Congress Passes Tariff Bill

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Posted THURSDAY JULY 29, 2010
From **FOOTWEAR NEWS**

Congress has sent a tariff suspension bill to President Obama, ending seven months of increased duties on imported footwear and textiles, and relieving some of the cost pressures the industry has been facing.

The Senate passed the measure by voice vote Tuesday night, sending the measure to Obama, who is expected to sign it.

The House passed the bill last week on a vote of 378 to 43.

The action in Congress brings to an end a period of uncertainty for footwear brands and retailers, who have been paying thousands of dollars in duties on imported components and some finished products since Jan. 1 because Congress let legislation expire that suspended tariffs on hundreds of imported products. The bill, known as the Miscellaneous Tariff Bill, must be renewed by Congress periodically and is meant to help domestic manufacturers compete by giving them tariff breaks on components or finished footwear that are no longer made in the U.S. The 2006 duty suspension bill expired at the end of 2009, and the new bill would extend the tariff breaks through 2012.

Footwear companies have had to drop lines, raise prices and find substitutes, particularly in the hiking boot and shoe categories, which put pressure on margins.

A key component of the bill is a retroactive provision that will provide full or partial refunds to companies on duties paid on all covered products since January, which is a plus for footwear executives.

But the bill would increase duties on several hiking boot and shoe imports, because trade has grown significantly.

According to the law, duty breaks in each category cannot amount to a total loss in tariff revenue to the U.S. government of more than $500,000 a year. If trade grows in a given category, lawmakers increase the duties to bring the overall tariff revenue loss back under the cap.

Several hiking boot and shoe imports will see an increase in duties in the new bill, because the volume of imports reached the cap. On the positive side, the measure would still provide many duty reductions on certain imported footwear categories.

“The MTB is a wonderful tool that the industry has used for some time to realize savings on products coming in that don’t compete with domestically made products,” said Matt Priest, president of the Footwear Distributors & Retailers of America. “But because of the $500,000 cap that is put on these bills, the value of the duty reduction [decreases] when trade in popular [categories] increases, and we think it is an outdated model because of inflation,” he said.

With congressional passage of the temporary duty reduction bill, footwear trade associations are renewing their call for congressional action on a more permanent tariff-dropping bill, known as the Affordable Footwear Act, which has been stalled for the past few years.

That measure would eliminate some $800 million in duties, or 40 percent of the total duties the U.S. collects on footwear imports annually. It would permanently eliminate duties on certain types of lower-priced and children’s footwear.

Priest said the temporary nature of the MTB bill begs the case for the more permanent solution contained in the Affordable Footwear Act.

Similarly, Nate Herman, vice president for international trade at the American Apparel & Footwear Association, called for congressional action on the Affordable Footwear Act.

“While the MTB is a good starting point, it has its limitations that have nothing to do with our industry,” said Herman. “Obviously [the majority of] footwear is no longer made in the U.S. and these provisions have been vetted for several years in public and through interest groups, and yet we still have duties on these products. I think this reinforces the need for the AFA.”

Alex Boian, director of trade policy for the Outdoor Industry Association, concurred.

“Again, while we are very excited and pleased by Congress passing the MTB, it is still a temporary duty suspension and in some cases they were not full duty eliminations. The AFA would be a full elimination and that is important.”