



September 22, 2010

The Honorable Ron Kirk  
U.S. Trade Representative  
Office of the USTR  
600 17<sup>th</sup> Street  
Washington, DC 20508

The Honorable Gary Locke  
Secretary of Commerce  
Department of Commerce  
Washington, DC 20230

Dear Ambassador Kirk and Secretary Locke:

I am writing to forward to you a copy of a letter I recently sent to the Secretary Ferrari in the Mexican Economy Ministry regarding an issue of concern to a number of our members.

We understand that the Mexican Government is now exploring approving anti dumping penalties with respect to denim imports from China. We are particularly concerned because of reports that the Mexican Government is considering applying these anti dumping duties to temporary imports – that is imports of denim fabric that are converted into apparel in the IMMEX program that is then exported to the United States and other destinations.

The letter articulates our concerns and urges the Mexican government to refrain from this action.

I encourage you to signal U.S. government opposition to this action as well. As you know, Mexico remains an important market for US textile exports. By value, it is the destination for about a quarter of all textile and apparel products. This is down from 2000, when Mexico was the destination of 1 in 3 textile and apparel exports. A key reason for this drop is the decline in the size and scope of the Mexican apparel industry over the past decade. This proposed action would not only put these U.S. exports at risk, but would threaten the jobs of thousands of U.S. workers who depend on those exports.

By raising the cost of apparel production in Mexico, the application of AD penalties will further contribute to that decline, and make Mexico a less attractive location for apparel production. This will, in turn, reduce the number of apparel companies in Mexico who can purchase U.S. inputs, such as yarns, fabrics, and other materials. As we are looking to double exports over the next few years, and to generate increased trade-related employment, we should be encouraging the Mexican government to take steps to make their apparel industry – and a key market for U.S. textile firms – more competitive. Regrettably, this proposed action would do

just the opposite. I would hope that you can raise some of the serious trade policy concerns that this case raises as well.

Thank you for your time and attention to this matter. Please contact Steve Lamar ([slamar@apparelandfootwear.org](mailto:slamar@apparelandfootwear.org); 703-797-9041) for 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 and CEO



September 22, 2010

Mr. Bruno Ferrari,  
Secretary,  
Secretaria de Economia  
Alfonso Reyes No. 30  
Col. Hipódromo Condesa  
C.P. 06140, Delegación Cuauhtémoc,  
México, D.F.

Re: Mexican Anti Dumping Investigation of Denim Imports

Dear Secretary Ferrari:

On behalf of the American Apparel & Footwear Association (AAFA), the national trade association of the apparel and footwear industries, and their suppliers, I am writing to comment on the above captioned issue.

We understand that the Mexican Government is now exploring approving anti dumping penalties with respect to denim imports from China. We are particularly concerned because of reports that the Mexican Government is considering applying these anti dumping duties to temporary imports – that is imports of denim fabric that are converted into apparel in the IMMEX program that is then exported to the United States and other destinations.

It is our very strong recommendation that, if the Mexican Government does decide to impose AD penalties with respect to denim, that this remedy not be applied to temporary imports made by IMMEX companies.

We believe this is problematic for several reasons.

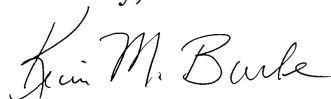
Among other things, such an action runs the risk of putting Mexico out of compliance with key World Trade Organization (WTO) and North American Free Trade Agreement (NAFTA) commitments. We do not believe the rules governing AD actions under these agreements permit the application of AD penalties to temporary imports as has been envisioned in this case. Under NAFTA, such penalties interfere with several of the NAFTA provisions, including the efficient operation of the duty deferral provisions in Article 303. Since AD duties are not refundable, garments produced in MX that are intended for export to Canada or US using fabrics subject to AD would be penalized. Given that many companies rely upon those duty deferral provisions to produce clothing competitively in Mexico, this action would make Article 303 inoperative in many circumstances.

Likewise, under the WTO rules, a product is dumped when it is introduced into the commerce of the importing country at a price below normal value. With respect to goods subject to the IMMEX program, there is no real export price because the materials are never property of the IMMEX facility and therefore are not meant to enter the commerce of Mexico. The denim fabric enters a Mexico IMMEX facility in a transformative process, and is subsequently exported as a different good. Therefore, these operations are not covered under Article 2.1 of the WTO Antidumping Agreement.

Finally, such an action will deeply erode the competitiveness of the Mexican maquila apparel industry, particularly those using denim fabrics. By raising the cost of apparel production in Mexico, the application of AD penalties in this manner will incentivize apparel production to migrate elsewhere. This is unfortunate, especially since we are, during the first few months of 2010, finally seeing signs of a resurgent apparel imports from Mexico after nearly 10 years of decline. Given the opportunities that exist to make apparel in so many locations around the world, we find it hard to understand why the Mexican Government would entertain taking actions that would jeopardize this resurgent success and risk the loss of jobs for thousands of Mexican workers.

Thank you for receiving these comments. Should you have any questions, please contact Steve Lamar at [slamar@apparelandfootwear.org](mailto:slamar@apparelandfootwear.org) or 703-797-9041.

Sincerely,



Kevin M. Burke  
President and CEO

Copies to:

Dip. Alejandro Cano Ricaud,  
Presidente, Comisión Especial Industria Manufacturera de Exportación  
Av. Congreso de la Unión No. 66, Col. El Parque  
Del. Venustiano Carranza, C.P. 15969, México, DF  
E. "G", 2º P.

C.P. Mónica Gonzalez García,  
President,  
Consejo Nacional de la Industria Maquiladora  
y Manufacturera de Exportación, A.C.  
Ejército Nacional No. 418, piso 12, Despacho 1204,  
Col. Chapultepec Morales,  
Deleg. Miguel Hidalgo  
CP. 11570, México DF.