

- Thus, domestic producers are caught in a dilemma: on the one hand, they have to adjust towards more viable lines of production in which they can compete without special measures of protection (that is avoid head-on competition with low-cost imports in non-leather footwear and concentrate on leather footwear); on the other, the leather footwear market in which they are specializing is declining.
- The U.S. footwear industry is beleaguered by imports which capture about 64% of its apparent market in volume terms. The U.S. is by far the world's largest importer of footwear and there are currently no special measures of protection in place.
- The U.S. market is the most natural and most accessible market for Canadian exporters to penetrate. They have already succeeded in penetrating that market and can build on their success by intensifying their effort. There are presently two export consortia in the industry and another is in the formation stage.
- In 1984, imports of non-rubber footwear from the U.S. amounted to \$28 million or 6% of total imports, a minor increase from 1983. Canadian exports to the U.S., excluding ice skates, were valued to \$48 million, representing 92% of total exports. Thus Canada had a trade surplus with the U.S. in non-rubber footwear of \$20 million.

c) Technological Factors

- As evidenced by the continued high labour intensity of production in footwear, (in 1982 wages represented 23% of shipment value in footwear vs 13% for all manufacturing) the evolution of technology in the sector has been slow. Over the next ten years, however, it is expected that the application of robotics to shoe production and the further development of computerized machines and production controls in a multi-product environment will reduce the labour portion of total costs substantially.

d) Other Factors

- The industry is very sensitive to cattle hide prices which are traded on the international market and fluctuate widely in price.

3. FEDERAL AND PROVINCIAL PROGRAMS AND POLICIES

- In addition to high tariffs and global quotas on footwear, the government has provided assistance to the industry since 1973, formerly under the Footwear and Tanning Industries Adjustment Program and more recently (since 1981) under the Canadian Industrial Renewal Board. Generally, CIRB assistance takes the form of consulting and capital contributions to promote the restructuring of the industry. (CIRB contributions approved to May 1985 total \$22.6 million). Parallel to the assistance to individual firms, adjustment measures for workers, currently administered by Canada Employment and Immigration Commission (CEIC) on behalf of CIRB provides enhanced training, mobility and wage subsidies for displaced workers in the industry. As well, Labour