Seminar Paper No. 425

THE TRANSIENT NATURE OF "NEW" PROTECTIONISM

by

Carl B. Hamilton

INSTITUTE FOR INTERNATIONAL ECONOMIC STUDIES

University of Stockholm
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S-106 91 Stockholm
Sweden
THE TRANSIENT NATURE OF "NEW" PROTECTIONISM

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THE TRANSIENT NATURE OF "NEW" PROTECTIONISM*

1. Introduction

Pessimism about less developed countries' (LDCs') export possibilities has come in two waves. For a long period many economists and decision makers argued that developing country exports of primary goods faced a secular decline in their terms of trade. The income elasticity of demand for LDCs' exports of primary products was low, synthetic substitutes of natural resources was developed continuously, and the intensity of raw materials in industrial output declined through technical change. As a result, the real price of primary goods would fall over time. Since these characteristics were not supposed to apply to manufactures one policy conclusion was that industrial production in developing countries should be encouraged. In most developing countries this encouragement took the form of import substitution policies. However, a small number of mainly Asian LDCs instead choose an outward oriented strategy for their manufacturing sectors using world demand as an engine of growth. Today the success of the outward looking strategy is both well known and well documented. Countries like South Korea, Taiwan, Hong Kong and Singapore have demonstrated very rapid GNP growth rates compared with other non-oil exporting LDCs. The natural question

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* This paper is part of The World Bank project "The Footwear Industry in Developing Countries and How it Adjusted to Non-tariff Barriers in International Trade".

raised by the newly industrialized countries' (the NICs) development is whether other LDCs can repeat their performance through an outward oriented strategy?

Now the second wave of pessimism appeared. Today some economists and many LDC decision makers argue that the NICs' case has been a unique one and cannot be repeated by others. One suggested reason is that if the NICs' export growth volumes were achieved by a large number of LDCs, their export volumes could not be absorbed by the developed countries, the prime export market of the NICs. A second argument is related to developed countries' protectionism: If LDCs would increase their exports, then developed countries would respond to this by increased protection against LDCs. As a result the necessary market access would be impossible to accomplish. The present paper deals with this argument.

While it is true that since the 1970s the frequency and coverage of non-tariff measures (NTMs) have increased in developed countries,\(^2\) we still know little about the restrictiveness and persistence of these measures. Hence we know little about the really central issue, viz. to what extent the new NTMs have actually influenced international trade: volumes, trade patterns, and producer and consumer prices.\(^3\) Further, as is theme of this paper, although many NTMs are introduced and registered, one must not overlook that many NTMs quietly disappear. This paper looks into one such example, viz. NTMs on developing countries' exports of footwear.


2. Why footwear?

The commodity group footwear has two particularly relevant characteristics in a discussion of trade and protectionism:

a. Production of footwear is a labour intensive process and the technology is easily transferable. Thus if comparative advantage is allowed to guide production decisions, a relocation would be expected to take place from developed to developing countries. This has also happened. World trade in footwear more than doubled between 1973 and 1985 (Table 1). Developing countries' share of world footwear exports increased from eleven percent 1963-69 (average) to almost 50 percent in 1985. In 1982-83 footwear accounted for as much as eleven percent of developing countries' total exports of manufactures to developed countries (value, SITC group 851). Developing countries' share of apparent consumption in the United States of "non-rubber" footwear (mainly leather footwear) increased from eleven percent in 1971 to 59 percent in 1984 (volume). For the US market the major LDC suppliers have all along been South Korea and Taiwan. These two countries alone accounted for 42 percent of US apparent consumption in 1984, an increase by 34 percentage points since 1971 (Table 2).

In the European Community (EC) the major developing country suppliers accounted for 13 percent of apparent consumption in 1985 as compared to 12 percent in 1977 (volume). Up to 1981, for the Community, South Korea and Taiwan were the two most important developing country suppliers. Since then China has overtaken both of them. In 1977 Taiwan and South Korea supplied 8 percent of the Community's aggregated

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### World trade in footwear

<table>
<thead>
<tr>
<th>Market economies' imports of SITC 851</th>
</tr>
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<tbody>
<tr>
<td>Billions of US dollars, 1984 prices</td>
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<tr>
<td>World trade</td>
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</table>

#### Average shares of world trade in footwear (world exports of SITC 851)

<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>0.84</td>
<td>0.72</td>
<td>0.60 (0.53)(^1)</td>
<td>0.51 (0.47)</td>
</tr>
<tr>
<td>Developing countries</td>
<td>0.11</td>
<td>0.23</td>
<td>0.35 (0.41)</td>
<td>0.45 (0.49)</td>
</tr>
<tr>
<td>Centrally planned</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.04</td>
</tr>
<tr>
<td>economies</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

\(^1\) End of period shares in parenthesis

**Sources:** Figures supplied by T. Bark and J. de Melo, and calculations from UN trade statistics.
Table 2  "Non-rubber" footwear, apparent US consumption and sources of supply, 1971-84, volume (millions of pairs).

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>QRs</td>
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<tr>
<td>QRs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>imposed</td>
<td>802</td>
<td>787</td>
<td>799</td>
<td>736</td>
<td>830</td>
<td>1016</td>
</tr>
<tr>
<td>lifted</td>
<td></td>
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</table>

Apparent US consumption of which supplied by (percentage shares):

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic producers</td>
<td>67</td>
<td>53</td>
<td>53</td>
<td>49</td>
<td>42</td>
<td>29</td>
</tr>
<tr>
<td>Other DC producers</td>
<td>22</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Taiwan and Korea</td>
<td>8</td>
<td>25</td>
<td>28</td>
<td>22</td>
<td>33</td>
<td>42</td>
</tr>
<tr>
<td>Other LDCs</td>
<td>3</td>
<td>6</td>
<td>4</td>
<td>15</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources and Remarks:  Computed from data in US International Trade Commission (ITC) publications. Remarks: Other DCs are: Japan, Canada and Europe (excluding Centrally Planned Economies), including Italy, Spain, Greece, Yugoslavia, France, Austria, Sweden, W. Germany, Ireland, U.K., and Switzerland. Other LDCs are: Brazil, Hong Kong, Philippines, Mexico, Thailand, Singapore, India, and China.
apparent consumption (volume). By 1985 this share had increased by only two percentage points to 9 percent. However, these numbers should not be interpreted to mean that producers in individual EC countries have been more or less unaffected by structural change. In the UK domestic producers' share of apparent consumption fell from 56 percent in 1977 to 43 in 1985, in France from 63 percent to 47, and in West Germany from 35 percent to 19 percent (volume).

b. After the GATT rounds of trade liberalization of the 1950s and 1960s, and up to 1977 international trade in footwear was characterized by limited protectionism. Then a world wide protectionist wave started in footwear. However, in 1981 this wave of protectionism begun to abate and had disappeared more or less completely by the mid 1980s. (These developments are described below). Thus world footwear trade provides us with a unique case: Trade and industry can be studied before, during, and after it was affected by protectionism. The parallel swings in trade regimes of several importing developed countries provide an opportunity to investigate the reasons behind the spontaneous - as opposed to a negotiated - disappearance of protection. Footwear to students of protectionism could be what fruit flies are to genetics!

3. The rise and fall of footwear protectionism.

3.1 Identification of NTMs.

The investigation of developed countries' NTMs on imports from developing countries includes both officially acknowledged and unofficial NTMs. It seems essential to include also informal and

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5 In 1977 the ranking of major developing country suppliers were Taiwan, South Korea, Hong Kong and Brazil. In 1985 it was China, Taiwan, South Korea, Hong Kong and India.

6 Shares of apparent consumption are calculated from data supplied by The European Confederation of the Footwear Industry (CEC), Brussels.
"illegal" NTMs in order to establish how protection spreads, and what
can cause it to change over time.

In practice, to identify NTMs and their restrictiveness is
difficult. International organizations like UNCTAD, GATT, IMF and the
World Bank can only rarely be more ambitious than their member
governments wants them to be in revealing "dirty NTM tricks" that
members are involved in. For this reason governments and international
organizations should in my experience only serve as a first source an
identification of NTMs. A second source of information is the victims of
NTMs. The victims include exporting firms, exporting country
governments, developed and developing country competitors, and trade and
industry organizations. To approach the victims had the added advantage
of extending in a natural way to collection of information on several
aspects of NTMs, like their restrictiveness. In this case the
information gathered through governments and international organizations
turned out to be a subset of that forthcoming through the NTM victims.

3.2. The domino effect of the 1977 United States' actions against
South Korea and Taiwan. 7

Developments in footwear protectionism 1970 to 1985 are summarized
in Table 3. The major event of the period was the imposition by the
United States in mid 1977 of a four year restriction on the supply of
"non-rubber" footwear coming from Taiwan and South Korea. The
restrictions took the form of voluntary export restraints. 8

Considering the footwear protectionism of the 1970s, a first
observation is the domino effect of the 1977 US bilateral restrictions.

7 The domino effect is described in detail in the Appendix.
8 The administration's euphemism was "orderly marketing
agreements" (OMAs).
<table>
<thead>
<tr>
<th>Country</th>
<th>Footwear type</th>
<th>Exporter</th>
<th>NTN</th>
<th>Tax Rate (1983)</th>
<th>Period of NTN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Leather</td>
<td>All, non-MFNA</td>
<td>Value</td>
<td>12.7</td>
<td>1952-1985</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All, MFN</td>
<td>Import quotaB</td>
<td>1986</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All footware</td>
<td>MFN</td>
<td>Value Import Quota</td>
<td>Until 1960</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No quota</td>
<td>1960-1974</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tariff quotaD</td>
<td>1974-1984</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Marking, packing requirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>Rubber boots</td>
<td>S. Korea</td>
<td>Quota and VER</td>
<td>1970-1984</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td></td>
<td>Non-MFN</td>
<td>1975-1977</td>
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<td>Malaysia</td>
<td></td>
<td>Quote</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leather and plastic</td>
<td>All</td>
<td>VER</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>Non-rubber</td>
<td>S. Korea</td>
<td>Quota</td>
<td>1977-1981</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td></td>
<td>Voluntary VER</td>
<td>1981-1982</td>
<td></td>
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<tr>
<td></td>
<td>Non-rubber</td>
<td>India</td>
<td>Countervailing duties and</td>
<td>1979-1983</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Argentina</td>
<td>countervailing</td>
<td>1979-1983</td>
<td></td>
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<td></td>
<td></td>
<td>Spain</td>
<td>duty</td>
<td>1974-1983</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td>Brazil</td>
<td>investigations</td>
<td>1983</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Singapore</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EC</td>
<td>Leather</td>
<td>All</td>
<td>&quot;Retrospective control of imports&quot;</td>
<td>1975-1978</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>AllD</td>
<td>&quot;Prior import surveillance&quot;</td>
<td>1978</td>
<td></td>
</tr>
<tr>
<td></td>
<td>AllE</td>
<td></td>
<td>14.8</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Women's Footwear</td>
<td>Brazil</td>
<td>VE-Price-Restriction</td>
<td>1981-1985</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>Leather</td>
<td>All</td>
<td>MNF Quota</td>
<td>1977-1981</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-Leather</td>
<td>All</td>
<td>MNF Quota</td>
<td>1981-1982</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leather + Non-Leather</td>
<td>All</td>
<td>MNF Quota</td>
<td>1982-1985</td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td>Non-Leather</td>
<td>Taiwan</td>
<td>Quota</td>
<td>1977-1980</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>Taiwan</td>
<td>Ind-to-ind VER</td>
<td>1981-1984</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Difficult/impossible See EC to enforce</td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Ind-to-ind VER</td>
<td>1978-1987</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Difficult to enforce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Leather and Rubber</td>
<td>Taiwan</td>
<td>Ind.-to-ind. VER, unfilled</td>
<td>1981-1982</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Slippers and Espadrillos</td>
<td>S. Korea</td>
<td>since 1982</td>
<td>See EC</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ind.-to-ind. VER</td>
<td>1981-1984</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>Special and plastic footwear</td>
<td>S. Korea</td>
<td>VER</td>
<td>1979-1981</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>Taiwan</td>
<td>Prohibition or quota</td>
<td>1981-1984</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>Leather</td>
<td>S. Korea</td>
<td>VER</td>
<td>1981-1985</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All</td>
<td>Japan</td>
<td>Quota</td>
<td>1982-1985</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1981-1982</td>
<td>Taiwan</td>
<td>&quot;Cooperation agreement&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benelux</td>
<td>Some rubber + leather</td>
<td>Japan</td>
<td>Quota, import prohibition</td>
<td>1982-1985</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>All</td>
<td>All</td>
<td>-</td>
<td>See EC</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

a) USA excluded starting early 1980s.

b) Quota size not publicly released. Quotas were distributed to 28 importers mostly affiliated with Japanese footwear manufacturers.

c) Imports beyond prespecified quantity at penalty tariff rate.

d) Two-tier quota allocation system to importers: 70% on past performance; 30% for sale by tender once a year (1986).

e) Informal pressures to restrain put on Brazil, Hong Kong, S. Korea, Malaysia, Pakistan, Taiwan, China.

Within a year after the United States' decision, Britain, Canada, The Community and several countries in Western Europe had followed suite with bilateral quantitative restrictions on imports from South Korea and Taiwan. Canada introduced global import restrictions, and The Community started to implement "prior import surveillance" and put informal pressures to restrain on several developing country suppliers in addition to measures taken against imports from Taiwan and South Korea.\(^9\)

A second observation is that the US restrictions served to legitimize NTMs in other countries on all types of footwear, and not only on the type subject to restrictions in the United States ("non-rubber footwear"). Thus the fear of a trade diversion away from the USA towards Canada and Western Europe was not credible as a motive for many of the protectionist actions taken in Canada and Western Europe, although it was often given as the official motivation. For example: "Certain major industrialized countries have recently taken or reinforced measures to protect their markets; [...] these measures will put on to the world market large quantities of footwear which, since they are barred from their now protected traditional outlets, will tend to come on to the Community market in particular."\(^10\)

Third, prior to the 1977 US measures, developed countries generally felt that they had to motivate to GATT their footwear NTMs, like the Japanese and Swedish ones. One effect of the 1977 "GATT-illegal" US restrictions was that this rule for orderly international behaviour was typically abandoned. Most NTMs imposed after 1977 were not notified to GATT, for example those of the United Kingdom, Ireland, Norway, France and Italy.

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\(^9\) See the Appendix, section A:2:9.

