



we wearSM jobs

September 4, 2012

Mary T. Smith
Director for Canada
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

**RE: FR Notice Volume 77, Number 141, Page 43131 (July 23, 2012) –
Request for Comments on Negotiating Objectives With Respect to
Canada's Participation in the Proposed Trans-Pacific Partnership
Trade Agreement**

To Whom It May Concern:

On behalf of the American Apparel & Footwear Association (AAFA), the national association of the apparel and footwear industries, and their suppliers, I am writing in strong support of Canada's participation in the proposed Trans-Pacific Partnership (TPP) Free Trade Agreement. First and foremost, Canada's participation in the TPP will provide an opportunity to address critical supply chain issues that are severely impacting the normally mutually-beneficial apparel, footwear, and textile relationship between the United States and Canada. Further, Canada's participation in the TPP not only provides an opportunity to greatly expand the benefits of the TPP for U.S. workers, U.S. businesses, and U.S. consumers, but also provides the opportunity for a much-needed update to the current North American Free Trade Agreement (NAFTA), to bring the agreement in line with today's market realities.

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 Canada.

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

While Canada for the most part is an open market in our sector, we urge the U.S. government, as part of the TPP negotiations, to address certain matters of concern as well as remain vigilant as Canada enforces new regulations impacting our industry.

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Canada 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 Canada, including many business and government-based cross border initiatives. AAFA believes the ability to move product quickly, safely, and efficiently across the border is critical to the future success of the U.S.-Canada apparel, footwear, and textile partnership.

AAFA has consistently supported Canada's participation in the Trans-Pacific Partnership (TPP) Free Trade Agreement. Nevertheless, while the U.S.-Canada apparel, footwear, and textile partnership remains relatively strong and healthy today, critical supply chain issues must be addressed and NAFTA must be updated for this relationship to continue and strengthen.

Critical Supply Chain Issues Must be Addressed before Canada Joins the TPP

Our industry is subject to a plethora of regulations that are promulgated in the name of "public safety" but amount to nothing more than a trade barrier. The best example of these new regulations in our industry comes from Canada. The Upholstered and Stuffed Articles regulations are actually maintained not by the Canadian government, but by three Canadian provinces (Quebec, Ontario, Manitoba). However, owing to its recognition within the Canadian Agreement on Internal Trade and the nature of modern distribution systems, they represent a de facto national standard, one which is of great concern to our industry.

These regulations require the registration of factories and the payment of annual fees to one or more provincial agencies. While historically, they may have been considered as a means of ensuring public safety, because these regulations refer to no objective technical standard they have no current purpose in terms of product safety. More importantly, the Canada *Consumer Product Safety Act*, which was implemented last year, has brought Canada's product safety regime into line with equivalent U.S. legislation, rendering these provincial regulations completely unnecessary.

On a practical level, because the terms "padding" and "stuffing" are loosely defined, the applicability of these regulations to specific products is arbitrary and punitive. Simply put, our members companies are continually frustrated in efforts to clarify whether these regulations apply to our products.

On a related note, we urge the U.S. government to remain vigilant to ensure that implementation of Canada's *Consumer Product Safety Act* continues to be transparent and risk-based.

In addition, it should also be noted that imported products (from the United States or any other country) are discriminated against by these regulations. Canadian manufacturers have the ability to register their products in a single province while imported products must be registered in three separate jurisdictions (and pay three registration fees). I urge the U.S. government aggressively pursue resolution of this critical issue and put other countries on notice that regulations in the name of "public safety" must be transparent, non-discriminatory, and scientifically-based.

As with any long-term relationship, there are many other outstanding issues between the two countries that impact this important supply chain. As it approaches Canada's participation in the TPP, we urge the U.S. government to use as its guide its own annual *National Trade Estimates* reports on Canada over the last 10 years.

TPP – What Should a 21st Century Agreement Look Like? Not Like NAFTA!

In order to support today's global apparel and footwear value chains, and the millions of U.S. workers who depend on them, the TPP must be a "21st century agreement." Again, with Canada's participation in the TPP, this means a sharp break with the rules embodied in NAFTA. While NAFTA was "state of the art" in 1994, NAFTA does not reflect the realities of today's global economy. Moreover, NAFTA did not contain any of the mechanisms necessary to make it a "living" agreement. To put this in perspective, is anyone today still using the "state of the art" computer they had on their desk in 1994?

