

The five worker petitions were brought on behalf of employees from the Benson Shoe Company, Lynn; the Hartman Shoe Company and Lemar Shoes, Inc., both of Haverhill; The Dartmouth Shoe Company, Brockton; and the Eagle Shoe Manufacturing Company, Everett.

The sixth petition was a management petition on behalf of Benson Shoe Company.

In the Tariff Commission split, the members voting for the petitioners were Penelope H. Thunberg, Bruce E. Clubb, and George M. Moore. Opposed were Chairman Glenn W. Sutton, Will E. Leonard, Jr., and Herschel D. Newsom.

General Counsel Russell N. Shewmaker was asked if he believed the President, because of the tie vote, has authority to exercise a vote. Shewmaker said such authority only pertained, in his opinion, to another section of the Trade Act of 1962 pertaining to Escape Clause action.

"There's no way in the world," said Shewmaker, "that the authority on the books can be used to find the President has tie breaking powers in adjustment assistance cases."

The employee petitions were brought to the Tariff Commission through the offices of the United Shoe Workers of America. Congressman Harrington had urged the petitions and aided Benson Shoe Company in submitting its petition.

Mr. SCHNEEBELI. Mr. Fecteau, I recall accompanying you to the White House last fall when a presentation was made to President Nixon about your concern and our concern about the shoe industry. At that time you were a very effective proponent for the position and blue mood of the shoe workers of America. You have expressed that again today and I compliment you on an able and forthright statement and thank you for bringing this message to us.

The CHAIRMAN. Again we thank you gentlemen for coming to the committee. We appreciate your doing it.

The CHAIRMAN. Our next witness is Mr. Morton B. Weiss.

STATEMENT OF MORTON B. WEISS, PRESIDENT, VOLUME FOOTWEAR RETAILERS OF AMERICA; ACCOMPANIED BY EDWARD ATKINS, EXECUTIVE VICE PRESIDENT; AND DEAN A. PETERSON, ECONOMIC CONSULTANT

Mr. WEISS. My name is Morton B. Weiss of Kingston, Pa. and I appear on behalf of the Volume Footwear Retailers of America, of which I am president. I am accompanied by Mr. Edward Atkins, executive vice president of that association, and Mr. Dean A. Peterson, an economic consultant with the law firm of Daniels and Houlihan.

The CHAIRMAN. You may have a seat and you are recognized.

Mr. WEISS. My name is Morton B. Weiss. I am executive vice president of Triangle Shoe Co., Kingston, Pa., a family-owned business consisting of 140 retail shoe stores selling medium priced men's, women's and children's footwear.

I am president of Volume Footwear Retailers of America and I appear on its behalf. VFRA is a national trade association whose 46 member firms retail about half of all the shoes purchased annually by American consumers. Its member companies operate more than 15,000 stores and shoe departments throughout the 50 States. Approximately 44,000 persons are employed in their retail establishments and in their warehouses and offices.

I should make clear from the outset that our association has a vital interest in the well-being of the U.S. nonrubber footwear manufacturing industry. As retailers, we must have a flexible, innovative and healthy domestic shoe industry. We do not wish to be dependent upon a supply line 5,000 miles long. Long leadtimes and numerous delays associated with foreign purchases have already caused serious problems for many of our members. The ability to reorder popular styles from foreign manufacturers is virtually nonexistent.

From a business point of view, it would be unthinkable for volume retailers to contemplate less than major dependency on domestic shoe factories.

Despite our concern with the health of the U.S. footwear industry, we cannot, however, join that industry in supporting H.R. 16920, or any other quota legislation.

Imports are very important to us in filling out our lines and in providing the diversity of styles so essential to our business.

The rate of increase in imports has clearly leveled off according to a recent survey of our members' commitments.

Quotas will work a hardship upon retailers, upon consumers, upon foreign manufacturers, upon U.S. exporters and ultimately upon the U.S. shoe manufacturers themselves.

Our concern with the well-being of the domestic nonrubber footwear industry led us to promptly endorse H.R. 14870, the proposed Trade Act of 1969. In particular, we endorse the liberalization of the escape clause and adjustment assistance as outlined in that bill. In those cases where an industry, a firm, or a group of workers can demonstrate that it is being seriously injured or threatened with serious injury by imports, we want to see adequate relief available to those affected.

HISTORY OF THE SHOE IMPORT PROBLEM

Before discussing the specific issues involved, I would like to turn briefly to a history of the shoe import problem.

On April 29, 1968 the President of the United States requested the Tariff Commission to conduct a "comprehensive investigation on the economic condition of the domestic producers of nonrubber footwear." I understand, Mr. Chairman, that you joined in that request. In January of 1969, the Tariff Commission reported the results of its investigation to the President. In general, this report indicated that the sales, profits and prices of the industry had increased materially in recent years.

In August of 1969, in response to continuing complaints by the domestic industry and expressions of concern by the Congress, the President created a high-level interagency task force to investigate economic conditions in the nonrubber footwear industry and to recommend appropriate steps. During the course of the task force investigation, the Tariff Commission, on October 22, 1969, initiated, on its own motion, a second investigation on nonrubber footwear with the view of providing the task force and the public, "a current assessment of the trend in imports vis-a-vis domestic production of nonrubber footwear." The Commission's second investigation was completed in December 1969.

During the course of its investigation, the task force met with representatives of the domestic shoe manufacturing industry, with labor union officials, and with members of the retailing community, including this association. The task force investigation has recently been completed. The Secretary of Commerce told the committee on May 12 that the report of the task force was on the President's desk.

We have requested that the President's report be released to this committee and to the public. We do not know the contents of the task force report. We do know that it represents the results of an exhaustive inquiry into every facet of economic conditions in the U.S. shoe industry by high-level officials of the executive branch of the U.S. Government.

Administration officials have indicated that the task force investigation has not revealed the need for comprehensive quotas on footwear imports as proposed in H.R. 16920. Ambassador Gilbert has indicated to this committee that the administration has developed a program which "will be sufficiently broad and comprehensive to give some real hope of some sound and lasting answers" to those segments of the footwear industry encountering difficulties. Secretary Stans stated:

"Our objective is to have a program which will remedy the situation, but if our program proves to be ineffective after it has had a fair trial, we will consult with the Congress again on that problem."

It is unfortunate that the President's report is not available to provide a sound, factual basis of our dialog here today. After months of exhaustive inquiry it will hopefully provide definitive answers to many of the questions and issues being raised here today.

We are confident, however, that this committee will not legislate quotas on nonrubber footwear, with all of their attendant costs to consumers, retailers, exporters, and the national interest, without first obtaining the release of the President's report. We also request the opportunity, when the report is released, to submit our comments to the committee.

SUMMARY OF ECONOMIC CONDITIONS IN THE NONRUBBER FOOTWEAR INDUSTRY

We have prepared an analysis of economic conditions in the domestic nonrubber footwear industry. We would like to withhold detailed discussion of that analysis until we have had an opportunity to analyze the President's report. We would like to have it inserted in the record. At this time I will summarize our principal findings.

Throughout most of the 1960's and particularly during the years 1964–68, the U.S. nonrubber footwear industry experienced a period of rising and unparalleled prosperity. In 1969 the upward trends were interrupted and some producers experienced difficulties.

The most important single source of difficulty, however, was the downturn in consumption that occurred in that year. In the case of women's footwear, for example, style and other factors resulted in a decline in consumption of some 48 million pair in 1969, while imports rose by only 5 million pair. Clearly, the downturn in consumption was the overwhelmingly predominant factor adversely affecting the producers of women's footwear in 1969.

Roughly two-thirds of all imported footwear is simply not competitive with the products of the U.S. industry. Nearly 50 percent of the imports in 1969 consisted of inexpensive vinyl footwear with an average foreign unit value of 83 cents per pair in 1969. Roughly one-sixth of the total imports consisted of leather sandals with an average unit value of $1.75 per pair.

In both of these categories, U.S. production of comparable footwear is negligible. Only the remaining imports, which amounted to approximately one-third of the total, should be considered directly competitive with the products of the U.S. industry. Such imports accounted for less than 10 percent of apparent U.S. consumption in 1969 in contrast to the 25-percent figure that results when all imports are lumped together. Furthermore, the rate of increase in imports, which declined sharply in 1969, will continue to decline in 1970.

The sales and profits of the U.S. nonrubber footwear industry increased annually through 1968. Firms in all size categories shared in these rising sales and profits. Even in 1969, with the downturn in footwear consumption, the aggregate dollar volume of sales of the leather and leather products industry increased. In 1969, the profits of the leather and leather products industry declined along with those of other manufacturing industries reflecting the higher costs of doing business and the general downturn in the economy in that year. Retailers are also feeling this downturn.

Our analysis has indicated that employment in the industry was relatively stable through 1968 and that the modest decline in average employment from 1968 to 1969 (about 2 percent) is primarily attributable to the downturn in footwear consumption in that year. Perhaps more important, it has indicated that, even with the downturn in production in 1969, the industry continues to encounter serious labor shortages.

Even in New England, where most of the plant closings have occurred and where the downturn in production has been most pronounced, labor shortages persisted throughout most of 1969. Above average wage gains and high labor turnover rates are two tangible indications of such shortagtes. I might add that, it simply does not make sense to talk about lost job opportunities in an industry which has had chronic difficulties in attracting an adequate supply of workers.

Our analysis further indicates that the rate of business failures in this industry, contrary to popular belief, has actually declined sharply in recent years and is well below the level of the 1950's and early 1960's.

I think Congressman Gibbons brought that out in his questioning. I checked those figures at noontime. There were 12 in 1969, 36 in 1960, an average of 41 failures for 1954 and 1958.

THE EFFECT ON OUR CUSTOMERS

I would now like to discuss in somewhat greater detail some subjects which are very much a part of my business life and of which I have firsthand knowledge.

Footwear quotas will restrict our customers' choice because the flow of design innovation and new products from overseas would be discouraged.

About 2 years ago, a hole-in-the-wall shoe store in Greenwich Village, New York, suddenly discovered it had to lock its doors and admit only one or two girls at a time from the long lines that formed to buy wooden-soled Swedish clogs. A fad became a trend. When the trickle became a torrent, U.S. manufacturers latched onto it. Soon the trade papers were full of advertising from domestic factories offering to supply the demand.

The total imports of footwear from Sweden increased from 29,000 pairs in 1967 to 51,000 pairs in 1968, and in 1969 zoomed to 539,000 pairs. If H.R. 16920 were in effect in 1969, Sweden would have been permitted to send us only 40,000 pairs of footwear altogether. As a merchant, I can tell you that this would have virtually ruled out the ability of American shoe retailers to test consumer acceptance for a product that no one was making or could be persuaded to make in this country without adequate evidence that there was sales potential in volume.

Now, of course, no one contends that Americans could not have lived happily and healthily without Swedish clogs. But when a Swedish clog appeared in thousands of windows and ads, it attracted customers into stores. I tell you there is no other way to do business except to get customers into stores.

This is a very small example. There are many other footwear items from overseas which have generated far greater customer traffic, customer interest and retail sales from which domestic manufacturers also benefited substantially.

Whether one is an economist, a legislator or just a shoe retailer, it is not difficult to understand that when only half as many of anything are available as are wanted and needed, in a free enterprise system, the price just goes up. If 20 million pairs of footwear with an average cost of 83 cents a pair overseas are barred from this market by H.R. 16920, how will low income—yes, even out of work families—manage to shoe themselves? Domestic footwear factories have never made such products. The production facilities do not exist and economic realities would not permit their manufacture in this country. Again, we have another striking example of how the American consumer will be affected.

The prices of even those imports that are permitted to enter under quotas will tend to rise as overseas producers attempt to maintain or expand their dollar volume by substituting higher priced shoes for the inexpensive ones now entering the U.S. market. Again, the low-income consumer will be most directly and adversely affected. On those items enjoying a particular vogue and which are in high demand in the trade, restrictions on volume will result in the bidding up of prices.

Mr. ATKINS. The references this morning to the increase in the price index at retail for footwear need to be explained. The statement was made that the retail price index on footwear has risen more sharply than the wholesale price index on footwear. Obviously, and we agree fully, the wholesale price index does not include any imported footwear at all. The statement was made that the retail price index does include imported fotowear. We have investigated just how the retail price index compiled by the Bureau of Labor Statistics actually works.

If imported footwear are included in that index, they are included in the proportion of about one to one hundred because that index is purely a record of the price levels of identical products. Our friends at the American Footwear Manufacturers Association for years have been trying to discredit that particular index as an inaccurate measure of the price trend of shoes; they are right and we agree fully with them.

The way to measure the price trend of shoes is by what people are buying, not by the price of an "identical" shoe which may account for only one percent of sales. The Consumer Price Index reflects imported shoes hardly at all. So it is not quite accurate to leave it on the record that it includes imported shoes.

Secondly, reference was made in testimony this morning, Mr. Chairman, to the fact that retailers enjoy markups of about 150 percent on imported shoes and perhaps only 50 percent on domestic shoes. If that were true, and our facts are right about the Consumer Price Index, we have enjoyed those high markups on domestic shoes more than on imported shoes.

The initial markups Mr. Glass referred to are nothing more than the merchandizing judgment of an individual retailer. They contribute nothing in and of themselves to profitability of a business. There can be no implication whatsoever from initial markups that retailers are profiting on imported shoes at the expense of the consumer.

The fact is that the only markups that count are the maintained markups which result after markdowns are taken and after the other particular expenses attendant on handling imported shoes are discounted.

There is no real difference in maintained markup between imported shoes and domestic shoes at retail, Mr. Chairman.

One more point about the retail business: profitability of a retail operation depends a great deal on the degree of success that a merchant has in selling a particular shoe or shoes in volume at a fair profit. The only way that he can do that is be fortunate enough to encounter consumer acceptance in volume for what he presents.

There are also instances where retailers take high markups on domestic shoes because of the risks in a particular style. I thought I would put these facts on the record because I think somewhat of a misimpression was created.

Mr. WEISS. Now let us take a look at the effect on retailers.

A limitation of style ranges, which would necessarily be involved in curtailment of imports, would deter and probably even reverse the industry's ability to attract customers to its stores and to stimulate higher per capita purchases of footwear. Imports have expanded the U.S. footwear market.

My own business, under a quota system, would be at a competitive disadvantage in bidding against larger firms with more buying power and potent overseas connections. Retailers who are smaller than we are, would suffer even greater difficulty in obtaining a share of the available quota.

Quotas would play havoc with retailers' buying operations. Our customers are increasingly responsive to faster style changes. Footwear nowadays has a high fashion content and is, in a sense, a perishable commodity. Yet, we must make commitments many months in advance, especially in import transactions. Under a rigid quota system we will lose the merchandising flexibility so vital to a fashion-oriented business.

Finally, with diminished competition, domestic producers would be less likely to innovate and be responsive to changing demands of the market.

THE EFFECT ON MANUFACTURERS

Those manufacturers who are lulled into believing that import quotas will solve their major problems will, in our opinion, be sadly disappointed. We observe that import competition has generated some positive and constructive activities among domestic manufacturers. Research to raise productivity is receiving increased attention, as it must. Further benefits may be derived from promising new prospects in the field of measurements for lasts and sizes which will allow a reduction in inventory and the freeing up of capital. There has been good work on standardization factors to speed up the manufacturing timetable. Conputerization is helping to more rapidly and accurately communicate sales trends and control inventories.

But many real challenges to the footwear manufacturers, and particularly to the small, independent producers, will remain. These include being innovative, recognizing and responding quickly to changing style trends, improving marketing strategies, seeking and adopting advances in shoe manufacturing technology and obtaining access to adequate financial resources. With or without quotas these problems will persist and those who fail to solve them will continue to have difficulties.

RECOMMENDATIONS

The evidence appears clear that across-the-board quotas are neither necessary nor appropriate. The competitive impact of imports will vary from producer to producer depending upon relative size and strength and the types of shoe manufactured. Given this product and structural diversity, across-the-board quotas would provide windfalls for some and not solve the problems of those in real need of assistance. What sense, for example, does it make to place quotas on noncompetitive items where there is little or no U.S. production?

We are convinced that time is not that critical a factor in the footwear situation. Our economic memorandum indicates that the industry is not in extremis.

The rate of import growth declined sharply in 1969 and our surveys indicate that the rate of growth will diminish even further in 1970. Many retailers, themselves, in order to reduce their dependence on foreign suppliers, are limiting the proportion of imports that their stores may handle.

Turning to more positive measures, we reiterate our support of the administration's bill which would provide realistic and workable escape clause and adjustment assistance provisions. If injury or the need for adjustment assistance can be demonstrated in proper proceedings, suitable relief should be granted.

Under the proposed escape clause provisions of the President's bill, alternative types of relief can be applied to solve particular problems. For example, in some cases a temporary increase in duties may prove to be a more workable and desirable form of relief than quotas. In other cases, where most companies are doing well but where some are experiencing difficulties, adjustment assistance might be the most appropriate. The President should have the flexibility to make these judgments.

Mr. Chairman, in just a moment I would like to comment on the recent three-three finding of the Tariff Commission. We hope legal means will be found so that the petitioners for adjustment assistance can get a ruling by the President and not be barred from final recourse by a split decision. The President's trade bill would place determination as to eligibility in the hands of the President rather than the Tariff Commission.

If those procedures are followed, the economic problems of domestic shoe manufacturers can be evaluated and the accountability of import competition for those problems determined.

We urge this committee to act favorably on the request by Secretary Stans that positive programs, short of quota legislation, be put in effect to deal with the problems of the footwear industry. As retailers, we pledge our full support for constructive measures that promise economic health for the industry.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Watts will inquire.

Mr. WATTS. Mr. Weiss, in your testimony you indicate or seem to indicate, that shoe imports can and do benefit domestic manufacturers. Would you elaborate on that and explain how it helps them?

Mr. WEISS. Take 1969. Just about every retailer who imported women's high-fashion footwear in volume from Italy and Spain had a lot of markdowns. The American public would not buy them. The reason for the markdowns was that American retailers were unable to change commitments which are made long in advance, nor could they reorder. It is a one-shot order basis from overseas.

This year volume retailers are more inclined to limit their high fashion commitments to what we call test runs, enough shoes to judge where volume selling will result. Then domestic orders are placed in volume because there is not time to buy from overseas. This merchandizing does not apply to sandals and other types of shoes which cannot be made domestically. If they could innovate and operate on a small lot basis as the Europeans would do, we would be pleased to place initial orders with U.S. manufacturers as well as followup orders.

Mr. WATTS. If I followed you then, when you buy shoes abroad as a retailer and they have a ready sale, then some domestic manufacturer takes hold of that same shoe and manufactures it?

Mr. WEISS. Yes, sir, if you find it is selling well, you can take it to a domestic manufacturer and he will make it. If you require a small quantity, tooling up costs and factory unwillingness preclude you from doing so, but where you want a large quantity, they are delighted to make them for you.

Mr. WATTS. Thank you.

The CHAIRMAN. Mr. Conable?

Mr. CONABLE. I notice from your statement there has been a decline in the rate of closings of shoe factories. You would acknowledge, would you not, that there are still shoe companies going out of business in this country and there is some evidence that it continues a sick industry. Certainly we have had a great deal of testimony to that effect.

As a matter of fact, we even had some testimony that comparatively new factories have been shut down. Now, if it is not imports that is doing it, what is doing it? No matter what the rate of closing, something must be wrong with the industry. I wonder if you could elaborate on that.

I note your statement says the problems will remain for the individual, middle-sized producer if we go to a quota system. Indeed you indicate some of those problems will be accentuated. Is it a shortage of capital or failure to keep up with styles? What is it if it is not imports?

Mr. WEISS. I think it could be both of those things. What I am saying is in a free enterprise system not everybody makes good and the failures now are actually less than they were in 1954, 1958 and every year from 1960 on up to 1967. It is a tough world, and many retailers have gone broke, if I can use the phrase and many manufacturers just can't compete. Those are the hard facts of life.

You alluded to the new factory and I would like to answer that for a moment, if I may. I am sure you are talking about Victory Shoe Co. which was mentioned here before. They had a modern factory and their machinery was efficient but Victory Shoe was a classic example of management's failure or unwillingness to make the products wanted by consumers. They manufactured pointed-toe welt shoes which were popular at one time in Texas, but they were trying to manufacture those at a time when everybody wanted broad toes. They refused to change. I am familiar with that case. They were left with a modern factory to make a type of shoe which was no longer in demand.

Imports had actually nothing to do with that closing.

Mr. CONABLE. I can see where if you had a number of shoe companies closing down, the rate of closings eventually would diminish. Is it simply your point that imports are not a considerable factor generally? I understand about the complexities of the business world and the competitive system and the fact that you usually have more than one reason for anything that happens. As a matter of fact, anything that happens here in Congress usually has more than one reason behind it because we have to get coalitions of support just as a business has to have a number of points of strength, if it is going to survive.

What we are trying to assess here is the impact of imports on a business. It would be your opinion, would it, from your vantage point as a retailer that imports do not have a net negative impact on shoe manufacturers domestically?

Mr. WEISS. Not across the board. An honest answer would have to be they have had a minor impact.

May Mr. Peterson speak to that?

Mr. PETERSON. First of all, it is our view that the major factor responsible for the business failures particularly in 1969 was the downturn in the consumption of women's footwear that occurred in that year. The vast majority of the plants that closed were women's footwear manufacturers and the downturn in consumption that occurred in that year were 48 million pairs and the increase in imports, 5 million. Overall, these were relatively small firms in an industry where size has become increasingly important. More efficient marketing organizations, economies of scale in distribution and advertising tend to put the small firm at a disadvantage.

Over the long term there has been a migration of the industry out of Massachusetts and the New England area. In the 1950's and 1960's, production in Massachusetts was declining relative to the national total. There was a long-term gradual shift reflecting higher wage costs in this particular area. These are just a few of the factors. It is not our assertion that imports have no responsibility whatsoever. The reason we support the administration's bill is because we believe in those cases where imports can be shown to be a significant factor, or as Chairman Mills' bill says a "substantial" cause, we feel relief should be made available, but we do not think a categorical assignment of responsibility should be placed.

Mr. CONABLE. You say imported footwear for the most part is cheap footwear. In terms of volume that may be so, but don't we also import some very expensive shoes abroad and do they have an impact on our domestic producers?

Mr. PETERSON. Very minimal.

Mr. CONABLE. Are the domestic producers for the most part in the middle and expensive level of footwear products?

Mr. WEISS. Yes, I think you could put it that way.

Mr. CONABLE. So the things coming in from abroad would be generally those things bought by lower class people, the same kind of people who would be working in the shoe factories?

Mr. WEISS. That applies to about two-thirds based on our statistics. Some of it is very high fashion merchandise that is not made in this country.

The CHAIRMAN. Mr. Burke?

Mr. BURKE. Mr. Weiss, on page 6 of your testimony in the last sentence of the second paragraph, you say, "Furthermore, the rate of increase in imports which declined sharply in 1969 will continue to decline in 1970." Where was the slowdown that you speak of?

Mr. WEISS. From 1968 to 1969 they rose about 11 or 12 percent and from 1967 to 1968 they increased substantially more than that in percentage.

Mr. BURKE. The first 4 months of this year?

Mr. WEISS. Congressman Burke, those statistics do not look good, but we know what they are caused by. They were caused by the dock strike that occurred last year when merchandise was just not able to get into this country. You can't make anything out of those figures, sir, until you have 6 months or maybe a year's statistics.

Mr. BURKE. I have the figures for imports for 1960; they were 4.2 of the domestic market and in 1961 they went to 5.8, in 1962 they went to 6, in 1963 they went to 9.4, in 1964 they went to 11, in 1965 they went to 13, in 1966 they went to 15, in 1967, 17.7, 1968 to 21.5, 1969 from 25.2, and now for the first 4 months of this year it has gone up to 28.2.

This does not indicate that your testimony is correct.

Mr. ATKINS. May I respond to that, Mr. Burke? Mr. Weiss was testifying on the rate of growth of imports, not the extent of market penetration.

Mr. BURKE. Do you mean increase in imports? In other words, it is not going to jump up over the 28 percent increase that took place for the first 4 months this year. Next year it will only be an increase of the 24 percent increase over the 28 percent this year?

Mr. ATKINS. Let's go back to some of the other years.

Mr. BURKE. 21.5 in 1968 and then it went to 25.2. I don't see a reduction there. There may be a reduction in the size of the increase.

Mr. ATKINS. Mr. Weiss' statistics refer to 1967, 1968, 1969, and to 1970 and the rates of growth in those years.

Mr. BURKE. The implication is that the imports are not increasing. You are talking about the rate of increase over the previous year that already took a 25-percent increase the year before?

Mr. ATKINS. We did not say and we do not now state that imports will not increase at all. We are saying they are leveling off.

Mr. BURKE. How high do you think these imports can continue to increase before the shoe industry is entirely eliminated in the United States?

Mr. ATKINS. We don't think that will ever happen. We think the rate of increase is slowing down. In some categories this very year there will be a decline. It is quite a probability in some categories of footwear.

Mr. BURKE. In other words, what you are telling us is it might not jump 4 percentage points next year or the increase might only be 3 percentage points higher than the increase it took last year. If it increases 25 percent this year and next year it increases 27 percent, that 27 percent is on top of the 25 percent?

Mr. WEISS. But the increase was not 25 in 1969.

Mr. BURKE. According to the figures I have, import supply was 25.2 percent of the total. Now is it going up to 28 percent. So 3 percentage points of 25 would be approximately what percentage of an increase over last year?

Mr. PETERSON. One of the factors that resulted in the import penetration ratio in 1969 is the fact that a person buying imported goods has to place commitments many months in advance. Very few retailers anticipated the downturn in consumption that occurred in 1969. Their commitments were placed and they had no alternative but to accept them and many of these are the shoes Mr. Weiss was just telling us turned out to be not particularly salable.

The second point is that any increase that we are talking about for 1970, any month to month comparison is totally invalidated by the dock strike that occurred in the first 3 to 4 months of 1969 and which adversely affected the level of imports over the entire 6 months at least of last year.

Mr. BURKE. If that is true, then your figures on imports of percentage of the domestic market went up from 17.7 in 1967 despite the dock strike, up to 21.5. In other words, you still had an increase of imports with this dock strike that you say has so vitally affected the market and here it shows that despite the dock strike you still had an increase of up to 21.5 over 17.7.

Mr. PETERSON. A whole year was lost, a year of unusual prosperity for the shoe industry as evidenced from all of the available trends. If we take 1968——

Mr. BURKE. The dock strike didn't slow you down a bit. You took a big jump. If the dock strike had not taken place, then that figure according to you would be around 23 or 24 percent.

Mr. PETERSON. The dock strike was in 1969.

Mr. BURKE. You say the dock strike slowed down imports?

Mr. PETERSON. In the first 3 months of the year.

Mr. BURKE. Despite that slowdown you took a jump in 1969 over 1968 from 21.5 up to 25.2. Had it not been for the dock strike, you would have had a higher figure.

Mr. WEISS. We admit the figures jumped up in 1969 over 1968 but the dock strike only temporarily deranged those figures. You were originally talking about the first 3 months of 1970 over 1969 which on the surface looks very large. April is down 14 percent.

Mr. BURKE. The figures I have here show in 1969, the year that you are talking about the dock strike, your imports jumped over the 1968 figures by almost 4 percentage points.

Mr. PETERSON. True.

Mr. BURKE. If the dock strike had not taken place, those figures probably would have been higher than that.

Mr. WEISS. They came in and got here late. The strike only affected the first few months of 1970 against 1969.

Mr. BURKE. You took almost a 4 percentage increase in 1969 despite the dock strike. How much would you say would be a safe figure for the foreign imports to take of the American domestic shoe market?

Mr. WEISS. I don't know how we can make that judgment. Believe me, we feel almost as badly as you do about the people out of work in your district in Massachusetts.

Mr. BURKE. I am happy to have the sympathy but it does not help the people who are unemployed. Tea and sympathy is wonderful but these people are confronted with the realities of jobs and they are too old to be retrained for another job.

Mr. WEISS. I think the imports were a minimal reason for that unemployment. Our judgment is without any imports you would have some closings in Massachusetts.

Mr. BURKE. What would you say would be a safe figure for unemployment in the country?

Mr. WEISS. I think zero is the figure we should strive for.

Mr. BURKE. Unemployment is going up right now in this country and we have inflation. What do you think is a safe figure for unemployment before the retail stores will be hit?

Mr. WEISS. We certainly don't want any but I would say 3 percent would be a safe figure.

Mr. BURKE. When we cut down on the defense work as promised, to what industries could these people go when they are talking about the adjustments that will be taking place?

Mr. WEISS. I am hopeful there will be a revival and people will be doing other things to improve the standards of life in this country.

Mr. BURKE. That is a wonderful hope. but what industries would you say we can train them for?

Mr. WEISS. I don't say you can retrain a 60 year old man.

Mr. BURKE. Factories become empty and they become a drag on the market. Do you recommend getting into an entire welfare plan?

Mr. WEISS. No, I am talking about the money that is now being funneled into the Vietnam war. When we get out of there, I am hoping the money can be used to better purposes.

Mr. BURKE. I assume you listened to the gentleman from the tanning industry this morning. He pointed out that 90 percent baseball gloves are now foreign imports. What would you say if the market was 90 percent imports on shoes?

Mr. WEISS. I would be out of business and our competitors would be too. There are too many problems in relying so heavily on imports.

Mr. BURKE. What about glassware?

Mr. WEISS. I am not an expert in that field.

Mr. BURKE. After you get all of those people unemployed, where is the buying power going to be? Do you think Uncle Sam will be able to buy from the foreign countries, or what can be done?

Mr. WEISS. I would hope that the export oriented industries——

Mr. BURKE. How can you export when there are trade barriers?

Mr. WEISS. I would like to see them removed. Only the Congress can do that.

Mr. BURKE. I don't want to argue with you, but we are certainly creating a real economic problem in this country and particularly up in my area.

Mr. GIBBONS. If the gentleman will yield, I want to pay tribute to the gentleman from Boston. I was in Boston about 6 years ago and it looked rather ancient. I went back the week before last and it is beginning to look like the Miami Beach of the Arctic. I was impressed with all of the tremendous new buildings.

Mr. BURKE. They are government-built buildings, but by the State, and the highways are built but there are no real big businesses.

Mr. GIBBONS. I saw a new large insurance company building.

Mr. BURKE. The insurance companies have to put their surplus funds that they take from the policyholders some place.

Mr. GIBBONS. I was going to pay tribute to the gentleman because I think it is a fine city.

The CHAIRMAN. I want to remind you Burke fans you are not supposed to express approval or disapproval.

Mr. BURKE. You can't blame them. They are personally interested.

I voted for the trade bill in 1962 when the shoe people came in here, the textile people and everybody else and we listened to the glowing promises. I believe it was Secretary Hodges at that time. I questioned them quite extensively on this adjustment that was going to take place. I kind of doubted it but I took his word and we all traveled down that primrose path and now we are beginning to find out what happened. What do you understand will be given to a shoe factory that goes out of business? What adjustment, in your opinion, will be made for that man when the plant is closed down, his family business is wiped out and he is destroyed economically? What do you understand the Government is going to do for him?

Mr. WEISS. I would hope that the Government will help him get adequate financing to get started again, helping him out to buy his machinery and whatever he needs.

Mr. BURKE. Something along the lines of the family assistance program?

Mr. WEISS. I am not familiar with that.

Mr. BURKE. I admire you for the way you come up here and the great hope you have that something might be done, but as one little manufacturer of shoes up there told me, "You take word back to the Congress that we don't want funeral expenses," and I think that is a problem. These shoe workers that you are talking about who will get 65 percent of their salaries if it is agreed that they are injured, they will get 52 weeks of unemployment compensation at 65 percent of their salary. Then at the end of the year when that runs out, they then go on local welfare. I don't know whether you are acquainted with the real estate taxes up our way, but in the city of Boston it is something like $144 a thousand. In other words, if a person has a house assessed for, say, $10,000, he has to come up with $1,440 a year for taxes. You can imagine if a fellow is getting about $62 a week for unemployment compensation what is accomplished?

So I would say to you people, I would hope you would go back to the retailers and say, let's have some concern for the other people in our industry and see if you can strike a happy balance. You emphasized the import quotas based on 1967 and 1969, 1968, and then they are allowed to grow with the domestic market.

Mr. WEISS. We honestly feel that two-thirds of the imports cannot be made in the United States. Fifty percent and the 83 cent overseas low in goods and 16 percent——

Mr. BURKE. That must have been true prior to 1965 when we only had 11 percent of the domestic market imports. What has happened since the trade bill went into effect, which seems to be contrary to what you are saying right now?

Mr. WEISS. The hard facts is that this is what the customers wanted.

Mr. BURKE. They seemed to want them since the GATT agreement, but not before the GATT agreement. Now we are asked to reduce tariffs and how many millions more of shoes will some into the market?

Mr. WEISS. I don't think it will have much to do with shoes. It will affect the people who make the sneakers.

Mr. BURKE. The shoe people in my district are down to about 600 employees. I don't know whether you will affect them or not.

Mr. WEISS. There is a little company down in Congressman Gibbons' State which has made fantastic success.

Mr. BURKE. Randy Shoe got quite a grant from SBA. They modernized their plant and everything and they went into bankruptcy. I think the banks turned it over to a new operator and this committee does not have the time for me to tell you what happened to Randy Shoe. I followed it all the way through.

The CHAIRMAN. Maybe one of the other of you should tell me.

Mr. BURKE. Imports did the job. The fellow up there was one of the most progressive members in the shoe industry. He went ahead and modernized his plant and the first thing he got hit with was these imports. They caused his collapse.

Mr. ATKINS. If Bob Cohen were sitting here he would tell you what I am about to tell you. He is one of the closest, most intimate friends we have had. We have done much to help each other over the years. No one was sadder than I when his factory closed. At the same time, I think we have to look at the total sneaker business in this country and make an observation that I think anyone could agree with.

Around 8 or 10 years ago the rubber sneaker people were saying exactly what you heard from the domestic manufacturers, that there was no way in the world they could compete against oriental imports of sneakers. Lo and behold, they found a way. They went into new processes of manufacturing they did not have before and the imports from the Orient or any place else have not risen. They met import competition as an industry.

