II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The footwear market in the United States is characterized by growing import demand and expanding product diversity. The U.S. footwear industry on the other hand has been plagued by decreasing market share, plant closures, and increasing competition from offshore suppliers, who can produce products of equal or superior quality at a fraction of the domestic cost of their manufacture. However, early 1988 figures show that this trend may be stabilizing, as U.S. manufacturers have maintained their share of supply to the U.S. footwear market.

Based on industry data provided by the U.S. Department of Commerce, U.S. shipments of footwear for 1987 reached an estimated $4.8 billion (U.S.) (includes non-rubber and rubber footwear). The U.S. market for footwear is expected to sustain little or no growth or a slight decline in the next five-year period. A key objective for Canadian firms, therefore, must be to replace U.S. imports from other countries in order to achieve increased volumes of Canadian exports to the U.S. market.

Imports account for a major share of U.S. footwear and accessories sales. Market shares for Europe have generally declined since 1986,while Canada's market share has remained relatively stable, even in sectors which have seen an overall decrease in the value and volume of shipments. Large gains into the U.S. market have been made by suppliers from the Pacific Rim and South America, specifically South Korea, China, Taiwan and Brazil. These countries have seen their dominance in the U.S. import market for footwear increase significantly, both in terms of volume and value.

A survey of U.S. importers of footwear indicated that more than 80% of the respondents were facing rapidly rising costs for their imports due to the devaluation of the U.S. dollar. Consequently, the majority expressed interest in looking at Canadian products as alternative sources of supply. In addition, approximately 20% of those importers contacted indicated that they would increase their purchases from Canada in the event of a Free Trade Agreement between Canada and the United States. Many U.S. importers, however, had not yet considered the full consequences of such an Agreement on their purchasing patterns, and hence were hesitant to predict what might be their reactions to the Agreement.