

# **INDUSTRY STAKEHOLDER PRESENTATION**

**OCTOBER 1, 2014**

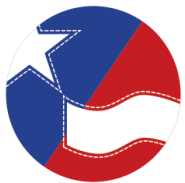


## **APPAREL & FOOTWEAR IN THE TTIP: FINDING COMMON GROUND**

**NATE HERMAN**

**VICE PRESIDENT OF INTERNATIONAL TRADE**

**AMERICAN APPAREL & FOOTWEAR ASSOCIATION (AAFA)**



UNITED STATES  
FASHION INDUSTRY ASSOCIATION

## **WHAT DEFINES A SUCCESSFUL TTIP FOR APPAREL: RECOMMENDATIONS FROM AAFA, EBCA, AND USFIA**

**JULIA K. HUGHES**

**PRESIDENT**

**UNITED STATES FASHION INDUSTRY ASSOCIATION (USFIA)**

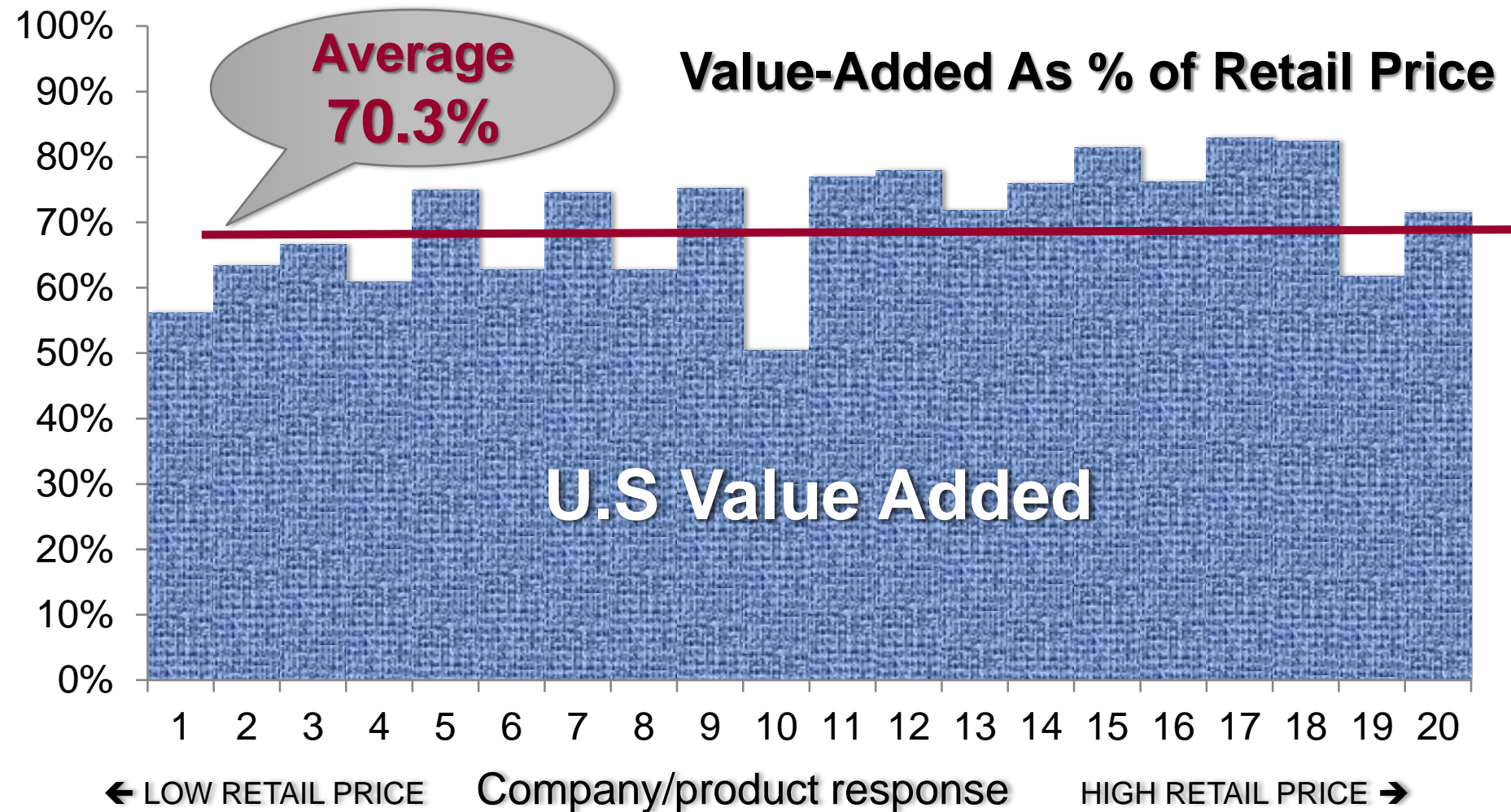
# A STORYBOARD





**REALITY OF TODAY:  
GLOBAL VALUE  
CHAINS (GVCs)**

# GVCS BENEFIT U.S. WORKERS & U.S. ECONOMY



Source: *Analyzing the Value Chain for Apparel Designed in the United States and Manufactured Overseas*, Moongate Associates, Feb 2013