Where we used to import into this country a lot of low-end, 29, 39, 49 cent type sneakers you find in the grocery stores, the shoes we are bringing today from the Orient are the very high priced sneakers, the very elaborate and deluxe types, $9, $10, $12 speciality items. The real volume is in the medium priced goods. That industry has met that challenge and met it very, very well. We have great confidence in the inherent strength of the American shoe industry. We don't think it is going down the drain at all. We are not going to let it go down the drain if we can do anything about it as customers.

Mr. BURKE. The Goodrich Rubber Co. laid off 5,000 people in the last 5 years. Randy Shoe in our district in the time I have been in Congress reduced its payroll by almost 50 percent. The Uni-Royal Co. went down South some place. Nevertheless, I don't see any of them improving their position. In fact they all seem to be backsliding. I imagine there will be someone here from the rubber footwear industry to speak later and I don't think they will agree with your statement that the elimination of the American selling price will help them any and I don't see how it would help anybody else.

Mr. ATKINS. We are not testifying on the ASP section of it.

Mr. BURKE. The administration is for the elimination of the American selling price and that is a definitely big part of this bill.

Mr. ATKINS. That is right, and we have not made recommendations on that.

Mr. BURKE. It would be nice if you made such a recommendation and the effect it would have on the shoe industry.

Mr. ATKINS. We would be delighted to accept your suggestion and we will submit a statement on ASP for the record.

The CHAIRMAN. You may submit it for the record and I believe you referred to another statement in your presentation which may also be inserted in the record.

(The material referred to follows:)

In regard to the American Selling Price basis for duties on footwear, Volume Footwear Retailers of America recommends abolishment, coupled with an authorization by Congress for negotiations with supplying countries, with the condition that any reduction in the present rate be agreed to only if a reasonable quid pro quo is offered.

We do not believe that the domestic industry requires greater protection against imported products than it now enjoys. As a consequence of improved technology in the production of domestic rubber-canvas footwear, the supply of lower priced "sneakers" is principally coming from U.S. factories which are competing effectively. Any decline in the total production of such factories is attributable to a shift in consumer demand rather than competition with imported products.

It is our understanding that a new report is in preparation by the U.S. Tariff Commission which may provide an appropriate basis for negotiating a fair duty rate.

Mr. BURKE. Could you give us a list of those?

The CHAIRMAN. Four of these people are located in Massachusetts.

Mr. BURKE. Yes, I know that, that is why I want them in there. March Shoe Co. is in my district and I know the person who operates it. Martin Shoe is in Boston and Spencer Shoe and the Zayre Corp. I know all of these people. I am not criticizing them. I give them credit for making money on imports. That is a natural reaction to anybody in business. He is in business to make money. Zayres, Morse, Martin Shoe and Spencer Shoe Corp. also have a responsibility to the community in which they are doing business, and we are appealing to them to use some good judgment.

The CHAIRMAN. Are there any further questions?

Mr. GIBBONS. I have just one observation. I notice on page 5 about half way down, Mr. Weiss, you say you are going to have another detailed analysis ready soon. Do you have it, but you want to withhold until you can check it against the task force report?

Mr. WEISS. Yes, sir.

Mr. GIBBONS. Do you plan to get that in before the record is closed?

The CHAIRMAN. That is the permission I gave him a short while ago.

Thank you so much for coming before the committee.

(The supplementary statement referred to follows:)

SUPPLEMENTARY STATEMENT ON NONRUBBER FOOTWEAR, SUBMITTED BY EDWARD ATKINS, EXECUTIVE VICE PRESIDENT, VOLUME FOOTWEAR RETAILERS OF AMERICA

The Volume Footwear Retailers of America (VFRA), an association of firms that account for more than half the footwear sold in the United States, supports the constructive program of action for the U.S. footwear manufacturing industry that was proposed by President Nixon in his press release of June 24, 1970 (attached) based on the recently released *Report of the Task Force on Nonrubber Footwear*.

The Task Force Report represents the results of an exhaustive analysis of economic conditions in the nonrubber footwear industry. The Task Force has recognized the complexity and interdependence of the very real and vexing problems confronting some segments of the footwear industry. It has underlined the inherently difficult problems of many small firms in patricular, in coping with accelerating style change, changing marketing and distribution patterns, tight labor markets, and in achieving adequate economies of scale for efficient production, sales promotion, market research, advertising, and reasearch and development activities. The Task Force also recognized that rising import levels have further complicated the situation of producers and may perhaps, be a major factor adversely affecting some sectors of the industry. The Task Force concluded, however, that available facts and information do not "constitute a case of injury to the overall footwear industry."

Based on the Task Force Report, the President rejected a generalized quota approach as a solution to the problems confronting the industry. He has, however, initiated an escape clause investigation (or investigations) covering those product areas where there appears to be some possible threat of import injury. The VFRA, which is critically dependent on domestic manufacturers as its major source of supply, has wired the President offering its assistance to the Government and to the domestic industry in defining product categories where import competition may pose a serious threat to the domestic industry. (A copy of the text of our telegram to the President is attached.)

The Task Force analysis of economic conditions in the industry was exceedingly thorough and it would be presumptuous of us to attempt to supplement it with an extensive analysis of our own.

Enclosed are just two financial tables, from data compiled annually by Dun & Bradstreet, which shed further light on the financial condition of the domestic industry. These data, which report profit ratios for firms at the upper quartile, median, and lower quartile levels are particularly useful for industry analysis because they exclude those firms whose performance is either extraordinarily good or extraordinarily poor. Their value is further enhanced by the fact that they are not biased or weighted by the performance of a few large firms in the industry. These ratios further confirm that 1968 was an exceptionally profitable year for firms in the domestic nonrubber footwear industry. Particularly significant is the fact that even for firms in the lowest quartile, 1968 was the most profitable year in recent history.

Certain developments in 1970 could not be covered by the Task Force Report. Statistical data for the two most recent months tend to confirm that the rate of import growth is moderating. In both April and May of 1970, imports were well below the leves of the comparable months of 1969. In this connection it must be emphasized that month-to-month and quarter-to-quarter comparisons between 1969 and 1970 import data, such as those that were made by representatives of the domestic industry in testimony before this Committee are completely misleading. The dock strike in early 1969, which was settled at varying dates in different ports, completely distorted order commitments, shipping dates, and deliveries throughout much of 1969. The lower level of imports in April and May are not cited as conclusive evidence that the trend of increasing imports has been reversed, but merely to illustrate that any comparisons made on less than a six or eight month basis are simply not a reliable basis for assessing import trends.

An observation should also be made concerning recent developments in the employment situation in the domestic industry. The Task Force Report makes it clear that much of the decline in footwear employment in 1969 was attributable to the decline in footwear consumption in that year. The further decline in footwear employment in the early months of this year is clearly attributable in large measure to the general recession which has curtailed employment in every major sector of United States' industry. Finally, it should be noted that in May 1970, the most recent month for which industry employment data are available, footwear employment rose by some 3,000 persons from the preceding month, while employment in virtually every other major industry group declined.

Finally, the significance of imports, particularly for low-income consumers, in the difficult fight against inflation, must be re-emphasized. The Task Force has indicated, contrary to assertions of the domestic industry before this Committee, that imports have provided low-cost footcovering in styles and price ranges not available from United States' producers. We believe it is important that the interests of all consumers be given serious consideration in any decisions regarding the possible imposition of import restraints on footwear. (It should also be noted that footwear imports are virtually not reflected in Consumer Price Index.)

In conclusion, our support for the Task Force Report and for the President's action program for the domestic industry is reiterated. The VFRA continues to oppose across-the-board quotas on footwear because they are both unnecessary and inimical to the national interest.

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NONRUBBER FOOTWEAR INDUSTRY: RATIOS OF NET PROFITS AFTER TAXES TO TANGIBLE NET WORTH, 1958 AND 1963-68

Year	Number of firms reporting	Ratio of net profits after taxes to tangible net worth[1] (percent)		
		Upper quartile	Median	Lower quartile
1958	107	12.60	7.48	4.31
1963	112	12.70	7.40	3.62
1964	115	14.80	8.85	4.01
1965	115	17.32	9.85	4.88
1966	117	16.69	10.79	6.32
1967	119	16.53	8.94	4.49
1968	115	16.21	11.35	7.16

[1] Tangible net worth is roughly equivalent to stockholder's equity.

Source: Dun & Bradstreet. Derived from sampling of corporations whose tangible net worth, with few exceptions, exceeds $35,000.

NONRUBBER FOOTWEAR INDUSTRY: RATIOS OF NET PROFITS AFTER TAXES TO NET SALES, 1958 AND 1963-68

Year	Number of firms reporting	Ratio of net profits after taxes to net sales (percent)		
		Upper quartile	Median	Lower quartile
1958	107	3.54	2.24	1.16
1963	112	3.63	1.71	.66
1964	115	3.65	2.10	.97
1965	115	4.67	2.00	1.03
1966	117	4.00	2.62	1.38
1967	119	3.82	2.17	.96
1968	115	4.18	2.94	1.59

Source: Dun & Bradstreet. Derived from sampling of corporations whose tangible net worth, with few exceptions, exceeds $35,000.

OFFICE OF THE WHITE HOUSE PRESS SECRETARY, THE WHITE HOUSE, JUNE 24, 1970

The President today announced a program of assistance to non-rubber footwear firms and workers in the United States. The program has three major components:

—Initiation by the President of an investigation by the Tariff Commission, under the escape clause provision of the Trade Expansion Act, of the impact of increased imports on the men's and women's leather footwear industry.

—A series of domestic Government measures to deal directly with the various problems faced by some footwear firms and workers.

—Authority for the Secretary of Labor and the Secretary of Commerce to proceed on each of the six adjustment assistance cases on which the Tariff Commission recently completed investigations.

The President's program was developed from the findings of an inter-agency task force organized to make an extensive study of the footwear problem with particular attention to the impact of import competition. The study is being released today.

This study concludes that many producers are able to meet competition but that some face problems from a number of sources. One of these has been the recent, rising volume of imported footwear. Other problems were found to include technological, organizational and marketing changes, shifts in the location of production away from traditional manufacturing areas, and rapid changes in the demand for footwear, with increasing emphasis upon style.

Some firms, the task force found, now need to modernize, rationalize their production, possibly change their product lines, and otherwise improve their competitive ability. It reported that such firms would be in difficulty from existing domestic competition regardless of the level of imports.

The task force reported that the facts and information available to it did not demonstrate a case of overall import injury. However, the task force also noted its concern that, if all the necessary information were available, there might well be injury to the men's and women's leather footwear industry which has experienced a sharp increase in import competition. It pointed out that an investigation such as the Tariff Commission is authorized to conduct—with powers of subpoena, access to confidential business data, and public hearings—would provide a more comprehensive basis for judgment than was available to the task force.

On the basis of the findings of the task force, the President has decided that import restraints are not the answer to the footwear problem. The Administration has therefore opposed legislated quotas on shoe imports. However, an investigation by the Tariff Commission under section 301(b) of the Trade Expansion Act of 1962 could provide a more comprehensive basis for judging the extent of any injury. The President is therefore requesting that the Commission investigate whether imports are causing or threatening to cause serious injury to the domestic men's and women's leather footwear industry. He hopes that the Tariff Commission, in light of the information assembled by the task force and its own two earlier section 332 investigations of non-rubber footwear, will expedite its report with a view to an early finding.

This is the first occasion on which any President has asked for an escape clause investigation since the beginning of the trade agreements program in 1934. An affirmative finding under section 301 could make available to men's and women's leather footwear industry, its firms, and its workers the variety of forms of relief and assistance prescribed by the Congress in the 1962 Act. If the President's proposed Trade Bill of 1969 is enacted by the Congress during the Tariff Commission's investigation, its more liberal escape clause and adjustment assistance criteria will apply in this instance.

The President also concluded that, notwithstanding the Tariff Commission investigation, Government measures are necessary to help certain footwear producers and workers, and the communities where footwear is an important source of income and employment. The President has accordingly directed the Secretary of Commerce to assume responsibility for a footwear program, in coordination with the other Cabinet officers who are members of the Adjustment Assistance Advisory Board or whose departments will be involved in this program.

The President has directed that these federal agencies take action to improve the employability of footwear workers, to develop jobs for those displaced by the many changes now occurring within the domestic industry, to assist in the revitalization of the communities adversely affected, and to provide special assistance for affected firms. Among the programs to be undertaken will be the following:

1. The Department of Labor and the Department of Health, Education, and Welfare will develop and provide special footwear programs within the framework of existing manpower retraining and development legislation, and will urge the individual States concerned to provide special attention in their own manpower programs. These efforts will seek to meet the special problems of footwear workers, taking into account the composition of the labor force in terms of age, sex, skill levels, and mobility. In areas where the problem is primarily one of shortages of skilled footwear workers, the objective will be to provide additional training opportunities; where unemployment is the primary problem, the objective will be retraining and adjustment to other jobs.

2. The Economic Development Administration of the Department of Commerce will develop programs to attract other industries to the communities heavily dependent upon shoe production. These programs will be developed in cooperation with the affected communities. The Economic Development Administration will also give consideration to requests for financing necessary public services to support new or expanding industries and to make loans directly to new businesses in these areas.

3. The Department of Transportation, when local authorities request its assistance, will provide financial assistance in establishing the commuter facilities authorized by the urban mass transportation program to provide or improve transportatiton facilities between areas of substantial unemployment and neighboring areas where job opportunities exist.

4. The Small Business Administration will expedite consideration of loan and other assistance requests from small shoe firms to help them in their adjustment problems.

5. The Secretary of Commerce, with the assistance of other members of the Adjustment Assistance Advisory Board, will undertake consultations with the

footwear industry to develop any further measures of assistance found to be necessary.

On the advice of the Department of Justice, the President has also concluded that he has the authority in the case of split decisions by the Tariff Commission in adjustment assistance cases to act on the findings of either group of Commissioners. He is, therefore, informing the Secretaries of Labor and Commerce that the decisions of the Tariff Commission in six recent cases are affirmative findings and that the Secretaries are authorized to consider certifications of the firms and workers involved under the terms of section 302(c) of the Trade Expansion Act of 1962.

TEXT OF TELEGRAM FROM VOLUME FOOTWEAR RETAILERS OF AMERICA TO PRESIDENT NIXON

"As a national trade association representing companies retailing more than half the footwear purchased by Americans, we commend the footwear report and your recommendations based on it. The protection of domestic shoe manufacturers is vital to our members and to their customers and, therefore, prompt and objective solutions to import induced problems are essential. We have consistently urged that import injury be established after thorough review of the widely differing circumstances in the principal footwear product categories. Your announcement promises a quick and orderly procedure to accomplish this. We remain vigorously opposed to the enactment of across-the-board footwear quotas which would cut off millions of pairs of footwear which in no way compete with U.S. products, but do exert counter-inflationary influence. Respectively suggest that appropriate government body call meeting of representatives of domestic footwear manufacturing and retailing for purpose of seeking industry-wide agreements on category by category import impacts. Volume Footwear Retailers of America pledge full cooperation in such effort which would minimize, if not eliminate, intra-industry differences, expedite Tariff Commission determinations and accelerate remedial action where findings justify it."

The CHAIRMAN. Mr. Jenkins and Mr. Fuller. We still have quite a few witnesses to hear. We appreciate you gentlemen coming to the committee and if one will introduce himself for the record and your associate, we will be glad to recognize you.

STATEMENT OF ROBERT P. FULLER, MEMBER, GOVERNMENT AFFAIRS COMMITTEE, NATIONAL SHOEBOARD CONFERENCE, INC.; ACCOMPANIED BY GEORGE O. JENKINS, JR., CHAIRMAN

Mr. FULLER. I have been allotted 10 minutes to present my brief, but I plan to use only five. I hope the brevity of our message will accentuate the simplicity of our problem. I am, with the permission of the committee submitting a complete report for the records of the committee.

My name is Robert P. Fuller. I am chairman of Lydall, Inc., and am a member of the Government Affairs Committee, National Shoeboard Conference, Inc., Boston, Mass. With me is Mr. George O. Jenkins, Jr., who is chairman of the George O. Jenkins Co., and is chairman of the Government Affairs Committee. The National Shoeboard Conference is a trade association made up of six manufacturers of products used widely by domestic shoe manufacturers for shoe components. Our basic purpose in being here is to support H.R. 16920, and to petition for legislation that will enable the President to move in some of the areas where gross tariff and trade inequities exist.

While the shoeboard industry is made up of predominantly small firms, it is a very vital industry to the commerce of the United States. Two-thirds of the shoes manufactured in the United States have components made from products of our industry. During World War II we had the highest priority rating because of the vital need for our material in shoes for the Armed Forces. Our business has not been good.

During the latest 5-year period for which production information is available, annual average production amounted to 42,440 tons, valued at $10 million. Sales for the first quarter of 1970 project to an annualized figure of 34,000 tons, a reduction of 20 percent, or $2 million. This hurts.

The shoe manufacturing industry is our principal customer. Changes in the volume of domestic shoe manufacture are directly reflected in the demand for our products. While U.S. footwear production is declining, the retail sales of shoes is increasing. Since our principal customer, as I said before, is the shoe manufacturing industry, why then, one might ask, should we not sell where the demand is—where our product is used?

We would like to, if we could, but it is impossible. Duties in the principal shoe manufacturing countries of Europe on shoeboard ranges from 18 to 45 percent ad valorem. In some cases nontariff barriers are imposed in addition. The U.S. duty prior to the Trade Agreements of 1967 on paperboard (tariff item 251.49) was 6.75 percent and is scheduled to be lowered to 3.50 percent in July, 1971.

The duty on leatherboard (tariff item 791.57) was 7.50 percent and will be lowered to 3.75 percent. As a result, competent European producers are expanding capacity to satisfy the demand created by the shoe export boom, and at the same time soliciting sales to our U.S. customers, oftentimes at dumping price levels. The export subsidy provided by some European governments compensates for the freight differential and price concession to boot.

We endorsed the Trade Expansion Act of 1962 and presented verbal testimony before your committee in June of 1968, the U.S. Tariff Commission in September of 1966 and the Federal Trade Commission in April of 1960. In each case we testified to our willingness to compete in a free world market for our product, so long as all conditions of sale were truly equal.

Finding ourselves faced with countries that have built a tariff wall around themselves to fence out all competition, and at the same time offer subsidies to their industry so that they can compete with total impunity for our market in the United States, makes us feel like fools. Except in the case of Canada, we find ourselves worse off than we were before 1962.

Why should our industry, whose numbers have reduced from 13 in 1960 to six today, continue to be decimated by a foreign trade policy that provides us with no export potential, while at the same time opening our domestic market to foreign competition to use and abuse as they see fit. We believe that our Government should immediately move to demand that foreign producers eliminate the existing inequities to U.S. exports if they expect to continue to share the American market. And that, in addition, foreign governments restrict their exports to the United States so as to end the disruption of the U.S. industry to the extent requested by the U.S. Government. When such requests are ignored, import quotas should be imposed. This entire subject is treated in greater detail in our brief which I hope will receive your personal attention.

Thank you very much for your attention and I will be receptive to any questions.

The CHAIRMAN. Mr. Fuller and Mr. Jenkins, we appreciate both of you being before the committee and giving us this information. Your National Shoeboard Conference is now made up of only six members?

Mr. FULLER. Yes, sir.

The CHAIRMAN. You can almost have your convention in a telephone booth.

Mr. FULLER. Just about.

The CHAIRMAN. Do you all make the same product?

Mr. FULLER. Not precisely. There has been some specialization within the industry. Mr. Jenkins' company will perhaps more heavily produce certain components used in shoe, whereas ours will produce another. However, all six of us are predominantly producers for the shoe industry.

The CHAIRMAN. What are the component parts that you produce?

Mr. FULLER. In some cases we do not produce the component part. We produce the material which may be a final component such as a heel, and an innersole or a counter which forms the rear portion of your shoe. It might be midsoles. You might say that really our product is the foundation around which the shoe is built and there are very few shoes made in the United States which do not have a product made by us in it.

Mr. JENKINS. I would like to add, during World War II we were vitally essential as we have already said a moment ago, and we received the highest priority simply because they could not make Army shoes without our material. If we were important then, we are still important.

The CHAIRMAN. Again, we thank both of you for coming to the committee.

Mr. Hemmendinger, I understand, has been delayed.

The CHAIRMAN. We will go on to Mr. Cooper. We are pleased to have you with us and please introduce yourself and those at the table with you for the record.

STATEMENT OF MITCHELL J. COOPER, COUNSEL, FOOTWEAR DIVISION, RUBBER MANUFACTURERS ASSOCIATION; ACCOMPANIED BY WILLIAM CAMPBELL, CHAIRMAN; AND PHILLIP BROWN AND NEAL McKENNA

Mr. COOPER. Mr. Chairman and members of the committee, my name is Mitchell Cooper and I am testifying as counsel to the footwear division of the Rubber Manufacturers Association. The members of this division, whose names are appended to this statement, account for most of the rubber footwear produced in this country.

I have with me on my right, Mr. Phillip Brown of Uniroyal, Naugatuck, Conn., and on my left Mr. William Campbell, who is chairman of the Footwear Division of RMA and on his left Mr. Neal McKenna of Converse Rubber Co.

The CHAIRMAN. Thank you. You are recognized.

SUMMARY

Section 401(b) of H.R. 14871

This provision would convert the tariff on rubber-soled footwear with fabric uppers from 20% ASP to 20% plus 25¢ a pair, but not less than 58%, based on foreign value, effective not earlier than January 1, 1971. The Rubber Manufacturers Association cannot support the proposed conversion unless the formula is modified so that "25¢" is changed to "35¢", the definition is changed to conform to a recent Treasury ruling applying ASP to footwear with soles containing iron powder, and the effective date is extended to not earlier than January 1, 1974.

Rubber Footwear is a labor-intensive, high-wage industry, with imports taking 25% of the domestic market. Over the past five years there has been a steady shift in imports from Japan to lower-cost countries such as Taiwan and Hong Kong. Section 401(b), as presently written, would permit such imports to enter at duties considerably lower than would be assessed under ASP.

In the face of low-cost imports, there has been a serious decline in Rubber Footwear domestic production, employment and profits.

The domestic industry's problems have been compounded by increased water proof imports resulting from the 1965 conversion of ASP waterproof footwear, and by the 1966 change in Treasury guidelines for determining ASP. This guideline change had the effect of a 35% reduction in duties, and it is currently in litigation.

If the proposed conversion is not to result in a substantial tariff cut, if the Treasury ruling on soles with iron powder is not be nullified, if the pending litigation on the changed guidelines is not be mooted, and if the domestic industry is to have a chance at survival, 401(b) should not be adopted unless, at the very least, it is modified as suggested above.

H.R. 16920

Although we are not at this time seeking a Rubber Footwear quota, the import-related problems of our industry are as serious as those of Shoes or Textiles.

We oppose Section 203(b) of this bill, because it would confine the President's authority to make compensatory tariff adjustments to authority he did not use during the Kennedy Round. This would limit the products subject to such compensatory cuts to those—like waterproof footwear and rubber-soled footwear with fabric uppers—found to be too seriously hurt by imports to warrant cuts during the Kennedy Round.

(SECTION 401(b) OF H.R. 14870)

Mr. COOPER. The current rate of duty on rubber-soled footwear with fabric uppers is 20 percent, based on American selling price. Section 401(b) of H.R. 14870 would convert this ASP rate to 20 percent plus 25 cents a pair, but not less than 58 percent, based on foreign value, effective not earlier than January 1, 1971. This proposed conversion is not the product of an international agreement, and no reciprocal benefit to this country will result from its adoption.

An identical conversion provision was in H.R. 17751, which was before the Ways and Means Committee in 1968. At that time we testified in support of this provision. Unfortunately, during the past year there has been a further marked deterioration in the economic condition of our industry.

I sat here with mouth agape when the spokesman for the Volume Retailers indicated that the sneakers industry has in fact got on top of its import problems. If this is the case, all of the economic indicia available to me are simply not telling the truth and I suggest the data I will present to you which is U.S. Government data, will indicate that the import problem has accelerated and that this industry is suffering very badly from it.

The deterioration, together with the Government's recently revised figures on the average value of imports, has made it necessary for us to reassess and to modify our position. For reasons which I shall spell out to you, we can support section 401(b) only if the conversion formula is modified so that 25 cents is changed to 35 cents, the converted rate is applied to footwear with soles containing iron powder and the effective date is extended to not earlier than January 1, 1974.

Nature of the industry and of its problems

I remind you that rubber footwear is a labor-intensive industry, with labor costs representing in excess of 50 percent of the total cost of production. It is a high-wage industry, with average hourly earnings—including fringes—as high as $4.50.

As shown in exhibit A attached hereto, a truly substantial share of our domestic market has been taken by producers in other countries. The steady increase in imports as a percentage of domestic consumption has now reached the point where one in every four pairs of canvas footwear worn in this country comes from abroad.

EXHIBIT A.—RUBBER-SOLED CANVAS-UPPER FOOTWEAR SHIPMENTS, IMPORTS, EXPORTS, APPARENT CONSUMPTION, AND RATIOS, 1965–69

[Thousand pairs]

Year	Shipments [1]	Imports	Exports [2]	Apparent consumption	Percent imports to consumption
1965	166,678	33,363	296	199,745	16.7
1966	164,069	35,060	261	198,868	17.6
1967	156,703	44,659	339	201,023	22.2
1968	158,451	49,200	382	207,269	23.7
1969	[3] 141,070	44,463	309	185,224	24.0

[1] Source: Bureau of the Census.
[2] Source: Industry estimate based on RMA data.
[3] Preliminary.

Mr. COOPER. We are troubled not only by the tremendous volume of imports, but also by the continued shift of their source from low-cost producers in Japan to even lower-cost producers in Taiwan, Hong Kong, and Korea. Thus, whereas in 1965—the year on which the Tariff Commission based its ASP conversion study—81 percent of ASP canvas imports came from Japan and less than 9 percent came from Taiwan, by the end of 1969 the imports from Japan had fallen to 59 percent of the total while those from Taiwan had risen to 29 percent of the total. (exhibit B.) The average value of imports from Taiwan is substantially lower than that of imports from Japan, and the effect of 401(b), as presently written, on this trend to imports from the lowest-cost countries would be an increasingly large volume of canvas footwear entering at duties lower than would be assessed under ASP.

EXHIBIT B.—IMPORTS BY VOLUME: YEARS 1965–69, FABRIC SHOES

	Japan	Taiwan	Total A.S.P.
1965:			
Volume	14,313,092	1,519,040	17,576,082
Percent of total	81.44	8.64	
1966:			
Volume	12,355,740	2,581,765	16,888,351
Percent of total	73.16	15.29	
1967:			
Volume	15,573,157	4,724,925	23,233,503
Percent of total	67.03	20.34	
1968:			
Volume	16,123,275	5,612,349	23,729,126
Percent of total	67.95	23.65	
1969:			
Volume	11,153,205	5,415,411	18,775,414
Percent of total	59.40	28.84	

Mr. COOPER. The incursion of imports has been accompanied by a serious erosion in the volume of domestic shipments. As the figures in exhibit A demonstrate, we shipped 1.6 percent fewer pairs of rubber-soled, fabric-upper footwear in 1966 than in 1965, and there was an additional 4.3 percent decline in 1967; 1968 showed a modest 1.1 percent improvement over 1967, but there was a frightening decline of 11 percent in 1969.

It is true that our 11-percent decline was accompanied by a 9.6-percent decline in imports for that year. But bear in mind that imports increased from 33 million pairs in 1965 to 44 million pairs in 1969, while total domestic consumption was 13,500,000 pairs lower in 1969 than in 1965. (exhibit A.) How can this shrinkage in consumption have occurred in a country with a steady growth in the number of feet?

The answer is the obvious one: a shift in consumer buying from canvas to low-cost plastic and leather shoes and sandals. But these cheap shoes are themselves imports.

In this regard, I call your attention both to the December 1969, Tariff Commission Report on Nonrubber Footwear and to its April 1970, report on adjustment assistance for the Woodsocket Plant of Uniroyal. The Commission, in its nonrubber footwear report, estimated that roughly 100 million pairs of inexpensive plastic shoes were imported in 1969, and it stated that "The domestic shoes with which the imported compete and those, directly like the imported, with vinyl uppers, and shoes—mostly sneakers—with fabric uppers."

Further, the Commission estimated that 1969 imports of leather sandals totaled 35 million pairs and found that these sandals also compete with shoes with fabric uppers. In its Woonsocket report the Commission found that the rubber-soled footwear with fabric uppers made in that plant competed directly with leather and plastic footwear selling for less than $6, and that unemployment in Woonsocket was attributable to increased imports of such footwear.

The Woonsocket plant of 800 employees has now been closed. So, too, has Uniroyal's 1,000-man plant in Mishawaka, Ind. Moreover, since last summer, Randy Footwear closed its Garden Grove, Calif., plant of 500 employees and cut its employment substantially in its remaining plant in Massachusetts, and Uniroyal has announced the probable closing of its Naugatuck, Conn., plant of 4,000 employees. Also, Servus Rubber Co. had to lay off 500 employees in its Rock Island, Ill., plant.

The Naugatuck plant alone represents 20 percent of the total rubber footwear employment in this country. In addition, the Watertown, Mass., plant of the B. F. Goodrich Co., which once employed as many

EXHIBIT C

RUBBER FOOTWEAR EMPLOYMENT—PRODUCTION WORKERS

[In thousands]

	January	February	March	April	May	June	July	August	September	October	November	December	Annual average
1968	22.2	22.4	22.3	22.4	22.6	23.1	21.9	23.2	23.3	23.3	23.2	23.0	22.7
1969	22.0	22.0	22.2	22.2	22.2	22.5	21.1	21.7	21.5	20.5	20.6	20.7	21.6
1970	19.9	20.1	20.2	20.5									[1] 23.6

[1] 1965 average.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

as 7,000 persons, and which had in recent years cut back to the manufacture of waterproof footwear only, has now gone out of production.

The fate of these plants in reflected in the BLS employment figures set forth in exhibit C. You will note that every month in 1969 shows a decline in rubber footwear employment from the corresponding month in 1968, and that January, February, March, and April 1970, show declines from those months in 1969.

Mr. COOPER. Contrary to the trend for other manufacturing industries, rubber footwear employment fell 5 percent from 1968 to 1969, and more than 8 percent from 1965 to 1969. It is interesting to compare these figures to those for the textile industry, where there was a decline of 1 percent since 1968, but an increase of 5 percent since 1965.

The industry has provided, on a confidential basis, a detailed analysis of its profit status to the Office of the Special Representative. I betray no confidence when I say that our financial experience is consistent with our shipment and employment experience.

Shipments down, imports taking close to 25 percent of the domestic market and increasingly coming from cheaper sources, plants closed, employment down, and profits reacting to all of these factors. This is where we are today. This is the picture of an industry for whom ASP is alleged to have provided an undue amount of protection. This, too, answers the question of why we are modifying our position with respect to section 401(b) and why we are of the view that now is hardly the time to weaken rubber footwear's tariff protection.

Setbacks during recent years

A. *Conversion of ASP on waterproof footwear.*—It is important that you consider section 401(b) in the perspective of the battles we fought and lost in the course of the past few years. Our first setback resulted from the Customs Bureau's arbitrary ruling in 1962 which removed ASP from synthetic rubber waterproof footwear. When, in 1965, we persuaded the Senate Finance Committee to support the restoration of ASP to this footwear, spokesmen for the executive branch advised us that if we would drop that effort and if we would also agree to give up ASP on natural rubber waterproof footwear, the then administration would support a waterproof conversion from 12½ percent ASP to 60 percent based on foreign value. We yielded, but to our shock, the executive branch changed its mind. As some of you know, the 60 percent emerged from the Congress as 37½ percent, effective December 1965. The recent closing of Goodrich's 1,200 employee waterproof footwear plant is but the most dramatic example of the problems faced since 1965 by domestic waterproof producers. Indeed, imports of waterproof footwear account for well over 30 percent of domestic consumption.

B. *Change of treasury guidelines for ASP on fabric footwear.*—Our next setback was when the Treasury Department, early in 1966, announced that it was changing its 30-year-old guidelines for determining the American selling price of rubber soled footwear with fabric uppers. This change was tantamount to a 35-percent tariff cut, and was made without any examination of the economics of the domestic industry or the extent of import penetration, and without any reciprocal tariff cut by our trading partners. In every year since this dilution of ASP, imports have increased their share of the market.

The domestic industry has challenged the Treasury's arbitrary change, and the case now awaits a decision by the customs court. A conversion of ASP under the old guidelines would produce a rate in excess of 95 percent; yet I remind you that under those guidelines the Japanese had no difficulty in capturing 17 percent of our domestic market. I would hope that this committee takes no action the effect of which would be to moot the legal question of the validity of the new guidelines while that question is pending in the courts.

The problem of foreign value

As I have pointed out, and as exhibit B demonstrates, there has been a marked shift in the source of imports from Japan to lower-cost countries, notably Taiwan, Hong Kong, and Korea. The Tariff Commission, the Commerce Department and the Bureau of Customs have recently reexamined the value figures for these imports, and the Tariff Commission has revised them downward.

The Commission's Woonsocket report shows the 1969 average value for ASP footwear from Taiwan to be 45 cents, in contrast to earlier Commerce-Customs figures which showed a 1969 value of 70 cents. Our concern is that the application of the 401(b) conversion formula, as presently written, would result in a substantial cut in the average duty on canvas footwear from such prominent sources as Taiwan, Hong Kong, and Korea. In order to prevent such a cut, it would be necessary to change the 25-cent figure in the formula to no less than 35 cents.

The problem of definition

Section 401(b) relies on the 1966 Tariff Commission conversion study for its definition of those items not covered by ASP and which would therefore take a rate of 20 percent ad valorem instead of the bill's proposed rate of 25 cents a pair plus 20 percent ad valorem but not less than 58 percent. That definition reads as follows:

> Footwear with open heels and toes; footwear with pliant soles and uppers which when off the foot characteristically fold flat from heel to toe; and footwear with outer soles almost wholly of leather *or the soles of which contain not less than 60 percent by weight of iron powder* (emphasis added).

