imports from other developed countries, but is at a disadvantage when competing with imports from Brazil (a major world supplier of leather footwear). This is due to the latter's low wage rates, government export subsidies and restrictions imposed on the export of hides.

- Medium to larger Canadian footwear establishments are generally similar in scale to their counterparts in other countries, although some larger firms in developed countries as well as in the Far East generally operate a greater number of establishments, each specializing in a relatively small number of product lines. Smaller Canadian firms are generally structured to compete only in the domestic market in which they rely on low overheads, quick response times and dependence on client marketing expertise.

- Canadian production (along with that of other developed countries) is heavily concentrated in leather footwear, reducing the disadvantage of higher wages in Canada relative to developing countries which specialize in non-leather footwear.

b) International Trade Related Factors

- Global footwear quotas in Canada have been in place since 1977 for four-year periods including extensions. The current quota is due to expire in November 1985.

- Canadian tariffs on most imports of footwear are currently 23.4% (MFN) declining to 22.5% by January 1, 1987. This compares with an 8 - 10% tariff rate by the U.S. on most of its imports. However, the U.S. also has a few tariff items where product descriptions could result in the possible classification of imports to much higher tariff rates [e.g. 37.5% for moonboots (a certain kind of winter boots) deemed to have a foxing-like band, up from 6%].

- Low-cost countries such as Taiwan and South Korea specialize in mass produced, inexpensive footwear, mainly non-leather, for the world market. These countries, producing footwear in high volumes, achieve economies of scale unattainable in Canada and against which the domestic industry is generally not competitive with its higher wage structure. South Korea is also emerging as a major world exporter of leather footwear.

- This low-cost import problem, which is experienced to varying degrees by other industrialized countries, is being exacerbated by the shift in the market from leather to cheaper non-leather footwear. This shift to less expensive material in effect amplifies the proportion of labour cost in the price of a shoe and thus increases the comparative advantage of lower wages enjoyed by low-cost countries.

- Domestic production is concentrated in medium to high-priced leather footwear where direct competition from low-cost countries (with the exception of Brazil) does not constitute a direct threat at the present time. However, this market segment is estimated to account for no more than half the Canadian market and, further, has been declining and will probably continue to do so in the foreseeable future.

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