So, what do we mean by a “21st century agreement?”

For footwear, this means building upon the successful approach embraced in all of the free trade agreements negotiated over the last decade. For footwear no longer made in the United States, the vast majority of the U.S. footwear market, this means immediate and reciprocal duty-free access under the most flexible rules of origin possible. For those footwear items still produced in the United States, the TPP agreement should recognize this fact and incorporate rules of origin and duty phase-out schedules accordingly. In most recent FTAs, for example, these “sensitive” items were subject to very restrictive rules of origin and very long, back-loaded, duty phase-out schedules.

For travel goods, this means building upon the successful approach embraced in CAFTA-DR and the KORUSFTA, immediate and reciprocal duty-free access under the most flexible rules of origin possible.

For apparel, this means breaking with the 20th century paradigm of “yarn-forward” rules of origin, which would require that all of the materials that go into a garment originate and be assembled in a TPP country to receive duty-free treatment. “Yarn-forward” ignores the realities of today’s global value chains.

Just as important, “yarn-forward” has failed to provide any of the benefits its proponents claim for U.S. manufacturers and U.S. jobs. “Yarn-forward” is an “all or nothing” approach that requires all yarn and fabric, as well as all linings, sewing thread, elastomers and other trims, to be made in the TPP region. If any one of these inputs does not originate in the region, the whole garment is disqualified from duty benefits. For example, if all of the yarn and fabric is U.S.-made, but the sewing thread comes Korea, the entire garment loses all duty benefits. Past U.S. FTAs with the TPP countries have shown that such a “yarn-forward” or “all or nothing” approach does not spur new U.S. exports of yarns and fabrics. Instead, combined U.S. yarn and fabric exports to these 4 U.S. FTA partners – Australia, Chile, Peru, and Singapore – have remained virtually unchanged over the last decade. On the other hand, U.S. yarn and fabric exports to countries that are not subject to these “yarn-forward” “all or nothing” rules, but have a vibrant apparel industry, like Vietnam or Malaysia, or even China, have skyrocketed over the last decade.

Instead, the TPP should embrace more flexible and simple rules of origin for apparel. Specifically, the rules should:

- Base the rule of origin (ROO) for apparel on either a change in tariff heading (CTH) or a regional value-content (RVC) requirement. A change in tariff heading would require any product in an apparel chapter (chapters 61 and 62) to be transformed within the region from any heading outside of that chapter. With an RVC rule, the value of those processes (and the inputs they create) within the territories must account for a minimum percent [35%] of the total value of the garment with a specific value calculation.
- Limit tougher product-specific ROOs to sensitive products when necessary and appropriate, meaning there is data establishing sufficient availability of inputs in commercial quantities within the TPP territory;
- Allow outward processing of intermediary products and not penalize products that use TPP-country inputs;
- Harmonize the ROOs for all TPP countries, including those that currently have FTAs with the United States;
- Guarantee the “ability to cumulate” among all TPP partner countries to facilitate regional integration;
- Establish a transparent and commercially meaningful “Commercial Availability” [Short Supply] process; and
- Create a process to allow “cumulation” with other countries that have FTAs with all TPP countries.

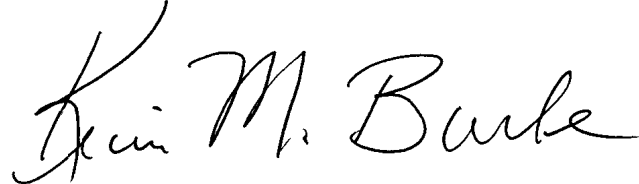
Further, all apparel should receive immediate and reciprocal duty-free entry.

Conclusion

We believe that the TPP can truly be a “win-win-win” for U.S. jobs, U.S. manufacturers, and the U.S. apparel and footwear industry, but only if the TPP is a “21st century agreement” that recognizes and embraces the realities of today’s global apparel and footwear value chains and the 4 million U.S. jobs dependent on it. We strongly support the addition of Canada to the TPP as it can only enhance the benefits of TPP for the U.S. apparel and footwear industry. However, Canada’s inclusion must be used to address important supply chain issues, such as fixing the current critical problems facing the U.S.-Canada supply chain and modernizing NAFTA to reflect today’s global realities.

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

Please accept my best regards,

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

Kevin M. Burke
President & CEO