The Tariff Commission investigation revealed that in 1965 there were imports of more than 4 million pairs of canvas footwear with iron powder in the soles. We promptly protested to the Treasury Department this patent—and successful—effort to evade ASP.

Finally, in January of this year the Treasury ruled that henceforth such footwear would be appraised under ASP.

(The exhibit D referred to follows:)

EXHIBIT D

[T.D. 70-44]

CERTAIN SNEAKERS OR BASKETBALL TYPE FOOTWEAR

APPRAISEMENT; AMERICAN SELLING PRICE BASIS

JANUARY 29, 1970.

On August 29, 1969, there was published in the FEDERAL REGISTER (34 F.R. 13879), proposed criteria in determining the applicability of American selling price to certain sneaker or basketball-type shoes incorporating midsoles composed of a mixture of rubber and iron powder. The shoes are classifiable under item 700.60, Tariff Schedules of the United States.

After consultation with affected individuals and organizations and full consideration of all relevant data, views, and arguments presented, the action proposed by the notice is hereby adopted. Customs officers are being instructed to proceed with appraisement of this footwear on the basis of the following guidelines:

Pursuant to Schedule 7, Part 1A, Headnote 3(b), Tariff Schedules of the United States, footwear classifiable under item 700.60 is subject to duty on the basis of the American selling price of like or similar footwear manufactured or produced in the United States. In comparing imported footwear with domestic footwear for such purposes customs officers shall be guided by the overall effect of all relevant factors. Characteristics such as construction, quality, durability, appearance, weight, etc., shall be considered in the aggregate and no single characteristic, to the exclusion of others, shall be deemed to be necessarily controlling. In the case of the so-called iron powder footwear the relative weight of the "iron powder" midsole shall not be deemed to be, in itself, controlling. The effect of the inclusion of such a midsole shall be considered together with all other characteristics in determining whether domestically produced footwear is like or similar to the imported footwear.

Effective date. The above guidelines shall be effective and shall be applied to any such merchandise which is exported to the United States after the 90th day after publication in the FEDERAL REGISTER.

[SEAL]

MYLES J. AMBROSE,
Commissioner of Customs.

[F.R. Doc. 70–1562; Filed, Feb. 6, 1970; 8:40 a.m.]

Mr. COOPER. We called this ruling to the attention of the Office of the Special Representative for Trade Negotiations, pointing out that 401(b), as presently worded, would have the unwitting effect of nullifying the Treasury's action. Accordingly, should this committee recommend the adoption of the conversion formula in 401(b), we trust that, in addition to changing the 25 cents to 35 cents, you will modify the Tariff Commission's proposed definition so as to excise the words I have underscored.

I am pleased to note that when Ambassador Gilbert testified before this committee, he supported this change in definition.

The problem of timing

I hope that we have persuaded you that this is hardly the time to convert from American selling price. Should you conclude that there is some "greater good" which requires the yielding of ASP on rubber-soled footwear with fabric uppers, we plead with you to give us a minimum of 3 years beyond January 1, 1971, before permitting the conversion to become effective.

This request in consistent with the original intent of the conversion formula; I remind you that when it was first proposed, its effective date—January 1, 1971—was chosen with the view of giving the industry in excess of 3 years to adjust to the change.

In light of the industry's increased problems, the need for time is even greater today than it was 3 years ago. At the very least, time is needed for a final judicial determination in the guidelines case, for an answer to the question of whether Uniroyal's 4,000-man plant in Naugatuck can overcome its problems, and for some experience with the Treasury's ruling on footwear with soles containing iron powder.

Conclusion

The shipment, import, consumption, employment, and financial picture of the domestic rubber footwear industry surely places it among the most seriously ailing industries in America. Yet we are not here today to seek greater protection, but rather to plead with you not to dilute what we now have.

If, however, you determine that ASP must go, then, as a minimum, we ask that you modify the conversion formula by changing "25 cents" to "35 cents" so as to prevent a tariff reduction, that you take account of the Treasury's recent ruling on soles with iron powder, and that you extend the effective date of the conversion to not earlier than January 1, 1974.

H.R. 16920

Although the manufacturers of waterproof footwear and of rubber-soled footwear with fabric uppers (TSUS Nos. 700.51, 700.52, 700.53, and 700.60) do not have a direct interest in the quota provisions of H.R. 16920 and its companion bills, it is important that you recognize that our exclusion from these bills does not mean that our problems are any less serious than those of leather footwear or of textiles. We venture to suggest that a comparative analysis of our financial, employment, shipment and import figures with those of leather footwear or textiles will lead to the conclusion that our hurt is at least as great as theirs.

One reason there is no bill pending which would establish a quota on imports of rubber footwear is that our industry has thus far refrained from seeking such relief. Frankly, we have had some doubts as to the overall value of the quota device. These doubts may be unwarranted, and if quotas prove to be effective in solving the problems of textiles and leather footwear, you may be sure that we shall be knocking on your door for similar treatment.

As to the escape clause provisions of these quota bills, we do have a direct interest. While we approve and endorse the liberalization of the requirements for relief from relief from import injury, we are gravely concerned about the effect of section 203(b). If we read that section correctly, it would limit the President's authority to make compensatory tariff cuts to the authority he had during the Kennedy round. Concessions made by this country as part of the Kennedy round used up a very large amount of that authority.

What remains represents cuts withheld on those products where full or partial use of the 50 percent reduction would have caused undue economic hardship. Waterproof footwear and rubber-soled footwear with fabric uppers are such products. So, too, are leather footwear and textiles.

In short, section 203(b) would limit the President's reservoir for payment of escape clause compensation to the very products most seriously affected by imports. We strongly recommend that this committee reject this section.

The CHAIRMAN. Thank you, Mr. Cooper, for bringing to us your statement. Mr. Betts?

Mr. BETTS. Did I understand you said that the Woonsocket plant of Uniroyal was found to be eligible for adjustment assistance?

Mr. COOPER. That is correct.

Mr. BETTS. What kind did they get?

Mr. COOPER. The employees are entitled to unemployment compensation.

Mr. BETTS. Did they get it?

Mr. COOPER. I think it is now being processed in the Labor Department. This decision came out about a month ago.

Mr. BETTS. The plant is out of business?

Mr. COOPER. The plant is completely shut down. The finding was that the plant shut down (a) because of an increase in competitive imports, and (b) these increases resulted from tariff concessions.

Mr. BETTS. That is not a very good endorsement of adjustment assistance if the plant is out of business.

Mr. COOPER. I am inclined to agree so far as the company is concerned, it does no good.

Mr. BURKE. As the source of imports shifts from Japan to, say, Taiwan, Korea, and Hong Kong to even cheaper producers, does the ASP become more important?

Mr. COOPER. Indeed it does. The shift since the Tariff Commission's study of 1965 has already outmoded their suggested conversion and the one in the administration bill. In the present situation any conversion of less than 20 percent plus 35 cents a pair would result in a cut in the effective duty for both Hong Kong and Korea and, in time, when there is volume production in other underdeveloped countries—India is starting to produce rubber footwear, Africa will some day—so even this 20 percent plus 35 cent rate would be lower than American selling price would produce. One must bear in mind the relative concept, the relationship of the foreign selling price to the American selling price. As the foreign selling price gets lower, the importance of the American selling price as a method of evaluation increases.

Mr. BURKE. I note from your exhibit C that employment in this industry declined more than 8 percent from 1965 to 1969 and by an additional 10 percent so far in 1970. Do you know of any other significant industry with such a downturn?

Mr. COOPER. No, I do not. That does not mean there is not such an industry, but I think this downturn will seem as nothing if this duty is cut or if we are not given sufficient time, a minimum of 3 years, to adjust to an equitable conversion. The Naugatuck plant of Uniroyal now stand on the bring, and I would suggest to you that the management and employees at Naugatuck have a special interest in what is going to happen to the tariff protection now afforded this industry.

Mr. GIBBONS. Could you explain to me briefly what is the significance of the iron powder?

Mr. COOPER. I can explain the significance so far as duty treatment had been concerned prior to a month ago. Imported footwear is dutied on the basis of American selling price so long as there is a like or similar domestic product against which the imported item can be compared. If you do not have domestic sneakers being manufactured with weighted iron powder in the soles, this would mean American selling price would not apply.

Therefore importers were able to bring in such footwear to the tune of some 4 million pairs a year, weighting the soles with iron powder, and serving no useful purpose so far as the purchaser was concerned, but serving a useful purpose so far as the determination of the duty paid because the duty on such footwear, was, until the Treasury Department closed that loophole, 20 percent based on foreign value rather than 20 percent on the American selling price.

Mr. GIBBONS. They got around the American selling price by putting iron powder in the soles and it did not do anything else?

Mr. COOPER. That is correct.

The CHAIRMAN. Are there further questions? If not, thank you very much, Mr. Cooper.

Mr. COOPER. Thank you.

(The following membership list was received by the committee:)

MEMBERS OF THE FOOTWEAR DIVISION, RUBBER MANUFACTURERS ASSOCIATION

Bata Shoe Co., Belcamp, Maryland
Cambridge Rubber Co., Cambridge, Mass.
Converse Rubber Co., Malden, Mass.
B. F. Goodrich Footwear Co., Watertown, Mass.
Goodyear Rubber Co., Boston, Mass.
LaCrosse Rubber Mills, LaCrosse, Wisconsin
Servus Rubber Co., Rock Island, Illinois
Tingley Rubber Co., So. Plainfield, New Jersey
Uniroyal, Inc., New York, N.Y.

The CHAIRMAN. Mr. Hemmendinger, we are glad to have you with us today. Will you identify yourself for our record, also those at the table with you.

STATEMENT OF NOEL HEMMENDINGER, COUNSEL, FOOTWEAR GROUP, AMERICAN IMPORTERS ASSOCIATION; ACCOMPANIED BY PAUL BEISPEL AND JEFF DAVIS

Mr. HEMMENDINGER. I wish to thank you particularly for passing me over while I tried to find a taxi at the Tariff Commission, I can assure you that, contrary to some views that may have been expressed in this hearing, the Tariff Commission is alive and well and very vigorous down there at Seventh and E.

The CHAIRMAN. We are glad to get that report. Some of us had some question about whether they were or not.

Mr. HEMMENDINGER. I am Noel Hemmendinger, a partner in the Washington law firm of Stitt, Hemmendinger & Kennedy, and am counsel to the Footwear Group of the American Importers Association. I am accompanied by Mr. Paul J. Biespel and Mr. Jeff Davis, who are officers of the Footwear Group.

The Footwear Group of the American Importers Association consists of 26 firms who import footwear from all countries ranging from high-priced Bally shoes from Switzerland to rubber sandals from Hong Kong. Its members account for a very substantial part of all imports of vinyl-upper footwear.

This statement is addressed, first, to the quotas legislation which is pending before this committee; second, to proposed amendments to the Trade Expansion Act; and third, to the problems of ASP footwear.

SUMMARY

1. There is no justification for across-the-board quotas on footwear.
2. Problems of particular sectors of the industry should be handled through domestic measures and examined by the Tariff Commission before any import relief is considered.

3. Many imports, notably sandals and vinyl-upper shoes, are of types not produced domestically in significant quantities.

4. Amendments of the escape clause and adjustment assistance provisions of the Trade Expansion Act of 1962 should not go beyond the Administration's proposals.

5. Comments on ASP footwear will be submitted after a new report by the Tariff Commission and new recommendations by the Administration. The 1968 proposal was seriously defective.

Mr. HEMMENDINGER. The Footwear Group of the American Importers Association consists of 26 firms who import footwear from all countries ranging from high-priced Bally shoes from Switzerland to rubber sandals from Hong Kong. Its members account for a very substantial part of all imports of vinyl-upper footwear. We endorse the statement that was made on May 22 by the Footwear Importers Group of the Italy-American Chamber of Commerce, Inc., and most especially the outstanding statement made here today by Mr. Morton B. Weiss, president of the Volume Footwear Retailers of America.

This statement is addressed, first, to the quotas legislation which is pending before this committee; second, to proposed amendments to the Trade Expansion Act; and third, to the problems of ASP footwear.

QUOTAS

At this writing, we exepct the White House to release an announcement soon with respect to the President's action on the report of his task force, and we hope that the report itself will be released. We have no details, of course, but the report is the result of about 6 months work and bentfits from the two reports that were made by the Tariff Commission in 1969. We also know from the statements that have been made by Mr. Gilbert and Mr. Stans that the executive agencies concerned are unanimously opposed to quotas on footwear. In these circumstances, rather than to try ourselves to present a rounded economic analysis of the industry, we shall await the task force report and trust that this committee will do likewise.

We wish to bring to your attention and ask that it be inserted in the record, the statement that was made on behalf of the Footwear Group of the American Importers Association last October, before the McIntyre subcommittee of the Senate Small Business Committee. (Those hearings have not been published.) We are confident that much of the information that we were able to bring to the attention of the McIntyre subcommittee will find some reflection in the task force report.

As concerns the economics of the U.S. footwear industry, the main point is that the growth of imports is much less the cause than a result of the economic trends within the U.S. economy and within this industry. This is an industry of about 675 companies, producing in about 1,000 separate establishments. There is no single description which is valid for all of it. There is an enormous difference between the progressive successful sectors of the industry and the laggards, and it is, of course, the laggards who are caught when there is a squeeze. It is a vast, rapidly changing industry, some parts of which are characterized by hand work that has not changed for many years, but much of which is dominated by new technology, use of new materials, mergers and acquisitions, and the flexible use of imports by the American producers and reailers to permit them to best serve the American public.

Some firms in the industry have been severely affected by the high cost of money, by the fact that it is a high labor input industry, and because it has to compete for labor with more technically advanced industries. There also have been many rapid style changes. In these economic conditions, there would have been severe pressure on the weaker firms in any case, and this industry has always been marked by business failures. In fact, there have been fewer failures in recent years than at many times in the past.

If imports had not been available, there would have been much greater price increases in footwear than have occurred, with a consequent decline in the total number of sales, and the industry would have had great trouble in fulfilling demand. As it is, there have been many complaints in recent years of difficulty in getting deliveries from the domestic makers, because of labor shortage and other bottlenecks. Both U.S. producers and retailers have used imports flexibly as part of their product mix to serve the American public. The availability of imports has rendeed a great service to the U.S. economy.

In short, the major problems of the U.S. footwear industry have been its inability to compete for labor with industries having less labor input, and the severe squeeze that has been placed on small lightly capitalized businesses by trends in the American economy, namely, the high cost of money, the high cost of labor, higher equipment costs, and higher prices. Inevitably, this has called for adjustments on the part of many businesses which could not be made easily or rapidly, and there is no desire on our part to treat these problems lightly. For the individuals and the workers concerned, they are indeed genuine problems. The approach to their solution, we believe, lies in various measures of domestic nature which we understand are dealt with at length in the task force report.

It is very doubtful whether import limitations of any kind in the footwear field are appropriate, and it is entirely clear that the across-the-board limitations, such as are proposed in H.R. 16920 and other bills, are not appropriate. There is no way to administer quotas for products of such enormous diversity and with such rapidly changing styles and market demands without creating a nightmare for all concerned. They would not benefit the weaker firms of the industry, and the stronger firms certainly have no claim for such help. There are many products that are relatively unaffected by imports, for instance, children's shoes. There are, as other witnesses have pointed out, two large categories of imports, accounting for a very high percent of all imports, that serve demands of the market not served to any significant extent by American-made products, namely, the sandals and the vinyl-upper footwear.

The problems that quotas would pose for merchandising in the United States have been discussed at length in the statement of the Volume Footwear Retailers. The problems that it would create for importers are illustrated by a comment from one of our leading members, who inquired whether if enacted, the quotas would belong to the American importer or to the foreign manufacturer. He pointed out that he had been quoted higher prices by a foreign manufacturer and that those price quotations dropped when it was announced by Mr. Gilbert and Mr. Stans that the U.S. administration was opposed to quotas. Quotas that are lower then demand inevitably give some one undue power over the market, and lead to higher prices.

In 1969, according to Commerce Department statistics, 90 million pairs out of the 195 million pairs of nonrubber footwear that were imported had supported vinyl uppers. Of these, 71 million were for women's and misses with an average f.o.b. unit value of 79 cents.

With respect to these articles, the Tariff Commission reported as follows in December, 1969 (Tariff Commission Publication 307, p. 19):

> Footwear selling under $5 a pair is available for all members of the family in discount stores, by far the principal outlet for the low-priced shoes with the supported vinyl uppers imported from the Orient. These shoes, principally for women, misses, and children, regularly sell for $3 to $4 a pair; they are sometimes featured at about $2 a pair to attract customers not only to the shoe department (which also sells higher-priced footwear) but to the store itself. These imports for which retailers usually place orders 6–8 months in advance of delivery are mostly sturdy, leather-like shoes for casual wear in basic styles that change very little from year to year. For persons of low income such imports provide a price line of footwear that has not been available recently from domestic production in an appreciable volume. The domestic nonrubber footwear currently retailing at less than $5 a pair consists of the type of slippers for house or leisure wear that are sold in or adjacent to hosiery departments in various types of stores.
>
> The very low-priced articles in the imports (mostly from the Orient but also some from Europe) are principally sandals and slippers retailing at 49 cents to $1.99 a pair in limited-price variety stores, supermarkets, drugstores, and small stores in low-income neighborhoods. The footwear sold in such outlets consists almost entirely of imports.

These shoes are extremely important to the people with low incomes who are the main buyers. They can be well dressed, maintain their self respect, and stay within a reasonable budget. These products have vastly expanded the market and have by no means displaced an equal number of domestic sales. It would be a great disservice to the public to adopt measures restricting the availability of these products.

Much the same is true for the sandals, which are popular, and which require a high proportion of hand labor. For that reason, they are mostly imported. Without the imports, there would have been no sandals vogue.

At the other extreme, it would obviously serve no useful purpose to impose limits on luxury footwear imports, which serve a special portion of the market with no significant competitive impact on domestic products.

When these various categories are excluded, it is clear that the impact of imports, as measured by statistics which have been produced, is easily overstated. There can be no substitute for a discriminating examination of exactly what is happening in the various sectors of this market, as opposed to a blunderbuss approach.

Quotas such as proposed in H.R. 16920 would pose serious problems for our relations with other countries and for our own interests in the prosperity of the developing nations. The U.S. Government has approved in principle the idea of tariff preferences for the developing nations, and yet the quotas which are presently under consideration would be the worst possible blow to these countries. If H.R. 16920 were adopted and the quotas were applied on a national basis without subcategories, imports of footwear from Taiwan would be reduced by 54 percent and from Spain by 49 percent. Italy, which is the largest supplier by value, would be cut back 17 percent, and Japan, which quantitatively shipped the most footwear to the United States in 1969, would be cut back by 4 percent. The most important single engine for the economic development of the poorer countries of the world is the ability to produce goods for sale in the developed countries. The importers in this trade see this happening right under their eyes in the Far East, with the rapid development of the Japanese economy. High labor input products of all kinds reach their peak of production in Japan for export, and then begin to fall off as production increases in Taiwan, in Hong Kong, in Korea, in Singapore, and in the Philippines. As time goes on this will be happening in many other countries. To try to freeze jobs in the United States against this competition from lower wage countries is not only contrary to the best interests of the American people as a whole, but destroys the basis for fruitful economic and political relationships with the great masses of population in the rest of the world.

Some Members of the Congress have asked whether we do not owe more to our own underdeveloped people than we do to the underdeveloped peoples around the world. Certainly, there are sectors of our own economy and elements in the American population that are relatively poor and relatively unskilled. Certainly we should give them all the help that Government can give, but the answer cannot be to penalize the whole American people and the peoples of all the rest of the world by erecting trade barriers. It will be a much cheaper and more effective answer to give direct help to such elements in our population by training programs, by helping them to move into those trades and industries where they are most useful, and even perhaps, by direct subsidy of enterprises employing the underprivileged. There seems to be a general idea that the diminution of employment in direct manufacturing in the United States would leave nothing left for people to do. On the contrary, there are more and more jobs, many of them involving greater and greater skills, in the service trades. The task of Government in this area is to assist the problems of adjustment so that people will be trained and find employment in those areas where they are most needed.

ESCAPE CLAUSE AND ADJUSTMENT ASSISTANCE

The Congress erected the framework for dealing with these adjustment problems in the Trade Expansion Act of 1962. The tests for relief were rigorous, reflecting, first the view that there had already been time for adjustment to tariff reductions made before the Kennedy round and second, a desire to make adjustment assistance available only where increased imports resulting in major part from tariff concessions were the cause of difficulty. The conception of adjustment assistance to firms and workers was new, and it was the desire of the Congress, as the legislative history shows, to keep it within narrow limits. Times have changed and attitudes have changed. There apparently is a consensus today that the tests for relief should be liberalized.

As a matter of fact, in the last six months at least three members of the Tariff Commission have adopted a liberal construction which is already allowing the law to work much as would result from the amendments proposed by the administration. How far relief is available under the present law is indicated by the recent decision for the workers of the Woonsocket, R.I., sneakers plant of Uniroyal. Uniroyal is closing that plant, as its public statements show, because it is old and outmoded, because it is shifting production to new plants in Georgia which utilize the new machinemade processes, and because the wage rates in Georgia are lower than in Rhode Island. Imports of sneakers are not on the increase. Notwithstanding these facts, the majority of the Tariff Commission was able to find that the statutory tests were met and payments are being made to workers in that plant.

At this writing, we expect momentairly a decision in the adjustment assistance cases relating to five plants in Massachusetts producing women's footwear and one plant in Massachusetts producing men's footwear. It would appear that the Tariff Commission is presently split between strict constructionists and liberal constructionists. The strict constructionists believe in applying the law as it was written by the Congress in 1962, and the liberal constructionists seek to apply it as they believe the Congress would now wish to write it. It may be desirable in these circumstances to amend the law to express the present will of the Congress, but we urge this committee not to go too far.

First, we suggest that all connection between increased imports and tariff concessions not be severed. Otherwise you should be writing general legislation dealing with problems of adjustments that arise from any causes at all within the economy. Where import restrictions are proposed, the connection with tariff concessions is required by the terms of the GATT.

Second, we urge that you not go beyond the conception of "primary" cause which is embodied in the administration's bill. The difference between "primary" and "substantial" could open the door to a mass of applications, and would diminish the usefulness of the Tariff Commission in sifting and evaluating the grounds for relief, thus throwing the whole burden upon the President.

Third, we urge that you not adopt the conception of segmentation which is embodied in H.R. 16920, allowing relief if a portion of a company is hurt. It is precisely when only a portion of a company is hurt that you may have cases of successful adjustment, which is the objective of trade legislation. If would be folly to remove the incentive for a company to shift its production to the most advantageous products.

It would be a great mistake, we submit, for the Congress, having enacted a law in 1962 which now appears to have been too tight, to go to the opposite extreme and open the door wide, either by broad language or by the mandatory trigger points which have been proposed in some bills. In the last analysis, there can be no substitute for a judgment balancing all the facts as to what can and should be done for a particular industry at a particular time. The Congress wisely created the Tariff Commission, which is comparatively insulated from political pressures, to make these dispassionate evaluations. There are no automatic standards that can be laid down that would make sense for all of the cases that can arise. There is a great danger of introducing rigidities into the economy that would work against the adjustments which are essential to an efficient economy.

ASP FOOTWEAR

Section 401(b) of H.R. 14870 would authorize the President to enter into a trade agreement removing the American selling price valuation which presently applies to footwear entered item 700.60 of the Tariff Schedules, and to proclaim appropriate modifications of the Tariff Schedules. This provision, which is the same as was made in 1968, is seriously defective for reasons which we explained at length at pages 4155 et seq. of part 9 of the 1968 hearings.

On May 14, Mr. Gilbert informed this committee that there had been some developments which would require amendments of the proposals; he will make further recommendations when a new Tariff Commission report has been prepared. At this writing, we do not have the new Tariff Commission report, but we do have a preliminary set of figures, which would indicate that the converted rate based upon recent experience would be a little higher than it was for the sample that the Tariff Commission studied in 1965. We should like to make a further submission to this committee when we have had opportunity to examine the Tariff Commission's report and any further recommendations that are made by the administration.

Our position at this time is that the American selling price valuation of footwear should be abolished, but the authorization should leave flexible both the rate of duty and the definitions of the products which are involved. Since there was no agreement on this product at all in the Kennedy round, it is simple to grant authorization to negotiate for the removal of the American selling price on the basis of a Tariff Commission finding with respect to the actual experience, without tying it to either the 1965 report or the present report.

The reasons that we make this recommendation are:

1. It is unrealistic to expect U.S. Government representatives to negotiate successfully if their position is frozen in advance. It is all that the domestic industry can reasonably ask if the Congress sets forth the principle that the converted rate shall not be lower than the protection previously enjoyed as found by the Tariff Commission. There should, however, be authorization, in return for reciprocal concessions, to negotiate for a reduction in this abnormally high rate.

2. The proposal of 1968, for what we have called a double-barrelled rate, that is to say a compound rate of duty with a single rate as a floor, is entirely wrong in principle. There are arguments to be made for a single rate of duty. There are arguments to be made for a compound rate, which can reproduce to some extent the distribution of duties that are found by the application of the American selling price. There are arguments to be made for several different single rates, based on different value brackets. But there is nothing whatever to be said for using both a compound rate and a single rate. All of the advantages that were claimed for the double-barrelled rate are served by the compound rate alone.

It is the position of the Footwear Group that when a rate is selected, it should be a single rate, because this will eliminate confusion and make for much greater certainty and simplicity of administration.

The Japanese, who account for more than half of the imports, were unwilling in 1967 to negotiate for a new rate that increased the duty on their products and would no doubt still be unwilling to do so.

3. We do not challenge the accuracy of the Tariff Commission's new sample so far as it reflects the duties which customs collected when goods were entered. It is a fact, however, that the great majority of all American selling price footwear imports of recent years are under appeal in the customs courts, and there is a definite possibility that when the courts have reached their final decisions, there will be a change. Since a negotiation for the abolition of American selling price footwear duties cannot take place overnight, the authority which is given should make it possible to use the actual experience determined by the most recent information which is available at the time to our negotiators. The principal ground of the appeals is that the American selling prices which were furnished to the appraisers by the American producers do not accurately reflect the prices at which the American goods have been freely offered in the statutory sense.

4. Imports of ASP footwear have not been increasing. This is shown by the Tariff Commission's finding in the *Uniroyal* case, referred to above. They show a drop in imports between 1968 and 1969 from 24 million to 19 million pairs of ASP footwear, and counting in other sneaker-type footwear that was not assessed on the American selling price, they show a drop from 30 million pairs to 25 million. These magnitudes should be compared with the total of 47 million pairs imported back in 1962. Analysis of the U.S. market made by the Tariff Commission indicates that imports have held steady at about 15 percent of American consumption for the last 3 years, after having been much higher some years ago. There has been a decline in both domestic shipments and sneaker-type footwear and imports, largely because of a shift in demand resulting from fashion. The most important single phenonmenon in this industry in the United States has been the shift from handmade to machine-made sneakers. A few years ago, if you looked for the inexpensive sneakers in the mass distribution stores, you found Japanese sneakers. Today you find masses of American-made sneakers in the lower price ranges, and imports practically not at all.

5. The definitions prepared by the Tariff Commission in its previous report would increase the duty to a prohibitive level on millions of pairs of vinyl-upper footwear that is classified under item 700.60 for accidental reasons. In 1969 the U.S. official statistics show that 44 million pairs of shoes were brought in under item 700.60, of which 26 million were not ASP. The Tariff Commission, in its recent Uniroyal adjustment assistance decision, estimated that of these 26 million pairs in 1969, only 6 million were sneaker-type footwear. Of the 19 million remaining, you have to deduct sandals with open toes and heels, and folding slippers because the Tariff Commission definitions would take care of these articles and keep them out of the high duty. That still leaves millions of pairs on which the duty would go up to a prohibitive level, in four categories: footwear with soles of rubber or plastic and fabric uppers such as terry cloth slippers; sandals with

metal ornaments so that more than 10 percent of the upper surface of the upper is metal; shoes with Mylar on the upper; and finally, snow boots with textile cuffs.

(The prepared statement referred to follows:)

STATEMENT OF NOEL HEMMENDINGER ON BEHALF OF IMPORTED FOOTWEAR GROUP, AMERICAN IMPORTERS ASSOCIATION BEFORE THE SMALL BUSINESS SUBCOMMITTEE OF THE SENATE BANKING AND FINANCE COMMITTEE, SEPTEMBER 16, 1969

Mr. HEMMENDINGER. Mr. Chairman, I am Noel Hemmendinger, of the Washington Law Firm of Stitt, Hemmendinger & Kennedy, 1000 Connecticut Avenue, Washington, D.C. I am here to speak for the Footwear Group of the American Importers Association, whose members import footwear from many countries, both Europe and the Far East. Our firm also represents a number of Japanese associations of companies that are engaged in the production of footwear and exportation to the United States.

You have heard testimony with respect to the problems that exist in a number of communities, particularly in New England, by reason, it is said, of the increase in footwear imports. It is undoubtedly a fact that adjustments of which is an increase in the amount of imports, and that these adjustments are at times difficult for the individuals who are affected. The necessity for one worker to seek a different job or an employer to change his methods of doing business is painful to the individuals concerned, and we do not wish by this statement in the least to make light of these problems.

At the same time, we submit that it is important that these problems be examined in the total perspective of what is happening in the American economy, and not from the limited perspective of a particular group of workers, a particular establishment, or a particular community. We are glad to hear that a broad study of this character is being conducted within the Administration. We are sorry that our own resources have not permitted a complete, rounded study which would do justice to all the phenomena which are involved, but are doing our best to shed light on some aspects of the problem.

An industry consisting of about 675 companies producing in about 1,000 establishments is the proverbial elephant as sensed by the blind. Many diverse descriptions are true of some parts of it. In the case of footwear, as much as any other industry that could be selected, there is an enormous difference between the progressive, successful sectors of the industry and the laggards. This is a vast, rapidly changing industry, some of it characterized by handwork that has not changed for many years, much of it dominated by new technology and use of new materials, mergers and acquisitions, vertical integration of producing and retailing, and the flexible use of imports by the American producers and retailers to permit them to best serve the American public.

It is important to avoid generalizations that do not relate to particular people and particular enterprises. The number of workers employed in this industry is far less significant than the number of workers who are unemployed. The amount of footwear produced in the United States is not as important as the health of the enterprises that are in the footwear business. We believe that an examination of this industry in terms of the enterprises and the individuals engaged in it will show that the enterprises are profitable, that workers are earning more per hour than ever before, and that there is a serious labor shortage. The consuming public is being well served, thanks in large part to imports.

The change in this industry has been accelerated by the high rate of economic activity in the United States, which has meant severe competition for workers with other industries; and by inflation, which has meant a demand for goods which cannot be supplied from domestic production. Imports have played a valuable role in helping to combat the effects of inflation.

Despite many strong firms with modern management and modern technology, much of the footwear industry has always been characterized by high labor input, low capital, low wages, low profits, and many exits and entrances. The failures and plant closings that have been given much publicity in recent months do not reflect any new phenomenon on this industry.

When the whole industry is regarded in perspective in relation to the events in the economy, the increase in imports and the plant closings that have occurred cannot be regarded in terms of cause and effect. The most significant single factor in this industry is the inability to compete for labor with technologically advanced industry. This, more than imports, accounts for the fact that plants have been closing in obsolete and antiquated facilities in some communities in New England, even while new plants are being constructed elsewhere in the country. An adequate study would consider in depth the structural character of this industry, and perhaps the need to assist marginal operations to modernize or phase out. Given the relatively disagreeable nature of the work in footwear plants, footwear would have to pay more than is paid in clean, highly automated plants, in order to attract enough labor. The products would be priced out of their market, and if imports were not allowed to fill the void the American consumers and the American economy as a whole would be decidedly the poorer.

It is axiomatic that growth in the economy, which everybody regards as a good thing, involves adjustment.

We believe that a rounded study would show, not that imports are the cause of distress in the American industry, but that imports have played a vital role in facilitating these adjustments.

GENERAL CHARACTERISTICS OF THE INDUSTRY

High labor input, low capital, low wages, low profits.

According to the 1963 Census of Manufacturers, the industry ranges from huge companies with over 10,000 employees, of which there are four, to companies with less than 19 employees, of which there are over 250. This has always been a higher labor input, low return, low capital and low wage industry, with many entrances and exists over the years, in some years net additions and in others net declines. It has always been the practice to lease machinery in this industry, and therefore it is possible to go into production with a very small amount of capital with leased machinery, leased plant, and factored materials. It is precisely when the economy is booming that the marginal companies naturally incur the most difficulty, because they have difficulty in competing for labor and in borrowing money. One of the areas of inquiry which is highly relevant today is whether some of the firms that have closed are not casualties chiefly of the high cost of money.

The Tariff Commission cited data of the NSMA showing that between 1959 and 1963 there were on the average forty-five exists and forty entries annually in this industry, and between 1954 and 1958 there were on the average forty-seven exists and thirty-five entries. It quoted a representative of the domestic industry, who testified that about five hundred companies had ceased to manufacture footwear during the last ten years, which is about fifty a year. Tariff Commission Publication 276, page 33.

These characteristics of the industry are illustrated by information we have been able to obtain about some of the plants that have closed in recent months in New England.

In Haverhill, Massachusetts, the shoe factories, including Kramer, Lemar, and Shain that are reported to have closed, are located in fifty to sixty year old plants that are inefficiently laid out, difficult to maintain, and unattractive to employees. They lack cafeterias and airconditioning, and in some cases even necessities such as good lighting and adequate sanitary facilities.

Much the same is true of the factories in Lynn, Massachusetts, where the Caswell and David plants were located. These were built as temporary structures after the famous Lynn fire in the early part of this century. An outstanding exception is the Schwartz & Benjamin plant, which is modern, and is said to have a lower employee turn-over rate than the average. Also in old factories, without reasonable modern layout or employee conveniences, were Fronia Shoe, in Dover, New Hampshire, Dartmouth Shoe, in Brockton, Massachusetts, and Jodi Shoe in Derry, New Hampshire.

