



April 14, 2010

The Honorable Charles E. (Chuck) Schumer  
United States Senate  
313 Hart Senate Office Building  
Washington, D.C. 20510-3201

**RE: Addressing China's Currency & Its Potential Impact on the New York Fashion Industry**

Dear Senator Schumer:

I am writing regarding your legislative efforts to impose sanctions against China over the valuation of its currency.

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.

As you know, New York is the heart of the U.S. fashion industry. AAFA members alone employ over 100,000 workers in the State of New York.

As such, I would respectfully request that you keep the following insights from our industry -- an industry critical to New York's economy -- in mind when pursuing approaches 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 in the view of many experts. This only shows that it is no simple task to measure the true value of not just the renminbi, but any currency. Also, such wide discrepancies make it difficult to identify and execute effective trade remedies.

While we share your frustration that the path toward currency adjustment has not gone more quickly and evenly, we note that slow and deliberate change, rather than abrupt shifts, is the key to predictability to make sure business is not disrupted.

Why is a slow and deliberate approach necessary? 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 jobs in the United States in general and in the State of New York in particular – 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.

U.S.-China trade not only benefits 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. Please keep in mind that, such remedies would occur on top of any revaluation the Chinese may take on their own. Such revaluation will already have an adverse impact on U.S. consumers, by making many imported goods more expensive.

When measuring the scope of actions to be taken, please also 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 fragile economic recovery.

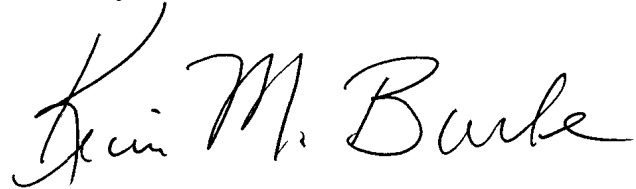
Finally, since both the United States and China are member countries in the World Trade Organization (WTO), it is important that any action contemplated or taken by Congress not violate U.S. obligations under international trade rules. While many might not be concerned about this issue, this potential violation is of critical concern. Retaliation would directly harm U.S. exports of targeted goods and services to China, resulting in the loss of many thousands of jobs in New York and elsewhere.

Moreover, by pursuing currency based remedies, the United States might invite similar actions from other countries, which would also hurt many New York apparel and footwear companies. As I mentioned previously, U.S. apparel and footwear industry supports jobs in New York and elsewhere in the United States through its global supply chains. Quite literally, our industry makes and sells 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 you to carefully consider all aspects of this vital and complicated relationship before pursuing approaches to this complicated issue.

Thank you for your time and consideration in this matter.

Sincerely,

A handwritten signature in black ink that reads "Kevin M. Burke". The signature is written in a cursive, flowing style with a large initial "K".

Kevin M. Burke  
President & CEO