

GENERAL AGREEMENT ON TARIFFS AND TRADE

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ARTICLE XIX - PROPOSED ACTION BY THE UNITED STATES

Non-Rubber Footwear

The following notification under paragraph 2 of Article XIX, dated 1 July 1985, has been received from the Office of the United States Trade Representative.

On May 22, 1985, the United States International Trade Commission (USITC) determined that nonrubber footwear provided for in items 700.05 through 700.45, inclusive, 700.56, 700.72 through 700.85, inclusive, and 700.95 of the Tariff Schedules of the United States (TSUS), are being imported in such quantities as to be a substantial cause of serious injury or the threat thereof to the domestic industry producing articles like or directly competitive with the imported articles.

On June 12, 1985, the Commission, with only one negative vote, found and recommended that to prevent or remedy such injury it would be necessary to impose a quota of 474 million pairs on imports of nonrubber footwear with a customs value of over \$2.50 per pair. The quota would remain at that level for the first two years and then increase by three percent in the third year, by six percent in the fourth year, and by nine percent in the fifth year. It was recommended that import licenses be sold through an auctioning system. Three Commissioners recommend that the first quota year commence on June 1, 1985.

Two Commissioners recommended that the overall quota be divided into three segments to provide more effective relief to those parts of the domestic industry which have been most injured by imports. This division restricts imports within the quota in the first year to (1) a 214 million pair ceiling on nonathletic footwear with a customs value of over \$5.00; (2) a 110 million pair floor for all athletic footwear (of any value); and (3) the remaining 150 million pair is to be made available to all footwear valued by Customs between \$2.51 and \$5.00. This portion of the quota is also to be open for bidding by athletic footwear.

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The Commission's report and determination will be formally transmitted to the President on July 1, 1985. Further details will be available after the Commission's report has been forwarded to the Office of the U.S. Trade Representative in Geneva. Under Section 202 of the Trade Act of 1974, the President has 60 days to determine what method and amount of import relief he will provide, or determine that granting import relief is not in the national economic interest of the United States. The President is not bound by the recommendation of the USITC and can choose another remedy or deny import relief entirely.

Since the President's decision may require action which would be subject to GATT Article XIX, the United States is prepared to consult with the CONTRACTING PARTIES and with those Contracting Parties having a substantial interest as exporters of the products covered by the proposed action.