In addition to employment difficulties these antiquated multi-floor plants obviously make for inefficient production, because the materials have to be moved by hand from one production step to the next, often involving a change of floors. This has a very specific consequence in the shoe industry, because it means that more lasts are required, traditionally a great expense which now is even greater by reason of the rapid changes in style.

In general, in these older plants you will not find the newer methods of manufacture, such as Duo-process, discussed below. While some of the machinery is new, the technique of manufacture is essentially the same as thirty to forty years ago.

With respect to financial problems, Jodi and Caswell, and undoubtedly others, were factoring accounts and, of course, were suffering severely from the high cost of money. Mr. Kramer, of Kramer Shoe Company, Inc., was the principal of a shoe company that closed previously and has been sued more than once by creditors. Jodi, which went into bankruptcy, was dropped by a factor who was receiving 12 percent interest and was faced with paying as much as 18 percent to a new factor. Information in the court files indicates that there was financial mismanagement.

NEW TECHNOLOGY, NEW MATERIALS, NEW STYLES

Three revolutions have been occuring in this industry. The first is the introduction of new techniques of manufacture, which have accounted for substantial increases of productivity, so that total employment in this industry declined even while production was increasing, as the Tariff Commission pointed out in its report. The revolution in technology was dramatized in the conferences held in 1968 and 1969 at Atlantic City of the Annual Footwear Management Conference and Exposition. Here are a few of the processes that were shown in 1968: The cut-weld process for manufacture of footwear uppers; new emphasis on injection molding of complete shoes; a shoe upper embossing machine for man-made materials; automatic bottom roughers; improvements in lasting machinery; machinery for thermoplastic reinforcement of shoe uppers.

In 1969 the trade press referred to new injection molding equipment, new molds for unit soles, combination lasting equipment, new tacking equipment, new pulling-over and toe lasters, photo-electric controlled cementers, updated bottom roughers, and many others.

Overall, the two most important innovations are injection molding and the uses of cements rather than stitching. The revolution in materials began years ago with the introduction of composition soles, which are now used in a large part of all footwear production in the United States. Within the last few years high quality so-called poromeric uppers have been introduced, the best known of which is duPont's Corfam, but which now has competition from half a dozen others. In the lower price ranges are supported vinyls, which are produced by many different companies, and which find most frequent usage in shoes that do not embrace the whole foot, such as woman's shoes or sandals with open heels or toes, or both. In addition to advantages of wear and water resistance, the new materials have significant production advantages, in that they can be bought in exact measurements and can be cut with ease by machine, and also that they can be cemented more readily, whereas leather in its nature has irregular contours and imperfections, must be cut with care by hand, and is best stitched.

The revolution in materials is indicated by the fact that in 1959, according to the Census Bureau, 16½ percent of uppers were produced in the United States out of non-leather, and in 1969 the figure is 29 percent.

The third revolution is in style. For many years changes in the styles of men's shoes were made so slowly they were almost imperceptible, and in ladies, which were somewhat affected by fashion, there were many standard lines which changed very little. Obviously, this was advantageous from the standpoint of production costs. In recent years, however, the style revolution has given the prizes to those who are able to quickly respond to the latest fashions. This has led to a considerable increase in total footwear sales, because footwear has become an exciting item of the wardrobe. However, domestic producers have suffered comparatively, because they have not been able to turn around as quickly, to obtain lasts and patterns as quickly, and to adapt themselves to new styles. We understand that this is responsible in a very direct way for some of the difficulties that were encountered by plants that closed in New England, notably Kramer, Shain, Caswell, and Lemar.

In 1965 and 1966, a major style shift took place to low heels for women's shoes. This was not only a difficult adjustment in itself for the makers of high heel shoes, but it put them in direct competition with the makers of casual women's shoes, who were making a product that sold for several dollars less. The product produced by the casual maker was not necessarily inferior—the makers of high heel shoes could simply not adjust as rapidly as someone who was making two to three thousand pairs a day.

More recently, the shift in women's shoes has been to the platform sole and open toes, which again posed problems for the producers who were not geared to rapid changes.

CONCENTRATION AND INTEGRATION

The Tariff Commission noted in its January, 1969 report that:

"In 1967, companies accounting for nearly five percent of the total volume of domestic shipments of nonrubber footwear were acquired by other concerns, chiefly firms already producing nonrubber footwear. In the first nine months of 1968 companies accounting for about six percent of domestic shipments were acquired by others."

That is found in Tariff Commission Publication 276, page 33.

The fantastic rate, which, if continued, would involve virtually every firm in the industry in a few years, is no surprise to those who are in the industry or who have followed the trade press. In 1968 and 1969 the columns of the press have been full of stories of mergers and acquisitions, and they were the subject of a number of general news stories in the Footwear News of this year. On January 2, 1969, Footwear News said:

If a shoe chain or manufacturer didn't buy another company in the last few years, or wasn't bought out, it's distinctly in the minority. That's how sweeping the merger/acquisition trend is in the footwear industry, and the trend accelerated sharply in 1968.

"While the fever of buying and selling companies affected all types of footwear firms, the most widely sought were footwear manufacturers. This represents a switch from 1967, when many retail companies were acquired or merged. . . .

"Conglomerates' interest in footwear companies continued unabated in 1968. This trend. begun some two years ago, now includes some newcomers to the footwear industry."

In an article of February 20, 1969, Footwear News said:

"The footwear industry is at a moment when it is ripe for mergers and acquisitions. A confluence of events, rare in the history of the industry, has created a common interest for some owners of footwear companies to sell and for others to buy.

"While mergers and acquisitions have become a pattern for the rest of American industry, this pattern is now more widespread in the footwear industry. . . .

"Those firms seeking acquisitions are chiefly conglomerates, apparel firms and other footwear companies."

Three reasons are given in this article for the rash of mergers and acquisitions. The first reason is that a large number of companies are in the market for shoe firms. The second is that owners of family-owned firms want to diversify their risks, and the third reason is the fashion emphasis on the leg, which brings footwear much closer to the rest of the apparel industry.

This article further explains that the footwear companies have had several outstanding years, and the smaller companies are hampered by insufficient capital. This field is now seen for the first time as a growth industry.

Continuing its series, on February 27, 1969, FOOTWEAR NEWS began its lead article:

"The merger mania sweeping the footwear industry is bringing with it new capital, more skilled money managers, and more highly sophisticated professional management with a fresh view. There are some of the direct effects of the series of mergers and acquisitions, in the opinion of a cross-section of the industry leaders interviewed by FOOTWEAR NEWS.

"One of the more knowledgeable elder statesmen of the industry, a man closely involved with the merger scene, declared mergers are changing the face of the industry to such an extent that within five years it will bear only a vague resemblance to its present structure.

"One segment of the industry that is being ushered out by the mergers—it is noted—the entrepreneurial owner (often the founder) who flies more by intuition than by systematic management."

The philosophy of the integrated shoe companies is that the heart of the business is merchandising. With a strong merchandising organization, and with name-brand recognition, it is possible to have a strong manufacturing base.

It is important to recognize that many companies are engaged both in manufacturing and in retailing. Of the 10 largest manufacturers and the 10 companies with the largest number of retail outlets, as reported by Standard & Poor's seven companies are on both lists. The process of merger and acquisition involves both retailing and manufacturing with acquisitions in both directions, that is, of retail outlets by manufacturers, and of manufacturing units by retailers.

A further aspect of this integration, which is extremely important to an inquiry relating to the effect of imports, is that all of the large integrated firms, and many of the smaller firms, also sell imported shoes. Some of them own their own import houses, some of them buy imports from importers, and some of them have their own factories overseas or exclusive arrangements with particular producers overseas.

We educe these facts as reflecting upon the flexibility and strength of the industry. There are smaller manufacturers who have given up manufacturing and turned to importing because they could not, in the face of rising American costs, maintain a price line in which they were experienced. One such testified before the Tariff Commission last October, explaining that he could not compete for labor with other industries, had turned to importing and was extremely satisfied with his decision.

The significance of this for employment is discussed below. This process of concentration and integration that has been going on in the industry makes, of course, for stronger management, and it is responsible for many of the changes, in terms of the closing of plants and the opening of new plants, that are occurring in the industry.

A family company may continue in the same community for generation after generation, producing much the same product with no incentive for change or innovation. When it is acquired by an aggressive new management, management asks whether this is the right place to be producing, whether it is the right plant to be producing, whether it is the right product to be producing, whether the production techniques are the right techniques.

We suspect that a full inquiry into some of the closings, of which there is so much heard in New England in recent months, would show that they are simply the result of strong companies under good management closing down inefficient plants, while they expand or maintain their production elsewhere.

The trends in this industry are illuminated by the following, which is reproduced in full from the FOOTWEAR NEWS of August 28, 1969:

"U.S. SHOE TO ADD PLANT IN KENTUCKY:

"Cincinnati.—U.S. Shoe Corp. will build a 45,000-to-50,000 square-foot women's shoe factory at Jackson, Ky., 'to serve several divisions' needs,' a U.S. Shoe spokesman said. Production is scheduled for fall 1970.

"Philip G. Barach, president, said the plant will be patterned after the firm's Prestonburg, Ky., operation and will eventually produce 4,000-to-4,500 pairs of shoes per day.

"'In Prestonburg we entered an area of high unemployment and utilized extensive training programs to build our work force. Results have been very satisfactory,'" he said.

"U.S. Shoe also realigned its New Hampshire operations. By mid-September, production will be halted at the firm's Claremont facility and increased at the Keene plant. Efforts will be made to utilize appropriate Claremont employees' at the Keene operation," he said.

Reading between the lines, it seems not unlikely that there will be a net shift of production and employment from New Hampshire to Kentucky. The Claremont facility referred to in the above story is the Montclaire Shoe Company, Inc., which is one of those listed by the NFMA as having closed.

HIGH TURNOVER OF WORKERS

It is well known that footwear plants are regarded as relatively undesirable places to work. The problem of attracting young people into the industry has long been regarded as a serious one, and is discussed more fully below under "Employment." It is reflected in the official Bureau of Labor Department Statistics on quits and new hires in the footwear industry as compared with all manufacturing.

For instance, in 1968 the quits in footwear were 3.9 per hundred, compared with 2.5 for all manufacturing; new hires were 4.4, compared with 3.5 for all manufacturing. Layoffs, to complete this series, were 1.0 per hundred in 1968, compared with 1.2 for for all manufacturing, confirming that footwear producers part with their workers reluctantly. The layoff rate for the first six months of 1969 was 1.2. When it is considered that the rate for all 1967 was 1.4, it is obvious that there is no widespread unemployment.

ENTERPRISES ARE PROSPERING

During the years 1963–67, the Tariff Commission reported, the annual net-operating profits earned by domestic firms from sales of non-rubber footwear nearly doubled, and the ratio of such operating profits to sales increased from under 5 percent in 1963 to about 6½ percent in 1967. More than one-fifth of the firms in the Commission's sample reported losses in 1963, while less than one-tenth reported losses in 1967.

The partial obtained by the Tariff Commission for 1968 indicated that profits were better than 1967, and this is also confirmed by many press reports of company statements for 1968.

The Tariff Commission also said:

"The annual number of business failures of concerns producing non-rubber footwear declined in recent years. . . . According to data compiled by Dun & Bradstreet, Inc., nine firms manufacturing non-rubber footwear filed bankruptcy petitions in U.S. courts in 1967; 41 firms filed such petitions in both 1954 and 1958."

While there have been a number of petitions in bankruptcy this year, the evidence is far from indicating that 1969 will be worse in terms of failures than previous years.

The year 1968 was an extremely good footwear year, and given the cycles that tend to occur in the apparel trades, it is not surprising that 1969 so far appears to be weaker. According to trade sources, the business in men's and children's shoes remains strong in 1969, but there has been a slippage in women's, largely because of style changes, which have created uncertainty.

In a minor way, this repeats the experience of 1967, when inability to come to grips with styles caused many manufacturers to postpone new lasts and to lose out on sales for that year.

This is very far from showing any widespread distress or serious injury in the industry. There are many companies that are doing extremely well, as press reports indicate. See, for instance, a writeup of the U.S. Shoe Company, which appears in BUSINESS WEEK for September 6, 1969. This article reports that U.S. Shoe's earnings increased 26 percent in 1968, which "was a good year for the entire industry. This year, with an 11-percent decline predicted for the industry, U.S. Shoe has upped sales 17 percent and earnings 16 percent in the first half. . . ."

FOOTWEAR EMPLOYMENT—THE MAJOR FACT IS LABOR SHORTAGE

The propaganda of the trade associations of the domestic footwear industry referring to job opportunities lost through imports, is ridiculous, in view of the the fact that this industry is notoriously plagued by a shortage of workers.

In recent months the spotlight has been turned on a number of plants or parts of plants that have closed down, causing workers to relocate or retire. This is like the "crime waves" that result from a change in the collection of statistics.

We dare say that in any previous year the spotlight could equally have been turned on adjustments of employment that were required because of plant layoffs.

We presented to the Tariff Commission, in connection with its 1968 inquiry, pages of clippings from the trade press attesting to labor shortages, which were summarized as follows by the Tariff Commission:

"Trade publications reported shortages of skilled labor in 1966–68; and the Department of Commerce called attention to reports of labor shortages in the footwear industry in its annual industrial reviews of those years."

The shortages have continued in 1969. Attached hereto are clippings from the FOOTWEAR NEWS of August 21 and August 28, 1969, with headlines: "Labor Exodus Severe in NE, but Shortage of Help Continues" and "Lack of Labor Hits Tanners, Shoe Plants." The beginning of the article is:

"Where have all the workers gone?

"Despite the fact that an estimated 2,400 persons have been affected by the recent rash of New England factory closings, very few have been rehired by other manufacturers, and the shortage of skilled and non-skilled help continues.

"FN ascertained, based on a survey of a number of New England manufacturers, that the overwhelming majority of workers have either decided to retire, collect unemployment or Social Security benefits, if eligible, or have gone to other industries."

These circumstances of the industry are borne out also by information with respect to some of the plants that closed in New England. In Lynn the average age of shoeworkers in one survey was reported to be 67, and the average age of the stitchers in the Kramer Shoe Company in Haverhill was well over 60. Out of 36 stitchers laid off in the Kramer plant, 26 were placed in new jobs within 20 days, and two of them were 86 and one was 84 years old. Some of the shoeworkers in the Haverhill area, in which Kramer, Lemar and Shain were located, had to go to Lawrence to find employment in the industry, which is a 20-minute drive. The only reason, according to our information, that there was not total absorption, was that some of the older workers decided to retire rather than find a new job.

In Lynn the closing of the Caswell and David plants barely made a ripple as far as employment is concerned. When a portion of the Shapiro Bros. plant closed down in Auburn, Maine, no layoff report was filed, and Shapiro Bros. is reported to be looking for workers. In Brockton, Massachusetts, many of the employees laid off by the closing of the Dartmouth Shoe Company were picked up immediately by R. J. Potvin, a subsidiary of Green Shoe, in New Bedford. In Sanford, Maine, the closing of Sanford Shoe left no unemployment.

The NFMA itself reported, in its press release of July 30, 1969, that in Derry, New Hampshire, workers displaced by the closing of Jodi Shoe were picked up immediately and that the area has full employment because of new plants.

We submitted to the Tariff Commission replies from the State Departments of Employment Security of eight footwear states; to a letter in which we asked for information with respect to unemployment in the footwear industry. The comments from the three New England states of Massachusetts, New Hampshire, and Maine were of particular interest.

We attached excerpts to a statement called "The Case Against Import Restrictions on Footwear," which was circulated by the American Importers Association in June of this year, and we attach those excerpts as parts of this statement. We call attention in particular to the last paragraph of the comment that were made by officials of the State Department of Employment Security in Maine.

There are very illuminating comments about the character of this industry, the seasonal nature of the work, the fact that there is always a certain amount of unemployment, and the relative undesirability of employment in this industry compared with other industries.

It has been suggested that distress in this industry and increased imports must be seen in the contest of "major U.S. problems such as . . . urban unrest and the staggering burden of relief rolls." This is simply an effort to use the concern for the under-privileged in American society as a make-weight argument for protection. It has no relevance to the actual situation in footwear.

If the need to provide jobs for the under-privileged were a valid argument for protection, then also minimum-wage laws should be suspended in depressed areas. The idea that jobs should be perpetuated at depressed levels to help the under-privileged has long since been rejected. There should be no interference with the natural shift of workers to jobs where their skills are better utilized. If there were some special situations where it was desirable to assist factories located in the slums or areas of rural poverty—which on the whole is not true of footwear establishments—there are direct means of giving assistance which would be infinitely less costly to the economy as a whole than restricting imports.

THE ROLE OF IMPORTS

From the foregoing it is clear that increased footwear imports are not the cause of any widespread distress in the footwear industry, first of all, because there is no such distress. The presentations of the trade associations of the domestic industry seek to create the impression that there is a serious problem by dealing only with statistical abstractions. The footwear industry consists, in fact, of producers, retailers and importers, and they are all inextricably intertwined. There is no widespread distress among enterprises or among workers.

What we have said already indicates also that there is no direct causal relation between imports and various adjustments that are taking place within the industry. There ARE plenty of assertions that cite imports as the primary cause of the problems of the industry, but most of them are simply a product of the campaign of the trade associations and unions of the industry to seek relief from import competition.

In actual fact, if you examine a particular plant which has seen fit to close its doors, you find a mix of many factors—under-capitalization, antiquated plant, lack of flexibility in adjusting to new fashions, high cost of money, in some cases mismanagement, in other cases deaths in the family, and along with all these factors, no doubt, import competition.

Total sales of footwear in the United States are undoubtedly much greater because of the existence of imports than they would otherwise be. It can by no means be assumed that any given imported article has displaced an article of domestic production. There are two reasons for this. One is the fact that the European styles have created much excitement in footwear markets and are responsible for increased sales, not only of imports, but of domestic products.

There is a wide variation in the way in which the American consumer can spend his dollar. Retail footwear sales have shown large increases because of style and interest, rather than absolute need. A very large part of current imports are sandals, which are produced hardly at all in the United States, although Genesco is reported to be building a new plant to produce them.

The other reason is that imports have met the needs of the market for low-end footwear that could not possibly be met from domestic production. The existence of shoes that retail for two and three dollars today is entirely the result of the availability of vinyl-upper imports, and is a tremendous boon to the low income consumer.

You have been told that imports are increasing because the cost of labor abroad is much cheaper than in the United States and domestic producers cannot compete. Of course, it is true that the wage levels abroad are lower, and it is also true that in some countries there is considerable expertise in shoemaking. Overall, however, this is an extremely simplistic explanation. The truth is a great deal more complicated.

No buyer for a retail organization wants to be dependent on imports, because of the uncertainties attendant upon production abroad and the inability to supply the variety of sizes that American consumers demand. He wants his basic American resources, and he will keep them if he possibly can.

Imports have not only to undersell, they have to undersell by a very significant margin to win a place in the buyer's schedule. Imports will be used for the exciting items, the high-style items, and the swings in demand.

To give you a brief quotation from a speech that was made on August 4, 1969, by Mr. Philip Barach, President of the U. S. Shoe Corporation, one of the biggest American integrated companies:

"You can get by with one or two widths on fashion. There is no question that if a girl likes a look, it doesn't have to fit as well, and there is plenty of room in our industry for AA and B widths, but, again, in balance, for the most part, one of the great strengths of our industry is that women still want comfort and American women still want fit, and our pattern people know how to engineer accordingly.

"We have done surveys in our own retail group, and the pulse beat has come back that we can't do as big a job with two widths or even three widths. One of our retail divisions overreacted in terms of getting the mix of imports perhaps too high and business suffered sufficiently. They found their customers really wanted more of this brand and that brand and more widths. Perhaps they wanted more confidence. Our industry has the capability to induce consumer. confidence."

In short, there is a great deal more than price that enters into the decisions that make the product mix. While one American maker is bewailing his loss of business to import competition, another at the same time is going great guns with a product which has been successful in the market.

Overall, the increase in imports in the last couple of years is not a footwear phenomenon, it is a phenomenon applicable to consumer goods as a whole and reflects the American inflation. Inflation, by definition, is to many dollars chasing too few goods. The imports have played an invaluable role in seeing to it that there are enough goods in the market to meet the demand. Otherwise, prices would really have skyrocketed. The consumer price index for footwear is already much higher than the general price index or the price index for apparel as a group. In June 1969 the footwear index was 140, while the general price index was 127.6, and apparel as a group was 127.0. Without the availability of imports, the price index would have gone out of sight.

It is well recognized that in times of inflation, the effect upon imports is greater than on domestic production. President Nixon's Chairman of the Council of Economic Advisors, Mr. McCracken, said in a speech reported in the NEW YORK TIMES of January 24, 1969:

"You look at the relationship between the rate of increase in imports and the rate of increase in gross national product and you will find that at about the 5-to-6 percent rate of increase for the gross national product, which is roughly a kind of non-inflationary rate, you get about the same rate of increase in imports. But you let the rate of increase in GNP go up to 8-to-10 percent, and the 'normal' relationship is to have imports rising at the rate of 15-to-18 percent per year. There is no mystery about it, of course. In a large economy where imports are fairly small, if you overheat the domestic economy, the spill-over of demand creates a high leverage on imports."

To be more precise about what has been happening, we suggest that because of the competition for labor with other industries, the American footwear producers have not been able to meet the demand, that imports have risen largely in response to this, and that if the footwear manufacturers were to pay enough for their labor so that they could get an adequate supply, footwear would be priced way out of the market, and the sales would not be there.

The character of an industry such as footwear cannot be changed from outside by an artificial governmental market intervention. The industry cannot be lifted by its bootstraps. The change must come from within through enhanced efficiency—through automation of production and inventory control, simplification of standards, advanced management and merchandising. These steps toward greater efficiency actually characterize the strong companies in the field today as compared with the weak ones.

ADJUSTMENT ASSISTANCE

If there are hardships to particular enterprises or groups of workers, which can be traced to increased imports, then this is an appropriate case for the invocation of the remedies provided in the Trade Expansion Act of 1962, called "adjustment assistance" to firms and workers. Amendments should be made to liberalize that Act as concerns the causal relation between increased imports and duty reduction.

We suspect that even then, in most cases, the result would be the same as in the case of Packard Division of Knapp Bros. Shoe Manufacturing Corporation, of Brockton, on which there was a Tariff Commission decision in March 1968. The Packard Division of that company, making men's shoes, was closed, and the United Shoeworkers sought relief under the Trade Expansion Act.

The Tariff Commission found that the decision to discontinue production of footwear at the Packard plant was based primarily on considerations unrelated to competition from imports. The plant was 60 to 70 years old, and consolidation of the operations with that of another plant provided an opportunity to cut costs of production.

CONCLUSION

We conclude that limitations of imports would not solve the problems of the laggard sectors of the American footwear-producing industry and would do a great disservice to the American public.

Mr. HEMMENDINGER. At this point let me introduce Mr. Beispel.

STATEMENT OF PAUL J. BEISPEL

Mr. BEISPEL. My name is Paul J. Beispel, and I am associated with the American-African Export Co. Our offices are located in New York City.

We are direct importers of promotional footwear from the Far East. Japan and Taiwan are the principal countries that we import from. We have a national distribution throughout the United States. Most of our shoes are sold in variety chain stores as well as large discount chain stores.

The shoes that we import are in the $1–$2 retail category. At the $1–$2 price level there is no comparable domestic footwear produced in this country. Here are a few samples of the type of footwear that we are presently importing.

These shoes are generally bought by people with limited means, who would find it a financial hardship if they had to spend \$5–\$6 for a pair of casual shoes. If you were to restrict the importation of these shoes, you would force these customers to pay much more for footwear than they are now spending.

As an example, here is a sample of a misses' loafer that is worn by young girls between the ages of 5–10. This shoe has a vinyl upper with a leather-like counter, and faille fining and a one-piece rubber sole and heel. This shoe retails for \$1.69. If you were to restrict the importation of this shoe, a family with limited means would have to spend from \$4 to \$5 to purchase the lowest type of footwear covering for their child. This means that they would have to allocate a much larger portion of their limited budget for footwear and possibly deprive themselves and their children of some other necessities.

This applies for all the items I have before you.

Therefore, ladies and gentlemen, the effect of this law would be to severely penalize that segment of the population who can least afford to spend large sums of money for footwear which is an indispensable item in any household.

Now, what is the problem in returning an imported shoe? I am certain Mr. Weiss, who is president of the Volume Retailers can bear me out.

When a customer should purchase an imported shoe from any retailer, any independent retailers or a chain, if there should be a defect in it or it it should not fit properly, all this customer has to do is go back to the store and the store will gladly refund the money or make an exchange.

Even at our level of sales, which is \$1, we get shoes returned to us, and we stand behind everything we sell. I don't see where the problem would be on a return. The customer returns it to the store, the store gives them credit, and the store returns it to us and we give the store credit.

I hope that you will give due consideration to these points I have just brought out, particularly at a time when inflation is a very serious concern for all of us, and to see to it that a large segment of our population is given the means of procuring for their families a basic necessity at a reasonable price.

Mr. HEMMENDINGER. To continue, Mr. Chairman, at this writing, we expect the White House to release an announcement soon with respect to the President's action on the report of his task force, and we hope that the report itself will be released. We have no details, of course, but the report is the result of about 6 months' work and benefits from the two reports that were made by the Tariff Commission in 1969.

We also know from the statements that have been made by Mr. Gilbert and Mr. Stans that the executive agencies concerned are unanimously opposed to quotas on footwear. In these circumstances, rather than to try ourselves to present a rounded economic analysis of the industry, we shall await the task force report and trust that this committee will do likewise.

As concerns the economics of the U.S. footwear industry, the main point is that the growth of imports is much less the cause than a result of the economic trends within the U.S. economy and within this industry. There is an enormous difference between the progressive successful sectors of the industry and the laggards, and it is, of course, the laggards who are caught when there is a squeeze. It is a vast, rapidly changing industry, some parts of which are characterized by handwork that has not changed for many years, but much of which is dominated by new technology, use of new materials, mergers and acquisitions, and the flexible use of imports by the American producers and retailers to permit them to best serve the American public.

Some firms in the industry have been severely affected by the high cost of money, by the fact that it is a high labor-input industry, and because it has to compete for labor with more technically advanced industries. There also have been many rapid style changes. In these economic conditions, there would have been severe pressure on the weaker firms in any case and this industry has always been marked by business failures. In fact, there have been fewer failures in recent years than at many times in the past.

If imports had not been available, there would have been much greater price increases in footwear than have occurred, with a consequent decline in the total number of sales, and the industry would have had great trouble in fulfilling demand. As it is, there have been many complaints in recent years of difficulty in getting deliveries from the domestic makers, because of labor shortage and other bottlenecks. Both U.S. producers and retailers have used imports flexibly as part of their product mix to serve the American public. The availability of imports has rendered a great service to the U.S. economy.

In short, the major problems of the U.S. footwear industry have been its inability to compete for labor with industries having less labor input, and the severe squeeze that has been placed on small, lightly capitalized businesses by trends in the American economy, namely, the high cost of money, the high cost of labor, higher equipment costs, and higher prices. Inevitably, this has called for adjustments on the part of many businesses which could not be made easily or rapidly, and there is no desire on our part to treat these problems lightly.

For the individuals and the workers concerned, they are indeed genuine problems. The approach to their solution, we believe, lies in various measures of domestic nature, which we understand are dealt with at length in the task force report.

It is very doubtful whether import limitations of any kind in the footwear field are appropriate, and it is entirely clear that the across-the-board limitations, such as are proposed in H.R. 16920 and other bills, are not appropriate. There is no way to administer quotas for products of such enormous diversity and with such rapidly changing styles and market demands without creating a nightmare for all concerned. They would not benefit the weaker firms of the industry, and the stronger firms certainly have no claim for such help.

There are many products that are relatively unaffected by imports, for instance, children's shoes. There are, as other witnesses have pointed out, two large categories of imports, accounting for a very high percent of all imports, that serve demands of the market not served to any significant extent by American-made products, namely, the sandals and the vinyl-upper footwear.

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These shoes are extremely important to the people with low incomes who are the main buyers. They can be well dressed, maintain their self-respect, and stay within a reasonable budget. These products have vastly expanded the market and have by no means displaced an equal number of domestic sales. It would be a great disservice to the public to adopt measures restricting the availability of these products.

Much the same is true for the sandals, which are popular and which require a high proportion of hand labor. For that reason, they are mostly imported. Without the imports, there would have been no sandals vogue.

At the other extreme, it would obviously serve no useful purpose to impose limits on luxury footwear imports, which serve a special portion of the market with no significant competitive impact on domestic products.

When these various categories are excluded, it is clear that the impact of imports, as measured by statistics which have been produced, is easily overstated. There can be no substitute for a discriminating examination of exactly what is happening in the various sectors of this market, as opposed to a blunderbuss approach.

Quotas such as proposed in H.R. 16920 would pose serious problems for our relations with other countries and for our own interests in the prosperity of the developing nations. The U.S. Government has approved in principle the idea of tariff preferences for the developing nations, and yet the quotas which are presently under consideration would be the worst possible blow to these countries. If H.R. 16920 were adopted and the quotas were applied on a national basis without subcategories, imports of footwear from Taiwan would be reduced by 54 percent and from Spain by 49 percent. Italy, which is the largest supplier by value, would be cut back 17 percent. And Japan, which quantitatively shipped the most footwear to the United States in 1969, would be cut back by 4 percent.

The most important single engine for the economic development of the poorer countries of the world is the ability to produce goods for sale in the developed countries. The importers in this trade see this happening right under their eyes in the Far East, with the rapid development of the Japanese economy. High labor-input products of all kinds reach their peak of production in Japan for export, and then begin to fall off as production increases in Taiwan, in Hong Kong, in Korea, in Singapore, and in the Philippines. As time goes on, this will be happening in many other countries.

To try to freeze jobs in the United States against this competition from lower-wage countries is not only contrary to the best interests of the American people as a whole but destroys the basis for fruitful economic and political relationships with the great masses of population in the rest of the world.

ESCAPE CLAUSE AND ADJUSTMENT ASSISTANCE

The Congress erected the framework for dealing with these adjustment problems in the Trade Expansion Act of 1962. The tests for relief were rigorous, reflecting, first, the view that there had already been time for adjustment to tariff reductions made before the Kennedy round and, second, a desire to make adjustment assistance available only where increased imports resulting in major part from tariff concessions were the cause of difficulty.

The conception of adjustment assistance to firms and workers was new, and it was the desire of the Congress, as the legislative history shows, to keep it within narrow limits. Times have changed and attitudes have changed. There apparently is a consensus today that the tests for relief should be liberalized.

As a matter of fact, in the last 6 months at least three members of the Tariff Commission have adopted a liberal construction, which is already allowing the law to work much as would result from the amendments proposed by the administration. How far relief is available under the present law is indicated by the recent decision for the workers of the Woonsocket, R.I., sneakers plant of Uniroyal. Uniroyal is closing that plant, as its public statement shows, because it is old and outmoded, because it is shifting production to new plants in Georgia which utilize the new machine-made processes, and because the wage rates in Georgia are lower than in Rhode Island. Imports of sneakers are not on the increase.

Notwithstanding these facts, the majority of the Tariff Commission was able to find that the statutory tests were met, and payments are being made to workers in that plant.

The Tariff Commission has just handed down its decision in the adjustment-assistance cases relating to five plants in Massachusetts producing women's footwear and one plant in Massachusetts producing men's footwear. It would appear that the Tariff Commission is presently split between strict constructionists and liberal constructionists.

The strict constructionists believe in applying the law as it was written by the Congress in 1962, and the liberal constructionists seek to apply it as they believe the Congress would now wish to write it. It may be desirable in these circumstances to amend the law to express the present will of the Congress, but we urge this committee not to go too far.

First, we suggest that all connection between increased imports and tariff concessions not be severed. Otherwise you should be writing general legislation dealing with problems of adjustment that arise from any causes at all within the economy. Where import restrictions are proposed, the connection with tariff concessions is required by the terms of the GATT.

Second, we urge that you not go beyond the conception of "primary" cause which is embodied in the administration's bill. The difference between "primary" and "substantial" could open the door to a mass of applications, and it would diminish the usefulness of the Tariff Commission in sifting and evaluating the grounds for relief, thus throwing the whole burden upon the President.

Third, we urge that you not adopt the conception of segmentation which is embodied in H.R. 16920, allowing relief if a portion of a company is hurt. It is precisely when only a portion of a company is hurt that you may have cases of successful adjustment, which is the objective of trade legislation. It would be folly to remove the incentive for a company to shift its production to the most advantageous products.

It would be a great mistake, we submit, for the Congress, having enacted a law in 1962 which now appears to have been too tight, to go to the opposite extreme and open the door wide, either by broad language or by the mandatory trigger points which have been proposed in some bills.

In the last analysis, there can be no substitute for a judgment balancing all the facts as to what can and should be done for a particular industry at a particular time. The Congress wisely created the Tariff Commission, which is comparatively insulated from political pressure, to make these dispassionate evaluations.

There are no automatic standards that can be laid down that would make sense for all of the cases that can arise. There is a great danger of introducing rigidities into the economy that would work against the adjustments which are essential to an efficient economy.

ASP FOOTWEAR

Section 401 (b) of H.R. 14870 would authorize the President to enter into a trade agreement removing the American selling price valuation which presently applies to footwear entered under item 700.60 of the Tariff Schedules, and to proclaim appropriate modifications of the Tariff Schedules. This provision, which is the same as was made in 1968, is seriously defective for reasons which we explained at length at pages 4155 et seq. of part 9 of the 1968 hearings.

On May 14, Mr. Gilbert informed this committee that there had been some developments which would require amendments of the proposals. He will make further recommendation when a new Tariff Commission report has been prepared. At this writing, we do not have the new Tariff Commission report, but we do have a preliminary set of figures, which would indicate that the converted rate based upon recent experience would be little higher than it was for the sample that the Tariff Commission studied in 1965.

We should like to make a further submission to this committee when we have had an opportunity to examine the Tariff Commission's report and any further recommendations that are made by the administration.

Our position at this time is that the American selling price valuation of footwear should be abolished, but the authorization should leave flexible both the rate of duty and the definitions of the products which are involved. Since there was no agreement on this product at all in the Kennedy round, it is simple to grant authorization to negotiate for the removal of the American selling price on the basis of a Tariff Commission finding with respect to the actual experience, without tying it to either the 1965 report or the present report.