Fourth, in the new wave of footwear protectionism, almost all countries used discriminating NTMs. The exceptions were Canada and Australia. However, Canada soon excluded categories of footwear coming mainly from the United States and the Community. So in effect the Canadian measures were discriminatory and hit LDCs much more than DCs.\(^{11}\)

Fifth, it is striking how many of the European countries that seem to have employed NTMs which clash not only with GATT rules but also with European Community commercial and sometimes also competition law.\(^{12}\) At least since 1979 and up to 1985, the UK had unofficial industry-to-industry VERs with South Korea and Taiwan, part of the time backed in an informal way by the British government and the EC Commission.\(^{13}\) Ireland had an unofficial VER 1979-85, and an unofficial import quota 1977-81. France had unofficial VERs and "cooperation agreements" during the 1980s. Also Italy has had "cooperation agreements". The EC Commission seems to have helped to arrange an industry-to-industry VER between South Korea and the European industry.\(^{14}\)

\(^{11}\) Australia in addition to its global quota has special marking and packaging requirements for imports of footwear which probably discriminate more against LDCs than DCs.

\(^{12}\) E.g. on VERs: "The [EC] Commission has repeatedly asserted that since the end of the transitional period [of the establishment of the Community], the Member States are no longer authorized to take independent safeguard measures or to elicit and then accept 'voluntary' export restraints. This would hamper, if not cut across, a Community policy regarding measures to be taken, contrary to Article 113 of the EEC treaty." Further, "an interested party, or the Commission itself, could thus claim that these [industry-to-industry arrangements] are null and void, without taking into account the exceptions to the EEC ban on cartels laid down in Article 85(3) of the EC Treaty." Bronckers, M.C.E.J., (1982). "A Legal Analysis of Protectionist Measures Affecting Japanese Imports into the European Community" in J.H.J. Bourgeois et al., Protectionism and the European Community, Kluwer Law and Taxation Publishers, Deventer, The Netherlands, pp. 67-68 and 69.

\(^{13}\) Copies of the VER agreements are presented as Enclosures 1 and 2.

\(^{14}\) Developments and some of the interplay between national governments and the Commission are described in the Appendix.
3.3 A reversed domino effect?

When the USA lifted its restrictions in 1981, was there a reversed domino effect?

Yes, a lagged one!

Apart from a short lived Canadian adherence to the US liberalization, the link between the US import policy and that of other countries was not as prompt as in 1977-78. Nevertheless, since 1981-82 and up to 1986 one can register a very clear liberalization of international footwear trade and an opening up for exports from developing countries. Neither in 1984 nor in 1985 were restrictions in USA reinstated in spite of petitions and a recommendation for protection in 1985 to the President from The US International Trade Commission (ITC). Since 1981 Canada has liberalized somewhat its import quota system almost every year. In 1985 the Canadian Import Tribunal recommended that all footwear restrictions should be abolished immediately with the exclusion of one commodity group where the quota should be phased out over a three year period. The Canadian government later followed these recommendations. The French quota on imports from South Korea was abolished completely in 1984 after having been increased threefold in 1983. The French quota on Taiwan vastly exceeded actual import levels 1982 to 1986. The Community VER on South Korea expired in 1984, like the only remaining Swedish import quota; since 1985 there is no longer a bilateral restraint arrangement between the UK and Taiwan, and today it is very doubtful indeed whether the UK footwear industry's VER on South Korea is enforceable. Greece lifted its import quota on Taiwan in 1984, and Ireland its VER on South Korea in 1985. In Australia there are liberalization intentions, and a government proposal to this
effect has been put forward. Japan has switched from a non-m.f.n. quota to an m.f.n. based tariff quota system. The reversed domino effect is also reflected in the import coverage ratio of footwear NTMs (Table 4).

Conclusion: The effects of the United States in the international political market for trade policy is very important and must not be overlooked as another channel for interdependence, apart from US policy induced changes in world market prices.

4. Why did footwear protection disappear unprompted?

A comparison with apparel.

In an importing country, those seeking border protection can be seen as a coalition wanting to elevate the domestic price through import barriers. For the permanence of the coalition at least two conditions seem necessary:

a. There must be continued demand for protection from within the coalition. This can change either because there is a change in the intensity of coalition members' preferences for protection, or because of a change in the number of coalition members.

b. There must be continued supply of protection from the government. This can change either because the original conditions change that once triggered off the supply of border protection, or new constraints appear affecting the government's ability to continue, or extend, the protection.

With these considerations in mind I will try to reject some standard suggestions for determinants of protectionism, using footwear protection as an example. The literature suggests that several variables
TABLE 4: Import coverage ratios of selected non-tariff measures applied by selected developed market-economy countries (percentage)

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</tr>
</thead>
<tbody>
<tr>
<td>6-8 less (67-68)</td>
<td>MANUFACTURES, not chemicals</td>
<td>18.6 20.5</td>
<td>11.7 12.2</td>
<td>11.7 12.2</td>
<td>9.2 9.7</td>
</tr>
<tr>
<td>85</td>
<td>Footwear</td>
<td>71.3 32.5</td>
<td>24.1 7.6</td>
<td>24.1 7.6</td>
<td>16.3 0.9</td>
</tr>
</tbody>
</table>

Source: UNCTAD Data Base on Trade Measures. "The accuracy of the NTM information has been verified by certain developed market-economy countries. The basic data are currently being verified by other countries. Accordingly the figures in the table are to be regarded as preliminary."

Notes:

a) Ratios have been computed using 1981 import trade weights. Computations have been made at the tariff-line level and results aggregated to relevant product group levels.

b) Austria, Canada, EC(10), Finland, Japan, New Zealand, Norway, Switzerland and the United States.

c) For analytical purposes different groups and subgroups of NTMs were defined. The first group (referred to as "all NTMs") includes a broad range of NTMs, including para-tariff measures, variable levies, countervailing and anti-dumping actions, quantitative restrictions (including prohibitions, quotas, non-automatic licensing, state monopolies, 'voluntary' export restraints and restraints under MFA and similar textile arrangements), import surveillance (including automatic licensing) and price control measures. However, standards to comply with health and technical regulations as well as excise taxes are not included because the Data Base information coverage is not even for all countries. The second group ("subgroup of NTMs") includes the same measures except for para-tariff measures, countervailing and anti-dumping actions and import surveillance. A third group of NTMs consist of quantitative restrictions only.

d) Including restraint agreements under MFA.
are positively correlated with border protection.\textsuperscript{15} I establish their importance by comparisons with the Commodity group apparel where protectionism was developed earlier and has been steadily spreading.\textsuperscript{16}

**Comparative cost advantage - the international competitive strength of the industry.** Can the different performance of two industries be explained by different comparative cost advantage? Specifically, has footwear production in developed countries become more capital intensive relative to apparel and regained comparative cost advantage vis-a-vis imports from developing countries leading to a faltering demand for protection?

Value added per employee (VA/E) is often used as a measure of capital intensity. In Table 5, VA/E of leather footwear and apparel are compared by dividing VA/E in footwear by VA/E in apparel.

In Canada, one of the five countries studied, the average level of VA/E is roughly the same in footwear as in apparel. In France and the UK, VA/E was around 30 percent higher than in apparel, and in the USA eight percent (average).

Considering changes over time, Italy is different from the other countries in this respect (as in some others): Relative VA/E changed significantly over time with a minimum in 1971, when it was only 3/4 of that in apparel, to a maximum in 1978 when it was twelve percent higher than in apparel. Note, however, that in the USA relative VA/E increased significantly 1977 to 1981, but did not do so during years without restrictions.


\textsuperscript{16} In Western Europe production of textiles has never been as protected as in the USA. In the USA instead, the two industries built a coalition.
Table 5. CHARACTERISTICS OF THE FOOTWEAR AND APPAREL INDUSTRIES
Relative value added per employee

<table>
<thead>
<tr>
<th></th>
<th>(VA/E in footwear)/(VA/E in apparel)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
<td>Yearly average growth rate, %</td>
<td>Period</td>
<td>Yearly average growth rate, %</td>
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<td>Without restrictions</td>
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<td>0.68</td>
<td>0.02</td>
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<td>0.07</td>
<td>0.00</td>
<td>0.00</td>
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Number of employees per establishment

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<th></th>
<th></th>
<th></th>
<th></th>
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<tr>
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<td>Apparel</td>
<td>Period</td>
<td>Whole period</td>
<td>With restrictions</td>
<td>Without restrictions</td>
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<td>Apparel</td>
<td>R², whole period</td>
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<td>-0.46</td>
<td>-1.52</td>
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<td>-2.70</td>
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<td>0.77</td>
<td>-0.47</td>
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<td>0.36</td>
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<td>Germany</td>
<td>118</td>
<td>74</td>
<td>1968-84</td>
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<td>n.a.</td>
<td>0.12</td>
<td>0.67</td>
<td>0.03</td>
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Regional distribution

<table>
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<tr>
<th></th>
<th>Gini coefficient</th>
<th></th>
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<td>Footwear</td>
<td>Apparel</td>
<td>Year</td>
<td></td>
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<tr>
<td>France</td>
<td>0.49</td>
<td>0.39</td>
<td>1978</td>
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<tr>
<td>Germany</td>
<td>0.57</td>
<td>0.62</td>
<td>1985</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>0.79</td>
<td>0.68</td>
<td>1978</td>
<td></td>
</tr>
</tbody>
</table>

1) Footwear and leather industry
Possibly the higher relative levels of VA/E in the USA, UK and France meant that all along footwear production was less sensitive to low cost import competition than was apparel. Also there was no significant fall in relative footwear VA/E, but in fact a marked increase during the restriction years in the USA. These characteristics of capital intensity may form part of the explanation for why the protection of footwear appeared later and disappeared sooner than in apparel.

**Human capital.** Ability to articulate demand for protection has been suggested to be positively correlated with human capital, e.g. in the form of education and skill. An industry with a higher proportion of operatives would be expected to create a weaker demand for protection than an industry with a lower share of operatives.\(^\text{17}\) Can such a difference between footwear and apparel production explain the transient footwear protection? No. In all countries studied the proportions of operatives are very similar in footwear and apparel, and also very stable over time. Italy provides a slight exception with a somewhat lower proportion of operatives in its footwear industry.

**Size of establishments/enterprises.** There is an argument that closure of large plants, establishments or enterprises creates stronger demand for protection than smaller ones since during a compressed time period more individuals and households are affected, and, for each individual, preferences for protection are more intense the larger the discontinuity imposed on the local economy ("the whole town being closed down"). For the same reasons one can hypothesize that the larger the share of a threatened industry's employees found in large

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\(^{17}\) "The category operatives refers to all employees directly engaged in the production or related activities of the establishment ..."; see further UN Industrial Statistics Yearbook.
establishments, and the more sizable the share of large establishments of all establishments of an industry, the stronger, and more permanent, the protection.

A second and well-known argument working in the same direction is that the cost of forming a protectionist coalition and keeping it together is smaller, the fewer the number of units to be organized as a pressure group.

First one can note that over the whole period the average number of employees per establishment is markedly higher in footwear than in apparel production, with the exception of Italy (Table 5).

Second, although there are changes over time in the average number of employees per establishment, or enterprise, the significant changes in France and the UK go in the same direction in both industries. For the other countries there is no discernable pattern. If anything, it seems that changes in average number of employees are country rather than industry determined (France, Germany, the UK, and Canada). Again Italy is the exception to the rule with a decrease in the number of employees per apparel establishment, and an increase in footwear, especially during years without restrictions.

Third, can changes in the size distribution of production units in the footwear and apparel industries explain their different protectionist developments? Not for France and the UK, the only two countries for which information is available. Over time there are hardly any changes in the proportions of employees found in different size classes of plants and enterprises (France 1977 and 1981 and the UK 1980 and 1984).\(^{18}\) Considering France, in both the footwear and the apparel industry the shares of employees in plants with more than 500 employees

\(^{18}\) See figures in the Appendix.
fell over time, but fell more in the apparel industry. In the UK the share of apparel workers in plants with 500-999 employees decreased, while the share increased in plants with more than 1,500 employees. In this size class the number of employees fell somewhat in the footwear industry.

Thus in France there was no tendency for labour becoming more concentrated in larger plants - with, presumably, stronger bargaining position. However, there was such a slight tendency in the UK apparel industry, but no such tendency for the UK footwear industry.

Fourth, tilting the perspective somewhat and considering the distribution of plants according to number of employees, the conclusion of small changes is confirmed. (Again the information is limited: France 1977, 1980, 1984, and the UK 1977 and 1981.)

Summarizing, one finds no support for maintained protection being positively related to number of employees per establishment, or to changes in the number of employees per establishment, or related to changes in the proportions of employees and establishments found in upper size classes.

Regional concentration. It is often argued that when an industry is regionally concentrated demand for protection is stronger since there are few alternatives for inter-regionally relatively immobile factors, like unskilled labour and sector-specific capital. E.g. this would lead local members of the national parliament to be particularly active in trying to convince the central authorities to use border protection to assist the industry in their constituency.

The regional distribution of the footwear and apparel industries was investigated with the help of Gini coefficients and Lorentz curves.

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19 See figures in the Appendix.
There are useful regional data for three of the major countries, viz. France, Germany, and the USA (Table 5). The relationship was investigated between share of sector employment and regions. If the sector's employment would have been concentrated to one region (or state) the Gini coefficient would have been equal to one, and if the sector's employment was evenly distributed over regions it would be equal to zero.

In France and the USA footwear production was found to be regionally more unevenly distributed than apparel, while the opposite was found for Germany. On the basis of this measure, no support is found for suggestions that regional concentration lead to stronger, or more permanent protection. If anything, the opposite conclusion suggests itself since the data for France and USA was richer and generally speaking of higher quality than that of Germany. However, the stiffer protection in the United States compared with Germany, and to a less extent France, could possibly have to do with its stronger regional concentration in the United States.

**Employment.** Can the difference between two industries' experiences of protectionism be explained by differences in their sizes nationally? In a democracy, simple arithmetics suggests that an import competing industry employing more voters would create a higher demand for protection than an industry employing fewer voters.

If absolute size of employment is claimed to be a determining factor, one would have to argue that there was some critical minimum size of an industry's labour force that the footwear industry exceeded during the years of restrictions, but did not reach during non-

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20 Lorentz curves are shown in the Appendix.
restriction years. Of course, the apparel industry must have exceeded that critical magnitude throughout.

