



**Statement by the TPP Apparel Coalition  
Before the House Ways and Means Committee Subcommittee on Trade  
On the Trans-Pacific Partnership  
December 14, 2011**

Thank you for providing this opportunity to present the views of the TPP Apparel Coalition on the ongoing negotiation of the Trans-Pacific Partnership (TPP). The TPP Apparel Coalition includes a group of trade associations and retail, importer, and apparel companies who are working to ensure that the TPP provisions, and specifically those affecting trade and investment on apparel, generate new trade and investment opportunities for the benefit of American workers, businesses, and families. These opportunities include buying and selling goods and services, sustaining and growing well-paying American jobs, and providing high added value for the U.S. and TPP economies. To maximize benefits to American companies, consumers, and workers – and to advance the often stated goal that the TPP serve as a 21<sup>st</sup> century trade agreement – the Coalition believes that TPP negotiators should embrace a policy on apparel that facilitates today's global value chains and the millions of American jobs that depend on them. A list of the associations involved in the TPP Apparel Coalition, which works closely with the broader TPP Business Coalition, is included at the end of these comments.

The US approach to textiles and apparel has historically treated these products differently than other products by employing very restrictive and complicated rules. With special rules governing the global management of textile and apparel trade ending in 2008 and the fact that today 98 percent of clothing sold in America is assembled in overseas factories, such peculiar treatment is no longer warranted. Moreover, as the United States seeks to establish a future-looking TPP that will develop trade and investment links with trading partners across the geographically-dispersed Asia-Pacific region, such discrimination between sectors is in fact adverse to US interests and to the broader goals of trade development and regional integration, and acts as a disincentive for companies to use free trade agreements subject to such rules.

Restrictive rules on apparel trade, such as the “yarn-forward” style rule of origin, ignore the modern reality that globally-competitive American apparel producers and retailers have embraced international trade and have created global value chains that increasingly depend on the free flow of goods across borders. A global value chain describes the full range of activities that firms and workers do to bring a product from its conception to the final customer. Nearly three million American workers are employed in the ideation and orchestration of the apparel global value chain—research, design, production, marketing, distribution, retail and support to the final customer. These American jobs rely on trade and would benefit from more flexible rules governing trade. These jobs are also located in all fifty states and every Congressional district. See Appendix 1. America's ability to successfully compete in the future rests on our ability to employ policies that allow these jobs to grow and flourish.

Past U.S. FTAs ignore the majority of the value of the garment that is created at the beginning and end of the value chain, and focus only on factory production. Trade policy in the TPP should be updated to recognize the fact that that 65-75 percent of the retail value of a typical garment sold in the United States is created by American workers even though the garment may be labeled “Made in Vietnam.”

The TPP Apparel Coalition endorses the following priorities to achieve the best overall agreement for American businesses, American workers, American farmers and American consumers:

- **Integrate textile and apparel products into the Market Access negotiations in the same way as is done with other products.** We advocate for no separate chapter or separate provisions. This includes no separate safeguard remedy for textile and apparel products, and no separate customs enforcement measures. The Coalition supports customs

enforcement measures for all products that effectively prevent fraud and illegal transshipment while facilitating legitimate trade.

- **Liberalize and simplify the Rules of Origin.** At a minimum, these liberalized and simplified rules should:
  - Base the rule of origin (ROO) for apparel on either a change in tariff heading (CTH) or a regional value-content (RVC) requirement. A change in tariff heading would require any product in an apparel chapter (chapters 61 and 62) to be transformed within the region from any heading outside of that chapter. With an RVC rule, the value of those processes (and the inputs they create) within the territories must account for a minimum share [for example 35%] of the total value of the garment with a specific value calculation.
  - Limit tougher product-specific ROOs to sensitive products when necessary and appropriate, meaning where the data show sufficient availability of inputs in commercial quantities within the TPP territory;
  - Allow outward processing of intermediary products and do not penalize products that use TPP-country inputs;
  - Harmonize the ROOs for all TPP countries, including those that currently have FTAs with the United States;
  - Guarantee the “ability to cumulate” among all TPP partner countries to facilitate regional integration;
  - Establish a transparent and commercially meaningful “Commercial Availability” [Short Supply] process; and
  - Create a process to allow “cumulation” with other countries that have FTAs with all TPP countries.
- **Implement immediate and reciprocal duty-free treatment** for all qualifying products.
- **Harmonize and streamline procedures throughout the supply chain (including customs procedures) among all TPP countries and incorporate account-based processing** to facilitate the flow of goods.
- **Achieve greater coherence in rules and regulations** – such as product safety and labeling – among all TPP countries, including those that currently have FTAs with the United States.
- **Strengthen intellectual property rights (IPR) protections among all TPP countries** to better enable American apparel brand-owners, manufacturers and retailers to protect their brands from counterfeiters and trademark violators.
- **Create a "living" agreement** that welcomes additional parties and can evolve to address new textile and apparel issues as they arise.