The reasons that we make this recommendation are:

1. It is unrealistic to expect U.S. Government representatives to negotiate successfully if their position is frozen in advance. It is all that the domestic industry can reasonably ask if the Congress sets forth the principle that the converted rate shall not be lower than the protection previously enjoyed as found by the Tariff Commission. There should, however, be authorization, in return for reciprocal concessions, to negotiate for a reduction in this abnormally high rate.

2. The proposal of 1968, for what we have called a double-barreled rate, that is to say, a compound rate of duty with a single rate as a floor, is entirely wrong in principle.

There are arguments to be made for a single rate of duty. There are arguments to be made for a compound rate, which can reproduce to some extent the distribution of duties that are found by the application of the American selling price. There are arguments to be made for several different single rates, based on different value brackets. But there is nothing whatever to be said for using both a compound rate and a single rate. All of the advantages that were claimed for the double-barreled rate are served by the compound rate alone.

It is the position of the footwear group that when a rate is selected, it should be a single rate, because this will eliminate confusion and make for much greater certainty and simplicity of administration.

The Japanese, who account for more than half of the imports, were unwilling in 1967 to negotiate for a new rate that increased the duty on their products and would no doubt still be unwilling to do so.

3. We do not challenge the accuracy of the Tariff Commission's new sample so far as it reflects the duties which Customs collected when goods were entered. It is a fact, however, that the great majority of all American selling price footwear imports of recent years are under appeal in the customs courts. And there is a definite possibility that when the courts have reached their final decisions, there will be a change.

Since a negotiation for the abolition of American selling price footwear duties cannot take place overnight, the authority which is given should make it possible to use the actual experience determined by the most recent information which is available at the time to our negotiators. The principal ground of the appeals is that the American selling prices which were furnished to the appraisers by the American producers do not accurately reflect the prices at which the American goods have been freely offered in the statutory sense.

4. Imports of ASP footwear have not been increasing. This is shown by the Tariff Commission's finding in the *Uniroyal* case, refered to above. They show a drop in imports between 1968 and 1969 from 24 million to 19 million pairs of ASP footwear. And counting in other sneaker-type footwear that was not assessed on the American selling price, they show a drop from 30 million pairs to 25 million. These magnitudes should be compared with the total of 47 million pairs imported back in 1962.

Analysis of the U.S. market made by the Tariff Commission indicates that imports have held steady at about 15 percent of American consumption for the last 3 years, after having been much higher some years ago. There has been a decline in both domestic shipments and sneaker-type footwear and imports, largely because of a shift in demand resulting from fashion.

The most important single phenomenon in this industry in the United States has been the shift from handmade to machine-made sneakers. A few years ago, if you looked for the inexpensive sneakers in the mass distribution stores, you found Japanese sneakers. Today you find masses of American-made sneakers in the lower-price ranges, and imports practically not at all.

5. The definitions prepared by the Tariff Commission in its previous report would increase the duty to a prohibitive level on millions of pairs of vinyl-upper footwear that is classified under item 700.60 for accidental reasons.

In 1969, the U.S. official statistics show that 44 million pairs of shoes were brought in under item 700.60, of which 26 million were not ASP. The Tariff Commission, in its recent Uniroyal adjustment-assistance decision, estimated that of these 26 million pairs in 1969, only 6 million were sneaker-type footwear. Of the 19 million remaining, you have to deduct sandals with open toes and heels, and folding slippers because the Tariff Commission definitions would take care of these articles and keep them out of the high duty.

That still leaves millions of pairs on which the duty would go up to a prohibitive level, in four categories: footwear with soles of rubber or plastic and fabric uppers, such as terry-cloth slippers; sandals with metal ornaments so that more than 10 percent of the upper surface of the upper is metal; shoes with mylar on the upper; and, finally, snow boots with textile cuffs.

Mr. BURKE. Does that complete your statement?

Mr. HEMMENDINGER. Yes, it does.

Mr. BURKE. Where were these shoes manufactured?

Mr. BEISPEL. These sandals here were manufactured in Taiwan, and these were manufactured in Japan. This is Japan, this is Japan, and this is Japan.

The CHAIRMAN. What stores in Washington sell those shoes?

Mr. BEISPEL. These are sold in F. W. Woolworth. These are sold by Murphy's, and I think most variety chains would have this type.

Mr. BURKE. What do they get in Taiwan for making the shoe?

Mr. BEISPEL. I believe it is in the neighborhood of 10 or 20 cents an hour.

Mr. BURKE. Does that permit them enough money to buy a bowl of rice over there in Taiwan?

How many hours does a youngster of the age of 10 of Taiwan work?

Mr. BEISPEL. I have never been to Taiwan, but I know they work long hours.

Mr. HEMMENDINGER. You can't raise the level of development of the economy of a foreign country by deciding to enact American-style minimum wages and hours, Mr. Burke. The greatest single engine for economic development probably that exists is the ability of these nations to produce for the developed markets of the world.

I have been seeing this, because I have worked on a lot of miscellaneous products from the Far East. As the Japanese economy becomes more high-cost, we see more and more of them shifting to other countries. This is absolutely inevitable, and it is the best way in which the United States can do something which for world peace and world harmony and in the long-run interest in the United States has to happen to get these countries developed. In the long run they will all have much higher levels than they do today. But we have to keep our own doors open, or we will just be erecting a fortress, and we will have to defend it.

Mr. BURKE. In other words, what we will have to do is contribute to these inhumane conditions of child labor——

Mr. HEMMENDINGER. The export industries tend to be the better industries in terms of labor in most of these countries.

Mr. BURKE. It kind of bothers my conscience a bit. It seems to me very cruel and harsh that we should be making money on the exploitation of little children who are working 10 hours a day for about 6 cents an hour. That would seem to bother me a little bit.

They talk about these grape pickers out in California, and they talk about their conditions. And here we are in this big wealthy country of ours making money, experiencing a great deal of greed on the part of people. And it does not seem to bother their conscience.

Maybe we have a whole new system around here. We establish a minimum-wage law in the United States. We raise the working standards, and we eliminated the fire traps and the sweat shops. And now we find that we have a group here in this country who are encouraging this overseas.

What I can't understand is what is the difference between exploiting child labor in the United States and over in, say, Taiwan, Korea, or Hong Kong, where is the difference in human values?

Mr. HEMMENDINGER. This is essentially a matter for the authorities in those coutries. We did not fix a minimum wage of $2 to begin with. We had minimum wages which were far lower. These countries have the right and duty to choose what type of social legislation will help improve their standards. But they have to start with something that is realistic in terms of their existing conditions.

The simple answer to your question, Mr. Burke, is that they would be poorer without this trade, and so would the people of the United States.

Mr. BURKE. How much poorer can they get if they are getting 6 cents an hour?

Mr. HEMMENDINGER. They can get nothing an hour.

Mr. BURKE. It seems to me it ought to bother somebody's conscience. Maybe I am old-fashioned or something. I am hoping and praying there might be some desire on the part of human beings to lift up the living conditions of these countries.

We seem to be continuing it and contributing to it. In my opinion, I would hate to find out that I was earning a livelihood as a result of this type of activity. I don't see how it does not bother people.

I can understand people making millions of dollars with their investments in Taiwan, Korea, and Hong Kong. I think it might bother them a little bit—not too much, but just a little bit.

Don't you think there is something this Government can do to encourage them to raise their standards over there where we are purchasing so much from them?

Mr. HEMMENDINGER. If they were to adopt the kinds of legislation which is suggested, they would simply go broke in no time through inflation.

Mr. BURKE. How would enactment of the textile-shoe bill force them to go broke? They would still have the same business they have.

Mr. HEMMENDINGER. It would impede the issue toward lower cost sources. This is the interest of all of the nations of the world, as well as the American consumer.

Mr. BURKE. We would increase our domestic market, and we would be buying more next year from them than we bought this year. And under the proposed textile-shoe bill, I don't see where anyone——

Mr. HEMMENDINGER. Indonesia would not get much of a quota.

Mr. BURKE. What does Indonesia import into the United States?

Mr. HEMMENDINGER. They sell very little, but some day they will.

Mr. BURKE. Are their labor standards lower than Hong Kong's and Taiwan's?

Mr. HEMMENDINGER. Very much lower.

Mr. BURKE. After Indonesia, where do they go?

Mr. HEMMENDINGER. Maybe Africa.

Mr. BURKE. In other words, this is going to be a continuing trend on the part of those who invest in this type of business for possibly the next 50 years, and during those next 50 years they will be establishing the fattest graveyards in the world, where youngsters wouldn't reach the age of 30, where they will die from malnutrition, tuberculosis, and all of the other dreaded diseases because of this type of standard of living.

Mr. HEMMENDINGER. On the contrary, it is helping to raise it.

Mr. BURKE. And we will be accelerating difficulties in these countries.

Mr. HEMMENDINGER. It is raising the standards.

Mr. BURKE. I cannot see how you can raise the standards when you have a child working for 6 cents an hour for 12 hours a day. Those are pretty low standards. I don't know how much lower you could get.

I would hope you people would come in with something——

Mr. HEMMENDINGER. Let me put a little different situation to test this moral issue, which I know sincerely bothers you.

Suppose an American enterprise or even AID, goes into Africa and helps establish a factory, producing goods for local consumption. How would you suggest they set the wage rate, the going rate of the country or by American standards?

Mr. BURKE. I don't say "by American standards." I have not asked for that. I have just said, raise the standard some. Even if they brought them up 50 percent to what our minimum wage was, I cannot understand for the life of me why people and some of our best organizations in this country shudder and shake when they see some conditions around this country but it does not bother them to see a 10-year-old child working 10 hours a day in a shoe factory or textile factory, or some other factory, and dying at the age of 24 or 25 from malnutrition.

I understand some of our people are concerned about the hunger in the world. Surely we can do more for these people than this type of exploitation. We are not helping them out in Korea and Taiwan when they exact that type of work out of them for those wages.

Mr. HEMMENDINGER. I am not familiar with their rates or whether they are 10 years old. I know when I started in this work a few years ago, the Japanese wages were less than half, maybe a third of what they are now. We have seen this economic development going on at a fantastic rate in Japan to where it will soon be out of the low end products, and this can happen in other countries, too.

Mr. BURKE. The conditions in Japan for your information, prior to World War II, culturally and almost in every other way, they were pretty well off, and they have not advanced that much.

I don't think you or anyone else can prove it.

Sure, they have had an increase in their industrial end of life, but their life over there wasn't too bad prior to World War II—maybe over-population—but their working conditions have not changed much. They have changed in areas where we send our technical help over there and our money, and everything else. And the working conditions are no better now in comparison with Taiwan, Hong Kong, and Korea than they were back prior to World War II. And I doubt that you or anyone else can prove otherwise.

Mr. HEMMENDINGER. I would be glad to submit some material on that. I think we can.

(The information referred to follows:)

In the course of my testimony on June 2 on behalf of the Footwear Group of the American Importers Association, I undertook to try to furnish information on the following subject:

Mr. Burke suggested that the conditions of the workers in Japan have not changed much since before World War II, and I said I would be glad to submit some material on that. I have now been able to obtain the following data from Japanese official statistics.

1. Per capita consumption in Japan in 1934–36 prices was as follows: 1935, 155.8 yen; 1946, 89.7 yen, and 1964, 313.1 yen.

2. Working hours per month (including overtime), 1939, 276.3 hours, and 1969, 190.0 hours.

3. Percentage of households possessing durable consumer goods:

Article	Prewar	February 1969
		Percent
TV	0	95.1
Refrigerator	0	90.1
Washer	0	89.8
Cleaner	0	70.3

4. Per capita nutrition intake:

	1946	1967
Calories	1,902	2,254
Protein (grams)	59.2	76.4

5. Death rate of newly born infants (per thousands):

	Persons
1955	39.8
1969	15.0

6. Death rate (per thousands):

1935	16.8
1967	6.8

7. Average longevity:

1935	46.9
1967	68.9

8. Percentage graduating from middle school (high school):

	Percent
1955	53.6
1969	80.7

While these figures relate to the population as a whole, they show that there has been a very considerable increase in the standard of living of working people in Japan since before World War II.

Mr. BURKE. I would hope somebody around here would come in with some testimony that will exercise some concern about human beings, about the unemployed in this country, and about these people in these other countries. And no one has so far. All they are talking about is the prices of these shoes. But they don't point out how those shoes are produced.

I hope that somebody's conscience is going to be shaken a little bit.

Are there any questions?

Mr. GREEN. You were speaking about Taiwan not so long ago. What percentage of the shoes that you point out made in Taiwan are sold in this country?

Mr. HEMMENDINGER. These particular products were designed for the American market.

Mr. GREEN. What percent of the shoes produced in Taiwan are sold in Taiwan? And what percent are sold in the United States?

Mr. HEMMENDINGER. I have no idea. I will be glad to get that for you.

Mr. GREEN. You don't have an inkling?

Mr. HEMMENDINGER. No, I have never been to Taiwan, and I don't know the conditions there.

(The information referred to follows:)

A question was raised by Mr. Green: What percent of the shoes produced in Taiwan are sold in Taiwan and what percent in the United States?

I have been in touch with the Embassy of the Republic of China for this information, but the data does not appear to be available.

Mr. BEISPEL. It is a different market. What is worn here may not be worn in Taiwan. And what is worn in Taiwan may not be worn here. Their needs and their desires are different.

Mr. BURKE. Our next witness is Mr. James Wishart.

STATEMENT OF ABE FEINGLASS, INTERNATIONAL VICE PRESIDENT, DIRECTOR, FUR AND LEATHER DEPARTMENT, AMALGAMATED MEAT CUTTERS & BUTCHER WORKMEN OF NORTH AMERICA, PRESENTED BY JAMES WISHART, RESEARCH DIRECTOR

Mr. WISHART. I am James Wishart, research director, for the Amalgamated Meat Cutters and Butcher Workmen of North America. I am here today because our vice president, Abe Feinglass, chairman of our Fur and Leather Department, was unable to be here to present his statement to the committee. His absence today should not be taken as any evidence of lack of concern with the problems now being considered by the committee. He is participating in an international conference called in Great Britain of representatives of shoe and leather workers from many nations. A major purpose of that conference is to develop programs of support and assistance to shoe and leather unions all over the world in their efforts to win decent wages and working conditions. I can assure you that the perspective of organized labor does not include the production of shoes anywhere by 10-year-old children. His statement reads as follows:

"My name is Abe Feinglass. I am vice president of the Amalgamated Meat Cutters and Butcher Workmen of North America, AFL–CIO, and head of its Fur and Leather Department. Our Fur and Leather Department represents approximately 30,000 workers employed in the tanning and finishing of leather, in the manufacture of leather products, and in the production of fur garments.

"Our members in these industries do not claim to be experts in foreign trade problems. Their knowledge of Euro-Dollars, of International Monetary Fund operations, or the impact of import levies established by the European economic community, or the export subsidy programs practiced by many nations is perhaps limited. In one area, however, the expertise of our members is beyond question: They have had experience—deep and bitter experience—of what recently emerging international economic relations have done to their paychecks and to their jobs. That impact may be described most briefly as disastrous.

"Had time been available we could have presented testimony here today from our members in two of the larger tanneries in the Nation—the John R. Evans goat skin tannery of Camden, N.J., and the Trostel cattle hide tannery of Milwaukee, Wis.

"As recently as 1966, the Evans Tannery sold more than $9 million worth of leather and provided employment to a total work force of 550 men and women, 470 of them covered by the union's collective bargaining agreement.

"In 1969, sales from this tannery amounted to $4 million and it gave employment to total of 160 workers. Only recently production was scheduled at 350 dozen goat skins a day as compared with a plant-wide capacity of 2,000 dozen. By August it is expected that this tannery will close and lock its doors.

"Officials of the Evans Co. point to two primary causes for this economic and social disaster. First, there has been the rising flood of shoe imports from abroad, which has sharply curtailed domestic demand for leather.

"In addition, the Evans Co. has suffered from an even sharper limitation on its supplies of raw materials from abroad. Many supplier nations have, for the welfare of their own domestic economies, imposed export quotas on the shipment of skins to tanners in the United States. It is the combination of these two pressures which has now eliminated this firm which for more than 100 years had been a leader in the leather tanning industry.

"It was only last year that the 500 workers in the Trostel Tannery of Milwaukee, Wis., suffered the same fate. That tannery, one of the Nation's largest producers of shoe leather from cattle hides, then came to a final closedown.

"These are by no means exceptional situations in the leather tanning industry. The total industry picture is one of declining production, and tragically rising unemployment.

"THE EMPLOYMENT LOSS

"In the years of 1957 to 1959, production worker employment in the leather tanning industry averaged 38,000 jobs. As of 1969, that job total had fallen to only a little more than 29,000. This is an employment drop of more than 23 percent in a 10-year period. While the overall index of industrial production as reported by the Federal Reserve Board was up 72.8 percent above a 1957–59 base, leather output was down 18.7 percent. Output of shoes and slippers from American footwear plants at the same time was 97.9 percent of the base years' output.

"It is significant that the dollar volume of shoe store sales over this same span of time had increased by approximately 65 percent. There can be only one explanation for this massive discrepancy between mounting consumer demand for shoes and sharply declining employment for workers whose livelihood depends on the production of raw material for shoes. There has been a massive export of leather and shoe industry jobs.

"Our own estimates, as worked out in the tables attached to this statement, indicate that in the years 1957–59, a total of 42,760 workers were employed in this country and abroad in the production of leather sold in the form of shoes to the American public. Out of this world total of workers, 38,000 were employed in the United States and 2,760 in tanneries located elsewhere over the face of the earth. As of last year, 1969, we estimate that 36,930 workers in this country and abroad were employed in the production of such leathers. But the number employed in U.S. tanneries had dwindled to 29,100, while the number employed abroad had risen to 7,830. This means a net export of more than 5,000 jobs in these few years. Out of that total we estimate that 3,350 jobs were lost because of the steep rise of shoe imports manufactured from leather produced abroad. The remaining 1,720 lost jobs for this country's tannery workers resulted from the rise in direct leather imports themselves.

"In 1957–59, U.S. imports of leather had been $37,400,000 or 4.7 percent of domestic production. Last year's leather imports were valued at $90,513,000 or 12.4 percent of U.S. leather shipments.

"Our own estimates of job losses through vastly expanding shoe imports are more conservative than those of the industry itself. For purposes of our own calculations affecting the leather industry we have excluded the millions of pairs of rubber, vinyl and fiber type shoes as reported in the tariff statistics of the U.S. Department of Commerce. On this basis shoe imports over the past decade rose from an annual 18.9 million pairs in 1957–59 to 105.3 million in 1969. This is a 457-percent increase in shoe import volume, representing an export of 33,520 jobs which would otherwise have been available for men and women who are now numbered among this country's more than 3 million unemployed. If the impact of other types of leather product imports be included, it can be calculated that at the very least, jobs of 40,000 American workers in the leather industry have been sacrificed through the operation of this country's current foreign trade policies.

"Our estimates here, may it be again emphasized, are made on a minimum basis. We have assumed, for example, that a dollar's worth of imported leather embodies the same amount of worktime as does a dollar's worth of leather produced in U.S. tanneries. Our limitation of calculations to imported leather shoes ignores the fact that millions of vinyl shoes produced in Japan, Taiwan, or Korea do serve as substitutes for leather shoes. Inclusion of such millions of pairs and their impact on employment potentials for American workers would suggest in the neighborhood of 70,000 jobs lost to imports in the industry rather than 40,000.

"Data for imports over the first 4 months of 1970, show strongly that the rising trend of imports is continuing at a steeper rate. Our conclusion from these figures is unhesitating: The shoe and leather industries face dangers and problems at a level endangering their very survival as a viable sector of the Nation's economy.

"WORKER'S QUESTIONS

"I have spoken directly to workers victimized by this situation. Shall I tell them that their consignment to joblessness and poverty is for the general good—that it represents a shift of production to a point of maximum global efficiency? Can I, in the face of rising national unemployment, argue that the loss of a job now is but the first step toward the attainment of a better job in most sophisticated sectors of American industry? Can I rationalize all of this as a measure necessary to provide the dollars abroad which will go to the purchase of our own country's exports, maximizing the sum-total of employment opportunities for all American workers?

"Such answers are obviously impossible. Not only would they elicit an unprintable response from tannery workers, but they have no foundation whatsoever in reality.

"There is much attractiveness to the theoretical model, projected by economists ranging back to Adam Smith himself, of trade and production moving freely over the face of the earth to the point where it may be achieved at a level of maximum efficiency, with minimum inputs of labor and capital resources. Such glittering and ideal models do in fact spurn the realities of the world economy in the 1970's.

"I have visited most countries of Europe. I am familiar with the general conditions under which trade and production go forward in Japan, Formosa, and Korea. Nowhere in any of these countries have I encountered anything which can be related remotely to the free-trade models of our economic textbooks. Everywhere there are combinations of managed economies, export subsidies, import quotas, special levies and tight restrictions on the export of essential raw materials.

"If the laws of economics exist and operate, if the forces of demand supply anywhere have free play. I have been unable anywhere to detect such phenomenon. It is my conclusion, on the contrary, that the whole flow of international trade is subject not to the control of impersonal and presumably benign market forces but to the decisions of those who have political and economic power.

"THE FUTURE OF U.S. INDUSTRY

"I submit that an effort to apply to our own foreign trade problems now the classical doctrines of free trade could under the circumstances of the real world be no more than a decision for the abandonment in this country of long-range hope for employment in the production of labor intensive commodities. A decision for free trade and the continuance of the status quo for such industries as the shoe and leather industry, will in the long run mean the elimination of such industries in this country.

"In this connection may I quote a recent statement by Arthur K. Watson, then chairman of the board, IBM World Trade Corp. and vice chairman, International Business Machines (IBM) and now our

Ambassador to France. On December 2 of last year, Mr. Watson told the Joint Economic Committee of the Congress of the United States:

"The issue, for American policy, then is whether or not we are making a desirable trade and, when you look into it, you will find that we are. Broadly, our exports are expanding in high technology industries, and those industries are also our high wage, high profit industries. Conversely, the great surge in imports has tended to be in the older, lower wage and lower technology industries. I believe this is a health exchange."

"Thus for Mr. Watson and for many others who like him speak for heavy industry in the United States, there is progress to be seen in the destruction of such industries as the shoe and leather industry. Their loss becomes his gain and all is rationalized under the head of providing employment opportunity for an increasingly educated labor force.

"I am not sure that this argument is credible even from the point of view of workers dependent on employment prospects in the domestic manufacture of computers, automobiles, aircraft, and varigated chemical products. I am aware of the fact that Mr. Watson's own company is a multinational corporation. The leading exporter of computers from France is IBM, as the leading exporter of automobiles from Great Britain is the Ford Motor Co. At any rate I feel legitimate suspicion of such proclamations of higher wage levels to the American labor force as a basic goal of multinational corporations.

"I suspect, however, that the real issue can be found elsewhere. Should our foreign trade policy be aimed to the gradual or the rapid elimination in this country of all industry which is dependent upon heavy inputs of relatively unskilled labor? Should we become specialists in supplying the world with sophisticated heavy goods while we surrender to other nations responsibility for the production and the basic commodities traditionally needed for the welfare of our people? Such a prospect is not very appealing. It is one which purports to create America as one vastly affluent world suburb while the rest of humanity is assigned more primitive tasks.

"I doubt very much whether this prospect if deserved could be achieved. I question whether the nations of the world will be content with roles as hewers of wood and drawers of water while this country specializes exclusively in an output of scientifically sophisticated products. Such an outlook I am sure would find little sympathy in London, Paris, Tokyo, or Bonn.

"SOCIAL CONSEQUENCES AND COSTS

"Both in social and economic terms the costs of allowing industry like shoe and leather to erode away could be grave.

"Their shrinkage is by its very nature also shrinkage in job opportunity for groups in our society for whom have been deprived of an advanced education by reason of poverty or status. Every job lost from these industries is a worker or a worker and a family added to the apparently irreducible minimum of national unemployment. This adds costs for the maintenance of increasing numbers of unemployed to the nations total expenditures.

"We feel that national policy should create job opportunity for all who are willing to work. This should include the millions in our land who have been deprived of an opportunity to acquire skills needed for the more demanding types of industry employment.

"Jobs in U.S. industry should not and need not be at the expense of workers in other lands. If any realistic move were made to raise standards of living by equitable distributions of income flows everywhere, the demand for shoes on a world scale would be substantially greater than the world's present productive capacity. In many of the countries now exporting shoes to these shores millions of people have never owned a pair of shoes.

"Any concept that rising shoe imports have held back increases in prices paid for footwear is a total illusion.

"During the years in which foreign shoes have been flooding into domestic markets, shoe prices have been rising at an alarming pace.

"Since 1964 the price of footwear as reported by the Consumer Price Index has increased by exactly 33 percent. This is the March figure at an index level of 146.3 of the 1957–59 base.

"Except for medical care and public transportation the rise in shoe prices has been the sharpest shown by any component of the CPI.

"If shoes have been produced abroad at cost below those prevailing in the United States, the advantages wrung from underpaid workers have not flowed to American consumers. There is reason to suspect that retail shoe price levels may have been administered by and for those major producers and importers of shoes who have also control over hundreds of retail shoe outlets.

"CONCLUSION

"On behalf of my Union which includes 500,000 workers in the meat, food, fur, and leather industries, I declare full support to your chairman's proposals for establishment of import quotas on shoes and textiles. Though this may fall short of any full solution of the problem, it does recognize the realities and moves in a positive direction.

"In addition, I should like to add my vigorous support to proposals made to you by Andrew Biemiller of AFL–CIO for the repeal of items 807 and 806.30 of the Tariff Schedules. These provisions as our members from the Los Angeles area can testify have been totally perverted by employers. They have been exploited as wide open escape hatches from provisions of the wage-hour law."

(The following attachements to Mr. Feinglass' statement were received by the committee:)

TABLE I.—SHOE PRODUCTION, IMPORTS AND EMPLOYMENT

Year	U.S. production (million pairs)	Imports[1] (million pairs)	Employment
1969	581	105.3	226,800
1968	646	91.4	236,500
1967	603	66.4	231,600
1966	646	50.9	241,500
1965	629	40.9	234,500
1964	613	37.8	230,500
1957–59 average	607	18.9	242,900

[1] Excluding rubber, vinyl, and fiber type shoes.

Sources: U.S. production and imports, U.S. Department of Commerce, Employment, BLS series for all employees.

TABLE II.—JOBS LOST TO IMPORTS

	Percent imports to U.S. shoe production	Total job loss to imports
1969	18.1	41,050
1968	14.1	33,350
1967	11.0	25,480
1966	7.9	19,080
1965	6.5	15,240
1964	6.2	14,290
1957–59	3.1	7,530

Note for future: Imports of shoes taken from U.S. Imports, FT 210 Annual, Census Bureau of Commerce Department (except 1969, which is taken from FT 135, see attached product categories in total).

TABLE III.—LEATHER PRODUCTION AND IMPORTS

	U.S. shipments (thousands)	U.S. imports (thousands)	Percent imports to shipments
1969	[1] $731,215	$90,513	12.4
1968	762,055	84,052	11.0
1967	729,600	70,394	9.6
1966	799,340	77,122	9.6
1965	725,720	66,285	9.1
1964	658,240	52,664	8.0
1957–59 average	[1] 789,154	37,413	4.7

[1] Dollar volume of shipments of 1968 and 1969 estimated on basis of Federal Reserve Board index of leather production adjusted by BLS wholesale price index for leather.

TABLE IV.—LEATHER INDUSTRY EMPLOYMENT AND JOBS LOST THROUGH LEATHER AND SHOE IMPORTS

	All leather tanning employees	Jobs lost to leather imports	Jobs lost to shoe imports [1]	Total
1969	29,100	3,510	4,320	7,830
1968	31,000	3,410	3,580	6,990
1967	30,400	2,920	2,740	5,660
1966	31,600	3,030	2,050	5,080
1965	31,600	2,880	1,680	4,560
1964	31,400	2,510	1,600	4,110
1957–59 average	38,000	1,790	970	2,760

[1] Based on Tanners Council estimate that 82 percent of leather is used for shoes.

Note for future: U.S. shipments taken from annual survey of manufacturing and census of manufacturers, import shipments taken from FT 210 (except 1969 which is taken from FT 135, see attached product categories in total).

Mr. GREEN. Does that conclude your testimony?

Mr. WISHART. Yes, sir.

Mr. GREEN. I want to take this opportunity to thank you on behalf of myself and the committee. Your statement has proved helpful to me, and, I am sure, will prove helpful to the committee.

We regret Mr. Feinglass could not be here, but thank you for making such a fine contribution.

Mr. BETTS. Were you present when the last witness had shoes on the table there and compared prices?

Mr. WISHART. Yes, sir.

Mr. BETTS. Do you have any idea how those shoes compared in quality?

Mr. WISHART. The foreign imports were of inferior quality.

Mr. BETTS. I meant to ask Mr. Hemmendinger, to see what he would say. You are a researcher, are you not?

Mr. WISHART. I have not done any research comparing the quality of those shoes with American produced shoes.

I will say this, however, that any shoe made of vinyl, as such, lacks the breathing properties which are essential to health and comfort in wearing shoes. There is no possibility of avoiding problems when such materials are used.

Mr. BETTS. But you are saying tht the shoes he had there are inferior to the ones in quality compared to American prices, and that means they will not wear as long?

Mr. WISHART. They will not wear as long in my opinion.

Point number two, they will not fit as well. I am aware of the problem suggested by the good Congresswoman from Michigan here this morning, they will not fit as well, and they will create problems in terms of foot comfort and foot health.

Mr. GREEN. Thank you very much, Mr. Wishart.

Mr. GREEN. Mr. Peter Bommarito.

STATEMENT OF JOHN CAMPBELL, ASSISTANT GENERAL COUNSEL, UNITED RUBBER, CORK, LINOLEUM & PLASTIC WORKERS OF AMERICA

Mr. CAMPBELL. My name is John Campbell. I am assistant general counsel for the United Rubber Workers. Our international president Mr. Bommarito is in Milwaukee today attempting to negotiate a contract to assist in getting some rubber workers back to work. We are presently out on strike. He asked me to make this presentation for him this afternoon.

We are honored to have been afforded this opportunity to present to you our views and comments on the subject of foreign trade. We appeared before the Ways and Means Committee on June 26, 1968, and voiced our approval of the recommendations for valuation changes as proposed in H.R. 17551. At that time, we were willing to accept the elimination of the American selling price method of valuation of TSUSA 700.60 articles in favor of an ad valorem conversion rate, provided that certain amendments were made and accepted. First we requested that a reasonable extension of time be granted before the conversion rates were to become effective and, secondly, we proposed that there be established a substantial minimum rate on footwear imports. Basically, our views have not changed since that last presentation, however, several events have subsequently occurred which compel us to ask this committee to amend section 401(b) of H.R. 14870.

POSITION TAKEN BY IMPORTERS AND THEIR REPRESENTATIVE

Before submitting to you those recommended changes or describing the occurrences mentioned I am compelled to refer to a portion of a statement which was made during the 1968 hearings by one of the importer's representatives. Irvin W. Allerhand, then vice president of the Consolidated International Trade Corp. of New York, submitted to the committee his formal written statement. This document was published in the volume entitled "Hearings Before the Committee on Ways and Means, House of Representatives, 90th Congress, Second Session, on Tariff and Trade Proposals" part 9, page 4187.

The following quotation from that article characterized the general feelings of all of the foreign import corporations, their subsidiaries, companies and representatives:

DOMESTIC PRODUCERS' ARGUMENTS FALLACIOUS

In their testimony before this Committee last week, spokesman for the U.S. Rubber Manufacturers Association and the Rubber Workers' Union voiced bleak appraisals of the economic well-being of their industry. Both the past record and the present condition contradict their grim assertions. As a whole, the record shows that the domestic producers have enjoyed consistent and spectacular growth in their sales of rubber footwear since the time that the imports, through style and design innovations, sparked the explosive growth of the rubber footwear market from a mere 55 million pairs a year in the mid-50s to over 200 million pairs today. We wish to stress that in the past six years the U.S. importers' share of this expanding market has dropped at least 100 percent from 26 percent to 13 percent. It bears repeating that the rubber footwear industry which has enjoyed this extraordinary level of duty protection has expanded its market tremendously and yet seeks even higher duties, while the leather footwear market, which has been stable, has seen much of its competition receive tariff reductions.

Examining briefly the condition of individual U.S. producers gives the lie to their claim of hard times. Enclosed is a copy of an Endicott-Johnson ad announcing their plans to double production of "its best-selling sneakers" because at their existing sneaker plant at Johnson City they have "been working 24 hours a day, six days a week, and we still can't give the service to today's market demands." Endicott-Johnson's early July report for the first six months of this year show a 19.8 percent increase in earning from operations. Footwear News, July 14, 1968.

Regarding the highly successful and the most diversified company in the industry, B. F. Goodrich, a recent report predicts strong earnings prospects for 1968. This study was prepared by the respected securities company, H. Hentz, long known to have a sophisticated corporate analysis department. Hentz notes that Goodrich realizes a major portion of its earnings from footwear. Specifically, the analysis note "Goodrich industrial products and footwear are expected to show continued growth. All told, overall profits of these three divisions, industrial activities, footwear, and foreign operations, seem likely to register a somewhat larger increase in 1968 than the 5 percent improvement expected in 1967."

"Samplings of reports on other American footwear producers by financial analysts are most revealing.

Randolph Manufacturing Company, Randolph, Massachusetts: "Sales have shown steady expansion from year to year, rising from about 12 million in 1962 to well over 25 million in fiscal 1966. Operations have been profitable. With increasing sales, it has been necessary to expand facilities * * *."

Servus Rubber Company, Inc., Rock Island, Illinois: "Over the years sales have generally trended upwards * * *."

Uniroyal, Inc., Naugatuck, Connecticut: "This Company holds a prominent position in its industry. Operations over the years have ben profitable."

LaCrosse Rubber Mills, Inc., LaCrosse, Wisconsin: "* * * Operations have been consistently successful and well financed. The increased popularity of tennis and basketball shoes for general wear has stimulated the business."