In terms of employment, the North American footwear industry was smaller relative to apparel than in Western Europe. In USA and Canada the number of footwear employees was 15-18 percent (average) of that in apparel, while in Western Europe 25-30 percent, Italy again being the exception with 45-50 percent. However, since both industries have been declining, and since footwear employment declined faster than apparel it seems difficult indeed to argue that it was the absolute size of the industry's labour force that triggered sectorial protection off-on-off (Table 6).

What about rates of change in employment? Can it be that a (negative) rate of change in employment triggers off protection, rather than its level? During the restriction years did the protection of the footwear industry halt the negative employment trend? Yes, in North America restrictions did halt the fall in employment, but not at all so in Western Europe (Table 6). In Canada footwear employment in fact increased during restriction years. So for the United States a possible story would be that footwear protection was triggered off by the decline in employment being faster than in apparel, then protection not being re-renewed because the employment decline was halted, and, possibly, problems were regarded as solved, and future restrictions regarded as superfluous. However, the second part of this story cannot be used for Western Europe, since in Western Europe the speed of employment decline, if anything, was faster during restriction years than over the whole period. If employment is a determinant, in Western Europe the fading away of protection would have to be explained as a result of
## Table 6  
Employment in the footwear and apparel industries

<table>
<thead>
<tr>
<th></th>
<th>Average (000s)</th>
<th>No of employees in footwear, percent.</th>
<th>No of employees relative to apparel, percent.</th>
<th>Period</th>
<th>Yearly average growth rates in number of employees, percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Footwear</td>
<td>Apparel</td>
<td>Average</td>
<td></td>
<td>Whole period</td>
</tr>
<tr>
<td>Canada</td>
<td>18</td>
<td>100</td>
<td>18</td>
<td>1968-82</td>
<td>-1.13</td>
</tr>
<tr>
<td>USA$^1$</td>
<td>174</td>
<td>1150</td>
<td>15</td>
<td>1968-83</td>
<td>-2.88</td>
</tr>
<tr>
<td>France</td>
<td>71</td>
<td>248</td>
<td>29</td>
<td>1975-83</td>
<td>-2.10</td>
</tr>
<tr>
<td>Germany$^2$</td>
<td>62</td>
<td>277</td>
<td>27</td>
<td>1969-84</td>
<td>-3.37</td>
</tr>
<tr>
<td>Italy</td>
<td>85</td>
<td>191</td>
<td>45</td>
<td>1968-82</td>
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<tr>
<td>UK</td>
<td>74</td>
<td>306</td>
<td>25</td>
<td>1970-83</td>
<td>-3.55</td>
</tr>
</tbody>
</table>

1) For details on USA see table U.  
2) In Germany there were no national restrictions.  

Note: Numbers in parentheses are not significant at the 0.05 level.
restrictions gradually being looked upon as an ineffective policy instrument, rather than as a superfluous one.

**Sector-specificity of labour.** That employment in a sector falls need not imply that unemployment goes up. There can be alternative job opportunities for the released labour. For this reason it would be rational if supply and demand for sectorial protection is more closely related to the degree of sector-specificity of labour than to employment.

As a measure of sector-specificity of labour is used the sectorial unemployment rate: Define an unemployed person of industry i as someone who claims that his/her last position was in industry i. The numbers of employed and unemployed persons in industry i are denoted by e_i and u_i, respectively. Industry i's unemployment rate is then defined as u_i/(u_i+e_i).

Considering the level of sectorial unemployment 1972-85 in the US non-rubber footwear industry, the number of unemployed was on average 22,000 which can be compared with 147,000 in the apparel industry and 1.6 millions in total manufacturing industry. The unemployed in the non-rubber footwear industry accounted for 1.4 percent of all unemployed in the manufacturing industry, while those from the apparel industry accounted for 9 percent (note that textile workers are not included in this figure). However, the 13.8 percent average rate of unemployment in non-rubber footwear industry was not only higher than in total manufacturing industry -- 8 percent -- but also higher than in the apparel industry -- 10.6 percent (Table 7). So if the average sectorial unemployment rates by policy makers are regarded as an indicator of "needs", and a "needs" criteria guided policy makers' decision on protection, in this case it should have been the non-rubber footwear
<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing</th>
<th>Apparel</th>
<th>Total</th>
<th>Non-rubber</th>
<th>Rubber</th>
<th>Plastic</th>
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<tr>
<td></td>
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<td>(000's)</td>
<td>(000's)</td>
<td>(000's)</td>
<td>(000's)</td>
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<td>170</td>
<td>147</td>
<td>22</td>
<td>147</td>
<td>22</td>
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<tr>
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<th>Share of total</th>
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<th>Year</th>
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<th>Change (yearly growth rate)</th>
<th>Change (yearly growth rate)</th>
<th>Change (yearly growth rate)</th>
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<td>-0.7</td>
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<td>-0.3</td>
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<tr>
<td>1981-82</td>
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<td>-1.8</td>
<td>-1.1</td>
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</tr>
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<td>1983-84</td>
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<td>-0.7</td>
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<td>1984-85</td>
<td>-1.0</td>
<td>-1.5</td>
<td>-2.5</td>
<td>-1.5</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

industry rather than the apparel industry that should have been protected permanently.

Can changes over time in sector-specificity of labour explain the change in US footwear protection?

Yes, possibly. The number of unemployed increased in total manufacturing industry, and in the apparel and non-rubber footwear industries during 1972-74 (Table 7). However, unemployment then fell back much more slowly in the non-rubber footwear industry -- by 4.5 percent/year -- than in the apparel and total manufacturing industry where unemployment fell by 14 and 17.5 percent per year, respectively.

This was also reflected in the rate of unemployment: Between 1974 and 1975 the unemployment rate in total manufacturing industry increased from 6 to 11 percent and in the apparel industry from 8 to 14 percent. These rates then fell significantly, but a similar development did not characterize the non-rubber footwear industry. There the unemployment rate remained at 13-14 percent 1975-77. Thus the trend 1975-77 in footwear unemployment differed from those of total manufacturing industry and of apparel industry.

After the US restrictions had come into effect in mid 1977, the number of unemployed fell in the non-rubber footwear industry by 2.4 percent a year, while it increased in apparel and total manufacturing industries by 8.2 and 18.5 percent per year. Also the rate of unemployment in the non-rubber footwear industry fell in a marked way to approximately the same level as in the apparel industry, i.e. 10 percent. When restrictions were lifted in 1981, the number of unemployed in the non-rubber footwear industry shot up from 16,000 in 1981 to a peak of 41,000 in 1982. Unemployment also peaked in 1982, at 23 percent. At that time, why were restrictions not re-introduced?
Possibly because the unemployment trend in the non-rubber footwear industry was sharply downward sloping after 1982! The number of unemployed in the non-rubber footwear industry fell from 41,000 in 1982 to 27,000 in 1984, and further down to 18,000 in 1985. The number of unemployed non-rubber footwear workers fell by only 10 percent/year 1981-85, as compared to 23 percent/year 1982-85. The unemployment rate fell by 8 percentage points, which can be compared with a fall of 3.4 percent in the apparel industry. So when the issue of footwear protection again came up before the ITC in 1984, although the unemployment rate in the non-rubber footwear industry was higher than in apparel, the downward trend was much steeper. The same applied to the trend in the number of unemployed, of course. In the United States, different sectorial unemployment trends, and different sector-specificity of labour seem to provide part of the explanation for two industries' different experiences of protection.

Can a similar conclusion be drawn for Western Europe? For the European Community there are data measuring the sector-specificity of labour for Germany and France only (Table 8). In Germany the rate of unemployment was higher in apparel than in footwear for every year 1974 to 1984. For France the same was true for 1983-84 only. Considering changes in unemployment over time, for Germany 1974 to 1985 the number of unemployed in the footwear industry increased at the same average rate as in apparel. Compared to the rate of change in total number of unemployed in Germany, the German footwear industry developed more

21 Non-tariff measures on imports of footwear to France were not introduced until 1981. There were no national restrictions on footwear imports in Germany, unlike in France. The French quotas on Taiwan were not filled after 1981, and the VER on South Korea expired in 1984, and covered "slippers and espadrillios" only.
### Table 8  Germany and France: Unemployment

<table>
<thead>
<tr>
<th></th>
<th>Germany (000s), 1974-85</th>
<th></th>
<th>France (000s), 1974-85</th>
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<tbody>
<tr>
<td></td>
<td>Total</td>
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<tr>
<td>Relative to apparel</td>
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**No. of unemployed, 000's**

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**Unemployment rate, percent**

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<td>11.9</td>
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<td>8.4</td>
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<td>5.5</td>
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</table>
favorably in every sub-period. The same was true also for France, particularly after 1981.

Also in Britain the unemployment problem in the footwear industry does not seem to have been worse than elsewhere: "The unemployment rate of former footwear workers and of the regions in which the industry is concentrated has generally been below the national average, despite the fact that between 1960 and 1980 total employment in footwear fell from 118,000 to 70,000. Even in conditions of deepening recession [a UK Government] Working Party noted in 1980 that "studies have shown shortages of labor, particularly of skilled machinists, in most part of the industry." 22

In conclusion, sector-specificity of labour seems to be less severe in footwear than in apparel. In Germany and France unemployment in the footwear industry, compared to apparel and total unemployment, performed rather well and particularly so after 1981.

Profits. Can changes in the rate of profits explain variations and differences in industries experience with protection?

From Figure 1 and the data in Table 9 several interesting observations can be made regarding profits in the United States. First, during 1980 to 1984, the rate of profits in the US non-rubber footwear industry exceeded the rate of profits in total US manufacturing industry [column (4) compared with column (6); 1980-84 is the period for which these ITC data are available]. Splitting the non-rubber footwear industry's activities into two parts, "production only" and "total activity including importation", Figure 1a shows that profitability of production as compared with importation fell over time. Figure 1b shows

Table 9  USA: Profitability data of the nonrubber footwear industry

<table>
<thead>
<tr>
<th>Year</th>
<th>(1) Ratio of net operating profit to net sales per cent</th>
<th>(2) Footwear producers, production</th>
<th>(3) Footwear producers, importation</th>
<th>(4) Footwear producers, overall activities</th>
<th>(5) Footwear producers, manufacture production</th>
<th>(6) Total US production</th>
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Averages:

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<td>16.1</td>
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<td>7.5</td>
<td>5.9</td>
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</table>

Source:

(1) and (2) US International Trade Commission, Publication 1545, July 1984, Tables 21 and 22.
(5) Same as (4), but Table 31.

Table 10  USA: Share of US imports of nonrubber footwear undertaken by US producers 1979-1983

<table>
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<th>Percent</th>
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Source:

FIGURE 1A
USA: Profitability of the non-rubber footwear industry. Ratio of net operating profit to net sales, producers' total activity and production.

FIGURE 1B
USA: Profitability of the non-rubber footwear and total manufacturing industries. Footwear producers' production and importation activities.
that not only was importation the relatively more profitable activity, but profits also increased significantly 1982-83 after restrictions had been lifted.

In 1979, 35 per cent of imports were undertaken by US producers, a share that had risen to almost 48 per cent by 1983 (Table 10). If one looks at profitability in different size classes of production units one finds that small production units performed poorly while the larger ones performed rather well, or very well (Table 11).

From a political pressure group point of view the bigger units are likely to have been the more important ones, and the profitable importation should have had a cooling effect on the industry's demand for protection. Presumably the fact that profits were higher in the non-rubber footwear industry than in manufacturing generally also worked against extended government supply of protection. If profitability plays a role in governments' decisions on protection, then footwear simply could not qualify, and especially not if the profitability of larger units were in the political focus! The development of profitability of the footwear industry seems to be in rather sharp contrast with apparel where profitability was modest all along.

What about profits in Western Europe? As an imperfect measure of profitability is used the non-labor share of value added. This is a fairly robust measure, and for this study it has the added advantage of being computed in a comparable fashion in the EC industry statistics.

From a profit point of view the protected years meant improvement for the footwear industry of the European Community. Considering levels of the aggregate non-labor share, in every year between 1975 and 1983 the ranking was that profits of total manufacturing exceeded that of footwear which exceeded that of apparel (Table 12). This ranking also
Table 11  USA: Profitability data of the nonrubber footwear industry by size class

Ratio of net operating income to net sales, according to number of pairs produced per year and production unit

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<td>11.1</td>
<td>10.3</td>
<td>10.6</td>
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</tbody>
</table>

Change  -4.5  -1.9  -4.1  -2.2  -4.3  -0.8

Source:

holds for the individual countries (excl. France 1983 and the UK 1975). Also for Germany after 1978 profits in footwear production was higher than in apparel. Considering changes over time, here measured by the averages of 1975-78 and 1980-83 (Table 12), it can be seen that in Germany, France and the whole Community, footwear fared slightly better than apparel, and also during the recession of the 1980s better than total manufacturing. This should have worked in the direction of reducing both industry demand for, and government supply of protection during the latter part of the period.

Regarding the possibility of domestic producers switching to importation, in Western Europe there does not seem to exist any data like the ITC ones for the United States. However, with respect to the UK, Cable notes on footwear that: "In general manufacturing importing can be seen as part of a more general tendency for manufacturers affected by import competition to move from production of traded goods to non-traded services, for which distribution represents the most obvious point of entry for a specialized firm. ... In footwear [a leading company like] Clarks have their own retail outlets serving not only as shop windows for their UK product but as an independent source of profits." 23

5. Discussion and conclusions

In the literature on the political economy of protection several models, or rather hypotheses, regarding political behavior are found. In Robert Baldwin's survey of trade policies in developed countries no less

23 Cable, V. Protectionism and Industrial Decline, Hodder and Stoughton, London, 1983, p.177. With regard to production of cutlery and consumer electronics, Cable adds that "importing has become a major source of profit and an important means of adjustment out of unprofitable activities" (p.175).
Table 12

European Community: Profitability data for footwear (massproduced footwear NACE 451), apparel (NACE 453), and total manufacturing industry measured as the share of non-labour cost in gross value added at factor cost.

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Avg 1975-78 21 20 24 20 18 25 29 25 35 23 19 26
Avg 1980-83 19 15 20 21 17 22 25 23 34 22 19 25
Difference -2 -5 -4 +1 -1 -3 -4 -2 -1 0 -1

Source: Eurostat, Structure and activity of industry, yearly publication.
than seven models are identified. Let us check the protection of footwear and apparel against each one of these models.²⁴

(1) The common-interest or pressure groups model -- the ability of an industry to organize as a political pressure group.

