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**Pre Hearing Brief of
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***Trans-Pacific Partnership (TPP) Agreement: Likely Impact on the
U.S. Economy and on Specific Industry Sectors. Investigation
Number: TPA-105-001***

- AAFA is the national trade association representing apparel, footwear, and other sewn products companies, and their suppliers, which compete in the global market.
 - Representing more than 1,000 world famous name brands, our membership includes 340 companies, drawn from throughout the supply chain.
 - AAFA is the trusted public policy and political voice of the apparel, footwear, and travel goods industry; its management and shareholders; its four million U.S. workers; and its contribution of more than \$360 billion in annual U.S. retail sales.

- Also testifying on behalf of:
 - The Travel Goods Association is the voice of the travel goods industry.
 - TGA produces the annual International Travel Goods Show, and the industry's quarterly trade magazine, Travel Goods Showcase.
 - Fashion Accessories Shippers Association/Gemini Shippers Group, one of the largest shippers associations in the United States, has been serving its members for nearly 100 years.
 - The group includes Gemini Shippers Association and the Fashion Accessories Shippers Association (FASA).
 - Gemini offers member companies access to competitive global ocean freight contracts, long term rates and space allocations by signing global contracts with a wide variety of top tier ocean carriers.

TPP is an enormous trade agreement representing 40 percent of the world's Gross Domestic Product (GDP) and 800 million consumers.

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- With such a large trade agreement, there are numerous ways companies may be able to take advantage of the provisions.
 - Our comments will focus on major import opportunities presented by trade liberalization with Vietnam and Malaysia, and on opportunities and concerns related to U.S. exports and modifying existing supply chains.

Vietnam

- For our industries, much of the opportunity and impact is focused on the U.S./Vietnam trade relationship and the extent to which companies can reduce duties currently collected on imports of products from Vietnam.
 - Duty paid on U.S. imports from Vietnam in 2014 was \$2.4 billion.
 - 94 percent of which was apparel, footwear, and travel goods.
 - For all three industries, Vietnam is the second largest supplier to the U.S. market.
 - All these duty rates – for originating products – ultimately go to zero.
- Travel goods
 - Strong, immediate opportunities to take advantage of agreement owing to flexible rules of origin (ROOs) and immediate duty free access.
 - Duty paid on U.S. travel goods imports from Vietnam in 2014 - \$110 million.
- Footwear
 - Good opportunities to take advantage.
 - Follows similar model where non-sensitive footwear gets immediate duty free access, and sensitive faces longer term phase out.
 - “Sensitive” footwear is only 18 tariff lines, but represents 43 percent of current U.S. imports from Vietnam.
 - Duty paid on U.S. footwear imports from Vietnam in 2014 - \$450 million.
- Apparel
 - Analysis of opportunities and impact more complicated.
 - Flexibilities important because Vietnam is not positioned NOW to take advantage of yarn forward.
 - Approximately 88 percent of yarns and fabric used in Vietnam is imported.
 - Approximately 93 percent of yarn and fabric imported into Vietnam comes from outside TPP.
 - This will change over time with changing trade patterns, new investment, and TPP accessions.
 - Restrictive rule of origin paired with limited “flexibilities.”
 - Permanent and temporary short supply list (SSL),
 - Several “cut and sew” categories (not requiring originating inputs),

- Earned Import Allowance Program (EIAP), matching originating and non-originating fabrics for U.S. duty free trousers imports from Vietnam.
- Companies are doing category by category analysis (i.e., pairing up market access schedule with SSL) to see where opportunities are immediate, medium, and longer term.
 - How fast can benefits be realized?
- In Vietnam, 12 Harmonized Tariff System (HTS) lines (at eight digit level) make up 50 percent of trade.
 - Five contain either duty free on day one, or flexibility, or both.
- Duty paid on U.S. apparel imports from Vietnam in 2014 - \$1.7 billion.

Other major opportunities

- Malaysia
 - Main opportunity is apparel
 - In Malaysia three HTS lines make up 50 percent of trade. All three contain either duty free day one, or flexibility, or both.
 - Duty paid on U.S. apparel imports from Malaysia in 2014 - \$101 million
- Existing supply chains
 - Companies are exploring whether they can use TPP countries to improve existing trade (i.e. using Japanese textiles in Mexico for U.S. market – allowed under TPP but not NAFTA).
- U.S. Exports:
 - Japan leather footwear Tariff Rate Quota (TRQ) will be eliminated.
 - This trade barriers was mentioned in the National Trade Estimates (NTE) report every year since its inception.
 - Results in elimination of 180 to 240 percent tariff imposed on U.S. leather footwear.
 - Yarn forward makes U.S. apparel exports difficult.
 - Made in USA does not require yarn forward so there will be situations where a product has a Made in USA label but cannot enjoy TPP benefits.
 - Many legwear companies will not be able to export from U.S. under Yarn Forward rule.
 - Short Supply List in many places says “except for socks and hosiery.

I look forward to taking your questions and providing additional follow up information.