



we wear® our mission

April 7, 2014

The Honorable Barack Obama
President of the United States
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Obama:

As you travel to Japan this week, I am writing to you on behalf of the American Apparel & Footwear Association (AAFA) to urge you to push Japan to eliminate Japan's Tariff Rate Quota (TRQ) on U.S. made and U.S. branded leather footwear as part of the ongoing Trans-Pacific Partnership (TPP) free trade agreement negotiations.

AAFA is the national trade association representing apparel, footwear, and other sewn products companies, and their suppliers, which compete in the global market. Representing more than 1,000 world famous name brands, our membership includes more than 530 companies, drawn from throughout the supply chain. AAFA is the trusted public policy and political voice of the apparel and footwear industry, its management and shareholders, its four million U.S. workers, and its contribution of \$350 billion in annual U.S. retail sales.

We strongly believe that the elimination of Japan's leather footwear TRQ should be part of your call for Japan to increase its ambition on market access and reducing barriers to trade as part of the TPP negotiations, Japan's longstanding footwear quotas have been a significant and costly barrier to U.S. footwear companies trying to enter the Japanese market.

Japan's leather footwear TRQ has been in place since 1952. Under the TRQ, Japan only allows imports of 12 million pairs of leather shoes annually at the normal duty-rate. Once this quota is reached, a tariff-rate quota (TRQ) of 4,300 yen or 30% (whichever is greater) is applied to all additional imports, equating to about \$45 per pair of shoes.

This TRQ effectively blocks U.S.-made and U.S.-branded footwear from entering the huge Japanese market. These quotas are so onerous, your own United States Trade Representative (USTR) has cited Japan's leather footwear TRQ in every single edition of its annual National Trade Estimate (NTE) Report on Foreign Trade Barriers since the report's inception in 1985. (SEE ATTACHED).

Therefore, we again urge you to make the elimination of Japan's footwear TRQ a key priority of your and your administration's ongoing discussions with Japan on the TPP negotiations.

Thank you for your time and consideration on this important matter. If you need any additional information, please feel free to contact me or Nate Herman at nherman@wewear.org or 703-797-9062.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Lamar', is written over a white background.

Steve Lamar
Executive Vice President

CC: - U.S. Trade Representative Michael Froman
- Secretary of Commerce Penny Pritzker

ATTACHMENT

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Japan Leather and Leather Footwear References

National Trade Estimates (NTE) Reports on Foreign Trade Barriers, 1985-2014

Office of the U.S. Trade Representative (USTR), April 2014

2014

Japan continues to apply a tariff-rate quota (TRQ) on leather footwear that substantially limits imports into Japan's market, negatively impacting market access for U.S.-made and U.S.-branded footwear. The U.S. Government continues to seek improved market access for U.S. exports in this sector.

2013

Japan continues to apply a TRQ on leather footwear that substantially limits imports into Japan's market, negatively impacting market access for U.S.-made and U.S.-branded footwear. The U.S. Government continues to seek elimination of these quotas.

2012

Japan continues to apply a TRQ on leather footwear that substantially limits imports into Japan's market, and it sets these quotas in a nontransparent manner. The U.S. Government continues to seek elimination of these quotas.

2011

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2010

Japan continues to apply a TRQ on leather footwear that substantially limits imports into Japan's market, and establishes these quotas in a nontransparent manner. The U.S. government will continue to seek elimination of these quotas.

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2007

The process by which the Government of Japan establishes quotas lacks transparency. U.S. industry reports that there is no consultation with leather shoe importers to determine anticipated import levels. U.S. industry has expressed concern that the quota on leather footwear imports effectively bars U.S. footwear manufacturers and U.S. brands from the Japanese market. According to the industry, the only way U.S. footwear companies can penetrate the Japanese market is through licensing arrangements where footwear is produced in Japan under a licensee. Many U.S. companies choose to avoid this option due to the potential threat to their reputation created by uncontrollable licensees.

2006

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2004

The process by which the Government of Japan establishes quotas lacks transparency. U.S. industry reports that there is no consultation with leather shoe importers to determine anticipated import levels. The U.S. Government will continue to seek elimination of these quotas. Above-quota imports of footwear still face market access barriers, despite the fact that Japan has met its Uruguay Round agreements to lower the *ad valorem* ceiling rate by 50 percent and the alternative “per pair” or specific-rate ceiling by 10 percent.

2003

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2000

Report Unavailable

1999

Report Unavailable

1998

The U.S. Government and U.S. leather and leather footwear industries continue to push for elimination or further liberalization of the quotas. Above-quota imports of footwear still face stiff barriers. In practice, the Yen minimum alternative rate is applied in a manner which negates the effect of the larger tariff rate reduction. Moreover, while above-quota imports grew substantially in JFY 1996, they still totaled only about 7.7 percent of under-quota imports, suggesting that the higher rates for above-quota imports are effectively discouraging additional imports.

1997

The JFY 1996 quota was roughly 12 million pairs. As a result of the quota, high quality and high fashion manufacturers in France and Italy have taken a large percentage of Japan's leather shoe market. The American share of the leather shoe market has fallen. Leather shoe manufacturing continues to decline slowly in Japan, while imports of leather uppers grew by 30 percent to 18.3 million pairs in JFY 95. Finally, it should be noted that 48 million pairs of athletic shoes were imported into Japan in 1995. Most of these were American-branded products manufactured in Asia.