This model must be rejected. The footwear industry should be easier to organize for several reasons: there are fewer production units, the average size of establishments is larger, and the industry is regionally more concentrated. Still, in contrast with apparel, footwear has been protected less and in a transient fashion.

(2) The adding-machine model -- the voting strength of an industry.

This model cannot be rejected. The number of footwear employees is only some 15-30 per cent of that in apparel, and even less of course if the apparel and textile industries are treated as one, as it is in the Multifibre Arrangement (MFA).

(3) The adjustment-assistance model -- the ability of workers to adjust to greater import competition.

This model cannot be rejected. Footwear workers seem to be less sector-specific than apparel workers. This has the important policy implication that one should not concentrate efforts on maintaining firms of the existing industry, but on alternative economic activities. Creation of alternative jobs through macro- and microeconomic policy can be an effective anti-protectionist instrument.

(4) The equity-concern model -- the income and skill levels of workers.

This model can be rejected. The skill levels of the two industries are remarkably similar when measured as proportions of operatives of the total work force, as are the income levels.

(5) The comparative-cost model - the international competitive strength of an industry.

This model cannot be rejected. The conclusion comes from the observation that capital intensity in footwear is higher than that in apparel, accepting that developed countries have a comparative disadvantage in labour-intensive production. However, comparative cost measured in this way can in no way explain the off-on-off characteristics of footwear protection.

(6) The international-bargaining model - the bargaining ability and political importance of the countries from which competing imports are supplied.

This model can be rejected. The same set of countries are affected by both apparel and footwear protection through the same sort of instrument, viz. VERs. However, the international framework is important in four other ways that students of trade policy probably have not paid enough attention to:

(a) There has been a succession of international agreements regulating international apparel trade.\(^{25}\) This pseudo-legal framework embracing almost all developed countries is likely to have retained protection in this sector through periods when it otherwise might have disappeared spontaneously. The MFA with its fourth yearly re-negotiations may well have carried protection over temporary downturns in demand and supply. Since business cycles and election cycles not

\(^{25}\) The Short Term Cotton Textile Trade Arrangement (STA), the Long Term Cotton Textile Trade Arrangement (LTA), and the Multifibre Arrangements (MFA).
necessarily are in phase in North America and in Western Europe, there can always be one group of countries where domestic demand and supply for protection is strong at the time for re-negotiation.

(b) Protectionist actions taken by the USA tend to change the external constraints of other developed countries. When the United States "turns on" protection, other countries do the same. When the United States "turns off" protection it makes it more difficult for others to maintain their protection. The earlier described developments illustrate the point. Further, Cable writes on the prospect of more UK footwear protectionism in 1981 after the US had lifted its restrictions, that: "Without more international 'cover', no British Government is likely to risk serious confrontation on the scale which would probably be provoked by stronger controls".26 From this follows an important conclusion, not least for studies of the USA trade policy: when investigating the effects of restrictions on e.g. employment and welfare, one should not limit oneself to the effects in the United States but also include the international domino effect of the trade policy.27

(c) In Western Europe there is free trade in manufactures in the combined area of the 18 countries of the EC and EFTA. There are rather large differences in factor endowments and wage levels within this group, e.g. Portugal compared to West Germany. Because of the institutions of the EC-EFTA free trade area, protectionist measures


27 Another example of the US "non-marginal" position in international trade politics is that Japan liberalized its system of import quotas on footwear only after strong pressure from the United States. First, the quota was eliminated on exports from the USA, and then, in a second step, the quota was transformed into an m.f.n. tariff-quota.
cannot be taken by the richer North-EC and EFTA countries against imports from South-EC. This means that protection against developing countries by the relatively capital rich North European countries have a strong tendency (i) to divert trade from suppliers outside EC-EFTA, boosting production and exports from low cost suppliers in South-EC and Ireland, (ii) thus is fairly ineffective in protecting labor-intensive industries of Northern Europe, and (iii) generate a protectionist anti-LDC coalition in Brussels consisting of South-EC governments and declining industries of North-EC and EFTA.

(d) South Korea and Taiwan differ with respect to their diplomatic status in the world. Taiwan is not a member of GATT and has no formal diplomatic relations with the countries of North America and Western Europe. In Western Europe this has resulted in West European countries' restrictions on Taiwan being imposed unilaterally, more rapidly, and with a wider category coverage than restrictions on South Korea. Taiwan's political standing in the public opinion and foreign policy of the United States is much stronger judging from the fact that Taiwan is treated at par with South Korea in the United States' trade policy.

(7) The status quo (or historical influences) model - the historical level of an industry's protection.

This model must be rejected as regards footwear since the level of protection varies over time. However, through their transfer to other economic activities, the status quo in terms of income and work may still have been more or less maintained for the employees and profit-takers of the footwear industry. A reformulation of the model would be that protection is triggered off only when released labor and capital are so sector-specific that they are unable to find alternative use.
A general comment on models (1) to (7) is that they are "structuralist" and long term in character, but even so inadequate to explain developments over such a long period as fifteen years.

Let me end by suggesting two additional hypotheses:

(8) The more specific to the sector that labour and capital are, the more likely it is that protectionist instruments will be used. An alternative formulation is that the more rapid the re-employment of labour and capital, the more likely it is that existing protectionist instruments will be dismantled spontaneously.  

(9) The larger the share of profits from importation in the protected industry's overall profits, the more likely it is that protection will be disappear spontaneously.

Hypotheses (8) and (9) suggest more short-term determinants than the "structuralist" ones of (1) to (7). The change of an industry's structure from production to importation depends on features not well covered in this paper, like the possibility of forward integration in retailing and production. E.g. in footwear, traditionally producers have integrated forward into wholesaling and retailing to a much larger extent than in the apparel industry. Footwear producers thus traditionally owned systems for distribution and selling of shoes, and these systems have to be filled with shoes from somewhere. Clearly the profitability of this part of the business could suffer severely if only domestically produced uncompetitive shoes were distributed and sold.

A conclusion from this paper is that developing countries should not assume that an increase in their exports to developed countries always will be met by protectionist measures. Developing countries

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28 On this point, since there is free trade in manufactures with the combined EC-EFTA area, the area should be regarded as one country in a comparison with the United States.
should look more closely at the restrictiveness of non-tariff measures, and how restrictiveness can change over time. The case of footwear is not unlikely to be a more typical case than textile and clothing under a typical MFA-regime.

Issues that could warrant further studies include: (a) The domino effect of United States' trade policy. How important is the transmission of protection through the international "political market"; and how important have such domino effects been for other commodities like autos, steel, apparel, etc.? (b) Studies of the short-term determinants of protection, which also necessitates more precise measures of restrictiveness over time. (c) Importing countries' import-competitive producers switching to importation. How frequent are such switches, what are the characteristics of the industries where it happens, and what role can government policy play to encourage such switches from domestic production to importation?
APPENDIX


A:1 Introduction

In some importing countries like USA, Canada and Australia existing NTMs can be found well described in official documents. In other countries like Japan and in the countries of Western Europe, typically NTMs are not something that is easily accessible; officials and manufacturers often seem eager to withhold information on NTMs from citizens and consumers. However, also in these countries there are sources that can be tapped for information on NTMs like trade magazines, occasional papers, and annual reports produced by trade associations. For good reasons different countries' trade associations keep track of each others' protectionism and can in some cases provide very good information about others' NTMs. Exporting countries are often a very useful source of information. Finally, there are public documents produced by GATT, The World Bank, OECD and UNCTAD. The Official Journal of the European Communities gives exact information on the EC's officially sanctioned barriers which is a subset of all restrictions used in The Community. However, no international organization can provide, or is allowed by its member governments to provide, the whole picture; there is an interest of almost all members governments to keep low profiles on presentations of NTMs. Thus discussions with individuals

\[29\] In the case of footwear there are e.g. Footwear News, a weekly magazine published in New York, The Shoe and Leather News, published in London, annual reports and occasional papers published by Footwear Industries of America Inc., British Footwear Manufacturers Federation and the Syndicat National du Commerce de la Chaussure in France.
working in the field are vital even if one just limits oneself to border measures and disregards e.g. domestic subsidies.

The objective of The Appendix is, first, to try and present the NTMs in the form of border measures that have been used by industrialized countries against footwear exports from developing countries mostly, excluding centrally planned LDC, like China.

Secondly, to compare the timing and sequence of these restrictions to see whether one can establish a domino effect.

An observation is that the introduction of a quantitative restriction in one importing country sometimes seems to induce restrictions also in other importing countries. The argument used is that if country A imposes an import restriction, country B needs to protect itself - or more precisely its subset of some producers - against an unknown quantity of imports that may be diverted from A to B. Excluding Japan, Australia and Sweden, the spread of footwear protection in the 1970s illustrates such a domino characteristic of NTM protectionism. To our knowledge this is the first time that this aspect of NTMs has been studies in a systematic way. In order to bring out the domino effect in the presentation, the footwear NTMs are introduced in chronological order.

A:2:1 Japan

Since 1952 and up to 1986 (1st of February) Japan maintained a global value import quota on leather and leather footwear (excluding
athletic shoes and slippers). The size of the quota was kept secret. Although the quota was a global one it had within its overall value limitation, several bilateral value quotas, unilaterally determined by the Japanese. Thus footwear exporters to Japan were not treated on an m.f.n. basis.

Twice a year the Japanese Ministry for Trade and Industry (MITI) used to allocate value quotas among the 26 certified importers of which "most are [or are affiliated with] major Japanese footwear manufactures". Of the 26 certified importers only one was a shoe wholesalers' association. MITI's criterion for allocation of quota among importers was a formula based on previous import records.

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31 Petition for Relief Under Section 301 of the Trade Act of 1974, As Amended, on behalf of Footwear Industries of America, Inc., Amalgamated Clothing and Textile Workers Union, AFL-CIO and United Food and Commercial Workers International Union, AFL-CIO, October 25, 1982, p. 174, which also contains a list of the 26 importers in an Appendix.

According to GATT the same characteristic holds for Japanese leather importers.


33 Petition for Relief Under Section 301 of the Trade Act of 1974, As Amended, on behalf of Footwear Industries of America, Inc., Amalgamated Clothing and Textile Workers Union, AFL-CIO and United Food and Commercial Workers International Union, AFL-CIO, October 25, 1982, reports - not surprisingly - that "the import allocation certificates are apparently negotiable, and it is common for the 26 firms to transfer these certificates for a premium of 20-30 percent of the invoice value" (p. 147). Clearly it would be very interesting to have further information on this point and to be able to use such quota prices to estimate the tariff equivalent of the quota.
The Japanese quota was increased several times, at least after 1979. However, as the size of the quota never was publicly released it is difficult to know how important the increases were from the exporters' point of view. The increases in the global quota were allocated in such a way as to discriminate in favour of some exporters.\textsuperscript{34} For example, as a result of the US pressure for liberalization of Japanese imports, Japan indicated that it was willing to keep an open ended quota for imports of leather and footwear from USA.

The officially given motivation for the Japanese 1952-86 import quota for leather and footwear is unusual to say the least, viz. to protect an ethnic minority group "placed in an inferior position economically, socially and cultural" as a result of "a class system formed in the process of the historical development of Japanese society."\textsuperscript{35} This group, the Dowa people, has had its main occupation either in farming or in small scale leather industry, shoe, and other leather footwear manufacturing.

In 1986 Japan switched to a system of tariff quota. It is m.f.n. based, the quotas are defined in volume terms and all importers are treated alike. This change was the result of a US complaint to GATT, and the subsequent recommendation of a GATT panel.

As the Japanese duty on all footwear commodities is as high as 27-30 percent (ad valorem) it seems likely that a large part of the rent from protection is captured by the Japanese government.

\textsuperscript{34} US Department of Commerce, \textit{Footwear Tariff and Trade Regulations: Major Foreign Markets}, International Trade Administration, Office of International Sectorial Policy, Sectorial Trade Monitoring Division, May 1981, and confirmed by Washington lawyers. An increase in the quota does not necessarily mean that the tariff equivalent of the quota is reduced. E.g. domestic demand could be on the increase.

A:2:2 Australia

Up till 1960 Australia had quantitative import controls on footwear. The form of protection switched in 1960 to comparatively high import tariffs; the rate of duty on virtually all footwear was 45 per cent. Tariffs were reduced to 34 per cent in connection with a general reduction of tariffs in July 1973. This together with a rapid appreciation of the A$ encouraged a rapid increase in imports.\textsuperscript{36} Against this background, in October 1974 quantitative restrictions were again introduced. The quotas were set to 140 per cent of the volume of imports in 1972-73. (Parts of footwear were also subject to quantitative restrictions.) Although the import quotas were initially re-imposed as a temporary measure they have continued to apply thereafter: "Initially, these quotas were introduced as interim measures ... However, they have since become an integral feature of the assistance arrangements for textiles, clothing and footwear and have effectively achieved an open-ended needs-based assistance regime for local producers."\textsuperscript{37} The current arrangement is a tariff quota. Tariff quotas restrict imports at normal rates of duty to a specified quantity, and permit imports of additional goods only at a penalty tariff rate. In the Australian case these rates were often set at a prohibitive level and consequently above quota imports were generally insignificant.

It worth noting that the Australian quantitative restrictions are global ones with m.f.n. treatment of suppliers. This is in contrast to

\textsuperscript{36} Industries Assistance Commission, Annual Report 1974-75, p.76.


the NTMs applied by other developed countries, with the exception of Canada. However, the m.f.n. treatment is counteracted by the unusually strict marking and packing requirements which are likely to be met with greatest difficulty by developing country exporters.

As the system was typically applied during 1986, 70 per cent of the quota (base quota) was allocated according to past performance. The remaining 30 per cent of the global quota was offered by the Australian government for sale once a year by tender (tender quota) in which the bidders indicated that ad valorem premium, over base tariff rates (typically 34 per cent) which they were prepared to pay for the quota. The bids, i.e. importers' willingness to pay for quota, were registered, and used to calculate the tariff equivalent of the quota. Also part of the base quota, i.e. quota which in a first round was allocated to importers according to their past performance, was allowed to be traded (typically 20 percent), and prices were collected for the purpose of measuring the quotas' restrictiveness.

This system is of great interest both from a policy point of view, and from a methodological point of view. The bidding system means that there is a built-in mechanism for generating information that can be used to measure the restrictiveness of the quota. The effect of the

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38 However, in the future New Zealand is likely to enjoy preferential treatment as a result of the free trade agreement between Australia and New Zealand.