Cambridge Rubber Company, Cambridge, Massachusetts: "This company has operated successfully over a period of years. * * * It has been indicated that the company has increased its volume steadily with operations currently consistently profitable."

Mr. Allerhand continued his remarks by citing recent duty changes and the Treasury Department's newly adopted philosophy of assessing ASP rates not to the highest price shoe on the market but by using the price of an article which is closest in price to the imported shoe as the criteria for assessment.

He then concluded his remarks by citing competing low wages, automation, do nothing corporations, and a lack of the once great American salesmanship as the real opponents of the rubber soled industry, i.e.:

Complaints by rubber workers' union officials about declining employment attributable to imports cannot be reconciled with the following facts. In the last few years many of the American producers have established facilities in Puerto Rico. Not only such firms as Converse Rubber but even the giants of the industry, B. F. Goodrich and Uniroyal, have been lured to Puerto Rico by the abundance of low-cost labor. . . . If employment, as claimed, has dropped in New England, it must be attributable to the shifts to Puerto Rico and the U.S. South, as well as the increasing automation discussed earlier in this statement. . . . Declining employment and labor shortage can only mean that machines have replaced people and also that there is a growing resistance to employment under the difficult and trying conditions of rubber plants. . . . Perhaps the most shallow complaint of all is the domestics' claim that they have lost their export market to the Japanese, Koreans, etc. When one asks what they have done to keep and expand foreign markets, the suspicion arises that the answer is nothing. . . . Combine price advantage with the great American salesmanship and one would expect booming foreign sales if any effort was forthcoming. The effort must be lacking. . . .

CONTRIBUTORY FACTORS CAUSING UNEMPLOYMENT

I submit to you as being true that there are a great many people abroad producing footwear; that those people are being paid near starvation wages while their employers reap huge profits; that U.S. conglomerates and corporations are establishing foreign subsidiaries and are investing billions of American dollars in these subsidiaries and other related foreign industries, then importing the cheaply produced goods back to the United States in ever increasing quantities. Ironically this is being done in direct competition with their own domestically produced products.

I further submit that it is because of these factors that those bleak appraisals and grim assertions, that were made in 1968, accurately predicted the truth—not lies—of the hard times to come. Every indication now points to even worse times for the future of the footwear industry. Let me further illustrate to you the effect increased foreign imports are presently having on our economy.

INCREASED IMPORTS ADVERSELY AFFECT INDUSTRIES

Commencing in June of 1968, and first of all, B. F. Goodrich Co. closed its footwear plant in Watertown, Mass., with a loss of over 5,000 workers; then UniRoyal, Inc., Mishawaka, Ind., ceased production of all protective and sports footwear July 3, 1969, with a resultant loss of more than 1,500 personnel. Following the trend, Servus Rubber Co., Rock Island, Ill., which formerly employed over 1,200 workers and now employs 480 workers, completely phased out its production of canvas footwear; and only 2 months ago UniRoyal's Woonsocket, R.I., footwear plant forever closed its doors to over 1,000 former loyal employees. The parent UniRoyal Corp. has also threatened that in the very near future it will cease all production at its Naugatuck, Conn. footwear plant. Naugatuck presently employs over

5,000 people, and was described as holding a prominent position in its industry.

The United Rubber Workers Union had approximately 12,400 union affiliated employees engaged in the production of leisure and protective footwear in 1965. We now have less than 7,000 active members. This represents a loss of approximately 45 percent of our workers. Similar reductions in personnel have been reported by nonunion affiliated factories currently producing footwear. Despite this tremendous loss of employment and the continued threat of more losses it is our firm opinion that we can still compete with foreign imports, if given a chance, but if the administration continues to grant liberal trade concessions to foreign importers then the end of the footwear industry in the United States is imminent.

INCREASED IMPORTS ADVERSELY AFFECT ENTIRE COMMUNITIES

I want to make one further point clear which may not be immediately apparent to the committee, in many of the communities in which the footwear plants are located the plant is one of the key employers if not the key employer in that area. Entire families are employed and have been a part of the company for several generations. Young people usually commence their employment in their late teens while summer jobs are generally available for vacationing college students. When this source of family income and employment declines the entire community and its economy are adversely affected.

I feel that too many of our long-established communities and their fine citizens have already suffered too much economically as a result of the recently enacted tariff reductions and trade agreement concessions. Positive steps should be taken now to restore some semblance of equity and justice. I am deeply concerned about the plight of all of our people, especially the working force that has so long been the heart and backbone of this great Nation. We did not participate in international conflicts to return to our homes and families to see our jobs being given away through legislative enactment to those very same countries which at one time sought our demise. Some might term this as flag waving or as the tired tear-jerking sympathetic approach, others might even snicker at my old-fashioned belief in the American way of life, nevertheless, I love my country, my fellow Americans, and my union. I don't want to see our people become the sacrificial lambs on the altar of foreign trade.

U.S. TARIFF COMMISSION REPORTS INCREASED IMPORTS AS MAJOR FACTOR IN UNEMPLOYMENT

What then is the real major factor causing unemployment, underemployment and threats of unemployment or underemployment in the industry? The United Rubber Workers International filed a petition in January 1970 on behalf of the production workers employed at the UniRoyal Woonsocket, R.I., plant. We alleged therein that foreign imports had increased as a result, in major part, of concessions granted under trade agreements to such an extent that they are the major factor causing or threatening to cause unemployment or underemployment. We requested that the Commission conduct an investigation and make its findings known to the President. We asked for relief for those who were unemployed as a result of this plant closing. The U.S. Tariff Commission in its report to the President on Investigation Nos. TEA-W-13 and TEA-W-14 (1970) in compliance with section 301(c) (2) of the Trade Expansion Act of 1962 as it pertained to the workers at Woonsocket concluded:

On the basis of its investigation, the Commission finds (Chairman Sutton and Commissioner Newsom dissenting) that articles like our directly competitive with the plastic- or rubber-soled footwear with fabric uppers produced by Uniroyal, Inc., at its plant in Woonsocket, Rhode Island, are, as a result in major part of concessions granted under trade agreements, being imported into the United States in such increased quantities as to cause unemployment or underemployment of a significant number of proportion of the workers of such plant.

And granted relief.

Similar petitions have been recently filed by the United Rubber Workers International with the Tariff Commission on behalf of the employees at UniRoyal, Mishawaka, Ind., and Servus Rubber Company, Rock Island, Ill., again requesting Government assistance for their former employees.

If we have faith in our Government and the U.S. Tariff Commission then there can be no doubt that it was increased imports as a result of tariff concessions more than any other factor, be it low wages, automation or do-nothing corporations, that caused the unemployment in the footwear industry. The handwriting was clearly on the wall in 1967 and 1968 but the warnings were not heeded nor was any relief granted in any manner.

POSITION OF THE URW ON PROPOSED TRADE ACT OF 1969

We agree that valuation on the basis of the American selling price leads to anomalies and because of its very nature it cannot be uniform. In accordance with the Tariff Commission's Report on Investigation 332-47 we can accept and do accede to a converted rate of assessment where no reduction of the present rate on imports is envisaged. We ask that amendments to H.R. 14870 be initiated and accepted to reflect and encompass our position and recommendations.

We further request that the effective date of any adopted converted rates be extended for a period of not less than 3 years from the date of passage in order that the President and Congress gain more concrete knowledge as to the cost of labor production in the foreign industries as compared to the cost of labor and production in the American industries.

POSITION OF THE URW ON 203(b) OF H.R. 16920

We are also opposed to Section 203(b) of H.R. 16920 as presently offered. We have no quarrel with the fact that leather footwear industries and employees need legislative assistance. We only ask that you do not pass legislation to assist one industry and then grant to the President the authority to use reciprocal concessions to the detriment of another like and competitive industry which is equally affected by increased imports.

The limitation on compensating cuts would affect rubber footwear since the articles were not involved in the cuts of the Kennedy rounds.

The footwear industry as a whole cannot, as pointed out hereinbefore, withstand a continuation of trade concessions granting liberal tariff reductions. It would be our further recommendation that a moratorium be placed on all phases of the Kennedy round as pertaining to footwear and that no further reductions be allowed pending the rejection or adoption of legislation presently before this committee.

GENERAL POSITION OF THE URW ON FOREIGN TRADE AND REGULATIONS

Referring generally to the myriad pieces of legislation on foreign trade not only in this committee but in other committees as well, we feel that there is a need for the United States to move ahead for an orderly expansion of world trade. Recognizing that trade is a two-way street we must assume the initiative in establishing sound policies to improve our posture. We must develop realistic trade, investment and monetary policies to deal with foreign investments and operations of U.S. firms, multinational companies and international banks.

In line with those policies we are requesting Government assistance in the adoption of our four-point program:

1. To stop helping and subsidizing U.S. companies in setting up and operating foreign subsidiaries through tariff regulations, like section 807 of the Tariff Code, and tax laws, such as deferral of U.S. taxes on subsidiaries.

2. To supervise and curb the outflow of American foreign investments of American companies—to strengthen the present mild restrictions of the outflow of private capital.

3. To regulate and control the operations of U.S. based multinational companies.

4. As at least a stopgap in the face of unresolved problems, to regulate the flow of imports into the United States of a variety of different goods and product lines, in which a sharp rise of imports is displacing substantial percentages of U.S. production and jobs.

Congressman Betts asked a question about Woonsocket and whether or not they were receiving benefits. It is my understanding from the Department of Labor that the Woonsocket employees are getting their first pay checks today so that should answer that question.

I want to further advise the committee that the Woonsocket petition filed by the United Rubber Workers was the first in that particular field to be accepted and approved by the Commission.

As I understand, only yesterday we received notification that several leather footwear petitions were rejected. There are currently pending before the Tariff Commission three other petitions; two involving footwear, and one that involves bicycle tires and tubes.

In answer to Congressman Burke as to how far we are going to go with this amount of quota, when he asked some of the people who testified here as to whether or not the quota would get any higher, that as an example under the Kennedy round the bicycle tires moved from 17 percent of consumption of goods bought in the United States to the point where they now enjoy 55 percent of the market of bicycle tires and tubes which are now being purchased by American consumers.

Outside of that, Mr. Chairman, I have no further remarks.

I realize the hour is quite late and I know you are as tired as we are, and wanted to terminate the hearings today. Thank you for your consideration. If there are any questions I would be more than happy to try and answer them.

Mr. Green. Thank you.

Mr. Green. Mr. Abraham Weiss is our next witness.

STATEMENT OF ABRAHAM WEISS, LEGISLATIVE REPRESENTATIVE, INTERNATIONAL LEATHER GOODS, PLASTICS, & NOVELTIES WORKERS UNION; ACCOMPANIED BY SAMUEL HARRIS COHEN, COUNSEL FOR NEW YORK LOCAL 1; EDWARD LEVY, EXECUTIVE DIRECTOR, AND STEVEN J. WEISS, COUNSEL, NATIONAL HANDBAG ASSOCIATION; JACK CITRONBAUM, EXECUTIVE VICE PRESIDENT, LUGGAGE AND LEATHER GOODS MANUFACTURERS OF AMERICA

Mr. Abraham Weiss. My name is Abraham Weiss. I am the legislative representative of the International Leather Goods, Plastics, and Novelties Workers Union, AFL–CIO. To my left I have Samuel Harris Cohen, who is counsel for New York Local 1. On my right I have Mr. Ed Levy, the executive director of the National Handbag Association, and Steven Weiss, who is the counsel for the association.

Mr. Citronbaum, the executive director of the Luggage and Leather Manufacturers Association has a statement which we would like to present.

This statement is presented by our international union pursuant to a press release issued on or about April 17, 1970, P.R. 20, by Wilbur D. Mills, Chairman, Committee on Ways and Means, U.S. House of Representatives.

That release announced that the committee would shortly hold public hearings on the subject of foreign trade, with particular emphasis on the President's foreign trade proposals, and including all other trade proposals pending before the committee, such as H.R. 16920, as well as proposals to stimulate exports.

We are presenting this brief because our International Union represents tens of thousands of American workers whose livelihood and jobs depend, directly or indirectly and to a greater or lesser degree, upon affirmative amelioration of the impact created by the flood of imports from abroad.

I. BACKGROUND AND INTRODUCTION

This hearing is being conducted against a general backdrop of a deterioration of the American position in world trade—a deterioration which has affected not only members of our union but also every sector of our society.

This deterioration has been accelerated in the period since the United States signed the GATT agreement in June, 1967, and during the 2 years, 1968–69, we have witnessed, for the first time since 1894, a situation in which the United States actually buys more from foreign nations than it has sold.

The worsening position of the United States, measured by contrast between the leveling off of American exports and the 300 percent increase on the imports of manufactured goods from 1960 to 1968, has been and can be properly attributed to the following major economic development during the past decade:

(1) The spread of managed national economics, together with the emergence of trading blocs such as the European Common Market, with coterminous direct and indirect Government barriers to imports and aids to exports as part of an overall pattern of protectionism.

(2) The internationalization of technology, coupled with the skyrocketing rise of foreign investment by U.S. firms and the corresponding rapid spread of multinational corporations which can manipulate the location of operations (depending upon labor costs, taxes, and foreign exchange rates) as well as juggle exports, imports, prices, and dividends from one country to another within the corporate structure—considerations which tend to reduce or eliminate the former U.S. productivity lead in many industries.

3—The continuing, and in many instances the ever-increasing disparity between the wages and standards of American workers and those overseas has become an even more pronounced prod during the 1960's for the surge of imports in all sectors of the American economy, particularly in such relatively labor-intensive products as are worked upon by employees in the jurisdiction of our international union as well as shoes, textiles, clothing, steel, autos, ceramic tile, radios, and TV.

The cumulative impact of these trends is that imports are becoming, more and more, a major factor in the American market. At the start of the sixties, only about one-third of imports from abroad were competitive with American-made products. By the end of the decade, approximately three-forths were in that competitive posture. In other words, we are confronted with the reality that imports are cutting an ever wider swathe in America, and that the trend is most definitely upward.

As a consequence, as was underscored by Secretary of Labor Schultze, in 1968 it would have taken nearly 2.5 million jobs to produce the equivalent value of the nearly 75 percent of imports into the United States that were competitive with U.S.-made products—and this three-quarters percentile figure, in turn, was a marked increase over the one-third percentile figure existing at the beginning of the decade of the 1960's. By the projection of these figures, it is estimated that in 1969 nearly 3 million Americans were unemployed as a consequence of the impact of imports.

The loss of such job opportunities has occurred at a time when unemployment is mounting. Indeed, the percentage of unemployed rose in April 1970, to 4.8—the highest such point in 5 years, and the trend has been up during the past year. Such job erosion has severe economic and social consequences. From an economic standpoint, there is most urgently needed both unskilled and semi-skilled production jobs for the American labor force, growing at an estimated 1,500,000 each year. Such acuteness of need is especially accentuated for members of minority groups who are seeking to enter the mainstream of the American economy. Failure to do that can contribute only to mounting frustration and discontent which can only militate against the construction solution of the problems of American society.

The impact of escalating imports is most harsh on affected businesses, workers, and communities. The latter, for example, see an erosion of employment and of their tax base at a time when finances are crucially needed to maintain and elevate services in such crucial areas as safety, education, and housing. The mortality and bankruptcy of business firms which are vulnerable to competition from imports exact a fierce toll not only upon employers, but also workers, as well as trade unions which represent these workers.

It is a fact of economic life that those industries where the impact of imports has been greatest are also those in which (a) labor costs constitute a significant part of the total costs, and as a consequence are usually most susceptible to wage-cost competition, and (b) a considerable part of the employment tends to be lesser skilled and lower paid, at least within the total context of the American economy, with large concentrations of older workers, women, and minority groups.

The juxtaposition of these two facts tend to place labor organizations, and certainly our own international union, in a collective bargaining bind. On the one hand, the members of our organization are pressing, understandably, for wage increases and other adjustments, if only to meet the soaring escalation in living costs. On the other hand, the contractual implementation of these demands may result in placing employers in an even more difficult economic posture, and may even literally price the company out of the market.

The jobs of our members, and the standards and conditions built up over the years, are thus sacrificed upon the altar of a trade policy which has become, regardless of intent, the scaffold on which is executed the hopes and aspirations of American policy.

As President Nixon put it so eloquently in his State of the Union message last January:

> People do not live at the summit. They live in the foothills of everyday experience, and it is time for all of us to concern ourselves with the way real people live in real life.

It is out of such concern that we must view the proposals, as set forth by President Nixon and in such bills as H.R. 16920, to liberalize adjustment assistance for firms and workers. Such a step is most desirable and appropriate, for the experience of the Trade Expansion Act of 1962 in this regard has left much to be desired. In fact, the U.S. Tariff Commission generally took a jaundiced view of applications for such adjustment assistance, and it was not until last year that affirmative action on that score was taken, albeit in only a limited sense. Anything that would ameliorate the conditions of both employers and employees who have been adversely affected by the flood of imports would therefore be a consequential improvement upon past practice.

But one should not be too sanguine, we submit, about liberalizing the guidelines for adjustment assistance. Those who look to retraining of workers as a solution to the problems created by imports must face up to the reality, for example, that shutdowns of plants and/or departments usually result in the loss of workers of seniority and seniority-related benefits.

Unless the worker involved would transfer within his own union—a situation which would be desirable but not always feasible—he could be deprived of many benefits, including retirement benefits, which are always linked to length of service, and in many instances to length of service in either a particular plant or a particular sector of an industry. Unless legislation is promulgated with respect to portability of benefits, this worker would forfeit such benefits—and nothing in the law as it now stands or as it would be amended would alter this situation.

Another consideration is that there is a marked limitation upon retraining. For example, an unskilled worker in a factory would hardly be a fit candidate for employment as a computer expert. Loss of a job means that special work skills, developed and refined in a specific plant or industry, cannot be readily and automatically applied elsewhere.

Even the assumption of an effective program of retraining does not carry with it a guarantee that there would be a job available for the worker in a new plant or industry in the locality in which he has lived.

Accordingly, one consequence of job loss that is tempered by a program of retraining is that workers and their families may be required to move from one community to another. Even if the expenses of such a move were to be absorbed by the program of retraining and other adjustment assistance, nothing can be done about the loss of friends, schools, church, and social relationships that have developed over many years.

In the impact of imports, there is a social as well as an economic factor that cannot be ignored. Or it can be ignored only at the pain of frustration and resentment, the kind of psychological qualities hardly attuned to the process of readjustment.

II. THE ECONOMIC ANATOMY OF THE LEATHER GOODS INDUSTRIES

These general considerations to which we have addressed ourselves must be projected against the backdrop of the specific economic elements of the industries which constitute the major jurisdiction of our international union—handbags, luggage, and personal leather goods.

Typically, the leather goods plant is small. A profile of these industries in 1969, compiled by the U.S. Department of Commerce, demonstrated that there were 310 luggage plants (as compared to 379 such plants in 1963), which employed 21,000 workers; 472 handbag plants (as compared to 1963, when there were 545 such plants), employing 23,000 workers; and 280 small leather goods plants, which had a roster of 15,000 workers. The median employment was thus 55 workers in each plant. While there are variations, of course, the inexorable fact emerging from these statistics is that the typical leather goods plant is small scale.

Save for the luggage industry, which has witnessed tremendous technological advances during the past decade, including the most recent technique of injection molding of shells, the industry as a whole has continued in that handcraft tradition which requires very little capital. While there have been some technological changes in the handbag and small leather goods industries, especially that attendant upon the use of supported and unsupported vinyl materials, mass production techniques and mechanization are conspicuous by their absence.

Because these industries are not technologically oriented, there is nothing comparable with the massive export of machinery and capital such as exists with respect to other industries which lend themselves to the requirements of the multinational corporation.

Nevertheless, the industries do have many importers—and their number is growing—who have encouraged foreign producers with technical guidance, financial assistance, advice on styling, fashion trends, and merchandising, as well as managerial know-how.

These industries have been in the past, and will undoubtedly continue in the future, to be highly competitive. And this competition becomes all the more pressing when it takes place in a buyer's market, and indeed is the catalyst for further and more pronounced instability. Thus, when one retailer in a shopping area begins to undersell his competitors by offering handbags, for example, at a lower price, a chain reaction is started. Rival retailers demand concessions from their suppliers to meet this competition. Domestic manufacturers of handbags, in turn, understandably fearful of the loss of crucial retail outlets, resort to all sorts of stratagems in an effort to meet this price competition.

There was a time in the past when this effort to meet price competition in such a labor intensive product as handbags would take the form of cutting wages and speeding up workers. But the existence of strong and effective trade unionism in the handbag industry militates against such a possibility. Many producers, therefore, take another alternative, becoming importers themselves, and thereby closing down factories, eliminating jobs, and bringing acute distress to their former employees, and to the communities in which they had operated.

The economic desuetude plaguing the handbag industry during the decade of the 1960's, which saw the rapid expansion of the imports of leather, plastic, and material handbags, is, unfortunately, not as adequately and accurately documented by statistics as one would like—and as we shall have occasion to note, even these meager statistics are not always accurate or comprehensive enough to do justice to the realities of the situation.

One fact, however, is pinpointed by developments in the handbag industry in New York State, which has historically been the center of production for the industry. In February 1960, there were 17,000 handbag workers in the Empire State. Ten years later, the figure had dropped to just a little more than 14,000 workers. It should be noted that such job elimination was not accompanied by accretion of employment in other areas of the country, where the number of jobs, in fact, were virtually stationary throughout the decade. It is true, of course, that the value of the product went up slightly in this decade—from $238 million to $292 million. Much of this increase, however, can be attributed to the inflationary spiral, as well as to the flood of imports from abroad.

Another barometer along the same lines is the number of shops that have closed their doors since January 1, 1968—a significant date, since that coincided with the first 10-percent reduction in duties as a result of the U.S. ratification of the GATT agreement in the so-called Kennedy round. What this has meant is illustrated by a list of shops, attached as appendix I, in contractual relations with Local No. 1, Pocketbook and Novelty Workers' Union, of New York, which were either liquidated or went bankrupt in this period of 2 years.

(The appendix referred to follows:)

APPENDIX I

Name	Approximate date	Approximate number of workers
Adorable Handbag Corp	August 1969	32
Alben Bag, Inc	February 1969	25
Alwen-Bell	January 1968	15
American Handbag, Inc	July 1968	55
Ameron Wallet & Leather Novelty Co	June 1969	17
Apex Leather Goods	December 1969	25
Awon Leather Products Co	January 1969	15
Banner Bros., Inc	April 1968	22
Belleston Bags	December 1969	35
Bonita Handbag Co		74
Charmode Knitting Mills	October 1969	15
Chuly Handbag Co	January 1969	12
Comet Leather Goods Corp	November 1969	12
Cornell Handbag & Novelty Co	June 1969	12
Davis Handbag Co	August 1968	15
Diaz Corp	May 1968	13
Donalfredi Handbag Fashions, Inc	December 1969	11
Dyno Handbag Corp	July 1968	15
Femline Handbag	March 1969	57
David Freedman Handbag	January 1970	11
M. Geller Handbags	April 1969	13
Gem Frame Covering Co	May 1968	9
Gigi Frame Covering	March 1970	8
Gladlee Products Co	February 1969	6
Gold Brenner	April 1970	5
Hank Novelty, Inc	April 1968	5
Harvin Bag Co	February 1969	9
Heinrich, Herrman & Weiss	December 1969	25
Jill Bag Co	November 1968	21
Joe Frame Covering	July 1969	10
Kalus Handbags	March 1969	13
Karaway, Inc	May 1969	59
Lisa Frame Covering	January 1969	16
Lucille Bags, Inc	June 1969	90
Lady Lynne Handbags	January 1969	10
M. Machlus Leather Goods	March 1970	13
Manhattan Purse Co	July 1968	10
Mohawk Handbags Manufacturing Corp	September 1969	15
Mondaime Handbag, Inc	June 1969	12
Original Handbag, Inc	January 1969	16
President Frame Covering Handbag		6
Remsen Leather Goods Co	March 1969	8
Rex Novelty Co., Ltd	January 1969	19
Skyline Leather Goods Corp	February 1963	12
Soure Bag Co	July 1969	36
Susie Rae Handbags, Inc		9
A. R. Trotta	November 1969	6
Max Weinman, Inc	April 1969	125
Weisenberg Bros	March 1968	19
Max Wolf Leather Novelty	June 1968	11
M & L		16
Newburgh		50
Burger Bag		5
Roger Van Ess		110
Corian		70
Egan Wagner		190
H & S		75
Michaels Drew		55

Mr. Abraham Weiss. In every instance, the primary and compelling reason for going out of business was that these businesses simply could not compete with imports. In passing, it should also be pointed out that long before January 1, 1968, there had also been a substantial drop in employment and in the number of shops closed because of the preemption of the American market by imported handbags for the summer trade coming from Hong Kong, Japan, and Taiwan.

For years, this summer trade had served to give employment to thousands of workers who needed this cushion in an industry subject to the vicissitudes of fashion. But the so-called "white market" is now a historical relic—analogous in the handbag industry to what happened when the Japanese virtually preempted the market for such items of vinylized or rubberized materials as school bags, beach bags, under-arm plastic bags, and club bags. And with its disappearance there has also disappeared the work which kept thousands of members of local No. 1 gainfully employed in the handbag industry during the spring and summer months. These jobs, too, have been sacrificed upon the altar of a tariff policy which opened the gates of the American market for the products of coolie wage workers abroad.

LABOR COSTS AND DIFFERENTIALS

We have already cited the irrefragable fact that labor costs in the various leather goods industries—like in other labor intensive industries—play a decisive part in the overall selling cost. It is unquestionable that the most important single factor accounting for the explosion of shipments of handbags, purses, and other personal leather goods to the United States is the substantial, continuing, and at times even mounting differences between wages paid to American workers and wages paid to workers in foreign lands whose products are competitive to ours. Superimposed upon these wage differentials are other benefits, including the panoply of paid vacations, paid holidays, premium pay for overtime, and such benefits as health and welfare, pension, and severance, approximately 27 percent of payroll.

The contrast between American and foreign standards is comparable to factory conditions today in contradistinction to those obtaining in the era of the sweatshop.

Authoritative studies, published under the imprimatur of the International Labor Office, The Twentieth Century Fund, and The Brookings Institution, establish in abundant detail that the manufacturing of handbags, luggage, and personal leather goods is a ready source of employment for unskilled and semiskilled workers, particularly plethoric in the underdeveloped countries of the world.

Despite the existence of vast and unfulfilled needs in their own countries, these manufacturers have chosen to concentrate on the export market. Especially inviting on this score has been the United States, where relative freedom for the entrance of imports is coupled with the material wherewithal which establishes the American market as the richest in the world. And if this is not incentive enough, many countries offer an added impetus to exports from their lands in the form of tax rebates and similar measures. It is understandable, therefore, why manufacturers in so many different countries have preferred to take the quick profits from exporting to this country as an alternative to following the economically sounder and socially more responsible path of building factories that will cater to the domestic needs of these countries.

Nor can manufacturers of handbags, luggage, and personal leather goods offset, as we have already established, the low-wage competition from abroad with such improvements in machinery and operating methods as at one time gave other sections of the American economy a distinct advantage. As J. J. Servan-Schreiber has so convincingly pointed out in his "The American Challenge," American investment and management has made this past offsetting advantage no longer relevant, for technological advances are readily available to producers throughout the world.

In any case, this was never really applicable to handbag producers. The relatively low cost of new capital improvements has always made it possible for foreign handbag manufacturers to equip their shops with virtually the same machinery and the same equipment as can be found in the most advanced American factories.

Buth there is more to this situation than can be found in the fact that there is little or no technological advantage for American manufacturers of handbags, luggage, and personal leather goods as compared with their foreign competitors. On this score, the experience of "Operation Bootstrap" in Puerto Rico is highly relevant. A little more than a decade ago, producers of wallets, purses, and small leather goods began to gravitate to the island. In consequences of a favorable climate for economic growth—a long period of tax exemption, low rentals on factories built at Government expense, financial subsidies for training of workers, and low wages—these companies flourished and gradually superseded the mainland as a source for such leather goods.

The workers in Puerto Rico took to such employment as a duck to water, reaching in a comparatively short time that high level of proficiency which eliminated differences in productivity between the mainland worker and his Puerto Rican counterpart. So adept were they, in fact, that island employers who had in the past objected to wage increases for leather goods workers on the grounds that the latter had productivity capability below that of the mainland workers, officially acknowledged that productivity in Puerto Rico was actually on a par with productivity on the mainland.

What has been demonstrably true for Puerto Rico is true in other quarters of the globe. When we are dealing with manual dexterity—in other words, where productivity is worker paced rather than machine paced—any argument based on productivity differentials is spurious and ill founded. In the leather goods industries, the only relevant criterion is labor costs.

In his article on "Trends in Labor Compensation" in Western European Labor and the American Corporation, edited by Alfred Kamin and published in March 1970, by The Bureau of National Affairs, Inc., Peter Henle, the chief economist of the Bureau of Labor Statistics of the U.S. Department of Labor, points out that hile data on "average hourly earnings for production workers in manufacturing" may not always be complete, "yet only by focusing on such an indicator is sufficient data available for comparisions" (p. 317).

A handbag worker in the United States receives, on the average, \$2.27 hourly. Converted to U.S. currency units at official exchange rates, the average for various competitive countries is as follows: \$1.17 for male workers and \$0.73 for female workers in the United Kingdom, where a combined figure for both sexes is not available; \$1.05 in Germany; \$0.88 in France; \$0.65 in Italy; \$0.52 in Japan; \$0.51 in Spain, \$0.22 in Hong Kong; and \$0.23 in Taiwan.

It should be observed in many countries, particularly the Oriental lands, there is a prevalence of home work and child labor, with all the endemic features of exploitation associated with those evils that are today virtually nonexistent in the United States.

We have already indicated that the wage rates for handbag workers are among the lowest in the private section of the American economy. Nevertheless, the comparable wage rates existing in competitive countries range from one-tenth to one-half of the American wage structure. And in a labor intensive industry, this is the basic comparison—and the chief factor in making it impossible for American industry to compete with foreign imports.

IMPORT TRENDS

In 1950, the imports of handbags and other leather goods were a mere trickle. Only 114,342 handbags, for example, were imported into the U.S. in that year. By 1960, the trickle had become transformed into a fast moving current. Today, that current has become a flood which threatens to deluge the domestic market.

In 1960, for example, according to figures furnished by the U.S. Tariff Commission, there were 2,989,000 handbags imported into this country, at a value of \$7,456,000. By the end of the decade, there were 55,340,329 units, with a value of \$61,912,881. This is attached as appendix II.

APPENDIX II

IMPORT FIGURES FOR THE 12-MONTH PERIOD FROM JAN. 1, 1968, THROUGH DEC. 31, 1968

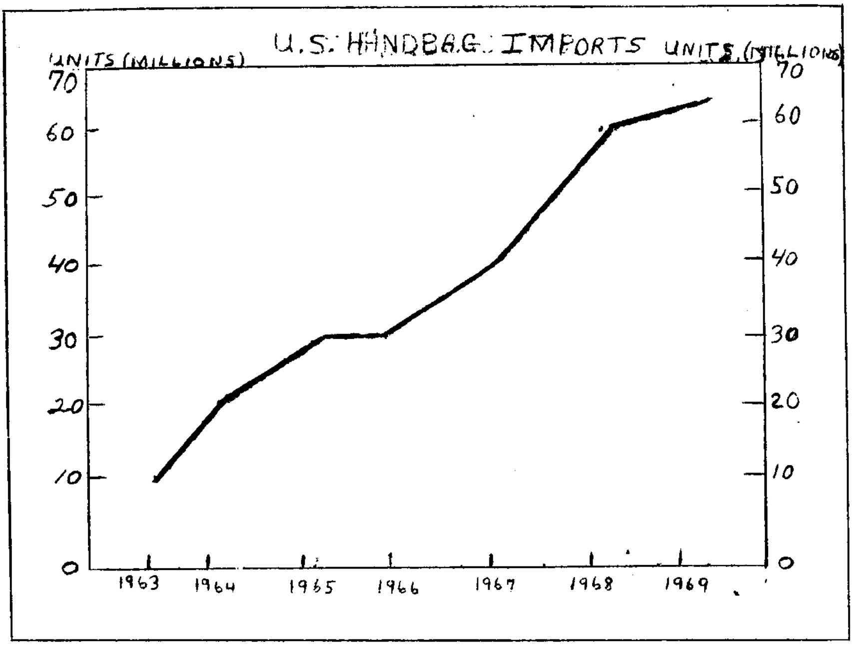
Category	Number of units, 1968	Net U.S. dollar value at first cost
Reptile	40,716	1,194,925
Leather	4,516,931	26,125,501
Textile	2,088,127	1,576,640
Beads	8,320,448	10,240,067
Paper yarns	565,021	320,380
Unspun vegetable fibers	1,163,601	1,630,290
All other materials	39,294,686	27,154,380
Total	55,989,530	58,242,283

IMPORT FIGURES FOR THE 12-MONTH PERIOD FROM JAN. 1, 1969, THROUGH DEC. 31, 1969

Category	Number of units, 1969	Net U.S. dollar value at first cost
Reptile	22,925	1,046,633
Leather	5,354,834	19,890,885
Textile	2,311,323	1,854,063
Beads	5,939,225	5,609,603
Paper yarns	297,054	156,180
Unspun vegetable fibers	1,294,988	2,079,584
All other materials	40,119,980	32,275,863
Total	55,340,329	61,912,811

Mr. Abraham Weiss. Chart I illustrates the cumulative trend for the decade of the 1960's, showing an uninterrupted upward trend.

(Chart I follows:)



Mr. Abraham Weiss. According to the industry profile contained in the U.S. Industrial Outlook, 1970, the value of handbag shipments in 1969 was $295 million.

Imports are a most crucial aspect of this value of shipments. In the decade of the 1930's, the value of imports rose by 850 percent. Much more relevant, however, because the figures dealing with imports can be distorted, are the number of units—and the relationship of these units to the total American market.

A little more than a decade ago, in 1958, U.S. production of handbags was 115 million bags. Imports at that time constituted only 3,100,000 bags, or 2.7 percent of the market. By 1963, there were 121 million bags, with imports amounting to 5,700,000 bags, or 4.7 percent of the market.

