January 13, 2016

Mr. Edward Gresser
Acting Chair
Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street NW.
Washington, DC 20508

Re: Review of Employment Impact of the Trans Pacific Partnership.
Docket Number: USTR-2015-0012

Dear Mr. Gresser:

On behalf of the American Apparel & Footwear Association (AAFA), I am writing to comment on the employment impact of the Trans-Pacific Partnership (TPP) pursuant to the request for comments posted on regulations.gov on December 28, 2015.

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.

The U.S. apparel, footwear, and accessories industry is a vibrant industry engaged in U.S. manufacturing, exporting, importing, and global market access. Nearly every U.S. job in our industry depends on access to foreign customers, access to global supply chains, or both for its existence. With more than 95 percent of the world's population living outside U.S. borders, the importance of access to foreign markets for U.S. exports and U.S.-branded products is self-evident. Equally important are the U.S. job opportunities created by U.S. imports, particularly since studies have found that 70 percent of the retail value of U.S. fashion imports is attributed to U.S. value-added activities.[1]

[1] See: http://www.tppapparelcoalition.org/uploads/021313_Moongate_Assoc_Global_Value_Chain_Report.pdf

1601 North Kent Street
Suite 1200
Arlington, VA 22209

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

Over the long term, the TPP has the potential to create additional trade-based jobs in the U.S. apparel, footwear, and accessories industries. Increased trade leads to more employment as U.S. companies hire an increasing number of higher skilled individuals to design product, manage supply chains, and manage distribution, manufacturing, and retail activities. With the TPP covering 40 percent of the world's GDP, reaching approximately 800 million consumers, the opportunities are significant.

These gains will be quicker in the case of travel goods and footwear, which feature more flexible rules of origin and immediate duty-free elimination. For most apparel, which is constrained by extremely restrictive rules of origin and long duty phase-outs, positive effects on U.S. apparel employment may not materialize until the later years of the TPP's implementation. Such benefits will depend on how quickly supply chains are able to adapt and react to the TPP through shifts in trade patterns, more investment, and future changes to the TPP (such as changes in the rule of origin or accession of new parties).

Strict rules of origin will in particular have a deleterious impact on the ability of U.S. apparel exporters to take advantage of this agreement. Companies who are not able to locate sufficient qualities or quantities of yarns or fabrics needed to produce their apparel in the United States will not be able to take advantage of duty reductions. Some of that adverse impact may be offset if the TPP generates investment in production and related management activities. For this to occur, companies must develop supply chains through direct investments, or partnerships that are willing to make sizable investments, to produce appropriate levels of yarns or fabrics needed to produce their apparel.

At the same time, some of those companies may be forced to locate their manufacturing activities offshore to take advantage of non U.S. FTAs that offer more flexible rules of origin to key markets. The U.S. legwear industry faces additional hurdles as socks and hosiery are excluded by fiat from many of the short supply provisions that other apparel products can use.

It is still too early to forecast fully the exact outcome of the total supply chain gains or losses given the considerable diversity that exists in the apparel industry. We believe it is reasonable to expect that the market size and manufacturing demand will ultimately drive resources to be invested (either in the United States or in other TPP countries) based on economic expectations to the robust market being proposed.

Complicating that analysis, U.S. apparel and footwear employment benefits may also be adversely affected due to the U.S./Vietnam labor provisions, which freeze duty reductions if Vietnam does not undertake certain commitments by the fifth year. While the industry supports improving labor standards and applauds the TPP for advancing that goal, the uncertainties around the implementation of these provisions, the fact that they exist outside of normal dispute settlement procedures, and the fact that they fall disproportionately hard on the apparel and footwear industry are a cause for concern. We look forward to receiving more details on exactly how these provisions will operate in the near future.

Finally, the inclusion of standard Berry Amendment protections, which require textiles, apparel, and footwear sold to the military to be sourced entirely within the United States, will help preserve U.S. military contractor employment in this sub-sector. Thousands of U.S. contractor jobs depend upon access to the U.S. military market – in many cases the only customer of small and disadvantage businesses. Keeping Berry protections intact in the TPP ensures that the protections enshrined in other FTAs are not eroded.

Thank you for consideration of these views. Please contact me on (202) 853-9347 or slamar@wewear.org if you would like further information.

Sincerely,

Stephen Lamar
Executive Vice President