1996

The JFY 1995 quota was just over 10 million pairs. MITI will not confirm that it will continue to expand the quota in the future, but U.S. industry expects continued quota increases of about 20 percent per year. The U.S. Government and U.S. leather and leather footwear industries have been pushing for elimination or further

1995

In JFY 1994, the quota was set at 8.34 million pairs. The projected JFY 1995 quota is estimated to be 10 million pairs. U.S. leather and leather footwear industries have been pushing for elimination, or at least further liberalization, for these schemes. The over-quota tariff rate was reduced by 50 percent in principle from the 1994 rate, but the operative tariff is the Yen minimum alternative rate, and this was only reduced by 10 percent over the eight-year period.

1994

In JFY 1993, the quota was set at approximately 7 million pairs and it is expected to be raised to over 8 million pairs in JFY 1994. U.S. leather and leather footwear industries have been pushing for elimination, or at least further liberalization, of these schemes. Japan offered in the Uruguay Round to reduce the tariff on leather footwear within the "pooled quota" from 27 percent to 21.6 percent or from 30 percent to 24 percent and to reduce the tariff on other leather footwear from 60 percent to 30 percent, although the minimum alternative duty will only be reduced from 4,800 yen per pair to 4,300 yen per pair.

1993

During the 1992 U.S.-Japan Trade Committee meeting, the United States again raised concerns about difficulties U.S. exporters face in obtaining import quota shares and asked Japan to commit to a major liberalization of its policies on footwear and leather. The U.S. is requesting that Japan reduce its 60 percent tariff on leather footwear and increase the size of the leather footwear tariff-quota in the Uruguay Round market access talks.

1992

Japan replaced its import quota with a five-year tariff-rate quota that expired in March 1991. Japan subsequently made a unilateral decision to provide more liberal treatment of imports, raising its footwear tariff quota to nine million pairs per year. U.S. industry has been pushing for elimination, or at least further liberalization, of this scheme. The U.S. Government has raised the issue in the Uruguay Round context. U.S. exporters have encountered difficulty in obtaining sufficient import quotas because of the system of allocating relatively small shares to newcomers. The lack of transparency in the system has discouraged would-be U.S. exporters who are unwilling to devote sales resources to a still relatively closed marketplace.

1991

MITI has expanded the leather footwear quota in every year since the TRQ system was adopted and it has risen from 2.7 million pairs in JFY 1987 to 4.1 million pairs in JFY 1990. However, imported shoes in 1990 accounted for only six percent of the \$1.8 billion domestic market, up from less than two percent in 1985. U.S. leather footwear exports totaled 282,840 pairs in JFY 1989, up 55 percent over the preceding year. The EC and the United States are requesting an increase in the size of the leather and leather footwear quota and a commitment for annual increases thereafter in the Uruguay Round market access negotiations. If the quota were relaxed or removed, there could be a substantial increase in U.S. exports of cattlehide leather and leather footwear.

1990

Japan's imports of U.S. leather footwear totaled 184,800 pairs in JFY 1988, up 56 percent over JFY 1987. In value terms, U.S. footwear exports subject to the tariff quota system increased to \$6.8 million in JFY 1988. If the quota were removed, there could be a substantial increase in U.S. exports, particularly for leather.

1989

In April 1986, Japan replaced its import quota scheme applied to certain leather and leather footwear with a tariff-rate quota system (TRQ). The TRQ imposed a 60 percent or more duty on imports above the quota limits. Imports up to the quota limits are dutiable at 15 to 20 percent for leather and 27 percent for leather footwear. U.S. footwear exports increased \$1.65 million in 1986. If the quota were removed, there could be a substantial increase in U.S. exports, particularly for leather. The United States continues to work with Japanese officials to discuss possible improvements in administering the tariff quota system to ensure all quotas can be used and that U.S. suppliers receive adequate quota shares.

1988

Report Unavailable

1987

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1986

In May 1984 the GATT council found Japan's 21-year-old leather quotas to be inconsistent with GATT and recommended their elimination. U.S. leather footwear exports totaled \$27.3 million, only 1.4 percent of the \$1.8 billion Japanese domestic market. On December 20, 1985, the U.S. and Japan agreed on a settlement where the Japanese would replace their import quota with a tariff quota system. The U.S. agreed to accept compensation in the form of tariff reductions on \$2.3 billion worth of U.S. exports to Japan. These actions would fully offset the damage to the United States caused by Japan's import restrictions on leather and leather footwear.

1985

In May 1984 the GATT council found Japan's 21-year-old leather quotas to be inconsistent with GATT and recommended their elimination. Japan has also applied similar quotas to leather footwear. Without the quotas, U.S. exports should be competitive in both price and quality in the Japanese leather market. Given both Japan's decision to remove the leather quota but replace it with higher tariffs and the United States' inability to agree with Japan on the reference terms for a leather footwear panel, the President decided on September 7, 1985 that he would impose a firm deadline for resolving these cases. Japan proposes to replace the leather and leather footwear quotas with a tariff rate quota scheme.