In the past 6 years, however, the industry has literally been transformed by the astronomic burgeoning of imports, while at the same time domestic production went down by approximately one-third of the 1963 figure. In 1969, 86 million bags were produced in the United States, as compared to 52 million imports. Thus, imports as a percentage of U.S. production went up to 60.5 percent.

In H.R. 16920, submitted by Mr. Wilbur Mills to the House Ways and Means Committee, reference is made to "the rapidly increasing penetration of U.S. footwear markets by imported shoes" as a "specific cause of footwear plant closings in the United States." "This increase has been relentless for more than 10 years," the bill states, adding that "no change in this alarming trend is now foreseen" and that as a consequence of this disruption, workers in the shoe—and textile—industries have been injured through underemployment and unemployment.

The same process of reasoning is applicable to the leather goods industries, and most specifically to the handbag industry. It is requested that the same kind of amelioration in the form of quotas be adapted for this industry as set forth in H.R. 17481, submitted by Mr. Jacob Gilbert.

In this context, it should be noted that there is a close relationship between the shoe industry and the handbag industry, functionally and economically. Shoes and handbags are often coordinates in the fashion scheme of things, and in many retail shops there is a juxtaposition of the two items. Equally significant is the fact that many shoe manufacturers contract work to handbag manufacturers, making the economic tie-in even more binding.

RECOMMENDATIONS

It has been argued that adoption by Congress of the principle of mandatory quotas would invite reprisals by other countries and undermine the whole structure of international trade. That such a possibility exists cannot be gainsaid, but it should be pointed out that every country bases its trade policies on what is best for its economy and people. There is no reason why the United States should not do the same, however belatedly.

It would be heartening if voluntary quotas would be effectuated, but experience along these lines has been negative. It is essential to do through a mandatory procedure what is unlikely to materialize in a voluntary way. The alternative is economic disaster, for the continued accretion of imports will mean the loss of jobs at a time when, as a result of spreading layoffs, production cutbacks, and rising unemployment, they are sorely needed.

The United States is currently engaging in numerous efforts to train unemployed workers for low-skilled jobs—precisely those jobs which, due to recent and current economic developments, are disappearing. We submit that the continuation of the current foreign trade policy must redound to the detriment of American workers, including those who are the most disadvantaged. And the corollary is that a change in such policy, through the adoption of the principle of mandatory quotas, would be as effective in maintaining jobs for American workers as any other program for retraining and adjustment assistance.

Another recommendation we would like to make, though not incorporated in a specific bill, deals with the matter of fair international labor standards.

It is our view that the U.S. Government, working in such international organizations as GATT, as well as the International Labor Organization, can and should do everything possible to promote the principle of fair labor standards in international trade.

Its most significant feature is the concept that in international tariff and trade negotiations, and through multilateral tariff and trade machinery, efforts can be made to raise wages and improve labor standards in exporting countries as either a competitive cost advantage or as a basis for increased trade restrictions by the importing country.

If there are substantial differences in unit labor cost, let us say, between personal leather goods workers in New York City and their Italian counterparts, there is at least a prima facie case for concluding that labor in the exporting country is being exploited. There may be offsetting cost disadvantages, transportation, for example, which prevent an increase in wages, however. The test of what the balance is between the cost advantage to the employer of low labor costs and offsetting cost disadvantages is his rate of profit.

It is our union's view that wages of leather goods workers in any country involved in the GATT deliberations should be raised when the unit labor costs of such industries are substantially below those of foreign competitors. Raising wages in this circumstance would not only lessen the threat to employment opportunities of workers in importing countries, such as our members in New York, but would also assure that the employer in the exporting country would not reap the sole gains from expanded markets, with all decisions as to how such funds are to be distributed left to him.

While there may be problems involved in how to determine the existence of unfair labor standards in international trade, the problem still remains of what can be done to eliminate such conditions.

One recommendation suggested by the Randall Commission more than a decade ago was that our tariff negotiators should simply make clear that no tariff concession would be made on products that are processed by workers receiving wages which are substandard in the receiving country.

The importing countries might, in the course of such GATT discussions, make suggestions or recommendations as to steps which the exporting country should take in order to improve wages and working conditions in exporting industries, and thereby remove actual or potential problems of market disruption. If there were disagreement as to the actual situation in the exporting country with respect to wages and working conditions—if, for example, we in the United States looked askance at standards prevalent among Japanese or Hong Kong personal leather goods workers—it might be appropriate for the GATT to call in the ILO to prepare a factual report on the labor situation in the exporting country's industry.

We are not suggesting sanctions, nor would we urge this committee to recommend such a drastic course of action. However, there would be, if properly conceived and directed, the moral pressure under international auspices for improvements of labor standards in exporting industries benefiting from expansion of their markets resulting from tariff concessions. We might note in passing that this conception of an annual review has been carried out in other agencies, including GATT itself, with respect to the so-called agricultural waivers.

Coterminus with this annual review, there should be, in our estimate, a complaint machinery in the GATT available to industry and labor in member countries acting through their governments. This procedure could take this form: Where the union and/or firms in the leather goods industry in an importing country, such as the United States, believed that they are faced by unfair competition based on unfair labor standards in the exporting country—let us say Japanese wallets or Hong Kong handbags—they could ask the U.S. Government to take their complaint directly to the GATT. Under GATT auspices, there could then be direct confrontation between the exporting and importing country (involving, if possible, and preferably, representatives of labor and industry in the two countries, as well as representatives of government), in an international rather than bilateral setting.

The two countries, with the assistance of GATT—which might also consult with the ILO on the labor aspects of the problem—might come to an agreement. Such an accord could take the form, for example, of some temporary mechanism involving, perhaps, voluntary quotas imposed by the exporting country, or an export tax, or some other device intended to deal with the short-run problem. Or it might take the form of a decision that improvement should be made in the wage levels and working conditions in the exporting country in order to meet the problem. Or it is possible that there might be a combination of recommendations for both short-term and long-term action.

If the two parties, with the assistance of the GATT and ILO, could not come to an agreement, then the complaining party might bring the matter before the next regular session of the GATT. In that case, the GATT might recommend what action, if any, should be taken by the exporting country to correct the situation.

All of these proposals made by our union, as well as those of the industry groups whose viewpoints we share, are aimed at assuring that broadened trade opportunities for exporting countries are reflected in improved wages and labor condition for workers in these countries, while at the same time the workers in the importing countries are not placed at a handicap in striving for improvements in their own standards—improvements which are predicated upon the continued health and prosperity of their industry.

In other words, raising levels of wages and labor standards in exporting countries from unduly low levels of wages and labor standars in exporting countries will help to eliminate competitive advantages based on unfair labor conditions which curtail employment opportunities and depress labor standards in competing importing countries.

One final point: The AFL–CIO, of which our International Union is an integral part, has submitted a brief calling for revision of a trade policy which has resulted in the deterioration of American trade and has encouraged the export of U.S. jobs.

We concur with the philosophy and the specific proposals of that brief, and we submit that its implementation could shore up our economy at a time when it manifestly requires that kind of buttress.

Now, may I call upon Mr. Steven J. Weiss for his statement.

Mr. Green. Mr. Steven Weiss, the National Handbag Association.

STATEMENT OF STEVEN J. WEISS, COUNSEL, NATIONAL HANDBAG ASSOCIATION

Mr. Steven Weiss. Thank you, Mr. Chairman.

Members of the committee, my name is Steven J. Weiss and I represent the National Handbag Association. The business of our membership is the manufacture and sale of handbags and purses for women and girls. There are approximately 499 companies in our industry and about 40,000 workers.

Our industry, like the shoe and apparel industries, is now experiencing the worst depression in its history, far worse than during the great depression of the early thirties. Our depression has nothing to do with any general business slowdown or with Government monetary and fiscal policy. We were already suffering acutely when general business was at a peak a year or so ago, 13 percent of our plants closed in the past year alone.

There is only one reason. We, like the shoe and apparel industries, have become the victims of imports made in low-wage countries abroad. Fifty percent of our market has been taken over by imports. Then years ago imports of handbags were negligible. Today, only action by this Congress can prevent the complete destruction of our industry and loss of jobs to our workers.

We are not here to discuss technicalities of legislation, escape clause procedures, or appeals for adjustment assistance. Instead, we are appealing for the only form of relief that could save our handbag manufacturers. Our industry is typically made up of small firms who are right on the business firing line every day. They know all of the facts and the simple truths of economic life. We cannot compete with 20-cent-an-hour labor in Taiwan or 10-year old kids working in Hong Kong factories or in plants located in Lebanon.

In our industry the rhetoric we have heard for years about foreign trade is simply incredible. We cannot believe our Government has been so out of touch that it no longer knows the hard facts of life. Do you have to pay wages to 50 or 100 or 200 people every week to realize what is the principle cost of production? We believe that our industry plainly shows that our country can no longer afford to talk foreign trade theory. We have got to talk about people because people need jobs.

Just consider what imports have done to us in one area. In New York City we have 7,000 handbag workers who were laid off and are presently unemployed and another 4,000 on part-time work. Who are these people? They are not physicists or computer programers and they don't have college degrees. They are semiskilled and unskilled workers and mostly from minority or underprivileged groups. They are black and Puerto Rican. They have achieved economic integration by earning a decent income. Now that is being taken away from them by sweated labor in foreign countries. We have allowed their jobs to be stolen and all this country now offers them is the privilege of getting on the relief rolls.

In appealing to you on behalf of our industry and our workers I don't submit any propaganda about the military necessity of handbags, lack of reciprocity by other countries or our theories of foreign trade. When you struggle to meet a payroll or to earn enough to pay for rent and bread and butter for the kids, you know the truth awfully fast. Jobs are of the essence. When our sewing machines stop buzzing, Macy's is going to know it and the whole economy will feet it.

The Mills Bill, at the moment, is concerned with apparel and shoes. We urge, strongly, that handbags be considered as part and parcel of these two industries. Since, for the most part, ladies' fashions are styled without pockets, a handbag becomes an absolute necessity. But our ladies are not only pragmatic, they are also artistic. Let your wife or daughter tell you, Mr. Congressman, how often she buys a handbag to "coordinate" with her shoes—not only as to color and to matching leather as in the case of shoes—but often as to style, when coordinating with coats, suits and dresses. It is for this reason that we find leading dress designers also designing shoes and handbags.

The economics of the apparel, shoe and handbag industries reflect this coordination in these three vital items of ladies' wearing apparel. There are some 50 handbag factories in the United States which make handbags for apparel and shoe conglomerates. These handbag factories are either owned outright, such as Palizzio Shoes, Kitty Kelly, and Ansonia, or as subsidiaries, such as A. S. Beck, which operates Madison Handbags and Andrew Geller whose subsidiary company is Coronet Bags. For all these reasons, we strongly urge this committee to include handbags along with apparel and shoes.

We would like to get a few things on the record, Mr. Chairman. First, don't charge us with lack of initiative, ability or creative skill. We are tops in style and efficiency. All of the employers in our industry have come up the hard way. They were workers first and cracked the barrier by sweat and effort. They didn't float issues or inherit businesses. They made it by working in the great tradition of competitive free enterprise in this country. Now they are being scratched through no fault of their own because our Government is asking them to compete with wages and working standards which are not permitted in our country.

Second, we resent bitterely that statements have been circulated from retail quarters about the consumer benefiting from imports. Don't tell us that in the case of handbags because we know the score. We know that retailers have made two and three times their profit on the same piece of imported merchandise that they would expect to make on a buy from an American manufacturer.

Here are two handbags. One was first designed and made in the United States. Its counterpart, perfectly imitated, was made abroad and sold here. But, the store made double the percentage of profit on the imported bag even though retail price was considerably less. These conditions affect, not only the manufacturers of handbags, but the handbag supply firms as well, as evidenced by the sample materials I show you here which are used in the manufacture of handbags. The imported materials are priced so low that suppliers cannot possibly compete with this kind of foreign competition and, as a consequence, their livelihood and that of their workers is seriously threatened.

We also hear from some retail spokesmen that they have better styles abroad, more creative ideas. Let me assure you, gentlemen, that is complete and utter nonsense. We yield to no one in creative ability and style innovation. Every new idea in handbags has originated right here in the United States; tote bags, pouch bags, clutch bags, shoulder bags. Name any one and we were the originators. Our management may not have degrees from the Harvard Business School but they are proud, hardworking people composing a competitive industry which does not ask for subsidies or government grants. Our industry has had to be efficient and that is why we led the world in productivity.

You, the Congress, have to decide whether or not our industry is going to survive. It is no longer a question of minor juggling of tariff rates. It is certainly not a matter of adjustment assistance. The question is survival and job opportunity and everything that it means for the economic future of the entire country. The only appropriate and feasible solution is to do what every other nation is doing, namely, set limits on imports and stop the flood before it destroys us completely. We do not advocate what some other countries have done, that is, bar imports completely. We only urge reasonable import quota restraints with two objectives: First, to prevent the further erosion of our industry; and second, to lay the groundwork for the possibility of future growth as our consumer markets expand. Without that hope, no industry and no economy can survive.

Thank you, Mr. Chairman.

Mr. GREEN. Mr. Jack Citronbaum, Luggage and Leather Goods Manufacturers of America, Inc.

STATEMENT OF JACK CITRONBAUM, EXECUTIVE VICE PRESIDENT, LUGGAGE & LEATHER GOODS MANUFACTURERS OF AMERICA, INC.

Mr. CITRONBAUM. Mr. Chairman, this statement and presentation is being made by the Luggage and Leather Goods Manufacturers of America, Inc., on behalf of its member manufacturers. The association consists of manufacturers of luggage, brief cases, attaché cases, schoolbags and personal leather goods—also known as flat goods or small leather goods; that is, wallets, billfolds, key cases, pass cases, et cetera, located in many parts of the United States. It represents manufacturers in this country who produce upward of 95 percent of the total dollar value of shipments made by luggage and leather goods industry.

The principal manufacturing areas of the luggage and leather goods industry are in the States of California, Colorado, Delaware, Illinois, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Virginia, Washington, and Wisconsin.

By Government standards, the luggage and leather goods industry is small. The luggage, brief case, attaché case and schoolbags branch of this industry is comprised of approximately 225 manufacturers of whom approximately 100 employ 20 or more persons. The luggage branch of this industry employs approximately 16,000 persons and the personal leather goods branch of this industry employs approximately 12,500 persons. The luggage branch of this industry, which includes luggage used for travel, brief bags, brief cases, attaché cases and similar merchandise, has annual dollar sales of approximately $250 million (1969). The personal leather goods branch of this industry has an annual volume of approximately $150 million as of 1969. These figures represent shipments of products made of leather and nonleather materials.

These products of the luggage and leather goods industry are produced largely under union contracts with various affiliate unions of the AFL–CIO.

The purpose of this statement and presentation is to present facts in support of H.R. 16920, with certain modifications.

We urge the consideration of the following points in support of our position:

Point 1. There has been a substantial increase in imports of this industry's products in the past 3 years.

The official statistics of the Bureau of the Census of the U.S. Department of Commerce show that imports of this industry's products have increased almost 50 percent from 1967 to 1969. U.S. imports of merchandise for consumptions, in schedule A, section 8, commodity code Nos. 831.0005, 831.0020, 831.0025 and 831.0050 total $24,328,488 in 1967 and $35,917,753 in 1969.

Point 2. These increased imports have adversely affected the luggage and leather goods industry.

The luggage and leather good industry is a small and highly competitive industry. Price is a predominant factor in the manufacture of these products—leathers, vinyls, wood, steel, brass, paper, silks, rayons, nylons, cottons, fiberglass, aluminum—are American-made products, produced under the high wage standards and costs prevalent in American industry. This results in the highest possible prices being paid for these raw materials which represent approximately 45 percent of the eventual cost price of the articles produced. Add to this factor the high wages paid in these industries, wages which represent approximately 20 to 25 percent of the ultimate cost price of the articles produced, and there is every reason to fear and be concerned about the rise in imports. These imports are manufactured under drastically different labor conditions from those which prevail in the United States. When compared with wages paid in the United States, the prevailing wages paid in the leather and leather products industries in the countries which are the chief exporters of luggage and leather goods are truly regressive.

The countries with the lowest wage scales are those from which imports are rising and causing the greatest damage to our industries. This disparity in wage rates can become even more devastating when there is added to the U.S. rate an approximate 22 percent of earnings which represents fringe benefits.

As was stated in previous hearings before this committee, these foreign imports use their low prices to drive low-priced American products off the market. This is their only competitive tool. American products are anxious to compete with foreign products on the basis of style, finish, quality, ideas, construction, workmanship and consumer appeal. But, competition on the basis of price as a direct result of low wage rates is hopeless and frustrating. In fact, it is an impossible task. American industry cannot expect, nor does it want, the low wage rates which exist in foreign countries. Our economy is built and thrives on the basis of the highest labor standards. To pit these standards against the low labor standards of foreign competition is unfair and unjust and can only mean disaster. American living standards have been constant in their rise—in many instances assisted and propelled by the Goverment.

Mr. Chairman, mindful as our industries are of the commendable plan aggressively pressed by the United States for the establishment of firm economic relations with foreign countries we cannot overlook or lightly pass over the harmful effects which must result from any competition of imports from low wage countries.

The facts and figures outlined in the previous pages indicate some very salient and indisputable conclusions.

First, and foremost, is the well-known fact that the American worker is the highest paid of any country in the world. Second, the American standard of living is the envy and the pinnacle of achievement for all countries of the world. Third, as a result of the previous two factors, American-made materials are the highest priced material in the world. Consequently, products made of these materials by American workers, of necessity must be the highest priced items in the world.

Imports from other countries can only make inroads upon American-made goods on the basis of price. American-made goods can and do compare favorably with foreign-made merchandise on the basis of style, quality and eye appeal.

Price being the only advantage, the American manufacturer has the right to expect that he will be given equal opportunity with his foreign competitor to capture that portion of the American dollar devoted to his commodity.

To permit a flood of luggage and leather goods products into the United States because of low foreign wage rates would soon see such inroads made on American merchandise as to drive many American producers out of business.

Our industry is engaged in a competitive struggle with other American industries for a share of the consumer dollar. Our products are the results of American living standards which encompass travel, leisure, utility and comfortable living. While within their scope they are essential to the American way of living, they cannot accurately be described as acute necessities. For that reason, competition from within is keen; keen enough to keep all of our manufacturers constantly alert for new ideas, designs, construction, merchandising and production methods and in a never-ending search for merchandise to capture the eye and the purse of the American consumer.

Competition from within is expected and welcomed. It is competition from outside which can merely make its appeal on the basis of price that must be feared and fought. As has been pointed out, this industry is small, highly competitive and constantly fighting for existence. It is highly sensitive to outside competition in the sense that it cannot afford to lose sales volume. It is that kind of competition which can mean the complete disintegration of our American business firms. That kind of competition must be made difficult to achieve in the same way that access to our products is made impossible by exclusion barriers imposed by those who are flourishing on that kind of competition.

In light of the facts heretofore outlined, we urge that H.R. 16920 be amended to include luggage and leather goods items and establish quotas for the importation of these products.

Mr. GREEN. Thank you, Mr. Citronbaum.

STATEMENT OF EDWARD LEVY, EXECUTIVE DIRECTOR, NATIONAL HANDBAG ASSOCIATION

Mr. LEVY. I have brought with me a couple of handbags because we had a big show in New York this morning.

This one was designed by a world famous designer in New York which wholesales for $7.50 and retails for $15. The stores work on a 15-percent markup. This was purchased at S. Klein in New York by my secretary.

This is the identical bag. This is the $15 American design made in Japan retailing for $3.79 in S. Klein. This is a tote bag. I dare say, I don't think this bag costs more to purchase by S. Klein than 75 cents. These are not typical handbags but of totes they will run 60, 65 to 70 to 75 percent of their stock. If you check in any store in Washington you will find their inventories running over 50 percent on imports.

The buyers today because of the jet age we are living in are making anywhere from four to six trips abroad and it has reached a point where in New York they are bypassing our importers buying direct, taking income tax, estate tax, Federal tax, franchise tax, and what have you, away from our American economy. The majority of importers are selling to specialty stores, not the big stores any more.

Mr. GREEN. Did you say one bag costs $15 and the other one $3?

Mr. LEVY. It sells for $15 in New York and costs $7.50 to make in New York. They use white sewing thread and we use blue. This is a complete knock off, which is our technical term for an imitation. A bag is brought in for $9.75 from Canada and both bags are put on the counters for $32. We have to get $6.50 wholesale. They are bringing those in and selling them to the store at $2.25 to $2.50. They are putting both bags on the counter at $12, $18, and $20.

Mr. GREEN. I wonder why you brought two bags of the same quality to demonstrate to us, to help prove your point, one which is priced at $15 and the other which is priced at $3.

Mr. LEVY. This is the foreign made bag.

Mr. GREEN. I understand that, but the percentage of the profit is, I suppose, the point you are trying to make.

Mr. LEVY. I gave away about 300 bags this morning to the women of the press at a press conference we had this morning. It was all very lovely American-made merchandise—no imports. They say we copy in shoes and handbags in fashion the foreign——

Mr. GREEN. I think one of the points being made here initially—and I am not trying to be argumentative—was that the consumer was not benefiting.

Mr. LEVY. The consumer is not benefiting. The minute this bag came in 2 weeks later we couldn't sell this American-made bag to a department store in the country.

Mr. ABRAHAM WEISS. Mr. Levy said there is an original creation. They didn't bother with that and didn't have that expense. We can not concede this can come into the country for 50 or 30 cents without some Government paying the difference in addition to the 10 or 20 cents an hour labor or worse. The consumer does have an advantage but what happens to the American worker who wants and gets $2-plus an hour? The designer wants a living. That is our problem. I don't think it is the manufacturer who brought that bag in and let S. Klein sell it for $3. Somebody helped him.

Mr. BURKE. Isn't it true that the American bag is manufactured but the employer has to pay a workmen's compensation, unemployment compensation and the employee has to pay his share of social security plus the social security that is paid by the employer, and you have the withholding tax from the employee.

Mr. ABRAHAM WEISS. And Blue Cross, Blue Shield and all of the benefits.

Mr. BURKE. What the foreign importer did after that style bag was created, somebody merely picked that bag up, flew it over to Taiwan or Hong Kong, copied and produced it with slave labor and none of the headaches that the American businessman has under the taxes that he and his employees have to pay.

As you point out, he paid 75 cents wholesale, the retailer sold it for what?

Mr. LEVY. $3.79.

Mr. BURKE. So he is making about 300-percent profit.

Mr. STEVEN WEISS. We have the same situation with component parts of handbags to essentially demonstrate the same principle.

Mr. LEVY. Most bags are made with a frame. We have here identical frames down to the identification into the metal trade name. I have the American frame and the one made in West Germany. Delivered in New York it sells for $8.65, made in Germany. The same frame made in America they must sell for $11.08. I have frames from all over the world.

Here are two identical wallets that a woman carries. You will see it holds 100 family pictures or what have you—100-VU—and this one is American made and costs $5.25. This one imported from Hong Kong costs $3.50 a dozen. This man is going out of business. It has reached the point and most of the members of the Handbag Association are the leading handbag makers.

About 65 percent of our membership now has been forced to import merchandise to survive. There is not a week that passes in New York I get a call, "Chapter 11 going under, they can't survive."

As Mr. Weiss said earlier, the 4,000 are working part time, working 1 or 2 days a week and we have to distribute work among the employees to give some income to families in the handbag industry today. I don't think I will have a handbag—and I am executive director of the association—a handbag industry if this continues 5 years from today at the rate it is going, it will be all imports.

Mr. GREEN. Thank you very much.

Mr. LEVY. Thank you, Mr. Chairman.

Mr. GREEN. Our final witness today is Harry A. Kozac of Worldwide Shoes, Inc.

STATEMENT OF HARRY A. KOZAC, PRESIDENT, WORLDWIDE SHOES, INC., ALSO REPRESENTING EAGLE SHOES OF PHILADELPHIA, INC.

Mr. KOZAC. It is a great honor for me to be here because I happen to be just an ordinary small shoe retailer. I have sat here most of the day listening to all of the pressure groups here.

One of the things that seems apparent is nobody seems to care about the small independent retailer today who does approximately 50 percent. I have heard a lot of nonsense here from these handbag people, I have 90 percent domestic and 10 percent imported.

Also if you buy something for 75 cents you certainly don't sell it for $4 or $5 and that the consumer is the one who will benefit greatly by all these things. I am not saying they don't have valid arguments. Actually I am here just for the shoe business. I agree that there is a very serious problem both for the shoe manufacturer and for his employees.

There is also a great problem for the shoe retailer, and that is if we restrict imports you will have a vast majority of the small, independent retailers go out of business because the productive facilities in this country are not great enough so that he can go into an open market and buy freely.

Most of the productive facilities in this country are controlled by your large vertical combines such as Genesco, Inter-Co. and all the rest.

The average retailer must go out to a market and try to compete.

The only way he can do this is with your imports. All through the pressure groups of your manufacturers associations and this type, no where have any of these people said that we as manufacturers were partially at fault.

I think that the great problem that they find themselves in today has nothing to do with imports. I think the imports are a result of the bad business practices that these people have been doing for years and years, and years, and if you people on this committee want to learn something, why don't you go with me or other small retailers and go to the shoe shows where these people ignore you, insult you, and don't want to do business with you?

I have in here individual cases of where the manufacturers just do not want to do business except in a way peculiar to him. I am sorry Congressman Burke is not here because I wanted to raise an issue with him about Randy Shoe Manufacturers.

If you want to buy from Randy he would not sell to you. He is interested only in selling to the large companies. Most of your shoe manufacturers today will not sell a small retailer or even a group of small retailers such as I and a few other have gotten together to meet the requirements these factories set up.

They will not sell you. For years and years the trade shows were set up in rooms where you couldn't get in to see them.

Fortunately the next year the show that is going to happen in August of this year is being transferred to the Houston Astrodome and it will be there on a booth basis so you will be able to go in and see the various wares in an open fashion, not the way these people have been doing for years and years and years.

Finally, when you find a factory that sells you, they ask you to take a delivery that is inconsistent with your selling period. If you want to buy a shoe for Easter, they want to sell it to you at Christmas or 3 days after Easter.

I also am a general manager of five stores in Philadelphia. We carry the Florsheim Shoes. Also last September I went to one of the shows to buy from Endicott Johnson which is a domestic manufacturer.

I said, "Give me a delivery I can live with." He gave me November 15 date which was late for my selling period. It was late but I placed an order. On November 16 I sent them an order canceling the order. They said, "We will have it December 11." I can't use those shoes because we cannot distribute them or anything else.

I agree there is a problem. I say that the problem is basically and has been caused by the local shoe manufacturer in this country because he has not wished to go into the market and cater to the market and try to build a basis for business.

We go out in our own retail business and we try to cater to a customer. These people do not. For years they would not go into cements which is where the high school shoes are being made. They remained with antiquated manufacturing processes for many years.

One of the things that I suggest and I think is important is, yes, we have to find a solution to these people. We have to find a solution for the workers.

We have to find help for the manufacturer but I don't think it should be done at the expense of the independent retailer. I don't think it should be done at the expense of the consumer.

I feel that we should in this committee perhaps with the various groups, and I am sure the importers would go along with you on this, set up institute, so that by means of new technology, by means of new processes, by means of using the American imagination as I like to call it, get it off of our hands and go aggressively after business; not sit back and say Uncle Sam is going to bail us out because we have problems.

I think you gentlemen owe it to the country, you owe it to the retailer, you owe it to every facet of employer and employee represented here to find an American constructive, imaginative way to solve this problem.

Thank you.

Mr. GREEN. Thank you very much for your testimony.

I know you have to catch a train. With unanimous consent, I am going to include your prepared remarks at this point in the record.

PREPARED STATEMENT OF HARRY A. KOZAC, OWNER, TRI STATE SHOE COMPANY OF PHILADELPHIA

My name is Harry A. Kozac. I reside at 211 Meetinghouse Road, Jenkintown, Pennsylvania. I am here as a small independent shoe store owner; as General Manager of Jim Brady Shoes, Inc., a chain of five men's stores and one family store, and as a representative of an informal co-op of ten stores being billed as Eagle Shoes of Philadelphia, Inc.

Gentlemen, I come here today not to advise you of what you are or are not to do. I am sure that in your infinite wisdom you will arrive at a decision that will reflect a judicious judgment. I am here to relate from the viewpoint of the small retailer who because of his lack of organization is not able to present his point of view adequately.

The average shoe manufacturer finds himself in an adverse position today not because of import competition; he finds himself in this position because through the years he has adopted a shortsighted policy with regards to his customer, his prospective customer and his product. It would behoove this committee to send investigators with me or with other retailers as we visit showroom after showroom in our efforts to secure merchandise for our stores. Unless you are a Sears or Edison Brothers you are ignored, insulted and generally made to feel not wanted. Instead of seeking new customers and building a broad base of customers, most manufacturers have sought solutions in panaceas. They seek one customer or a select group of customers in order to sell the factory production. When you finally find a factory that will sell your merchandise you are usually advised that you must accept very early or late deliveries. For example, if shoes are needed for the Back-to-School Season, they must be in our stores approximately August 1 to August 10. Factories insist on May-June deliveries or September delievery. This causes a severe overlapping of seasonable inventories with accompanying high accounts payable.

The productive facilities in the United States are dominated by vertical quasi monopolies like Genesco, Brown Shoe Company, Interco, etc. The smaller factories are gradually being acquired and their facilities not available for outside customers. If freedom of choice of the small retailer were to be inhibited by quota or other restrictions on imports, you would have the demand far exceeding the supply of merchandise and the result a high bankruptcy rate for the small retailer and a high price for the customer.

The shoe manufacturer finds himself in a critical position because he has not aggressively sought solutions to business problems. He has looked for curealls instead of building a solid business. He has looked for short cuts. Now when he is faced with a bad harvest as a result of poor planting he comes running to Congress for welfare, for charity. I do not feel that the answer to the present day plight of the shoe manufacturer lies in quotas, etc. It lies in the factories re-evaluating their customer relations; in taking advantage of those situations where domestic products have an advantage (better delivery, imaginative use of materials, new methods of manufacture, more imaginative styling).

Trade shows should be established in the European manner. An open booth show so that all products and factilities are available to viewing by all. It should be made easier to establish a communication between buyer and seller. Instead of quotas, a shoe instiute should be set up that can research new methods of manufacture, new materials, new styles and new customer potential. Gentlemen, the American way to solve a problem is with Yankee (with due apologies to the Chairman) ingenuity . . . not handouts. So far, the shoe manufacturers have sought handouts. Let us not help the manufacturer at the expense of the small independent shoe retailer. Instead let us formulate a program of self help in which all phases of the shoe business can cooperate for a healthier total business.

Example 1: Jodi Shoe Company. Jack Fischer owned this company and a Mr. Lenny White was his salesman. They were operating a successful and profitable shoe manufacturing company selling medium and small size chains and retailers. Mr. Fischer wished to sell Edison Bros., the largest shoe chain of women's shoes. He fired Mr. White and hired a salesman with contacts with Edison Bros. He succeeded in selling Edison Bros. to the extent that his entire production was involved with this customer. A year later Edison left him and he went out of business.

Example 2: Bee Bee Shoe Company has sold our informal coop for almost ten years. In this period we buy our shoes early in order to insure delivery for the appropriate season. Last year, Easter shoes were bought in September. Part of our order, the old styles were delivered in December rather than February–March delivery date. We took them early but our new styles, styles needed to compete with Edison Bros., etc., were delivered either Palm or Easter week . . . too late to distribute properly and too late to get a proper selling season for our merchandise. We have great problems getting the hot shoes at the proper time even when we order them sufficiently in advance. There are few suppliers available to buy this merchandise at competitive prices.

Example 3: On September 15, 1969, in my capacity as General Manager of the Jim Brady Shoe Stores, I placed an order with Empire Specialty Footwear Company, a subsidiary of Endicott Johnson. I asked the company for a delivery date and told them to give themselves enough time so that I could have a firm delivery date. They gave me November 11, 1969, which I accepted. When November arrived and no shoes, I contacted them and was advised that December 10–15 was the earliest date for delivery of some shoes but they could not guarantee this date either. Probably December 20, 1969, they would be delivered. Since these were Christmas selling shoes, I canceled the order. They lost a potential customer and we lost potential profit of these shoes as they could not be replaced.

(The following material was received for the record:)

Statement of Hon. George A. Goodling, a Representative in Congress From the State of Pennsylvania

Mr. Chairman, I have introduced legislation designed to control imports of shoes, because the shoe industry of Pennsylvania and my Congressional District has been placed in dire economic straits by a flood of low-price footwear that is sweeping into America.

I will not burden the record with statistics which undoubtedly will be duplicated many times in the course of these hearings. Suffice it to say that imports of footwear into the United States increased from 22,277,000 pairs in 1959 to 216,000,000 in 1969, an increase of 869%. During that same period, United States footwear production fell by 9% and Pennsylvania footwear production by almost 16%. In 1969 shoe imports were 3.5% of United States production, and in 1968 they were 27%. It is estimated that in 1969 shoe imports were in excess of 37% of United States production.

These footwear imports are pressing the shoe manufacturers of Pennsylvania and my Congressional District against the wall, because while the price of the imported shoe is cheaper, the quality of the shoe essentially is the same. This lower price results from the fact that the imported footwear is made with low-wage labor, while the machinery used in the manufacturing process is as efficient as that used in the United States.

Mr. Chairman, there is a heavy concentration of shoe-manufacturing plants in my Congressional District, and as the State of Pennsylvania suffers from these footwear imports generally, my 19th Congressional District in the State suffers particularly. For instance, there is a total of 19 shoe-manufacturing plants in my District, 4 in Cumberland which employs 954 individuals, 7 in York County, which hires 2,077 workers, and 8 in Adams County, which has an employment schedule for 2,729 employees. This is a total of 5,821 workers, most of whom, along with other interested parties, have deluged my Congressional Office with petitions favoring protective legislation on shoe imports.

For those who contend that the American consumer benefits from these shoes made in low-wage countries, it should be mentioned that the consumer does not always benefit from the low-cost footwear imports because, in many instances, the retailer sells them for a price identical to that of the shoe product made in America.