39 Note that bids are formulated in ad valorem terms which serves to avoid the upgrading effect, as would have been the case had the bids been formulated in dollars per piece. The overall effect of ad valorem bids are not without their problems, however. See Industries Assistance Commission, Draft Report on the Textile, Clothing and Footwear Industries, Australian Government Publishing Service, Canberra, 1985, p.62.
quantitative restriction is more transparent which can be an important condition for an informed discussion of protection.\textsuperscript{40}

It is not unlikely that the Australian protection of footwear (and textiles and clothing) will be reduced somewhat during the next few years. The government has stated that it wants the industries to receive less assistance "in the longer run". The Industries Assistance Commission has put forward a detailed report containing excellent analysis of the present system of assistance and possible options for the future, including discussion of the adjustment phase. The Industries Assistance Commission's proposed option is a reduction of protection to a uniform 50 percent tariff rate over seven years, so that by 1996 quotas would no longer be binding. Quotas would be expanded by four percent per year, and from 1989 all quota would be sold.

In contrast to governments in other countries that have had to implement a reduction protection--eg in connection with multilateral trade negotiations (GATT rounds), or entry into The Community--the Australian government will not be able to resort to international obligations to keep the time table. "It would appear that Australia has not yet really utilized the external constraints that are available from a commitment to the principles of the General Agreement on Tariffs and Trade and to its rounds of trade negotiations as a means to enable politicians to resist, in the general interest, the pressure of coalitions seeking the preservation or extension of protection for particular industries".\textsuperscript{41}

\textsuperscript{40} The Australian system with trade in import quota as an instrument for ensuring high quota utilization is also of interest to developing countries which have their exports restricted through VERs. The issue of ensuring a high rate of utilization of quota is similar in the two cases.

Compared with other developed countries Australia has referred more frequently to GATT's Article 19 to quantitatively restrict imports, but on the other hand, Australia has not used discriminating NTMs anywhere near the extent that has almost every other developed country. Australia's trade policy seems to be determined more by domestic considerations than the policies of other small countries and issues like retaliation, GATT rules, and foreign policy aspects seem to be relatively unimportant constraints on Australia's commercial policy.

A:2:3 Sweden.

In the beginning of the 1970s, Sweden introduced restrictions on rubber boots from Taiwan (import quota), Malaysia and S Korea (VERs). However, a more noteworthy action was taken in October 1975, when without prior consultations with other countries, the Swedish government restricted imports of leather and plastic footwear from all foreign suppliers, i.e. also from Sweden's partners in EFTA and The Community (Sweden then had a free trade agreement in manufactures with The Community, with the exception for a transitory period regarding Swedish paper exports). The official motivation was unusual - some of us would say laughable - for footwear protection, viz. that "a continued decrease in production capacity is unacceptable from the point of view of secure supply. ... The credibility of Sweden's policy of non-alliance ... has as a precondition that we are prepared for a conflict and have the ability to pursue our declared policy. A sufficient preparedness for a secure supply [of goods and services] is one of the preconditions for achievement of our foreign policy objective in case of blocked foreign supply. In particular, three sectors have been judged to be of specific
importance, viz. energy, foods, and textiles, clothing and footwear".  

The footwear quotas were set equal to the average import volume during 1972-4. The stated objective was to reserve 25 to 30 per cent of the Swedish apparent consumption for domestic producers.

The reaction to the Swedish restrictions was strong both at home and abroad. The Community did not accept Sweden's reference to national security and the Swedish interpretation of the national security article of the free trade agreement between Sweden and The Community (Article 21.C). As retaliation, The Community enforced a strict implementation of the transitory rules regarding Swedish exports of paper to The Community, resulting in an a slightly higher tariff on these goods than otherwise would have been the case (2 to 3 percentage points). The restrictions were also discussed in the EFTA council. In that forum Sweden did not refer to national security but referred to the EFTA charter's clause on protection of arms- and defence industries. The other EFTA countries did not accept the argument. Smaller, neutral, EFTA states like Austria and Switzerland pointed out that they had solved their problem of secure supply of shoes through stockpiling, including stockpiling in households.

Also at home the Swedish government's action came under attack. Interestingly the "shoe restrictions" became an issue in domestic politics partly through the publicity surrounding a collective strong

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42  Aktuellt i Handelspolitiken (Stockholm), No.9, 1975,pp 19-20. (Author's translation.)
43  That the action regarding paper exports was a retaliation is clear from the discussions; See eg the official Swedish source Aktuellt i Handelspolitiken (Stockholm), No.10, 1975, p.5.
44  Article 18.
protest by Swedish academic economists.\textsuperscript{45} Eighteen months after its introduction, and after a change of government, on July 1st 1977 the restrictions on footwear were lifted, apart from restrictions on imports of rubber boots from Korea, Taiwan and Malaysia (This liberalization took place two days before the US footwear restrictions came into effect).\textsuperscript{46} The latter restrictions were not lifted until January 1st 1984. The valuable import licenses for rubber boots were given away free of charge by the Swedish Board of Trade to the sole domestic producer as an ad hoc "subsidy", and as a stimulus for the producer to enter the import business. The average Swedish footwear tariff (post-Tokyo round) is 15 percent. The average EFTA tariff is 12 percent.

A:2:4 The European Community - "retrospective control of imports"

From May 1, 1975 the European Community used a system for "retrospective control of imports" of certain types of leather footwear. The decision meant that each member state had to to "communicate" to the Commission within the first ten days of each month the number of pairs of footwear imported during the preceding month, broken down by country of origin and commodity group. The reason given by the Commission was simply that "imports of shoes into the Community have increased considerably in recent years and are affecting a particularly sensitive sector of Community industry" and "with a view to following the commercial situation in this sector, it is in the interest of the Community that Member States supply the Commission with information

\textsuperscript{45} The initiative was taken by professor Gunnar Myrdal who opposed the quota primarily on the ground that the measure had its incidence on developing countries, which, incidentally, was hardly true, at least in the short run, since Italy was the main foreign supplier.

\textsuperscript{46} The new Minister of Commerce was professor Staffan Burestam-Linder, more famous for the Linder hypothesis in trade theory than for dismantling footwear restrictions.
concerning developments on the market for this product by a retrospective communication of imports affected. This all embracing motivation was rather curious since Italy already then had a very competitive footwear industry, while the situation was quite different in the Northern part of The Community. Anyhow, a distinct signal was sent warning external exporters that protectionist forces were gaining strength.

A:2:5 USA.

In the United States since the late 1960s the International Trade Commission (ITC) had received petitions for protection of footwear from both the industry itself and from Congress. In all cases investigations were made. In 1970 The Commission could not agree on a recommendation to the President, and the President, in addition to domestic "adjustment assistance" to a fairly small number of footwear producers tried to curb imports in a discriminatory fashion. The US sought a voluntary export restraint arrangement with Italy. However, the official description of events is that the administration did no more than discuss with Italy a "statistical export visa system". There was no formal arrangement between USA and Italy but after the discussions with USA Italy begun to require from its exporters information about shoe production and also demanded that they applied for export visas. As a result of a new International Trade Commission report in 1976, and President Ford's response to that report, "adjustment assistance" was again given but

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47 The Official Journal of the European Communities, No. L90, 11.4.1975. Commodity groups 64.0.2.51, 64.02.55, 64.02.57.

also border measures were to be introduced, viz. a "monitoring system" for footwear imports.49 This served as a warning to exporters that in the United States footwear protectionism was on the increase. In the following year, and after yet another ITC investigation, President Carter decided that supply restricting arrangements should be sought with Taiwan and S Korea regarding imports of "non-rubber" footwear.50 The subsequently negotiated VERs with Taiwan and South Korea covered four years, June 28, 1977 until June 1981.51 In June 1981 the US restrictions were removed completely. It is interesting to note that


50 Non-rubber footwear imports were defined as all articles, with certain exceptions, classified in the Tariff Schedule of the U.S. (TSUSA) grouping 700. The exceptions were 700.51-700.54, 700.60, 700.75 and 700.85.

Korea and Taiwan after the US restrictions had been lifted wanted to maintain voluntary restraints for about a year.52

The International Trade Commission was asked to undertake new investigations in 1984 and 1985. The 1984 ITC investigation found no injury on domestic industry caused by imports, and consequently, the Commission did not recommend any protective measure. However, in 1985, The International Trade Commission found injury and recommended protection. President Reagan did not follow this advice but used his executive power and decided against increased protection of the US footwear industry in August 1985.53

A:2:6 United Kingdom

The British Prime minister was petitioned in 1975 by the Trade Union Congress (TUC) to introduce selective import controls, including a 20 per cent cutback in imports of textiles, clothing, and footwear. From the TUC's point of view the petitioning was unsuccessful, however.54

In 1977 the UK footwear industry sought government support for import quotas under GATT Article 19 on all non-Community imports. In the industries proposal was defined eleven categories with specified quota levels. However, in the Government such a wide country coverage was regarded as "unrealistic" as Britain risked retaliation from countries

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52 The information on the existence of such a VVER (Voluntary voluntary export restraint) is from a Korean government document and is also mentioned by Yoffie.

53 The US duty on leather footwear is 6.8 percent ad valorem and on plastic footwear 12.5 percent. It is substantially higher on rubber footwear, 37.5 percent. The higher duty on rubber footwear is likely to be one reason why this part of the industry did not seek further protection through quantitative restrictions.

like Spain, Greece, Brazil and Malaysia. However, just one month after
the US restrictions on imports of non-rubber footwear from Korea and
Taiwan had come into effect, in August of 1977, the UK unilaterally
imposed restrictions on Taiwan. The restrictions took the form of an
import quota (volume) on non-leather footwear while leather footwear
imports remained unrestricted. Although Britain seemed to act in
response to the US restrictions, the UK restrictions did not cover the
same types of footwear as the US ones. The import quotas on Taiwan were
stated as temporary (two years) till the end of 1979, and were
sanctioned by The Community.

A year later, in November 1978, an arrangement to "voluntarily"
restrain exports from S Korea to UK was signed. Apparently this
industry-to-industry arrangement was meant to be part of a more
comprehensive deal between European producers and S Korea. A Korean
government document thus states that the EC Commission on November 7
1978 requested that voluntary restraint arrangements be signed between
The Korean Footwear Exporters' Association and The Confederation of the
European Footwear Industry (CEC). However, the only industry-to-
industry arrangement in Europe that actually came into effect at that
time seems to have been the British one. The British industry

55 Cable, V., Protectionism and Industrial Decline, Hodder and
56 Greenaway, D., "Non-leather Footwear from Taiwan and Korea",
Chapter Five in D. Greenaway and B. Hindley, What Britain Pays for
Voluntary Export Restraints, Thames Essay No. 43, Trade Policy Research
Centre, London, 1985, and correspondence with China External Trade
Development Council (Taiwan). GATT reports that the restriction was on
"non-rubber" footwear which seems incorrect; GATT, Developments in the
57 Confederation Europeéne de l'Industrie de la Chaussure with
headquarter in Brussels, of course.
58 Korean government document, British Footwear Manufacturers
renegotiated the arrangement with Korea in late 1979 and continued to do so every year thereafter. The later arrangement covered all types of footwear and expired in December 1987.59

In 1982 the Koreans for the first time accepted that no increase in their quotas were allowed. At that time there was weak demand generally in West Europe while the US economy was expanding, the US dollar rising, and US restrictions had just been lifted. The industry-to-industry arrangement with S Korea was never sanctioned by the Commission.

A recurrent "problem" since 1979 has been overshipping and exporters bypassing the VER on direct trade between Taiwan and Korea through shipping via Hong Kong. At first overshipping was perhaps explained by different trade statistics being used in the two countries, but it seems clear that the Korean industry either was not able to control its exporters, or was unwilling to do so. Since the Korean exporters are few and big firms the latter seem most likely.

Regarding Taiwan, the 1977 to 1979 import quota was on non-leather footwear only. Knowing that leather and non-leather footwear are close substitutes in production it comes as no surprise that UK imports of leather footwear from Taiwan increased rapidly during 1977-79. Consequently, in 1980 The British Footwear Manufacturers Federation asked the UK government that also Taiwanese leather footwear should be put under quota. However the reply was that "The Government suggested

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59 The negotiations between the two sides are invariably described as very difficult. In 1980 there was "long and complex negotiations", in 1981 there was "very tough talks", and in 1982 "difficult and protracted negotiations" (quotes from British Footwear Manufacturers Federation, Annual Report, 1981, 1982 and 1983). Of course, these words partly reflect the British Footwear Manufacturers Federation's self interest in showing to its members that they get value for their membership fees, and that the negotiating team has been doing its outmost.
that we [The British Footwear Manufacturers Federation] could try to negotiate our own arrangement with the Taiwanese as we had done with the Koreans.\textsuperscript{60} Note that it thus seems to have been the UK government that suggested the industry-to-industry arrangement. The subsequent negotiations between the two industry associations broke down, however. The Taiwanese demanded a 60 per cent increase in their non-leather quota if they would accept a restriction on leather footwear. "Following the failure of the negotiations the [UK] Government, at our request, reimposed the [import] quota on non-leather footwear [from Taiwan] at its 1979 level."\textsuperscript{61} Thus, in the end imports from Taiwan of leather footwear remained free, and there must have been genuine negotiations and not just a dictate from the British side.

In the following year --1981-- negotiations regarding a VER on leather footwear were again taken up with Taiwan. Against the background of the previous year and the swift imposition of quotas by the UK government when the negotiations broke down, it is not surprising that an arrangement was reached this time. The British side, in good mercantil spirit, accepted a slight increase in the quota for non-leather footwear in return for a restriction on leather footwear and more managed trade: Exportation from Taiwan was to be made more difficult by a more narrow and detailed categorization of footwear imports.

However, the last VER arrangement with Taiwan expired in 1984. Further arrangements were regarded as impossible to enforce mainly because the unrestrained Taiwanese exports through Hong Kong. These

\textsuperscript{60} The British Footwear Manufacturers Federation, \textit{Annual Report}, 1980.

\textsuperscript{61} The British Footwear Manufacturers Federation, \textit{Annual Report}, 1980.
indirect exports could not be restrained (or there was no will?), and the British Customs has no authority to prevent imports from Taiwan because of a private deal like the industry-to-industry footwear VER. So, since 1985 there is no VER with Taiwan, only a vague sentence in the record of the last meeting saying that the "Taiwanese would continue to control their exports to the UK unilaterally". 62 No restraint levels, no categories and in effect no binding restraint. The reason given by The British Footwear Manufacturers Federation in their Annual Report was is that overshipping now had reach such magnitudes and "the Taiwanese representatives offered little that would make us believe that [a new VER arrangement] would be observed." 63 This resigned sigh possibly also indicates a reduced political clout on the part of the The British Footwear Manufacturers Federation.