The TPP Apparel Coalition is particularly concerned with continuing discussion of the “yarn-forward” style rule of origin, which requires all the materials that go into a garment to originate and be assembled in a TPP country to receive tariff-free treatment. Such restrictive rules are unworkable in today’s global value chains. In fact, past US FTAs with TPP countries have shown that such an “all or nothing” approach does not spur new U.S. exports of yarns and fabrics (see Appendix 2) or new apparel trade with our TPP trading partners (see Appendix 3).

Today’s consumers expect a wide variety of fashionable apparel and flexibility in sourcing inputs is vital to meet design specifications and consumer demands. While extra protection in very specific cases may be warranted, applying such constraints to all textiles and apparel goes beyond supporting the domestic textile industry. Moreover, it actually reduces export opportunities for U.S. yarn and fabric manufacturers, and artificially increases prices for consumers during a time of economic distress.

Getting the terms of trade right in apparel is also important for other US stakeholders as well, particularly US industries that are seeking new export opportunities in the TPP. Nearly 70 percent of all duties collected by the United States from TPP nations are on apparel imports. Given the importance of apparel trade to our TPP trading partners and their reliance on flexible sourcing of inputs to produce apparel, updating the rules on apparel trade is critical for the exchange of concessions at the negotiating table. In other words, apparel rules are an important tool for U.S. negotiators to use to secure new market access for U.S. exports of industrial goods, services and agricultural products, strong intellectual property rights, investor protections, and other priority objectives.

The possible addition of Japan, Canada, and Mexico to the TPP framework – a welcome development in our opinion – makes the goals of the TPP Apparel Coalition even more imperative. The prospect that the TPP will set the terms of trade for an entire region underscores the importance of establishing terms that facilitate trade and investment growth in our sector. We would hope that the inclusion of these countries can be done swiftly and in a manner that does not slow down the ambitious timetable set by the TPP leaders in Honolulu earlier this year. Moreover, we also urge that their inclusion, and the possible inclusion of future countries, such as the Philippines, Thailand, or Indonesia, reinforce for the negotiators that the agreement needs to be simple, flexible, and easy to use.

The Coalition looks forward to the successful conclusion next year of an ambitious TPP for all sectors, and we stand ready to work with Congress, the Administration and other stakeholders to develop U.S. policies that foster trade and investment growth and U.S. job creation in the apparel and retail sector.

## **TPP Apparel Coalition**

The TPP Apparel Coalition is made up of American retailers, apparel brands, apparel manufacturers, and importers, and the millions of American workers they employ. Our member companies design, market, and sell products manufactured in and imported to the United States, as well as market and sell products throughout the Trans-Pacific partner countries.

***American Apparel & Footwear Association (AAFA)*** is the national trade association representing apparel, footwear and other sewn products companies, and their suppliers, which compete in the global market. AAFA's mission is to promote and enhance its members' competitiveness, productivity and profitability in the global market by minimizing regulatory, commercial, political, and trade restraints.

***National Retail Federation (NRF)*** As the world's largest retail trade association and the voice of retail worldwide, NRF represents retailers of all types and sizes, including chain restaurants and industry partners, from the United States and more than 45 countries abroad. Retailers operate more than 3.6 million U.S. establishments that support one in four U.S. jobs – 42 million working Americans. Contributing \$2.5 trillion to annual GDP, retail is a daily barometer for the nation's economy. NRF's [Retail Means Jobs](#) campaign emphasizes the economic importance of retail and encourages policymakers to support a [Jobs, Innovation and Consumer Value Agenda](#) aimed at boosting economic growth and job creation.

