



we wearSM global markets

April 23, 2012

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

Dear President Obama:

In light of the visit of President Felipe Calderón Hinojosa of Mexico to the United States this week, I urge you to raise several serious concerns regarding Mexico's business practices on behalf of American businesses.

The 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. 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 Mexico. Over the past year, we have witnessed several initiatives by the Mexican government that 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. These harmful actions include the imposition of burdensome requirements for imports, the threat of new anti-dumping duties on footwear, and an overall lack of transparency within the system of rulemaking.

Mexico is a strong partner to many U.S. apparel, footwear, and textile, manufacturers, brands, and retailers. This relationship supports thousands of U.S. jobs. AAFA continues to take steps to encourage a strengthened economic relationship between the United States and Mexico. Last year, AAFA joined other associations in urging the U.S. Department of Transportation to restart the cross-border long-haul trucking pilot program and continue to urge that it be made permanent. AAFA believes the ability to move product quickly, safely, and efficiently across the border is critical to the future success of the U.S.-Mexico apparel, footwear, and textile partnership.

AAFA has also publicly supported Mexico's participation in the Trans-Pacific Partnership (TPP) Free Trade Agreement. Nevertheless, while the U.S.-Mexico apparel, footwear, and textile partnership remains relatively strong and healthy today, a number of critical supply chain issues must be addressed if it is to remain so and should be noted when considering Mexico's possible entrance into TPP.

1601 North Kent Street
Suite 1200
Arlington, VA 22209

(703) 524-1864
(800) 520-2262
(703) 522-6741 fax
www.wewear.org

To begin, Mexico has recently imposed burdensome import documentation requirements to substantiate preference claims under the North American Free Trade Agreement (NAFTA). There have been multiple instances over the last year when Mexican authorities have performed audits on American textile companies and sought documentation well in excess of what is required under NAFTA. While AAFA understands the need for proper enforcement, this zealotry, by exceeding the scope of the requirements, has severely damaged the ability of U.S. textile exporters to ship to Mexico under NAFTA.

After many complaints from American businesses and the United States Department of Commerce regarding these outlandish requests for documentation, representatives of Mexico's revenue body—the *Servicio de Administración Tributaria* (SAT)—promised to make several changes to their auditing process. The promised changes are designed to lessen paperwork and other burdens on U.S. textile mills and apparel companies to comply with the audits. This would be a welcome move within our industry. Regrettably, however, AAFA members have not seen any of the promised changes. In addition, assurances were made to U.S. government officials that details of the new auditing process would be published on the SAT website two months ago, but this information also has yet to be provided.

Instead, several AAFA members are still struggling with the burdensome and arbitrary SAT audits. These companies are not seeing any relief nor are they being provided information on how to successfully comply with SAT's requirements.

Furthermore, AAFA remains concerned with the Mexican government's history of imposing unjustified and/or WTO-illegal restraints on apparel, footwear, and textile imports through such mechanisms as dumping or safeguard duties or new customs documentation requirements or procedures. AAFA applauds Mexico for achieving a strong first step in addressing this issue when it removed, as scheduled, longstanding safeguard duties on imports of apparel and footwear from China in December 2011.

Earlier this month, AAFA learned of an agreement made between Mexico and China that would avoid a re-imposition of safeguard duties and instead created a solution that is beneficial for all parties involved. Many AAFA members source footwear in China for the Mexican market and therefore have a strong interest in this agreement. However, very few details of the agreement have been made public, and until that time it is impossible for AAFA's members to satisfy the requirements imposed by the new agreement to their full extent. AAFA has asked the Mexican Ministry of Economy to provide AAFA with information on this agreement. AAFA has not yet received an answer.

Instead, Mexican Secretary of Economy Bruno Ferrari has made several public statements that Mexico continues may still re-impose safeguard duties in the future. This continued threat creates an unwelcoming environment for U.S. businesses and an unstable trade relationship.

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 Mexico and around the world, these American jobs will be threatened.

Through difficult economic times, AAFA's members have struggled to keep their doors open and 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. I hope that we may be able to work with your administration on these shared goals.

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,

A handwritten signature in black ink that reads "Kevin M. Burke". The signature is written in a cursive style with a large, stylized 'K' and 'B'.

Kevin M. Burke
President & CEO

CC:

The Honorable John Bryson
Secretary
United States Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Ambassador Ron Kirk
United States Trade Representative
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508