american apparel &
footwear association

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April 6, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear President Obama:

On behalf of the American Apparel & Footwear Association (AAFA), I urge you to raise the serious concerns of American businesses regarding Brazil's growing import restrictions during the upcoming visit of President Dilma Rousseff.

AAFA is the national trade association representing apparel, footwear, and other sewn products companies, and their suppliers, which compete in the global market. Our membership consists of 350 American companies – large, small, and everywhere in between – who represent one of the largest consumer segments in the United States. Our members also produce, market, and sell apparel and footwear in virtually every country around the world, including Brazil. Brazil currently represents the largest market in Latin America and is a necessary trading partner for the United States. However, time and time again we have seen Brazil target our industry with damaging and costly policies that erode the competitiveness of U.S. companies and undermine their ability to employ U.S. workers.

Over the past few years, the government of Brazil has implemented new customs procedures targeted at imports of apparel and footwear including a series of new inspections and customs fees that continually make it more difficult to import any footwear, apparel, and textiles into the country.

To begin, Brazil has imposed non-automatic import licenses and certificates of origin requirements on non-MERCOSUR footwear imports, including imports of U.S.-made and U.S.-branded footwear. Brazil also requires that footwear imports must be imported directly from the footwear's country of origin, even if the footwear has the correct certificate of origin. In today's world of increasingly globalized production chains, raw materials and parts are routinely imported from one country to another where they are assembled or manufactured prior to shipment of the finished product to the foreign customer. This product might then be consolidated in yet another country for shipment to its final destination. This system applies to all kinds of products

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including automobiles, chemicals, food, textiles, and footwear. To refuse a product because its manufacturers took advantage of global trade routes in order to produce and ship the product efficiently and competitively is both outdated and counterproductive to the strengthening of an overall global economy.

These restrictions on footwear come on top of an anti-dumping order Brazil imposed through a non-transparent process on imports of U.S.-branded footwear from China. The Brazilians are now attempting to expand the anti-dumping order, which imposes an unprecedented and extraordinary $13.85 per pair charge on imports of U.S.-branded footwear from China, to imports of footwear from Vietnam and Indonesia as well. Again, the process is non-transparent and unjustified. A large percentage of the businesses hurt by these anti-dumping duties are American companies whose U.S. workers design and source the products in Vietnam and Indonesia and handle the logistics to get those products from Vietnam and Indonesia to Brazil.

In addition to footwear, Brazil has now expanded many of these egregious and arbitrary restrictions to Brazilian imports of apparel and textiles. In August 2011, Brazil imposed new regulations on apparel and textile imports including additional monitoring, enhanced inspection, and delayed release of targeted goods. At the same time, Brazil also imposed new increases in customs fees on imports of apparel, textiles, and footwear.

Again, these measures not only affect U.S.-branded products trying to enter Brazil from third countries, but also direct exports of U.S.-made products to Brazil. According to the U.S. Department of Commerce, U.S. exports of textiles and apparel to Brazil have virtually doubled since 2005, reaching $271.2 million in 2011. The current restrictive measures are seriously jeopardizing these vital U.S. exports and the thousands of U.S. Jobs that depend on them.

Furthermore, we have recently heard reports that the government of Brazil is looking to impose new duties on certain import categories, making it even more difficult to import goods. Brazil's Ministry of Economy, Ministry of Development, Industry and Foreign Trade, Ministry of Foreign Affairs, and Chief of Staff Office are expected to meet in the near future to decide whether to adopt "ad rem" duties for imports of footwear, textiles/apparel, toys, and machinery/equipment. Under the contemplated plan, Brazil would convert its current ad valorem duties for the affected product categories to specific "ad rem" duties set on the basis of U.S. dollars per kilogram.

Brazil already previously increased its duties on all imports of footwear, textiles, and apparel to its World Trade Organization's (WTO)-bound rate of 35 percent ad valorem, and any switch to "ad rem" duties would most likely produce a higher protective effect and almost certainly violate Brazil's WTO obligations. In fact, there are rumors that some Brazilian textile and footwear interests may be attempting to use the process of switching to "ad rem" duties to effectively create duties with an ad valorem equivalent of 100 percent or more. Such a change, coming on top of all of the other restrictions, would devastate the American companies, and the U.S. workers they employ, who export these products to Brazil.

We urge you to communicate to President Rousseff the above concerns of American companies. Particularly, the use of non-automatic import licenses, the country of origin requirements, the unfair anti-dumping orders on imports of footwear, the new customs restrictions and fees on imports of apparel, footwear, and textiles, and the possible implementation of "ad rem" duties on footwear, apparel, and textile products.

One of the most prominent challenges faced by your administration over the past three years has been creating and sustaining American jobs. To this accord, I would like to point out that the U.S. apparel and footwear industry directly employs more than four million U.S. workers. These important jobs include industry executives, textile mill workers, logistics specialists, compliance managers, sourcing managers, wholesalers, retail floor associates, technical designers, and marketing professionals, just to name a few. The industry also supports countless other U.S. industries, like the more than 37,000 transportation jobs it requires to move products from the port to the sales floor and the 235,000 dry cleaning jobs required to maintain and protect the industry's quality product. The U.S. apparel and footwear industry represents more than three percent of the entire U.S. workforce. Without a significant effort to reduce trade barriers in Brazil and around the world, these American jobs will be threatened.

Through difficult economic times, AAFA's members have struggled to keep their doors open remain productive members of the American economy as producers, consumers, and employers. The main sustaining factor in this struggle has been trade. For this reason, AAFA will continue to work on overcoming barriers to trade and promoting the growth of American companies. We hope that we may be able to work with your administration on these shared goals. The first step in the process is communication and the upcoming visit with President Rousseff is the perfect opportunity to do just that.

Thank you for your time and consideration in this matter. Please do not hesitate to contact AAFA if we can be of any help to you. Please feel free to contact me or Marie D'Avignon of my staff at 703-797-9038 or by e-mail at mdavignon@wewear.org if you have any questions or would like additional information.

Sincerely,

Kevin M. Burke
President & CEO

CC:

The Honorable John Bryson
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