Since the British VERs on footwear are not sanctioned by The Community, trade deflection cannot be prevented. Hence the extra cost to consumers would be limited to the additional cost of shipping footwear via e.g. Hong Kong to the UK. There is also a stimulated increase in imports to the UK from suppliers in EC, EFTA and other non-restrained countries, limiting further the price elevating impact of the UK arrangements with Taiwan and Korea. This is not discussed in Greenaway's study and limits its value considerably, in our view. 64

The footwear trade relationship between the UK and Brazil provides an instructive example of the ongoing struggle between exporters and

62 The term "unilaterally" is very peculiar since this was the mechanism all along with no success from a protectionist point of view.
importers. In 1979 The British Footwear Manufacturers Federation urged the British government to take action under Article 19 of the GATT against imports of footwear from Brazil. The argument was that Brazil kept domestic leather input prices low through an export ban on hides and an export tax of 18 per cent on finished leather. At that time no measures were taken by the UK government, however. During 1980 imports from Brazil continued to be increasingly attractive to British consumers. To counter this, the UK government took action against its citizens and "the Minister for Trade summoned the Brazilian Ambassador to express the Government's concern at the uncontrolled increase in Brazilian exports. Partly as a result of this move, as well as parallel pressure exerted by the US government, the Brazilians eased controls on exports of hides and reduced their export tax [on leather] from 18 per cent to 5 per cent."  

During 1981 Brazil was reported to have introduced an export subsidy of 15 per cent on all footwear.

Immediately, the British Footwear Manufacturers Federation took action through the European Footwear Confederation which asked the EC Commission for imposition of countervailing duties. The Commission accepted the case for investigation and "after discussion with Brazilian representatives agreed with them in November [1981] that Brazil should impose an export tax on women's leather footwear to counteract the full effect of the subsidy." The resulting voluntary export price restraint (VEPR) still applies. Today Brazil is seen as a very major threat to

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producers because it has developed a capability to produce footwear as sophisticated as any in the world. 67, 68

It is important to note that the British VERs on S Korea have been industry-to-industry arrangements. Because of this the arrangements are hardly legal within the Community, both because the VERs are not sanctioned by the Community, and because they are likely to violate EC competition law. "The [EC] Commission has repeatedly asserted that since the end of the [EC] transitional period, the Member States are no longer authorized to take independent safeguard measures or to elicit and then accept 'voluntary' export restraints. This would hamper, if not cut across, a Community policy regarding the measures to be taken, contrary to Article 113 of the EEC treaty." Further: "An interested party, or the Commission itself, could thus claim that these [industry to industry arrangements] are null and void, without taking into account the

68 The British Footwear Manufacturers Federation was also active in preventing as far as possible lower tariffs on footwear in the Tokyo round MTN negotiations: "The British Footwear Manufacturers Federation asked that footwear should be specifically exempted from any tariff cutting exercise" (Annual Report 1979). This was also one non-result of the Tokyo round and there no lowering of the Community's external footwear tariffs was undertaken.

On the tariff front, the issue in the following year was the EC's system of preferences for developing countries (GSP). The British Footwear Manufacturers Federation lobbied the UK government to intervene in Brussels to "curb" the Commission's proposals. According to The British Footwear Manufacturers Federation an intervention was also made.

The Federation also started a campaign aimed at consumers under the slogan "You Buy Ours - We'll Buy Yours".

The Federation also commissioned a Gallup Poll examining footwear buying and ownership habits. The highlighted conclusion was that consumers had said that the need for comfort was more important in buying footwear than price and appearance. The Federation is also involved in all sorts of traditional lobbying of the government, Members of Parliament and the press: "We [i.e. The British Footwear Manufacturers Federation] instigated coverage for [unfair competition from particular sources] in The Times, Financial Times, and The Daily Telegraph."
exceptions to the EEC ban on cartels laid down in Article 85(3) of the EC Treaty.\textsuperscript{69}

Against this background it is interesting to note that not only seems the British government to have encouraged the use of industry-to-industry VERs but also the Commission may have given such deals some backing in 1979. In its 1980 Annual Report, The British Footwear Manufacturers Federation acknowledges "the support we did receive from the EEC for our negotiations with Korea and Taiwan" (p.4), and a year later the Federation goes on to say that the arrangement with Korea "would not have been possible without the active support of the [UK] Government and their own contacts with the Korean authorities through the European Commission".\textsuperscript{70} Perhaps it is telling that in a Korean government document the 1979 VER was in fact described as a three party arrangement between The Korean Footwear Exporters Association, The European Community, and The Confederation of The European Footwear Industry.

\textbf{A:2:7 Canada}

For many years Canadian producers of footwear claimed that they were being "injured" by imported footwear. In a first report in 1973 of the Canadian Anti-Dumping Tribunal, a public body, these claims were not accepted. However a new investigation published in September 1977 found injury caused by imports, i.e. only two months after the US restrictions had been decided upon. The Canadian government's reaction to the report


was to introduce a global three year import quota (volume) on leather footwear, effective from December 1, 1977. The Canadian restrictions were partly imposed as a reaction to the earlier US restrictions. The Tribunal wrote: "The ramifications of the [US restrictions] and exporters' responses to these included implementation of additional protectionist measures in other countries (e.g. Canada) and ruptured trading patterns throughout the free world generally." 71

The quota was extended a first time in 1980 by one year, till December 1981. Then, in December 1981, the leather footwear quota was lifted, a few months after restrictions had been lifted in USA for the same type of footwear. However, at the same time, and in contrast to developments in the USA, a global quota was put on imports of non-leather footwear. The reason given was that exporting countries had substituted into exports of non-leather shoes (canvas shoes) accommodating to the leather footwear quota. However, the Canadian government soon retreated from a free import policy for leather footwear and tried to negotiate "voluntary" export restraints with major suppliers. 72 These proposals failed, however, basically because The Community flatly refused to discuss any such arrangement. Also Brazil was totally opposed to the idea. Spain, Korea and Taiwan, were never asked as the idea was regarded as hopeless, given the definite EC

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72 "The abolition of the leather quota was followed by a substantial increase in imports of leather footwear during the first part of 1982. This increase was not merely a reflection of the removal of the quota, although of course this was a major factor, but of economic developments in the economy as a whole. ... 1982 was a year of recession, and orders fell off sharply. As a result Canadian production declined significantly. In light of this situation, the government reimposed quotas on leather footwear, effective July 1982." Canadian Import Tribunal (1985), Report Respecting The Canadian Footwear Industry, Ottawa, Canada, June, p. 23.
opposition. Thus, less than a year later, in July 1982, and in contrast to the US liberalizing policy of 1981, the Canadian global import quota was expanded to include leather as well as rubber footwear. With some liberalizing modifications this quota was used until November 1985.

The Import Tribunal in its June 1985 Report suggested that the quota system should be partly abolished right away, and partly kept for another three years. All types of footwear with the important exception of "women's and girl's footwear" should be subject to tariffs and surveillance measures only. Women and girls' footwear made up about 35 per cent (volume) of 1984 imports of footwear. To ensure maximum flexibility all restricted footwear was suggested to be lumped together in one category, and the quota increased by ten per cent per year for three years. At the end of this period the enlarged quota would not be binding any more, according to the Tribunal's estimates. In the Report there was also an interesting suggestion to 'bribe' domestic owners of production capacity: the growth in quota should be offered first to manufacturers who are considering closing down production and switching to importation. Of course, the difficulty with this approach is to differentiate between producers who have such intentions and those who would have closed down in any case. The Canadian government decided

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73 Canadian Import Tribunal (1985), Report Respecting The Canadian Footwear Industry, Ottawa, Canada, June, puts it rather more diplomatic: "Major footwear exporters such as Korea and Taiwan have not considered the Canadian market of sufficient importance to lead them to enter into an agreement with Canada to restrict exports" (p.30).

74 The tariff on the shoes not protected by quotas will be approximately 23 per cent, among the highest of Canada's customs tariffs.

75 Note the similarity with the Swedish footwear import quota being given away free of charge to the sole domestic producer of rubber boots.
along the lines suggested by the Tribunal. From December 1st 1985 there is a quota on women's and girls shoes only. The quotas have been defined in volume terms and have increased over time, typically by 3 to 4 percent per year. All footwear not under quota are subject to surveillance. 76,77

The Canadian quotas were invoked with reference to GATT Article 19 which means that the quotas were global ones. This has been an advantage for developing countries as they have been able to compete with price against e.g. European suppliers. Also, higher cost producers among the LDCs have not been protected against competition from lower cost producers, which has been an advantage for Brazil.

For Canada to restrict footwear imports from The Community created a rather serious trade policy conflict. The European Community demanded compensation from Canada in line with GATT rules. Canada tried to appease Europe (and also the USA) in two ways. First, once the restriction was in place exemptions were being made for types of footwear being of special interest to producers in the USA and The Community, e.g. more expensive footwear and special footwear like cowboy boots, golf shoes, English riding boots. Secondly, Canada in the GATT way "compensated" foreign countries through m.f.n. "concessions" in the


77 Canadian Import Tribunal (1985), Report Respecting The Canadian Footwear Industry, Ottawa, Canada, June, Table B-2.
form of tariff reductions on commodities mainly of interest to The Community. At first these compensations were modest. However, when Canada decided to extend its global quota in 1982, The Community threatened to retaliate substantially against Canadian exports of paper and pulp among other things. To avoid this Canada then gave further "concessions" - again m.f.n. based - in the form of tariff reductions on some manufactures and chemicals. Interestingly, the Canadian "concessions" toole such a magnitude that they became a domestic political issue and Canadian non-footwear producers intervened with ministers in Ottawa protesting against the footwear quota and warning against further extensions of it.

The Community responded to the 1985 Canadian decision to liberalize imports by criticizing the restrictions still left, and noting that the Canadian footwear industry is protected by a 23 per cent tariff and compared it with the eight per cent tariff in The Community.

All persons interviewed and participating in discussions about the Canadian footwear quota system (all in all approximately 15 persons in Ottawa) took the view that the Canadian global quota system as it has been administered has not included any tacit undertakings to give preference to any one country, or group of countries, i.e. an m.f.n. policy have been pursued. Against this background it is somewhat surprising to note that Taiwan and S Korea during 1978 to 1982 maintained a constant share of Canadian imports, 47 percent. While one might be reluctant to accept as a coincidence the offsetting

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78 Canada compensated by a reduction of tariffs on products "valued at US$ 109 million" and "are valued at" 3.5 per cent of imports, International Herald Tribune 6/5/85. The commodities are: ski boots, sewing machine needles, jewellery, glasses, china porcelain, antibiotics, chloramphenicol, silk scarves, and hood woolen collars for women.
fluctuations in the market shares of these two countries, it is on the other hand, doubtful whether the two countries were able to coordinate their exports in this way.

A:2:8 Ireland.

Since 1977 Ireland has had restrictions on footwear supply from Taiwan of both leather and rubber footwear.\textsuperscript{79,80} The restrictions were not reported in any official Irish or Community documents until 1981 when the quota was sanctioned by The Community. In mid 1982 Ireland enhanced the restriction by an "intra-Community surveillance" on rubber footwear imported from Taiwan, and later on, in July 1983 to January 1984, this measure was tightened to an explicit "prohibition of indirect imports" of most types of rubber footwear from Taiwan.\textsuperscript{81} The "surveillance" measure makes imports dependent on the granting of an import license and is authorized by the Commission for a period determined by the Commission, and on the criterion that "the imports of a certain product into a Member State gives rise to a danger of economic difficulties".\textsuperscript{82} The "surveillance" measure can be seen as a weak

\textsuperscript{79} In Ireland the stringent quotas on footwear that had been in effect since 1934 were partly revoked in 1966 with the abolition of the so called rubber footwear quota. In July 1970, the remaining import quota on leather footwear was also lifted and substituted for by customs duties.

\textsuperscript{80} China External Trade Development Council (Taiwan). Since 1977 the quota on commodity group 64.01-. , "Upper and sole made of rubber or plastic" has been 17000 pairs per year, and for group 64.02B, "Leather, synthetic leather, rubber or plastic sole and non-leather uppers", the quota has been 122000 pairs per year.

\textsuperscript{81} The Official Journal Of The European Communities, No.L 175, 30.6.1982; commodity groups 64.01 and 64.02B.

version of Article 115 of the Rome Treaty by which countries may if they wish prevent trade deflection. The second measure, "prohibition of indirect imports", is an application of Article 115 forbidding trade deflection. The import prohibition measure was lifted in 1984, and in 1985, "intra-community surveillance" was abolished for many types of Taiwanese footwear.

On January 1st 1979 Ireland invoked a VER on both leather and non-leather footwear exported from S Korea. This VER lasted for six years and expired on January 1st 1985.\textsuperscript{83} The restriction was never reported to the GATT. At the same time as the UK and other Community members imposed a voluntary export price restraint on Brazilian women's footwear, in November 1981, so did Ireland on the same commodity groups as the U.K.\textsuperscript{84} This price restraint still applies. Ireland has recently decided on compulsory origin marking of both domestically produced and imported footwear.

A:2:9 European Community - "prior surveillance"

From May 1, 1978 the Community tightened its import policy. This was eight, nine and ten months after the introduction of the Canadian, the UK, and the US restrictions on footwear. For a period of six months

\textsuperscript{83} Korean government document. E.g. in 1984 the restraint levels were 697000 pairs and 60000 pairs of non-leather and leather footwear, respectively.

\textsuperscript{84} Like the UK, Ireland in September 1981 started an anti-dumping investigation regarding Brazilian footwear exports.
the EC switched over from "retrospective control of [footwear] imports" to a system of "prior surveillance" of imports from principal suppliers. Surveillance does not restrict imports formally, but usually precedes measures which do, and thus creates expectations of further protection. It is worth nothing that in the official Community motivation was included the protectionist actions taken elsewhere: "Certain major industrialized countries have recently taken or reinforced measures to protect their markets; [...] these measures will put on to the world market large quantities of footwear which, since they are barred from their now protected traditional outlets, will tend to come on to the Community market in particular." After six months - on November 15, 1978 - the EC returned to a system of "retrospective import control" with the difference compared with the earlier system that all types of footwear were now covered. However, as the EC went back to retrospective export controls it seems that it did not want exporters to misunderstand the move, according to an internal IMF document: "While there are no formal restraint agreements, the Community has maintained close contacts with these [developing] countries on trade in footwear, which serve to persuade

85 "Products subject to surveillance 'may be put into free circulation only on production of an import document' (Article 11,1). Such a document is to be issued by the Member States free of charge for any quantity requested within five working days of an application from any Community importer"; Völker, E.L.M. "The Major Instruments of The CCP", in J.H.J. Bourgeois et al., Protectionism and The European Community, Kluwer Law and Taxation Publishers, Deventer - The Netherlands, 1982, p.40.

