July 26, 2010

Trade Promotion Coordinating Committee
U.S. Department of Commerce
Room C102, 1401 Constitution Ave., NW
Washington, DC 20230

RE: Request for Public Comment To Inform Development of National Export Initiative Plan, *Federal Register,* June 30, 2010, Volume 75, Number 125, Pages 37756-37757

To Whom It May Concern:

Thank you for providing us this opportunity to provide this written submission for use in the development of the U.S. government's National Export Initiative (NEI) plan.

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 sewn products throughout the United States and the world. In short, our members make everywhere and sell everywhere. As a result, our members are on the front lines of exporting.

AAFA applauds President Barack Obama for committing to the goal of doubling U.S. exports in the next five years – for the purpose of creating two million new jobs and sustaining countless others.

Just as important as setting this laudable goal is developing a viable and effective strategy to accomplish this goal. AAFA would like to draw your attention to a certain sub-segment of our industry to emphasize not only the potential for export growth, but also the need for an effective and realistic strategy to double exports under the NEI.

Domestic manufacturers of apparel and footwear products primarily operate under the Berry Amendment (USC, Title 10, Section 2533a), which requires 100 percent sourcing of military uniforms, footwear and other textile-based equipment for the Department of Defense. The domestic companies that manufacture these items are often small to medium-sized businesses (SMEs) who have little to no commercial business due to the specialty nature of the military items they produce.

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AAFA surveyed its domestic manufacturers and found that only a small percentage actually export overseas. Of the companies who do export, less than five percent of their total sales resulted from their export business. When they do export, they reach several different countries including: China (and Hong Kong), Mexico, Italy, Japan, Saudi Arabia, the United Kingdom, Canada, Brazil, Korea, Israel and some European countries. The types of products exported have included soling materials for footwear, waterproof fabric for footwear, broad nylon fabric, mod-acrylic fabric, coveralls, fire resistant treated cotton knit fabric, fire resistant treated viscose knit fabric and Nomex knitted fabric – inputs that go in to finished products made overseas.

Regrettably, despite the fact that these apparel and footwear manufacturers are producing some of the most technologically advanced apparel and footwear in the word, the predominant export in our industry tends to come from the large suppliers, who ship fabrics overseas for the commercial market, not the end-item manufacturers.

Moreover, our members for the most part did not utilize any U.S. government assistance, nor were many even aware that any U.S. government assistance was even available.

Again, this example highlights both the opportunity for growth and the need for a realistic strategy to achieve that growth. In this context, AAFA would like to offer a ten-step plan that can help make the NEI's goal of doubling exports a reality.

1. ***<u>It's all about the financing.</u>***

In order for our domestic manufacturers to step up to the plate and start filling double the orders, small and medium sized enterprises must be able to access the credit that serves as the lifeblood of their business. However, during this economic recession, access to credit has dried up just as businesses need it most. Legislation pending in Congress would go a long way towards making the necessary credit available to small and medium-sized businesses, the engines of our economy, by expanding the size and percentage of the loan guarantees provided by the U.S. Small Business Administration (SBA). Regrettably, this pending legislation only creates a temporary expansion of these programs. The key word for any business is certainty. To provide that certainty, these programs must be made permanent.

Once producers are able to access credit, it is imperative that the United States eliminate the restrictions that prevent our industry from receiving access to export financing so new products can leave the warehouse and be shipped overseas. The U.S. government has designed all of our existing free trade agreements and trade preference programs to promote the use of U.S. yarn and fabric. In order for apparel to received duty-free access to the U.S. market under these agreements and programs, they must use U.S. yarn and fabric. There is one catch, however, U.S. textile manufacturers are discouraged from accessing the export financing provided by the SBA and the U.S. Export-Import Bank. This lack of financing hamstrings U.S. textile manufacturers and prevents them from benefiting from free trade agreements and trade preference programs expressly designed to help them export…and create and sustain U.S. manufacturing jobs in the process. This problem needs to be fixed now.

2. ***Vote three times to gain over 100 million new customers.***

It is unfortunate that the United States has three trade agreements sitting on a shelf collecting dust – and charging our manufacturers unfair tariffs to boot. By Congress passing already negotiated pending trade promotion agreements with Colombia, Panama, and South Korea, our producers would have unfettered access to over 100 million new consumers who are eager to purchase our goods and services. These agreements are a win-win for everyone.

3. ***We need more customers.***

Recent statistics show that exports generated by current trade agreements are fast outpacing U.S. exports to non-trade agreement partners. Further, if we expect to grow our exports, we must grow our consumer base. Because 95 percent of the world's consumers live outside the United States, we need to open as many markets as possible. By participating in such initiatives like the Trans-Pacific Partnership (TPP), we will acquire the market access we need to double our exports. But we can't just stop at the TPP, we must aggressively explore new opportunities worldwide.

