



April 7, 2010

The Honorable Sander M. Levin  
Chair  
Ways and Means Committee  
U.S. House of Representatives  
Washington, DC

**RE: Written Statement for Ways and Means Trade Subcommittee Hearing on “China’s Exchange Rate Policy,” March 24, 2010 (Advisory FC-16, March 16, 2010)**

Dear Chairman Levin:

Thank you for providing us this opportunity to submit this testimony in relation to the hearing cited above.

The American Apparel & Footwear Association (AAFA) is the national trade association representing the apparel and footwear industries, and their suppliers. Our members produce and market apparel and footwear throughout the United States and the world, including China. In short, our members make everywhere and sell everywhere.

AAFA and its members are very concerned regarding any retaliation measures that may be taken against China for its alleged engagement in currency manipulation. The AAFA urges the Ways and Means Committee to consider the damage any punitive action could have on trade relations between the United States and China. I would respectfully request that you keep the following insights from our industry in mind as when discussing next steps regarding China’s exchange rate policy.

AAFA believes the best long term strategy for China and the world is a freely convertible currency. AAFA remains concerned, however, that it is extremely difficult to identify the "right" exchange rate. Advocates for trade remedies often point to a "range" of currency misalignment in China of 15 to 50 percent. In fact, China has allowed its currency to float on a limited basis. The renminbi has already risen about 16 percent since mid 2005, yet it is still undervalued. This only shows that it is no simple task to measure the true value of not just renminbi, but any currency. Also, such wide discrepancies make it difficult to identify and execute effective trade remedies. While we share the Committee's frustration that the path toward currency adjustment has not gone more quickly, we note that slow and deliberate change, rather than abrupt shifts, is the key to predictability to make sure business is not disrupted.

China is the fastest growing market for U.S. apparel and footwear brands. Sales of U.S.-branded footwear and apparel in the Chinese market, even if those clothes and shoes are not made in the United States, support thousands of U.S. jobs – high-value jobs in R&D, marketing, logistics, sales and other fields. This holds true for many other U.S. industries.

Further, China is the fastest-growing market for U.S.-made and U.S.-produced products not only in our industry, but in all industries – from U.S.-made yarn, fabric, waterproof textiles and rubber soles to U.S.-made machinery and high technology products and from U.S.-produced cotton to U.S.-produced soybeans and poultry. In many cases, China is the largest market for these U.S.-made and U.S.-produced products.

Please bear in mind that the U.S.-China trade benefits not only the U.S. farmers, manufacturers and brands, but also U.S. consumers. Today, virtually all clothes and shoes sold in the United States are imported, with over 85 percent of all footwear and over 35 percent of all apparel sold in the United States being imported from China. Similar situations exist for a multitude of other consumer products used every day by hardworking American families. The bottom line is that trade with China helps hardworking American families buy affordable clothes and shoes, life necessities, for themselves and their children. If “remedies” are imposed, those remedies would amount to a new tax on hardworking American families – at a time when many of these families can least afford it.

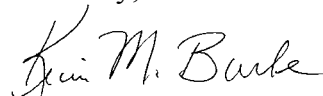
When measuring the scope of actions to be taken, please consider that such action could lead to retaliation by China that could close the fastest-growing market to U.S. footwear and apparel brands and a multitude of U.S. exports. As a result, such action could not only hurt U.S. companies, U.S. manufacturers, U.S. workers and hardworking American families, but could ultimately jeopardize our economic recovery.

Finally, since both the United States and China are member countries in the World Trade Organization (WTO), it is important that any action contemplated or taken by Congress not violate U.S. obligations under international trade rules. While many might not be concerned about this issue, this potential violation is of critical concern to the U.S. apparel and footwear industry. As I mentioned previously, U.S. apparel and footwear firms make and sell everywhere around the world, including selling clothes and shoes made in China into major markets like Europe, Brazil and India. Any action taken by the United States against China that violates international trade rules would not only be closely watched by these countries, but could be quickly replicated, closing these important markets to U.S. brands. In fact, Brazil, Ecuador, Europe and many other countries have already imposed restrictions on imports of U.S.-branded footwear and apparel.

The U.S. apparel and footwear industry recognize that many important issues exist in the United States-China relationship – issues that directly affect U.S. apparel and footwear firms. However, as in the case of our industry, the relationship between the United States and China is one that is critically important to, and intimately intertwined with, the U.S. economy. Therefore, I urge the Congress to carefully consider all aspects of this vital and complicated relationship before setting new policy.

Thank you for your time and consideration in this matter.

Sincerely,



Kevin M. Burke  
President & CEO