***Outdoor Industry Association® (OIA)*** is a national trade association whose mission is to ensure the growth and success of the outdoor industry. OIA provides trade services for over 4000 manufacturers, distributors, suppliers, sales representatives and retailers in the outdoor industry. OIA programs include representation in government/legislative affairs, market and social research, business-to-business services and youth outreach initiatives. Educational events include the annual Rendezvous, Outdoor University, and the Capitol Summit. Outdoor Industry Association is based in Boulder, Colorado, and is the title sponsor of the Outdoor Retailer tradeshow. For more information go to [outdoorindustry.org](http://outdoorindustry.org) or call 303.444.3353.

***The Retail Industry Leaders Association (RILA)*** is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

***The United States Association of Importers of Textiles and Apparel (USA-ITA)*** was established in January 1989 by nine companies with a vision to create a unified voice for textile and apparel importers across the country. USA-ITA provides education, information, and advocacy to executives active in textile and apparel sourcing, importing, compliance, and logistics. Headquartered in Washington, D.C., USA-ITA represents the needs of American retailers, brands and importers, as well as related service providers, with the objective to remove barriers to business and to trade.

Appendix 1

## U.S. Apparel Employment

Actual Number of Workers Employed in the U.S. Apparel Manufacturing and Retail Industry  
 Estimates Based on 2010 Annual Figures, September 16, 2011

STATE	TOTAL APPAREL EMPLOYMENT
Alabama	47,325
Alaska	6,444
Arizona	54,284
Arkansas	24,233
California	350,032
Colorado	44,316
Connecticut	33,214
Delaware	9,132
District of Columbia	3,360
Florida	172,161
Georgia	82,051
Hawaii	12,111
Idaho	13,954
Illinois	111,793
Indiana	56,892
Iowa	32,532
Kansas	26,478
Kentucky	40,030
Louisiana	40,406
Maine	14,925
Maryland	51,438
Massachusetts	63,422
Michigan	83,090
Minnesota	52,456
Mississippi	24,354
Missouri	56,171
Montana	10,137
Nebraska	19,532
Nevada	23,339
New Hampshire	17,040
New Jersey	82,965
New Mexico	16,547
New York	183,432
North Carolina	93,074
North Dakota	8,263
Ohio	103,369
Oklahoma	31,335
Oregon	34,521
Pennsylvania	116,845
Puerto Rico	23,128
Rhode Island	8,778
South Carolina	56,861
South Dakota	9,302
Tennessee	66,558
Texas	214,402
Utah	25,760

Vermont	6,988
Virgin Islands (US)	1,086
Virginia	73,626
Washington	57,807
West Virginia	15,965
Wisconsin	55,060
Wyoming	5,433
<b>Estimated total apparel jobs</b>	<b>2,867,757</b>