I have also introduced legislation designed to set up an orderly import program on steel. Our Pennsylvania steel industry is confronted with the same kind of unfair competition that plagues the shoe industry, unfair competition that has its root in low-wage rates abroad.

Other American-made and processed commodities are similarly affected by imports; hence, I stand in strong support of the Fair International Trade Bill. This legislation would implement a program of protection for any industry hampered as a result of imports.

Mr. Chairman, America has one of the highest standards of living in the world, largely owing to the dynamics of our industry and commerce. It is in our national interests, then, to preserve this vital economic empire, for if it were to perish, so would our high standard of living.

Statement of Hon. Thomas J. McIntyre, a U.S. Senator From the State of New Hampshire

Mr. Chairman, I would like to have been able to appear personally before your committee in support of H.R. 16920. However, I was called on by President Nixon to go to South East Asia and look into the progress of the Cambodia operation. Because this trip has completely disrupted my schedule I would like to submit the following statement for the record.

There can be no denial that the American textile and shoe industry had been severely injured by the increasing influx of foreign-made goods. As foreign firms gain a greater and greater hold on this segment of our economy, more and more American workers are losing their livelihood as their employer's businesses fail.

The plight of the footwear industry, for example, has been talked about, but not acted upon. The statistics which tell the story of the rise of imports and the decline of domestic production are now familiar. In 1969 foreign-made footwear took over 25 percent of our domestic market. Compared with 1968 imports jumped 20 million pairs last year while domestic production declined 52.3 million pairs. Some of these pairs could have and would have been made in some of the 59 shoe plants which were closed in the United States in 1969.

What has been happening in the first four months of this year? In April, 23,137,873 pairs of non-rubber footwear, valued at $44,972,072, were imported into the U.S. market, bringing the total imports for the first four months of

1970 to 91,828,200 pairs. Multiply this by three and you get an approximate idea of what this years imports will be—233,670,000 pairs—an increase of 19% over 1969. In 1968 imports represented 21% of the total supply; in 1969 it was 25%; and in 1970 imports could represent 29% of the total U.S. market.

How long can we let this trend continue? The time has come to place a reasonable limitation on foreign imports. This is exactly what you have done, Mr. Chairman, in H.R. 16920. You have devised a plan which allows competition from abroad to continue, but not to predominate. None of us want to see foreign products completely shut out of our country, but at the same time none of us wants to see thousands of American workers lose their livelihood. I commend you for your efforts and skill in arriving at what must be called the most workable and fair arrangement yet devised for this consistent conundrum.

By setting 1967–68 as the base period for this year's imports, it would reduce shoe imports, for example, from over 200 million pairs a year to approximately 150 million pairs a year. Imports of manmade fibers would be nearly cut in half. Protection would be given to the domestic wool and cotton industries by providing a shield against future rises in imports.

In future years, as domestic consumption of shoes and textiles increases the American producers of these products will continue to be protected. They will get a fair share of the increased American consumption and foreign imports will continue to be limited.

Mr. Chairman, because of the importance of this bill and because I believe that it is the best solution to this worsening problem. I have introduced similar legislation in the Senate. I hope that all our colleagues in our respected Houses understand the terrible plight of these industries and come to their aid by quickly passing H.R. 16920 and S. 3723.

Statement of Hon. Howard W. Robison, a Representative in Congress from the State of New York

INTRODUCTION

Mr. Chairman, I appreciate the opportunity to express my views before this Committee on the question of foreign trade and restrictions thereof. On June 26, 1969, I introduced H.R. 12466—a bill to promote equitable competition between the United States and the various foreign producers of footwear. This bill authorizes the President to enter into voluntary agreements with foreign producers to provide for orderly trade in footwear, including the quantitative limitation of imports of such articles into the United States. Alernatively, if such agreements cannot be voluntarily arranged, then mandatory limitations would be imposed, based on the past share of the import market of those nations with which no agreement can be made.

ECONOMIC POLICY ANALYSIS

It is often stated that restrictions on foreign trade, and particularly import quotas, are inimical to the concept of free and orderly trade, and, in a vacuum, that analysis is perhaps accurate. I would suggest that the economic analysis of the virtues of free trade enunciated by Adam Smith in *The Wealth of Nations* is no longer application to major trading nations—of which the United States is one. This is not to say—and I do not so say—that free trade is no longer a viable concept; but rather the thrust of the concern of the United States has shifted from a purely economic analysis to a socio-economic analysis. Hence, whereas Adam Smith would have taken the position that if a nation loses its competitive posture in a particular enterprise so that imports become less expensive than domestic products, then that nation should shift away from the production of that product and concentrate on a product it can produce more competitively; I would suggest that more modern economic analyses recognize the necessity of protecting certain domestic industries—competitive or not—in order to further natitonal interests. The question which ultimately must be answered is: when does the extra cost to the Nation, resulting from the restrictions of imports, outweigh the national interest which is being protected? That question involves a balancing-of-interests analysis which is being made today by every major trading nation.

RELATION TO FOOTWEAR

Specifically relating that analysis to the footwear industry—and the impact H.R. 12466 would have on that industry—a few observations are appropriate. If this Congress should adopt the position that no trade restrictions are needed, it is clear that the biggest and most immediate impact would be felt by the employees of that industry, numbering in excess of 200,000 persons. These men would be put out of work at a time when unemployment is approaching significant, if not dangerous, levels. Oddly enough, they would be put out of work, not because the products which they are producing are inferior to the imported products—because, in fact, they are better products than imports—but because the footwear industry is labor-intensive, and the United States labor is more expensive than foreign labor. The Smith analysis—if adopted by this Congress—would deprive these American craftsmen of employment and throw them into an already flooded labor market. I would suggest that a more reasoned approach would be to recognize the need to keep these men employed (thereby strengthening the economy), the need to preserve the operational status of our footwear industry for military production, and the need to offer a relatively small amount of protection to an industry in order to fulfill a social obligation to these men and their families.

CONCLUSION

Ultimately, the result of H.R. 12466 would be to benefit the economy rather than to harm it. The benefit from keeping the industry operational far outweighs the possible harm of higher priced (and higher quality) domestic shoes. I believe that this is an appropriate instance for deciding that the mertis of free trade are outweighed by the social and domestic economic benefits to be derived from limited trade restrictions.

I, therefore, commend to this Committee H.R. 12466.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., May 27, 1970.

Hon. WILBUR D. MILLS,
Chairman, Ways and Means Committee,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Enclosed is a copy of a letter I received from Mr. Arthur N. Shapiro of Shapiro Brothers Shoe Company, Inc., Auburn, Maine.

The letter outlines the serious impact on the company of imported shoes during the last two years. I respectfully request that the letter be included in the record of hearings currently underway by your Committee on the import crisis.

Thank you.

Sincerely,

WILLIAM D. HATHAWAY, *M.C., Maine.*

Enclosure

SHAPIRO BROS. SHOE CO., INC.,
Auburn, Maine, May 22, 1970.

Hon. WILLIAM D. HATHAWAY,
House of Representatives,
Washington, D.C.

DEAR BILL: In reply to your recent letter regarding the effect of imported shoes on our business I will outline as briefly as I can the serious impact on our company during the past two years. I enclose a resume of our production from 1960 to date for your benefit.

For ten years prior to 1968 we produced an average of over 1,500,000 pairs of women's fashion shoes per year. We employed about 700 production workers and had an average work week of 36.43 hours per week.

During 1968 we employed 583 workers and our average work week dropped to 31.72 hours per week.

From December 1968 to May 11, 1969, we employed 525 production workers and our average work week dropped to 28.44 hours per week.

In April 1969, due to our inability to compete with foreign imports, we were forced to close one of our plants in which we employed about 250 workers who produced 2,700 pairs per day.

Our records show that on payroll week ending May 16, 1969 we employed 401 workers with an average work week of 29.92 hours.

As of May 15, 1970 we are producing about 60,000 pairs a month and employing 427 workers with an average of 35.5 hours per week. This is our peak period of production for the Fall season.

On June 1, 1970 in accordance with our union contract we are giving our employees an increase of 10¢ per hour plus additional fringe benefits that will make it necessary to increase our selling price about 25¢ per pair. This will make it even more difficult to compete with the foreign imports, and again this will undoubtedly cause a further drop in our production.

We are also committed to an additional increase on December 1, 1970 of 5¢ per hour plus additional fringe benefits.

All of these figures were pointed out to Senator Margaret Chase Smith by our Mr. George Shapiro at a meeting in the Senator's office in Washington on May 21, 1969. A full year has since elapsed and I am certain that as co-sponsor of Bill HR 16920, that you are aware of the fact that our industry has not received any help from the voluntary quotas which we discussed and which are so sorely needed to protect our business and our employees

I present this information for your consideration with the hope that some corrective measures will be taken by the Congress.

In closing please accept our thanks for the action that you have taken on behalf of the shoeworker's of Maine, and I will appreciate hearing from you if you are in need of any adidtional information. With kind personal regards I remain,

Sincerely,

ARTHUR N. SHAPIRO.

Total pairs produced by Shapiro Bros. Shoe Co. from 1960 to date

1960	1, 786, 854	1966	1, 510, 991
1961	1, 676, 536	1967	1, 483, 622
1062	1, 600, 298	1968	1, 371, 696
1963	1, 871, 482	1969	841, 020
1964	1, 551, 893	1970 (5 months)	317, 821
1965	1, 475, 016		

STATEMENT OF THE STATUS SHOE CORPORATION SUBMITTED BY J. WERNER GILLON, PRESIDENT

I. INTRODUCTION

The Status Shoe Corporation (Status) is a New York corporation engaged in the importation of leather footwear. It imports men's and boys' leather footwear from Czechoslovakia. Very recently small amounts of women's and girls' shoes have been added to the trade.

A. PURPOSE OF THIS STATEMENT

Status submits this statement in lieu of a personal appearance before the Committee to oppose the provisions of H.R. 16920 which are intended to establish quotas on leather footwear imports.

B. NATURE OF THE TRADE

Status does business with Exico, a Czechoslovak export corporation which handles world-wide trade for footwear producers in Czechoslovakia. Status' business arrangements with Exico require it to style and design the entire line of shoes it imports and to make long-term commitments for purchases well in advance of delivery dates.

The trade under this arrangement was commenced in 1964. The volume in terms of numbers of pairs imported increased in the years from 1964 to 1967 and since that time has remained relatively uniform. The reason for this is that Exico is committed by its policy to supplying as many markets around the world as possible. This, of course, limits the pairage that can be sold to any one country. As a result there is no real likelihood in the foreseeable future for the Czechs to sell any appreciably greater number of shoes to the United States than the amount sold in the years starting in 1967 and continuing to the present time.

Even if the Czechs were to find themselves in the position of being able to increase allocation of pairage to the American market, there is little expectation that Status will increase its purchase beyond presently established levels. The rising cost of the services that Status itself performs in styling, designing and merchandising the line, the added risk factor arising from rapidly changing fashions in highly styled men's shoes in the American market and increasing prices from the Czech supplier establish limits to the amounts that can be profitably imported.

Despite the fact that there is hardly any chance of an increase in this trade and no present intention at all on the part of Status to enlarge it, the Company is, nevertheless, opposed to the passage of this or any other quota legislation.

II. QUOTAS WILL DISLOCATE THE MARKET

A shoe is a fairly complicated article. It can be manufactured from a wide variety of materials, all of which come within the definition of the term "leather" as used in the proposed legislation. A shoe can be made in an unlimited variety of styles and can be manufactured by any one of a large number of processes. For this reason the problem of categorizing shoes for the purpose of administering import quotas will be a super-human one with each interest seeking the adoption of a classification system favorable to it. Whatever classification is eventually adopted for these purposes will have a tendency to freeze the trade into a fixed pattern. The net result will be that the domestic industry will find itself suffering from greater competition in particular sectors after the imposition of quotas than it does now. This, of course, will lead inevitably to demands for even more restrictions on the trade to protect those unfortunates who will find themselves disadvantaged by the first round of quotas. The alternative would be an effort on the part of the luckless ones to redefine categories so as to reduce quotas on shoe types that cause them uncomfortable competition.

An example of the sort of dislocation and confusion that can be expected comes readily to hand. In the years 1967 and 1968 which are the base years for the calculation of quotas under the provisions of H.R. 16920, the footwear market in the United States especially in women's leather and vinyl shoes, was undergoing a market metamorphosis.[1]

During the years in question, the ladies were apparently flocking to vinyl footwear at the expense of shoes made of leather. Production in the United States of vinyl shoes and imports of vinyl shoes were up, whereas production and imports of leather shoes for women went down.

It is to be expected in the competitive nature of things that producers of leather shoes supported by tanners will seek to increase their share of the market. In doing this they will find themselves at a competitive advantage if the quota legislation is enacted as proposed because in the base years leather imports were at a low ebb. As the market pattern begins to swing toward the leather producers, the companies that manufacture vinyl shoes in the United States supported by the chemical companies which make vinyl materials will naturally either seek adjustments in the quotas or recategorization.

The shoe manufacturing industry in the United States, already beset by problems[2] will only find those problems complicated and aggravated by the imposition of quotas and the resulting articial and unrealistic restraints on competition.

III. QUOTAS WILL RESULT IN DISCRIMINATION AMONG THE EXPORTING COUNTRIES

The effect of quotas will be to unnaturally and artificially freeze the sources of supply. Countries with substantial exports in the base years will become members of an exclusive club entitling them to export footwear to the United States to the exclusion of all other countries in the world. It has never been the policy of the United States to so discriminate among friendly nations with respect to their ability to gain admission to the American market for their products.

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[1] Reference is made to United States Tariff Commission Report on Investigation of Non-rubber Footwear Imports, TC Publication 307 December, 1969, p. 5, and see comment "Does The Shoe Fit New England?" Federal Reserve Bank of Boston-New England Economic Indicators, March, 1970, p. 3.

[2] Report of President's Inter-Agency Task Force 1970.

The effect of this kind of freeze can be particularly pernicious in the shoe trade. Production of many kinds of footwear can be commenced with a minimum capital investment. For this reason the manufacture of shoes is an attractive industry for developing nations. When such countries are denied entry to this market, their approach to self-sufficiency will be slowed and in many cases this country's economic aid subsidies will grow. The anti-competitive effect of quotas will work their harshest effect on those countries who are in the early stages of becoming self-sustaining members of the world trading community.

IV. QUOTAS WILL MARK THE BEGINNING OF A RETURN TO DESTRUCTIVE TRADE WARS

Commencement by the United States of restraints on trade through statutory quotas will represent a sharp departure from this country's trade policy since the middle thirties. This change in policy will undoubtedly trigger reprisal and retaliation abroad and could very well signal an end to all that has been accomplished toward the creation of freedom and liberalization of trade among the nations of the world. There is every likelihood, therefore, that this legislation will furnish the impetus to the rebuilding of the destructive trade barriers that were the source of so many of the economic troubles in the earlier part of this century.

V. QUOTAS WILL NOT, NOR ARE THEY NEEDED TO, SOLVE THE PROBLEMS OF THE SHOE INDUSTRY

Footwear imports are far from being the real problem of the shoe manufacturing industry in the United States. The problems of this industry, especially in relation to the increasing level of footwear imports, have probably been the subject of more studies than any other industry. The Committee will have the benefit of all of these studies and it is not the purpose of this statement to reiterate their findings or conclusions. It is sufficient to note that all independent studies of the industry, notably those of the Tariff Commission in 1969 and 1970 and the study of the shoe industry in New England by the Federal Reserve Bank in Boston published in March of 1970 and finally the Report of the President's Inter-Agency Task Force conclude that the ills of the industry are not caused by competition from imports. If quotas are established by this legislation, the American industry relying on the legislation and mistakenly believing that its troubles are over, will make no effort to undertake the changes that are really necessary to modernize and reorganize its production and distribution.

It should also be pointed out that there are presently available to the United States shoe manufacturing industry forms of relief more appropriate to its problems than the arbitrary restriction of imports. A better administration of these relief provisions together with a genuine effort on the part of the industry to modernize itself and reorganize its structure are a more appropriate prescription for curing whichever ills may exist.

VI. QUOTAS RESULT IN INCREASED PRICES TO THE CONSUMER

Import quotas are means of artificially restricting trade. Domestic footwear manufacturers protected by quotas will not have the incentive to lowering costs and prices that are present in a freely competitive market. The fact that the introduction of import quotas will cause further dislocations in the market as pointed out in Section II above, will add to the pressure on prices of the consumer level. The inescapable effect of all of this is higher prices.

VII. CONCLUSION

The Status Shoe Corporation as an importer actively engaged in international commerce urges that this Committee reject all legislative efforts to establish restrictions upon imports through the establishment of quotas.

STATEMENT OF IRVING W. ALLERHAND ON BEHALF OF CITC INDUSTRIES, INC.

I am Irving W. Allerhand, Vice President, CITC Industries, Inc., 180 Madison Avenue, New York, New York, a firm engaged in the sale and distribution of imported footwear throughout the United States.

All of us throughout the country whose livelihood derives from giving the American consumer a wide variety of choice among prices and styles of shoes support legislation before this committee, which promotes a growing healthy trade and oppose the so-called orderly trade in textile and footwear which would inhibit trade. Those witnesses who have appeared here advocating arbitrary limits on the importation of footwear have completely failed to prove that such action is necessary for the survival of their businesses. Setting aside for the moment all other considerations—the interest of the consumer, the short and long range effects on American exports, etc.—the striking fact on this record is that the domestics have not established a factual basis for their demands. Invariably, when faced with soft spots in the economy of their industry, domestic shoe producers lay the blame on imports. This is an easy answer but not an accurate one.

Shoe production is a mixed industry of both large and small United States companies and multi-national giants such as Interco and Genesco. There is a varying pattern of many small producers scattered among some huge conglomerates. Six hundred seevnty-five companies in 1,000 establishments in 38 states were found in a recent Tariff Commission Report. Fifty-eight companies manufacture over half of the total U.S. output. In any industry having so many companies so disparate in size, facilities, management, capital, and sales ability, there will be found the whole range of business success, busines problems, and business failures.

Aggressive, well-managed shoe companies, be they large or small, are capturing their share of the market and are very profitable. On June 19, 1969. *Footwear News* carried a report issued by the Securities and Exchange Commission showing that while the Fortune Magazine five hundred "largest industrial companies had a return on invested capital of 11.7%, publicly owned footwear manufacturers had a return on capital of 15.9% and footwear suppliers had a return of 12.4%." Problems occurring within the industry are, according to objective reports, attributable to many factors and cannot be said to stem from imports alone.

The *Journal of Commerce* on April 7, 1970, reported on a study done by the Federal Reserve Bank of Boston and stated that restricting the volume of imports would not solve the industry's problems. The study itself is a very comprehensive work and deserves great attention, particularly when contrasted with the unsubstantiated assertions of the industry. Since it is the New England segment of the industry which is most vocal in asking for import restrictions, a study of the economics of that region is most useful. The shoe industry as it exists in New England is composed of a large number of relatively small firms. It is a relatively easy business to enter and leave, thus explaining many of the so-called failures. The required capital investment is relatively limited and the leasing of equipment is widespread. Another factor found by the study was the competition for labor in New England. Specialized industries such as electronics have been winning the battle for workers from the shoe producers. As the study says, this may explain why shoe production employment was increasing in some southern states and declining in New England. In addition, the old New England facilities were found to be unattractive and unappealing places in which to work. The following significant conclusion was made:

"In fact, many New England shoe manufacturers feel that the major constraint upon the level of their output is not foreign competition, but the high cost of labor in New England."

It is also noted that one major problem facing the New England shoe industry can be traced directly to the nature of the industry. The modest level of required capital outlay for entry is characteristic and when styles undergo major and frequent changes, most small producers experience financial strain. The companies most frequently cited as experiencing difficulty were makers of high fashion women's shoes. They lost their business not to imports, but to the manufactureres of women's casual flats, when the traditional dress shoe heel dropped.

Many of these same factual criticisms of the New England shoe industry have been made by one of America's major retailers. Lawrence McGourty, President of Thom McAn. In a recent interview, Mr. McGourty said, "If New England shoe manufacturers would do some real research of the market and be sensitive to new styles, they wouldn't know what to do with the business they'd get." Mr. McGourty went on to say that whatever problems may face the manufacturers of women's dress shoes, it is not imports. The problem is that the 25 to 30 year old women of middle and low income no longer accept dress shoes New England manufacturers have made for years.

"New England makers of women's dress shoes have been complacent, making the styles they have always made. Two years ago the complacency caught up with them. They have gone, with tunnel vision, down one road, and they have come to its end," McGourty said. Shoe industry leaders have said that cheap labor in foreign factories enables imports to undersell U.S. shoes. But McGourty answers, "All of our imported shoes sell at a higher price, or the same price, as the domestic brands. None sells for less.

"Nor have I ever heard at Thom McAn a decision to buy a certain foreign shoe from Italy or Spain rather than the U.S. because the foreign shoe was cheaper or of a greater 'shoe value.' We buy because we want to get the style.

"Can these shoe manufacturers make whatever they please and expect to be protected from customer tastes?" McGourty added.

Lastly, in response to the requests for import quotas, Mr. McGourty said, "The New England shoe industry blames its troubles on imports, but in fact, lack of creativity, market analysis and research are at fault."

The Federal Reserve Bank study concludes that it is debatable whether trade restrictions would permanently solve the problems of the New England shoe industry, noting that the regional wage differentials in the nation make the New England industry vulnerable to domestic competition. Other reasons given for rejecting a quota approach are (1) damage to exporters in New England, (2) much higher priced shoes and restricted choice for consumers, (3) retaliation by foreign governments against U.S. exports, and (4) the inherent conflict with the movement toward freer trade in the world. According to Arthur H. Watson, Chairman of IBM, jobs directly attributable to exports are estimated at 300,000 in New England alone.

The May 21, 1970, *Journal of Commerce* quoted Charles F. Adams, Chairman of the Raytheon Company, Lexington, Massachusetts "Last year more than 20% of Raytheon's sales dollars came from outside the United States."

A principal cause of some unemployment in the New England shoe industry is the abandonment of ancient facilities in that area and establishment of new plants in southern states and in Puerto Rico. Uniroyal, one of the largest manufacturers of sneakers and canvas sports shoes, has announced the tentative decision to end production at Naugatuck, Connecticut, and Woonsocket, Rhode Island, stating that the Naugatuck facilities were over 100 years old and no longer competitive with foreign and domestic producers. The company also said that there has been a proliferation of low cost domestic footwear manufacturers paying wages far below Uniroyal scales, and that they were forced to abandon the outmoded New England facilities and are starting production at new footwear plants in Dublin, Georgia, and Farmville, Virginia. A B. F. Goodrich Co. report in the *Wall Street Journal* of February 19, 1970, stated "Goodrich also had heavy operating losses from duplicate operations in the footwear division where an obsolete plant at Watertown, Mass., was being phased out after new Southern plants" were opened in Lumberton, North Carolina, and Elgin, South Carolina.

Also, in the *Wall Street Journal* of March 27, 1970, Goodrich announced "plans to move headquarters of its footwear operation into a new office building" in Charlotte, North Carolina. "A distribution center capable of storing five million pairs of footwear will be opened adjacent to the headquarters," the company said. The company noted that the "headquarters of the division has been Watertown, Mass., where the company closed a large plant late last year because it had become obsolete."

This pattern is being repeated throughout the industry, as witness the announcement by Frier Industries last fall in reporting its "best quarter ever", that they were expanding production in Stuttgart, Arkansas, while cutting back production in their South Norwalk factory. Said Mr. Frier, "An expanded labor pool in the south and diminishing labor situation in Connecticut has prompted this move."

Implicit in the announcements by Uniroyal and Goodrich is a significant fact not frequently acknowledged. Automation and machine production are coming rapidly to the shoe industry. Endicott Johnson Corporation, a major shoe producer, opened a new plant employing the injection molding process originally developed for high quality sneakers, but suitable for other types of footwear as well. These machines, according to Endicott Johnson, are veritable giants which affect enormous labor savings and turn out fine quality shoes at a tremendous rate.

This new type of automation is so advanced that the entire industry is on the threshold of a new era. As far back as 1964, in an appearance before the Tariff Commission and other government agencies, the President of this company, Jonas Senter, described the new machinery that was being developed at that time and predicted the technological revolution that is occurring today.

Endicott Johnson is presently the subject of an exchange offer to its shareholders from McDonough Company. In the exchange offer prospectus, there is extensive factual data about Endicott Johnson as required by the Securities Act of 1933, known as the "truth in securities law". The truth about Endicott Johnson's decline in earnings is not import competition, but these admitted facts—increased interest charges, extraordinary renovation expenses in modernization, and expenses of inactive facilities. Being forced to tell the truth, this major manufacturer notes that it discontinued the manufacture of women's and girls' fashion shoes not because of imports but owing to a disproportionate low return on investments. Also, it was not foreign competition, but unprofitability, which forced them to eliminate three shoe plants and to consolidate in other existing plants. Domestic factories that are efficiently managed and programmed are so busy that customers seeking shoes are on a factory-imposed quota basis, e.g., Lawrence Maid is now producing 54,000 pairs of shoes per day of popular priced vinyl footwear.

Another U.S. producer, Ramer Industries, Inc., has adopted the injection molding technology and claims that it produces shoes on precision equipment turning out more than 120 perfectly finished pairs per hour per unit and eliminating more than 14 tedious and costly manufacturing steps for every pair. These and many other companies are producing machine-made shoes of high quality at a low cost, and they are competing very successfully with both the domestic and foreign manufacturers. The shoe industry was not complaining during its record breaking year of 1968. The question is what went wrong in 1969, that has led to the cries for protection. *Business Week*, in an analytical article, found that the domestics have themselves to blame for losing part of their market share through mistakes in styling.

"The industry misstepped on styling for women's shoes. It committed itself to the 2½-year-old "monster" look imported from Italian styling salons, and found a large number of American women completely turned off—both aesthetically and financially.

"In terms of sales, this last error proved the most serious. Some observers liken it to the marketing fiasco suffered by the Edsel a decade ago. And at least one shoe company admits to management changes, as well as a realignment of priorities, as a result of its boot.

"*How it happened.* Essentially, the monster disaster was one of being too late with too much. The monster, in the language of the trade, is the wide-heeled shoe with a bulbous toe that caught on with the young and avant-garde in the summer of 1967. At first, the domestic shoe industry dismissed the look as freakish. 'We thought it would go for about 90 days, and then bomb,' says a marketing man at Brown Shoe Co., Inc., in St. Louis, the shoemaker with the largest sales volume in the U.S.

"But he was wrong. And so were other U.S. companies. The style continued popular and European shoemakers cleaned up. When the domestic industry finally decided to go after the fad a year ago, its timing as well as its product proved to be a flop.

" 'We forgot all the rules and we took our eye off the ball,' says a shoe company executive. The ball in this case was the older, traditional buyer of women's shoes. Brown estimates that some 50% of the women's market did not like the product it was offered.

"*The outcome.* The results should have been predictable. With about 65% of its wholesale business in women's shoes, Brown's unit sales are down. Men's and children's shoes made up the rest of its business, and both of these lines did well. But this was not enough. Earnings at Brown will be down substantially to $2.40 a share this year compared with $3.14 a share last year."

The article goes on to point out, however, that other major producers, such as Interco in St. Louis, had a year which compares favorably with 1968.

The Federal Reserve study properly noted the danger to exports if any quota legislation forces a foreign retaliation. This prospect would be most alarming in the case of New England, which is dependent on exports and an ever-growing export morket. On May 21, 1970, the International Center of New England, Inc. called on New England manufacturers to look increasingly to overseas markets to compensate for reduced demand at home. It was pointed out that one growing New England company made 25% of its sales overseas and that another substantial concern reported "43% of our revenues and 53% of our net income are derived from international operations".

The domestics constantly harp on alleged impact of imports on workers. What they always fail to tell this committee is the tremendous benefits that are derived from trade in the form of jobs and earnings. On October 3, 1969, the Senate Small Business Committee heard from Thomas J. Soules, Port Director of the Massachusetts Port Authority. Mr. Soules noted that the importation of shoes into Boston and the development of container services, very suitable for shoes, was attracting more and more imports and making New England into a distribution center for the country. He also noted that New England was an exporter of shoe machinery and over one million dollars of shoes to Japan in 1968 alone. Mr. Soules noted that Boston shoe imports play an essential role in keeping the longshoremen's union and the Port of Boston alive. The longshoremen had lost almost 25% of their manpower but with the increase in shoe imports and the growth of container services Boston is hopeful of regaining the lost longshoreman jobs. The following colloquy is illustrative of all Mr. Soules' testimony:

"Senator McIntyre: Your position would be that anything that restricts imports you would be opposed to?

"Mr. Soules: It hurts the Port of Boston and at a time when we have a very good chance to really move."

How ironic it would be if an industry that cannot prove a case for import restrictions could trigger a trade war that might be a disaster for the whole New England area.

The domestics have proved that they can compete and successfully so. It may be that some will have to try a little harder. In other testimony before the Senate Small Business Committee, it was pointed out to the shoe industry by a member of the Senate that at one time still camera imports controlled 70% of the American market. The U.S. producers did not ask for a quota but simply rolled up their sleeves and out-did the foreign competition by technology, know-how and research.

If the domestics are allowed the protection of a tariff wall, the ultimate loser will be the American consumer, who will pay ever higher prices for less choice, and the industry itself will stagnate from lack of incentive and competition.

The United Shoe Workers of America have publicly announced that they will demand a "substantial" package of increases in wages and fringe benefits. The coupling of arbitrary limits on competition with increased union demands would cause an immediate and substantial increase in prices the consumer must pay for his footwear. Such a lack of self-restraint by the unions is certainly not consistent with their professed desire to maintain a healthy industry.

A point made in earlier testimony is very critical to the issue before this Committee. Almost two-thirds of all imported footwear is simply not competitive with the products of the U.S. industry. Half of the 1969 imports consisted of inexpensive vinyl footwear, and approximately one-sixth of the imports consisted of leather sandals. In these categories, U.S. production is almost non-existent.

We strongly believe that if imports can be shown to be the principal contributing factor to unemployment, then adjustment assistance is an absolute necessity. We support the Administration's objectives of improving and liberalizing the adjustment assistance provisions of the present law. The domestic producers have made their plea for quotas, have argued their cause, but have not proven their case.

AMITY LEATHER PRODUCTS CO.,
West Bend, Wis., May 27, 1970.

Hon. WILBUR D. MILLS,
Chairman, House Ways and Means Committee, U.S. House of Representatives, Longworth House Office Building, Washington, D.C.

DEAR MR. MILLS: I would like very much to appear before your committee to discuss my views on foreign trade. Since I cannot, I wish to make a statement in this letter.

I believe that since our government has properly set minimum wages a manufacturer must pay and has encouraged unions in this insistence on much higher wages, we should also insist that imported goods are made under similar wage requirements or tariff adjustment be made to equalize labor cost of domestic manufacturers. Such a procedure would be only fair to the manufacturer in this country. Also, it would line us up against the long hour, low pay manufacturers in other countries.

It is wrong to say that American buyers should be able to purchase anywhere they wish in order to gain the lowest price. This is the argument of merchants who wish to profit on child labor and slave labor of low price exporting countries. If we feel that our laboring people should be paid minimums, how can we feel then labor in other countries should work for us for a pittance and under very unfavorable factory conditions?

The worry about reprisals from foreign countries is entirely false. Our country has the upper hand with our military and other aid and other countries should fear us—we need not fear their actions. We are dealing from strength not weakness.

I am sure that shoe manufacturers deserve and should get help and protection from imports so that the manufacturers can stay in business and pay taxes and so that the workers can remain employed paying the taxes instead of going on relief and welfare.

Very truly yours,

LEONARD E. BENEDICT,
Secretary.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., June 25, 1970.

Hon. WILBUR MILLS,
Chairman, House Committee on Ways and Means,
Washington, D.C.

DEAR MR. CHAIRMAN: I have received the enclosed letters from my constituents, Mr. H. L. Hendricks and Mr. H. B. Hughes.

I will very much appreciate your having these letters included as part of the hearings you are holding on tariff and trade proposals.

Thank you for your assistance.

Cordially,

GRAHAM PURCELL, *M.C., Texas.*

HUGHESCO, INC.,
Dallas, Tex., May 20, 1970.

Congressman GRAHAM PURCELL,
Washington, D.C.

DEAR CONGRESSMAN PURCELL: We are informed that the Ways and Means Committee is holding hearings on limitation of imports of shoes. There are about six of us in the United States who import athletic shoes, which is not a drop in the bucket compared to other shoes. Principally, our shoes come from West Germany and France. We make specialized athletic shoes that are priced considerably higher than American shoes, but athletes in America prefer them over shoes made in America. For instance, about 80% of all athletes in the world at the Olympics wore German import shoes.

We, as a distributor for Adidas Sportschuhfabriken, have only been in business three years; so if a quota were established, it would be unfair to put us on a '67 quota as we received very few shoes at that time. There are four of us who distribute this brand of shoes in the United States, and many of our people would be out of work if the limitation were too severe.

Also, we feel that some of the importers of athletic shoes should have an opportunity to present their side to the Committee.

Very truly yours,

H. B. "DOC" HUGHES.

VOLCO, INC.,
Dallas, Tex., May 16, 1970.

Hon. GRAHAM PURCELL,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. PURCELL: Previously we have corresponded concerning apparel imports from the far east, Japan in particular.

Volco, Inc. is a Texas corporation engaged in the distribution of all types of childrens and womens apparel to the retail trade in Texas and Oklahoma. Our first quarter figures for 1970 show a loss of $415,000.00 in sales which can be directly attributed to Japanese imports. We simply cannot survive with this increased competition from a country where labor rates are but a fraction of those paid in this country. Unless trade restrictions are forthcoming which will control these imports we will be unable to continue operations past this year.

May we count on you for help in this matter.

Yours very truly,

H. L. HENDRICKS,
President.

Mr. GREEN. The committee will adjourn until tomorrow morning at 10 o'clock.

(Whereupon, at 5:45 p.m., the committee adjourned, to reconvene at 10 a.m. Wednesday, June 3, 1970.)

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