4. ***Improve what we have.***

To date, the United States has entered into 17 free trade agreements with key trade partners around the world. As times change, we need to ensure that our current agreements fit the bill with regard to technological developments, intellectual property protections and new market opening opportunities. If you think about it, are you still using the same computer you were using ten years ago?

To better demonstrate this point, let's take a quick look at one of our first free trade agreements, the North American Free Trade Agreement (NAFTA). According to the Office of the U.S. Trade Representative, the NAFTA trade relationship produces for a market that annually purchases more than $17 trillion worth of goods and services. Not surprisingly, Canada and Mexico, our two NAFTA partners, are the two largest markets for U.S. exports.

Unfortunately, NAFTA now represents a 20th century agreement in a 21st century world. Our industry does not do business they way we did five years ago let alone 18 years ago when the NAFTA was negotiated. Without updating NAFTA to make it more relevant in today's global economy, while moving forward on other agreements and opportunities, only further erodes NAFTA's trade benefits for the U.S. textile, apparel, and footwear industries.

For instance, U.S. yarn and fabric exports to Mexico have consistently decreased since 2000 because the market for these goods – the Mexican apparel industry – is locked into the previous decade by rigid and antiquated NAFTA rules that provide no room for growth. This is not because NAFTA is a bad agreement. It is because better agreements with better benefits to apparel and footwear companies and consumers alike have come along and NAFTA has no built-in capability to incorporate these new and better benefits into the existing agreement.

Speaking more broadly for all of current U.S. free trade agreements, one would be hard pressed to find an agreement that is based completely on anticipation. While some newer agreements, like the Dominican Republic - Central American Free Trade Agreement (DR-CAFTA), are better equipped to meet and adapt to modern challenges, all agreements neglect to fully address the way the U.S. apparel and footwear industry does or will do business.

5. ***<u>Finish what we start – even nine years later.</u>***

To knock down trade barriers all around the globe, we must finally achieve a successful and ambitious conclusion to the Doha Round of trade negotiations at the World Trade Organization that started in 2001. We must press on through all of the false starts and near collapses because the market benefits for developed and developing countries are too good to ignore.

6. ***<u>Everyone must play by the rules</u>***.

A globalized economy is strongest when everyone adheres to the international rules-based trading system. As we all have seen firsthand, trade barriers go up and players are quick to break the rules when a recession hits. A priority of the NEI must focus on knocking down these trade barriers worldwide.

7. ***<u>We are not above the law.</u>***

Just as the United States expects its trading partners to play by the rules, we must live up to that same standard. We cannot afford to break or ignore our own obligations in the global economy because our transgressions will likely be replicated and used against exports of U.S.-made and U.S.-branded products around the world.

8. ***<u>U.S. products are U.S. profits.</u>***

U.S. exports are not just products made here at home. U.S. apparel and footwear companies make U.S.-branded products everywhere. They also sell them everywhere – with those products sometimes never coming home before they are purchased by a customer in another country. While the actual shirt or shoe never crosses the shores of the United States, these "third-country exports" still directly employ thousands of U.S. workers in high-paying jobs in design, marketing, sourcing, logistics, sales and related fields. So, even when a new trade barrier doesn't technically affect a U.S.-made product, but clearly affects U.S.-branded products, the full weight of the U.S. government should still be applied to eliminate that barrier.

9. ***Appreciate the importance of imports.***

Exports are important – that is a given. But if we do not appreciate and support the role that imports play in an export-driven economy, we lose our comparative advantage. We can make all the quality products in the world, but if we refuse to buy from others, others will refuse to buy from us. Imports are just as important to job creation as exports.

Just as important, imports create U.S. jobs too. As Ambassador Ron Kirk stated in his March 12, 2010 remarks at AAFA's Annual Executive Summit in Washington, DC:

> "The ultimate objective of all our efforts can be summed up in one word: jobs.
>
> When companies like yours are able to succeed in the marketplace that supports job creation here at home.
>
> When a shipment of your products arrives in America, an army of workers goes into motion. There's the port worker who unloads your container, the truck driver that carries it to a distribution center or a store, the marketing executive that trumpets its arrival, and the retailer who rings up each individual sale. And that's just domestic sales - every foreign sale you make supports American designers, customs and logistics professionals, and financing and transportation experts."

As such, the role of imports in creating jobs in the United States must be a key part of any strategy developed as part of the National Export Initiative.

10. ***Why stop there?***

Setting our sights on the goal of doubling exports is great. But, shouldn't we think beyond that? Thinking and acting within the parameters of simply meeting a goal only limits the possibility of quadrupling our exports.

We believe these ideas, if implemented as part of the National Export Initiative, will provide real and significant incentives to increase exports. We look forward to working with the U.S. government towards reaching, and surpassing, President Obama's laudable goal.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 703-797-9062 or nherman@apparelandfootwear.org if you have any questions or would like additional information.

Please accept my best regards,

Kevin M. Burke

President & CEO