The measure concerned commodity groups 64.01 to 64.04 and covered imports from Brazil, Hong Kong, S Korea, Malaysia, Pakistan, Spain, Taiwan, China, Czechoslovakia, Poland and Romania.

86 The Official Journal Of The European Communities, No.716/78, 7.4.1978.

87 The Official Journal Of The European Communities, No. L 188/28, 11.7.1978. Commodity groups covered: 64.01 to 64.05.
them of the desirability of avoiding excessive increases in exports that could disrupt the Community's market." The posteriori controls of footwear imports are still in effect.

As was described under the section on Britain, the EC Commission seems to have backed some industry-to-industry arrangements with Korea. In 1981 The Confederation of the European Footwear Industry again tried to limit imports from Taiwan and Korea through industry-to-industry negotiations. However, no binding limits on imports could be agreed upon.88

One year later the situation seemed to have changed, however. US footwear producers reported that "there is information" that informal "agreements to consult" with Korea and China were implemented at least regarding the 1982 import levels which ought not to exceed those of 1981 (regarding China), and not to increase with more than 10 percent over 1981 to any EC member country (regarding Korea).89 This US information is confirmed by Korean documents which state that from January 1st 1982 there was a trade restricting "bilateral private agreement" between The European Confederation of Footwear Industries and The Korean Footwear Exporters Association. The arrangement was renewed in November 1983 and expired in December 1984.90 This "bilateral" restriction does not seem to have been reported to the European consumers who thus pays a tax.

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90 The base level was the 1981 export level from Korea with a ten per cent growth in the quota.
without representation. These industry-to-industry arrangements violate Community law.91

A:2:10 Norway.

During the period January 1st 1979 to January 1st 1985, Norway had an arrangement on a voluntary restraint of exports from Korea of skiboots and protective shoes. The VER was negotiated by "two government officials."92 It was clearly a GATT illegal measure. There is an "other non tariff instrument" not reported to GATT being applied against imports of jogging shoes from Korea.93

Today, for imports of all types of footwear from Taiwan an import license is required. It is not granted, however, and in effect imports of footwear from Taiwan is prohibited. For imports of most types of footwear from Japan, S Korea, Macao, China, Mongolia, North Korea and Vietnam a license is required. In its application, the license requirement in effect works as a VER on all footwear from Japan and Korea.94 The arrangement was made with government officials on both sides. For a local type of footwear, Österdalsokker, a license is required for imports from all sources, i.e. also from EFTA and EC countries in spite of the free trade agreement.95

A:2:11 France

91 See the section on Britain.

The EC common external tariff on footwear is 6.5 to 20.0 per cent ad valorem. The average is 15 percent.

92 US Department of State and Korean government documents.

93 Korean government document.

94 Interview with Mr Sverre Lunde, Head of Export and Import Regulations Division, Ministry of Trade, Oslo, and undertaken by Mr A. Olechowski, then of The World Bank, Sept. 1985.

95 Commodity group 6406.002. Tariffs are around nine percent.
In April 1981, four months after Britain extended its bilateral restrictions to include also leather footwear, France reached an arrangement (a voluntary export restraint) with Taiwan to limit exports to France of both leather and rubber footwear. Since 1982—and with slight variations in coverage—France has had this VER sanctioned by the Commission.\(^\text{96}\) In July 1983 France furthermore invoked "intra-Community surveillance" on rubber footwear and slippers imported from Taiwan.\(^\text{97}\) However, the overall quantitative restrictions on Taiwan have not been binding for the last four years. In 1984 the total footwear import volume was less than half that of the peak year of 1980. With an aggregate quota of about 11 million pairs in 1984 actual imports did not reach more than 5.5 million.\(^\text{98}\) In 1985 imports rose by 20 percent to 6.6 million pairs but still were far below the aggregate limit of 11.4 million pairs. The French footwear manufacturers (Federation Nationale de l'Industrie de la Chaussure de France) and The Taiwan Footwear Manufacturers Association in December 1985 signed a new VER arrangement for 1986, 1987 and 1988. Coverage is extended somewhat and the aggregate quota is increased from 13.5 million pairs in 1986 to 14.3 in 1988. In spite of French domestic demand for Taiwanese footwear being far less than the aggregate quota, the French footwear producers continue to insist on potentially import restricting arrangements with Taiwan. Perhaps they want to maintain the redundant quota as a safeguard against

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\(^{96}\) 1982: The Official Journal Of The European Communities, L35/21, 9.2.82. Commodity groups 64.01.11 - 39, 41-99, 64.02.60-69 and 64.02.99. \(^{97}\) 1983: The Official Journal Of The European Communities, L 103/12, 21.4.83. Commodity groups excluded compared with 1982:64.01.32-38, i.e. rubber footwear. \(^{98}\) The Official Journal Of The European Communities, C/204, 30.7.1983. 
\(^\text{98}\) Letter, July 10 1985, from Syndicat National du Commerce de la Chaussure giving quotas and actual import statistics.
the possibility of a flood of imports from Taiwan, and knowing the
difficulties sometimes to get the Commission to sanction a new VER,
French producers may think it is best to maintain the arrangement.

As was seen above, in the case of Britain the industry gave up the
VER with Taiwan because the VER could not be enforced. However, in the
two cases there seem to be a difference in the legal status of the
arrangements as the French-Taiwanese VER is officially sanctioned
through its inclusion in The Official Journal Of The European
Communities under the headline "Quantitative restriction". Further, it
is stated in the French-Taiwanese document that the Taiwanese
association issues a "confirmation de contrat" which enables a French
importer --when presenting the paper-- "to obtain automatically and
rapidly the French license necessary to get through Customs". 99

What about French footwear imports from Korea? No strict border
measures seems to have been taken. However, in April of 1981, i.e. at
the same time as the restriction on Taiwan was arranged, the French and
Korean manufacturers signed a declaration to cooperate "with a view to
moderate" increases in Korean footwear exports to France from its 1980
level. This loosely worded document was not reported officially. 100 By
December 1984, the "cooperation" arrangement with Korea obviously had
expired, since imports increased almost three-fold between 1983 and

99 Point 3 in the arrangement signed Taipei, December 3, 1985 (my
translation). See also Livre Blanc sur le Commerce Extérieur de
l'Industrie de la Chaussure Française, Federation Nationale de

100 According to a Korean government document France referred to
GATT's Article 19 during negotiations but the action was never notified
to GATT either by France or by The Community.
One can note that France introduced its restrictive measures just at the time when the USA lifted its restrictions.

During six months of 1978 there was applied "intra-Community surveillance" on imports from Brazil of all types of footwear. Then in November 1981, France, like other Community members, imposed a voluntary export price restraint on imports from Brazil, with the difference that the French arrangement covered several more footwear commodity groups than did the arrangements of other Community members.\(^{102,103}\)

France did not only try to protect its consumers against their own desire for cheap imports from LDCs, but also against their desire for foreign footwear generally (e.g. competitive Italian and Spanish footwear). According to US producers, in 1980 the French government launched a three year "Leather Plan" aimed at reducing footwear imports from all sources by 15 percent (volume) and increasing French footwear exports by 15 to 20 percent.\(^{104}\) The British Footwear Manufacturers' Federation described the plan as "the introduction in France of a 'Commitment' between the Government, the industry and the distributors under which the parties declared their aim of resourcing 20 million

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\(^{101}\) GATT reports on an export restraint arrangement being applied by France even after 1984 to non-rubber footwear exported from S Korea. However, it is not at all clear to what measures GATT alludes to, and it does not tally with my information; GATT, \textit{Developments in the trading system October 1984 to March 1985}, C/W/470, Geneva, p.60.

\(^{102}\) Cf. Ireland above.

\(^{103}\) On China: January 1st 1983 China agreed to limit its exports of footwear to France (slippers and espadrille only). The arrangement was extended in 1985 for three years till December 1987. The yearly growth rates are three percent, 1985-87. These arrangements with China have the consent of the EC commission.


\textit{The Official Journal Of The European Communities}, C/225,1982.
pairs supplied to the home market from imports to domestic manufacture. How was this "plan" or "resourcing" to be implemented? There was already a requirement that an importer must submit a declaration of importation to the French Customs Office. After some processing the document was forwarded to the Ministry of Industry. Having been processed a second time the importer could then obtain permission for delivery of footwear shipments. According to US producers, the plan's objective of reduced imports was to be reached by conditional allocation of such import licenses, in conflict with the rules of the Community. "Retailers whose stock comprised of more than 60 percent foreign merchandise [in 1980] agreed to cut their imports by 25 percent. Similarly, retailers whose imports represent less than 40 percent of their stock agreed to reduce their foreign inventory by 10 to 20 percent". The British Footwear Manufacturers Federation's evaluation of the French measures was cautious, however: "At the end of the year [1981] it was far from clear what effect in practice the French plan would have and what the precise role of the French Government would be in making the plan work."

Not surprisingly the French plan was opposed by the EC Commission and other countries. Ironically the British Footwear Manufactures Federation with its own VER arrangements with Korea, and quotas on imports from Taiwan was critical of the French measures as violating GATT and Community principles: "If the French Government acts outside

GATT and Community rules to secure the implementation of the plan, then our Government must either put pressure on the French, through the European Commission, to drop their plan, or to work out a similar plan for our own industry.\textsuperscript{107} Also Footwear Industries of America Inc. turned into a defender of the GATT: "The [French] violations of the GATT and various Codes of Conduct [result] in a denial of export opportunities to the U.S. industry as well as a diversion of trade to the US market. Such unfair trade practices must be deemed unjustifiable, unreasonable and discriminatory within the meaning of [US trade legislation] because they burden and restrict US commerce."\textsuperscript{108}

It seems clear that the French "Leather plan" in effect did not amount to very much; It is not mentioned in subsequent Annual Reports of the The British Footwear Manufacturers Federation, and, as is well known, the French government in the spring of 1982 drastically turned around in its economic policy, and started to reduce its support of declining industries.

A:2:12 Italy

There is a report on an export restraint arrangement 1979 to 1985 applied to non-rubber footwear exported from S Korea.\textsuperscript{109} This arrangement is not confirmed by S Korean documents, however. According to these it does not seem that until June 1st of 1981 Italy introduced a

\textsuperscript{107} The British Footwear Manufacturers Federation, Annual Report, 1982, p.9.


\textsuperscript{109} GATT, Developments in the trading system October 1984 to March 1985, C/W/470, Geneva, p.60.
restriction on footwear imports from S Korea.110 In 1981 there was also a "cooperation agreement" between Italy and Taiwan which contained no quota limits, however.111 None of these two bilateral restrictions were officially reported. Further, Italy since at least 1982 has had national quantitative import restrictions on some types of leather footwear imported from Japan112 and has had a long standing VER on imports of rubber footwear from Poland, 1979 to 1985.113

A:2:13 Benelux

The Benelux countries have had national quantitative restrictions at least since 1982 on imports of some rubber and leather types of footwear from Japan.114 Since 1983 this restriction is enhanced by an "intra-Community surveillance" of footwear imports from Japan.115 There is also the EC voluntary export price restraint on imports of some footwear from Brazil.116

A:2:14 Denmark.

Since at least 1982 Denmark has had national quantitative restrictions, including import prohibitions, on imports of some types of

110 Korean government document.
111 US State Department document.
112 The Official Journal Of The European Communities, L 35/25, 9.2.82. Commodity groups 64.02.60-69, The Official Journal Of The European Communities, L 103/12, 21.4.1983.
114 The Official Journal Of The European Communities, L 35/21, 9.2.82 and The Official Journal Of The European Communities, L 103/12, 21.4.1983. Commodity groups 64.01.11-39, 64.02.61,64.02.69.
115 The Official Journal Of The European Communities, L 175, 30.6.83. For a description of the measure see under Ireland above.
116 Commodity groups 64.02.32, .38, .54, .59. See further under UK.
leather footwear imported from Taiwan. 117 There is also the EC price restraint on some exports from Brazil; see Benelux above.

A:2:15 Greece.

From January 1983 through January 1984 Greece had a quota on imports of athletic footwear from Taiwan. 118 There is also the price restraint on some exports from Brazil; see Benelux above.

A:2:16 Finland.

Finland maintained a measure denoted "discretionary licensing" regarding all footwear imports from all countries during a brief period 1981-82. Since then a less protectionist measure denoted "automatic licensing" is used against imports of leather footwear. However, from January 1st 1983 there is an "other non-tariff instrument" on imports of rubber boots from Korea. The measure has not been reported to GATT. Tariffs are around 15 percent.

A:2:17 W Germany

German border protection is, and seems to have been, very slight. For six months in 1978 there was a license requirement on imports of all footwear from Brazil and China. Since 1981 there is the common EC voluntary export price restraint on some footwear exports from Brazil.

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117 The Official Journal Of The European Communities, No L 35/21, 9.2.1982. Commodity groups 64.02.60-69, The Official Journal Of The European Communities, No L 103/12, 21.4.1983. According to Taiwanese sources, China External Trade Development Council, imports are prohibited of commodities belonging to tariff schedule groups 64.02-60 and -69, apart from "fabric upper".

118 China External Trade Development Council (Taiwan). Commodity groups 64.01 and 64.02 contained the footwear concerned.
Apart from this arrangement at present there seems to be no restrictions on imports or exports from any developing market economy.\footnote{State trading countries are put under quotas with three exceptions. There is free trade with E Germany (DDR) as DDR is regarded as part of the German pre WWII customs area. There is a more liberal treatment of Cuba, "import authorization" rather than import quotas. With regard to Romania several quotas were lifted in late 1983.}

A:2:18 Austria

At present Austria's only arrangement seems to be a licensing requirement regarding imports from Romania. Tariffs are around 19 percent.

