



TRANS-PACIFIC PARTNERSHIP APPAREL COALITION

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COMMON MYTHS

ABOUT THE TRANS-PACIFIC PARTNERSHIP AND THE YARN FORWARD RULE OF ORIGIN

VIETNAM

Myth: *The TPP agreement poses unique challenges for the U.S. textile and apparel industry, especially with the inclusion of Vietnam.*

Fact: Beginning with 8 Pacific Rim countries, the TPP will stimulate tremendous new investment and export opportunities for U.S. companies with some of the world's most dynamic economies. U.S. textile companies, whose customers are almost entirely offshore and predominately located in Asia, stand to benefit greatly through increased export opportunities. Apparel manufacturers, brands, and retailers can develop new markets and investment opportunities as well as diversified sourcing opportunities throughout Asia. This agreement, if it is robust and commercially meaningful, will lead to the creation of thousands of U.S. jobs.

Myth: *Vietnam depends on China for most of its yarns and fabrics.*

Fact: Vietnam depends on a lot of countries, including the United States, for its yarn and fabric inputs. About 38 percent of yarn used in Vietnam comes from Taiwan, compared to 21 percent from China. The rest comes from other countries, including Korea (9%), Thailand (8%), Indonesia (3%), and Malaysia (4%). Taiwan is also the top supplier for fiber, accounting for 42 percent. Other top fiber suppliers are Thailand (19%), China (18%), and Korea (12%). About 60 percent of Vietnam's cotton comes from the United States, with India accounting for another 18 percent. Although China is the source of 40 percent of fabric, other top suppliers include Taiwan (18%), Korea (16%), and Japan (7%).

Myth: *Due to the fact that China is the dominant source of Vietnam's textile and apparel inputs, their market does not offer significant export opportunities for U.S. yarn and fabric producers.*

Fact: Vietnam offers enormous export opportunities for U.S. yarn and fabric producers. As a major producer of garments for sale in the U.S., Europe, and Asia, Vietnam offers a rich natural market for any globally competitive textile company. U.S. textile companies, in fact, are well-positioned to take advantage of Vietnam's market. U.S. fabric exports for 2011 are about nine times greater than they were in 2002, and the Commerce Department identifies Vietnam as one of the fastest growing export markets for U.S. yarns and fabrics. In fact, U.S. yarn and fabric exports to Vietnam have almost tripled in just the last few years alone. As the TPP eliminates barriers to U.S. textile exports, such as Vietnam's 12% tariff on imported fabrics, U.S. fabric exporters can enjoy a competitive advantage over other competitors in this important market and U.S. textile exports should grow even stronger. Moreover, China itself has emerged as one of the fastest

growing export market for U.S. textiles. China is now ranks as the second most important export market for U.S. yarns and the fourth most important export market for U.S. fabrics.

Myth: *The government of Vietnam provides significant subsidies to its textile sector, including preferential loans, preferential access to capital, free or subsidized land, duty-free imports, worker training subsidies and rebates on import duties.*

Fact: Upon joining the WTO in 2006 Vietnam was under a U.S. monitoring system where no complaints of illegal subsidies in Vietnam were made. If any company or country has evidence that the Vietnamese textile industry or indeed any importing country receives illegal subsidies, there is effective remedy available under U.S. law to challenge them. There has not been such a case or complaint filed against Vietnam.

Additionally, the U.S. textile industry receives substantial government support in the form of access to cheap, government-subsidized U.S. cotton; a system of government-managed trade in textiles and apparel and "Buy America"; and duties on imported textiles and apparel that are an extremely high protective barrier when compared to the low average U.S. tariff on other goods.

Trade rules are clear about the types of government support to an industry – [1] prohibited subsidies ("red light"); [2] subsidies subject to offsetting import duties ("yellow light"); and [3] those that are permitted ("green light").

The list of government supports that the U.S. textile industry receives from federal, state and local government includes:

- **Preferential Access to Capital.** U.S. textile companies have received millions of dollars in targeted preferential loans and grants from many state and local governments including North Carolina, New York, Pennsylvania, Texas, and Virginia.
- **Duty-Free Imports.** U.S. textile companies have long received statutory exemptions from paying import taxes on their foreign-made production machinery and other inputs.
- **Worker training subsidies.** The U.S. textile industry is one of the main beneficiaries of Trade Adjustment Assistance (TAA), one of the largest government-sponsored worker training programs.
- **Other Subsidies.** Other government support to the U.S. textile industry includes millions of dollars in federal government research and development subsidies and state tax breaks.