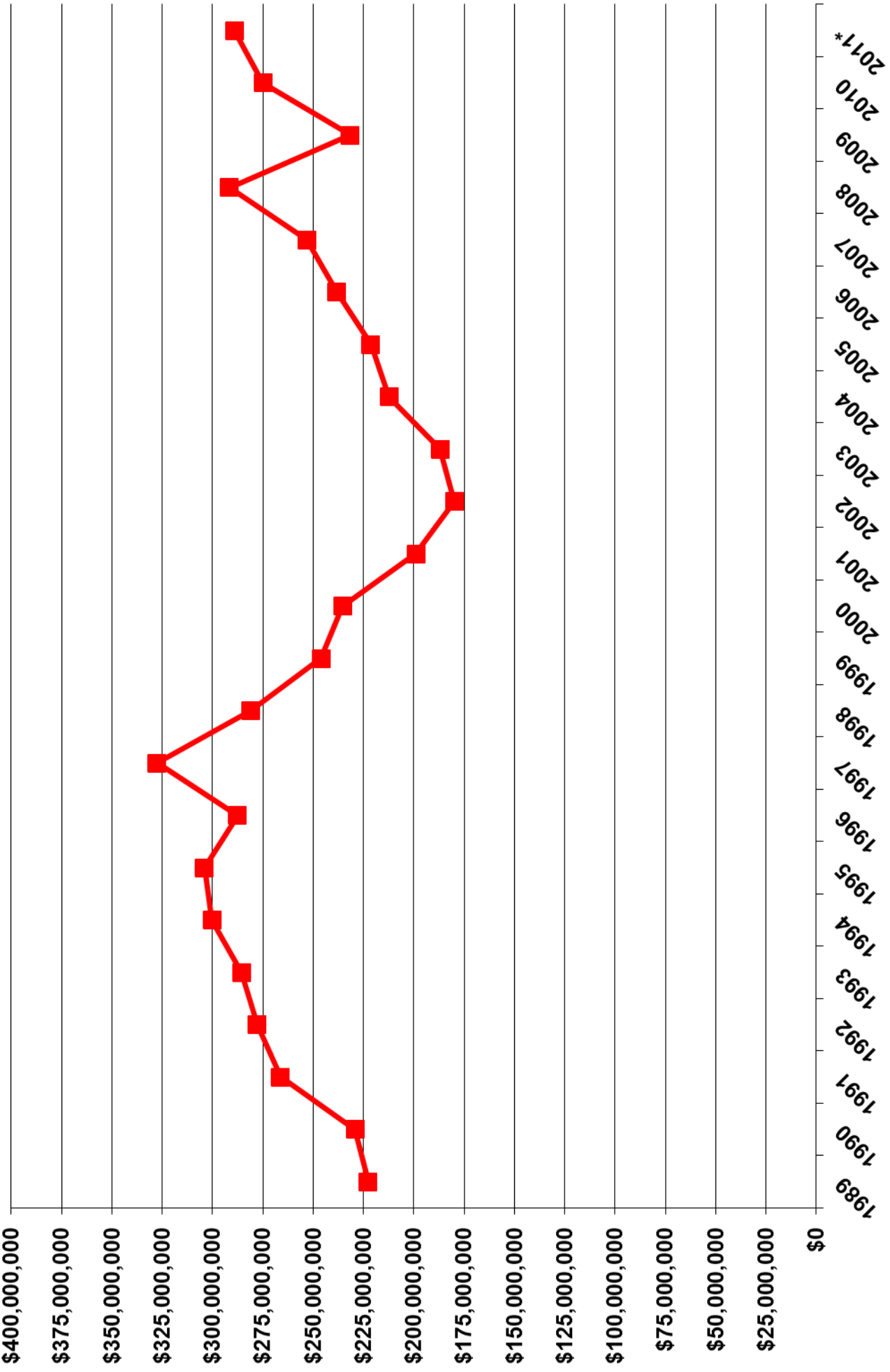
**Notes:**

- \*These estimates are based on the actual percentage of apparel-related jobs in national retail and wholesale trade employment as well as actual apparel manufacturing jobs.
- AAFA estimates that apparel accounts for 17.81% of total retail employment.
    - The above percentage is based on the following assumptions:
      - 100% of jobs in clothing stores are directly related to apparel.
      - 5% of jobs in shoe stores are directly related to apparel.
      - 35% of jobs in sporting goods stores are directly related to apparel.
      - 75% of jobs in department stores (including discount department stores) are directly related to apparel.
      - 20% of jobs in "other" general merchandise stores (not including department stores) are directly related to apparel.
  - AAFA estimates that apparel equals 2.53% of total wholesale employment.
  - Includes apparel manufacturing employment in states that record such employment.

**Sources:**

- Retail Employment, *Current Employment Statistics*, Bureau of Labor Statistics
- Wholesale Employment, *Current Employment Statistics*, Bureau of Labor Statistics
- Apparel Manufacturing Employment, *Current Employment Statistics*, Bureau of Labor Statistics

Appendix 2  
**U.S. Exports of Yarn & Fabric to TPP FTAs - 1989-2011**  
 Actual U.S. Dollars (\$)



Source: The Export Market Report, Office of Textiles and Apparel (OTEXA), U.S. Department of Commerce  
 Note: 2011\* equals 12 months ending September 30, 2011

Appendix 3