A:2:19 Switzerland

There is nothing to report. Tariffs are around nine percent.
FIG F.6

REGIONAL DISTRIBUTION OF ECON ACTIVITY

Lorenz curve and Gini coefficient

Share of sector employment

Share of states

USA, APPAREL G=0.68

FIG G.1

Number of employees
Apparel and footwear, average 1976-84

No of employees (millions)

Canada France Germany Switzerland Sweden U.K. USA Italy

Countries

- Apparel
- Footwear

1.20
1.10
1.00
0.90
0.80
0.70
0.60
0.50
0.40
0.30
0.20
0.10
0.00

1976-15
AGREEMENT


2. IT WAS AGREED THAT THE TAIWAN INDUSTRY WILL LIMIT THEIR EXPORTS DESTINED FOR THE U.K. DURING 1984 TO A TOTAL OF 9,968,000 PAIRS DIVIDED INTO CATEGORIES AS FOLLOWS:

(1) LEATHER UPPEROED FOOTWEAR .................. 770,000 PAIRS
(2) TEXTILE UPPEROED AND OTHER FOOTWEAR .... 4,408,000 PAIRS
(3) RUBBER FOOTWEAR AND PLASTIC BOOTS* ....... 10,000 PAIRS
(4) PLASTIC FOOTWEAR EXCEPT AS IN (3) ........ 4,250,000 PAIRS
(5) SLIPPERS ................................... 530,000 PAIRS

TOTAL 9,968,000 PAIRS

* PLASTIC BOOTS AS DEFINED UNDER NIMEXE 6401-70 AND 6401-80.

3. THE CEILINGS REFER TO THE AMOUNT OF FOOTWEAR EXPORTED FROM TAIWAN WHICH WILL BE EXPLICITLY RECORDED BY MEANS OF EXPORT LICENCES ISSUED BY THE GOVERNMENT OF THE REPUBLIC OF CHINA. THE STATISTICS WILL BE CROSS CHECKED AGAINST STATISTICS OF FOOTWEAR LANDED IN THE U.K. AS DEFINITIVELY RECORDED BY THE U.K. CUSTOMS AND EXCISE FIGURES AND CATEGORIES ALLOWING FOR AN APPROPRIATE TWO MONTH TIME DELAY FOR DELIVERY. AS THE AGREEMENT PROGRESSES EVERY ATTEMPT WILL BE MADE TO RECONCILE THE FIGURES AND ANY SIGNIFICANT DIFFERENCES WILL BE SUBJECT TO THOROUGH INVESTIGATIONS BY BOTH SIDES.


5. IT WAS AGREED THAT THERE SHOULD BE NO CARRY OVER OF UNUSED QUOTAS TO THE FOLLOWING YEAR.

6. IT WAS AGREED THAT THE TAIWAN MANUFACTURERS WOULD MEET THE BRITISH MANUFACTURERS IN LONDON IN AUTUMN 1984 TO NEGOTIATE AN AGREEMENT FOR 1985.

7. THE PROBLEM OF EXCESS IMPORT INTO THE U.K. WAS DISCUSSED. THE U.K. DELEGATES ACCEPTED THAT THE T.F.M.A. HAS ACTED IN GOOD FAITH IN REGARD TO THE AGREEMENT. IT WAS AGREED THAT APPROPRIATE ACTION WOULD BE TAKEN IN ASSOCIATION WITH THE AUTHORITIES CONCERNED TO DEAL WITH THE PROBLEM.

SIGNED FOR THE TAIWAN FOOTWEAR MANUFACTURING INDUSTRY.

SIGNED FOR THE BRITISH FOOTWEAR MANUFACTURING INDUSTRY
RECORD OF A MEETING BETWEEN THE P.O.C. AND BRITISH FOOTWEAR INDUSTRIES

WE MET IN TAIPEI ON 12TH OCTOBER 1985 TO CONTINUE OUR SERIES OF DISCUSSION ABOUT MUTUAL TRADE PROBLEMS.

IT WAS NOTED THAT THE PROBLEMS OF EXCESS UK IMPORTS FROM TAIWAN AND DISCREPANCIES BETWEEN THE P.O.C. AND UK STATISTICS HAD STILL NOT BEEN OVERCOME BUT THE BRITISH WELCOME THE SINCEPE, CONTINUING EFFORTS OF THE TAIWAN FEDERATION TO OVERCOME THESE PROBLEMS.

FOR THE TIME BEING THE TAIWANESE WOULD CONTINUE TO CONTROL THEIR EXPORTS TO THE UK UNILATERALLY. THEREAFTER, FOLLOWING FROM AN P.O.C. PROPOSAL, WE AGREED THAT WE WOULD MEET IN LONDON AT A SUITABLE TIME AFTER THE BEGINNING OF 1986 TO NEGOTIATE AN AGREEMENT FOR 1986, IF THE PROBLEMS MENTIONED ABOVE HAD BEEN IMPROVED.

M.O. FEILDEN

C.S. CHEN
1. This Agreement is between the Korean footwear manufacturing industry and the British footwear manufacturing industry and was reached on 8th October 1985.

2. It was agreed that the Korean industry will limit their exports destined for the UK during 1986 and 1987 to a total of 17,860,000 divided into categories as follows:

<table>
<thead>
<tr>
<th>Leather Footwear</th>
<th>810,000 Pairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6402.2100-3800, 6402.4100-5900)</td>
<td></td>
</tr>
<tr>
<td>Textile Footwear</td>
<td>11,500,000 Pairs</td>
</tr>
<tr>
<td>(6402.6100, 6402.6900)</td>
<td></td>
</tr>
<tr>
<td>Rubber Footwear and Plastic Boots</td>
<td>425,000 Pairs</td>
</tr>
<tr>
<td>(6401.1100-3999, 6401.7000, 6401.8000)</td>
<td></td>
</tr>
<tr>
<td>Plastic Footwear and Other</td>
<td>1,525,000 Pairs</td>
</tr>
<tr>
<td>(ex. plastic slippers and boots)</td>
<td></td>
</tr>
<tr>
<td>(6401.4100-3900, 6401.9100-9900, 6402.9900, 6403, 6404.9000)</td>
<td></td>
</tr>
<tr>
<td>Slippers</td>
<td>3,600,000 Pairs</td>
</tr>
<tr>
<td>(6401.6500, 6402.4000, 6402.6000, 6404.1000)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,860,000 Pairs</strong></td>
</tr>
</tbody>
</table>

If ceilings are exceeded as measured by UK Customs and Excise the excess will be counted against any future Agreement.

3. The ceilings refer to the amount of footwear exported from Korea, which will be explicitly recorded by Korean trade statistics supplied by the Korean Footwear Exporters Association and to the footwear landed in the UK, which will be definitively recorded by the UK Customs and Excise figures and categories. As the Agreement progresses every attempt will be made to reconcile the figures, and any significant differences will be subject to thorough investigations by both sides.

4. It was agreed that the BFMF will send to the Korean manufacturers monthly statistics of shipments landed in the UK between March 1986 and February 1988. The Korean manufacturers will send to the BFMF monthly statistics of shipments under the categories in this Agreement listed in Section 2. It was agreed that the statistics should be sent as soon as they are available.

5. The British manufacturers recognise the problems of control that the Koreans may have over some indirect exports, and undertake to inform them periodically of the amount concerned in order to assist their control.

6. It was agreed that it was desirable that trade in footwear between the UK and Korea should become two way.

7. It was agreed that the Korean manufacturers would meet the British manufacturers to negotiate a similar Agreement for 1988 and subsequent years. It was agreed that the negotiations should take place in London in the first half of October 1987 for the 1988 Agreement.

8. Notwithstanding the above, either party may call a meeting after the 8th of October 1986 subject to two months notice being given.

Signed on behalf of the British Manufacturers

[Signature]

Signed on behalf of the Korean Manufacturers

[Signature]
Réunis le 3 Décembre 1985 à TAIPEI les représentants de l'Association des Fabricants de Chaussures de Taïwan, République de Chine, et les représentants de la Fédération Nationale de l'Industrie de la Chaussure de France (FNICF - Paris - France), après un échange de vues sur le fonctionnement de l'arrangement conclu entre elles en 1982, sont convenues du présent arrangement:


2- Les exportations de chaussures d'origine ou en provenance de Taïwan vers la France resteront, au cours des trois prochaines années, dans les limites suivantes reparties entre les 6 catégories dont détail ci-dessous:

F1 - N douaniers : 64.01.51 - 64.01.55 - 64.01.59

F2 - N douaniers : 64.01.11 - 64.01.20 - 64.01.31 - 64.01.39 - 64.01.41 - 64.01.49 - 64.01.70 - 64.01.80 - 64.01.91 - 64.01.93 - 64.01.95 - 64.01.99

F3 - N douaniers : 64.02.61 - 64.02.69.10 - 64.02.69.20 - 64.02.99

F4 - N douaniers : 64.01.65 - 64.02.60

F5 - N douaniers : 64.02.21 - 64.02.29 - 64.02.32 - 64.02.34 - 64.02.35 - 64.02.38 - 64.02.41 - 64.02.43 - 64.02.45 - 64.02.47 - 64.02.49 - 64.02.50 - 64.02.52 - 64.02.54 - 64.02.56 - 64.02.58 - 64.02.59

F6 - N douaniers : 64.02.40 - 64.03.30 - 64.03.30.10 - 64.04.10 - 64.04.90.10 - 64.04.90.20

Les quantités par catégories sont les suivantes :

<table>
<thead>
<tr>
<th>Année</th>
<th>F1</th>
<th>F2</th>
<th>F3</th>
<th>F4</th>
<th>F5</th>
<th>F6</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>1080000</td>
<td>2950000</td>
<td>5200000</td>
<td>2215000</td>
<td>1145000</td>
<td>910000</td>
<td>1350000</td>
</tr>
<tr>
<td>1987</td>
<td>1113000</td>
<td>3040000</td>
<td>5360000</td>
<td>2282000</td>
<td>1180000</td>
<td>938000</td>
<td>1391300</td>
</tr>
<tr>
<td>1988</td>
<td>1146000</td>
<td>3130000</td>
<td>5520000</td>
<td>2350000</td>
<td>1216000</td>
<td>970000</td>
<td>1433200</td>
</tr>
</tbody>
</table>
3- Le contrôle de cette auto-limitation reposera sur les services de l'Association des Fabricants de Chaussures de Taïwan qui délivreront à leurs clients français une "confirmation de contrat"; rapidement la licence française nécessaire à l'entrée en douane pour les chaussures relevant des quatre premières catégories. Pour les catégories 5 et 6, la "Confirmation de contrat" aura valeur statistique pour le suivi de l'accord.

4- Ainsi qu'il a été pratiqué au cours de la période 1983/1985, les deux organisations échangeront leurs statistiques dans les mêmes formes et suivant la même périodicité (mensuelle).

5- Au cas où des mouvements commerciaux nécessiteraient une modification dans la répartition entre les groupes, les dispositions suivantes seraient d'application:

- Pour les catégories 1 à 4, les représentants des 2 Associations se concerteraient pour trouver une solution équitable par des transferts entre les-dites catégories;
- Pour les catégories 5 et 6, des transferts entre elles pourraient être effectués par l'Association des Fabricants de chaussures de Taïwan, à condition d'en informer immédiatement la FNCF.

Dans les 2 cas, les transferts ne pourraient excéder ni 10% de la catégorie réduite ni 10% de la catégorie augmentée.

6- Il a été convenu que les parties signataires se rencontreraient à la demande de l'une d'elles:

- Pour examiner les problèmes qui pourraient se présenter dans l'application du présent arrangement, y compris les modifications éventuelles dans la répartition des chiffres des différentes catégories prévue pour 1987 et 1988.
- Six mois au moins avant l'expiration du présent arrangement, pour étudier la possibilité de conclure un arrangement similaire pour une nouvelle période.

7- La FNCF souhaite que l'Association des Fabricants de Chaussures de Taïwan (ROC) facilite aux industriels français l'accès au marché de Taïwan.

8- Le présent arrangement a été établi en Chinois et en Français, les deux textes faisant également foi.

Fait à TAIPEI - TAIWAN (ROC)
le 3 Décembre 1989.

C. S. CHEN
President
Taiwan Footwear Manufacturers Association

JEAN-FRANÇOIS LECOMTE
Délégué Général
Fédération Nationale De L'industrie De La Chaussure
De France
Le Gouvernement Français ayant adressé au Gouvernement Coréen une demande de coopération en vue d'une modération des exportations coréennes de chaussures vers la France, les représentants des Fédérations Coréenne et Française de l'Industrie de la Chaussure se sont réunis à Séoul du 13 au 17 avril 1981.

Ils ont procédé à un large échange de vues sur l'évolution de leur industrie respective.

1. La partie coréenne a déclaré que, dans la situation présente, il n'est pas utile de procéder à la conclusion d'un accord tendant à la modération de la croissance des exportations coréennes de chaussures vers la France.

En effet, compte tenu de l'évolution de la capacité de production de l'industrie de la chaussure coréenne, ainsi que du plan d'exportation établi par la profession, il est prévisible que les exportations de chaussures vers la France ne connaîtront pas d'augmentation significative.

2. La partie française a pris acte de cette déclaration. Elle a elle-même déclaré que, si dans leur volume ou dans leur nature, les exportations coréennes directes vers la France étaient maintenues à leur niveau de 1980 ou ne connaissaient pas d'augmentation significative par rapport à ce niveau, l'industrie française de la chaussure ne subirait pas de préjudice du fait de ces exportations directes.
3. En conséquence, les deux parties ont convenu de ce qui suit :

a) Elles coopèreront d'ici l'avenir en vue de recouvrir les problèmes qui pourront se présenter à l'une ou à l'autre d'entre elles.

b) Elles se communiqueront désormais, trimestriellement, les statistiques officielles d'exportation et d'importation concernant les échanges de chaussures entre la Corée et la France.

c) Si l'évolution des exportations coréennes directes vers la France risque de faire apparaître des écarts significatifs soit dans leur volume, soit dans leur nature par rapport à 1980, les deux parties se rencontreront dans les meilleurs délais, à la demande de l'une d'entre elles, en vue de trouver une solution appropriée.

La présente déclaration de coopération a été établie en double exemplaire dans chacune des langues, coréenne et française, les deux textes faisant également foi.

Fait à Séoul le 17 avril 1981

Pour l'Association des Exportateurs Coréens de Chaussures.

Pour la Fédération Nationale de l'Industrie de la Chaussure de France

Park-Kyeong KIM
Vice-Président

Louis LAVENANT
Délégué Général