# THE GLOBAL VALUE CHAIN STORYBOARD

**Design**

**Vendor Partnerships**

**Global Sourcing**

**Approved Vendor Opportunities**

**Manufacturing**



**Global Retail**

**Merchandising**

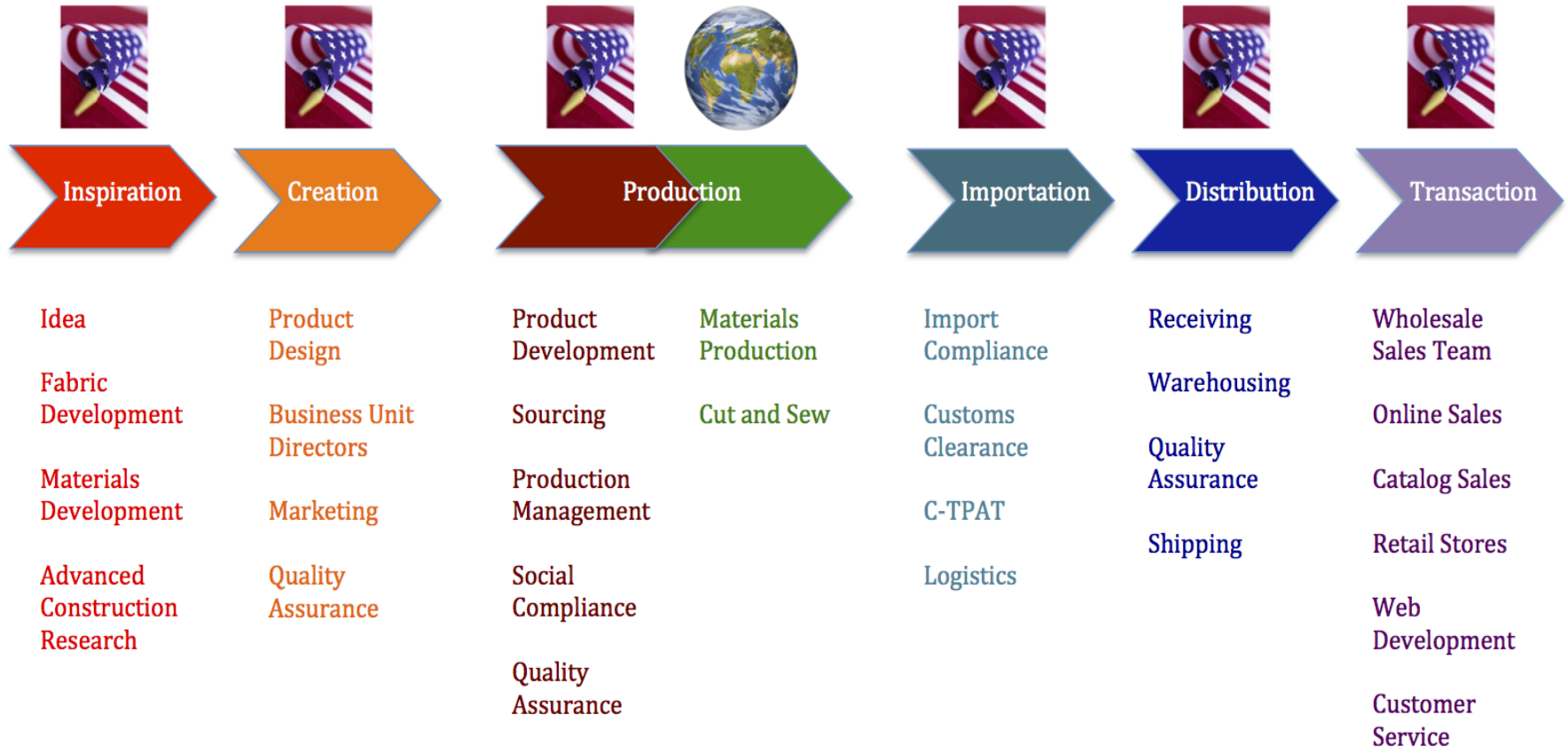
**Logistics**

**Customs Enforcement**

**Regulatory Coherence for Labeling & Testing**



# APPAREL GLOBAL VALUE CHAIN



# **GLOBAL VALUE CHAIN STUDY**

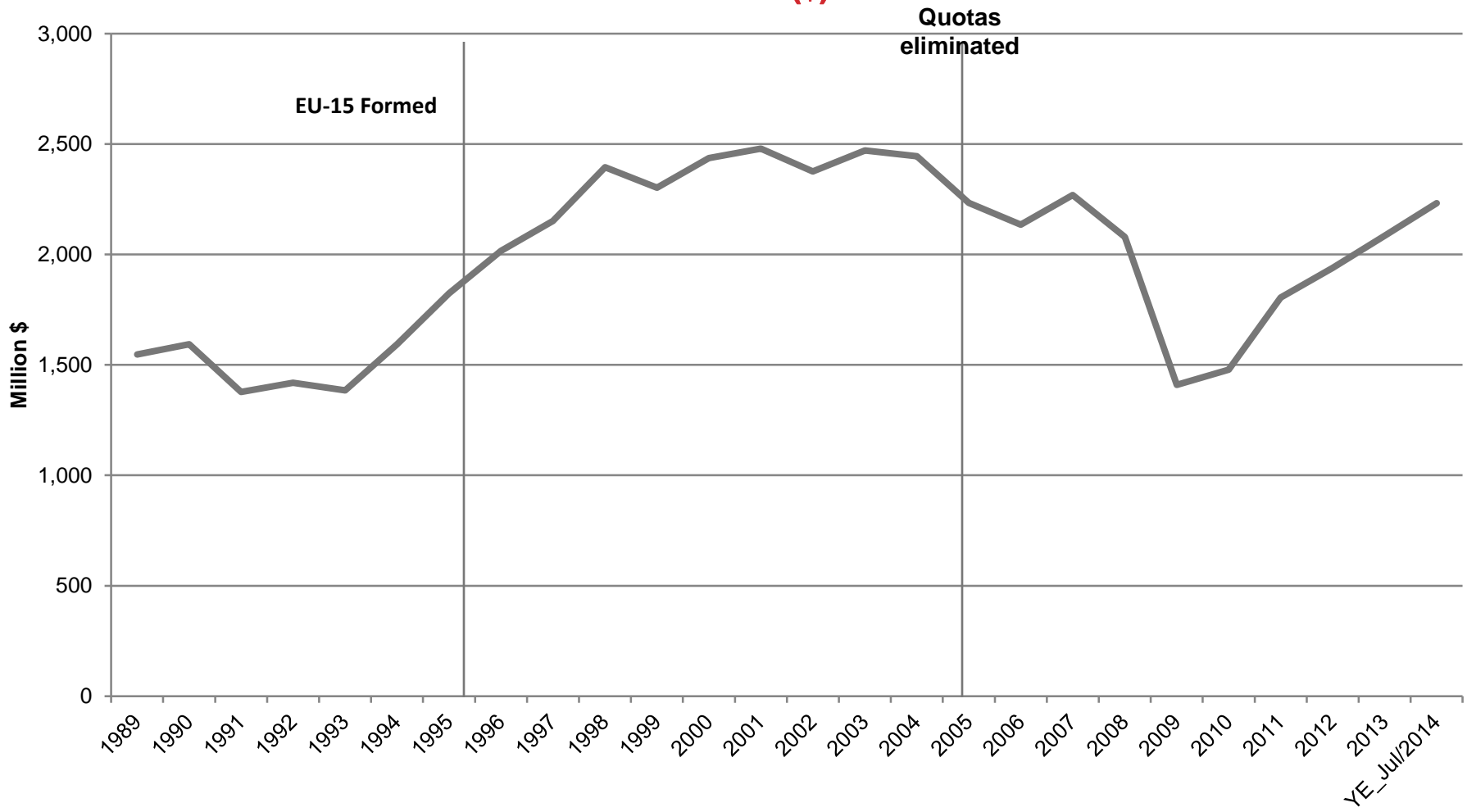
- **Buy and Sell Everywhere**
- **February 2013 Study by Moongate Associates**
- **U.S. value-added exceeded 70%**
  - **Value-Added in U.S. Dwarfs Foreign Value-Added**
- **U.S. value-added translates into U.S. jobs**
  - **3 Million Direct U.S. Jobs**
  - **Supports Over 1 Million Other U.S. Jobs**



**APPAREL TRADE  
BETWEEN  
U.S. AND EU**



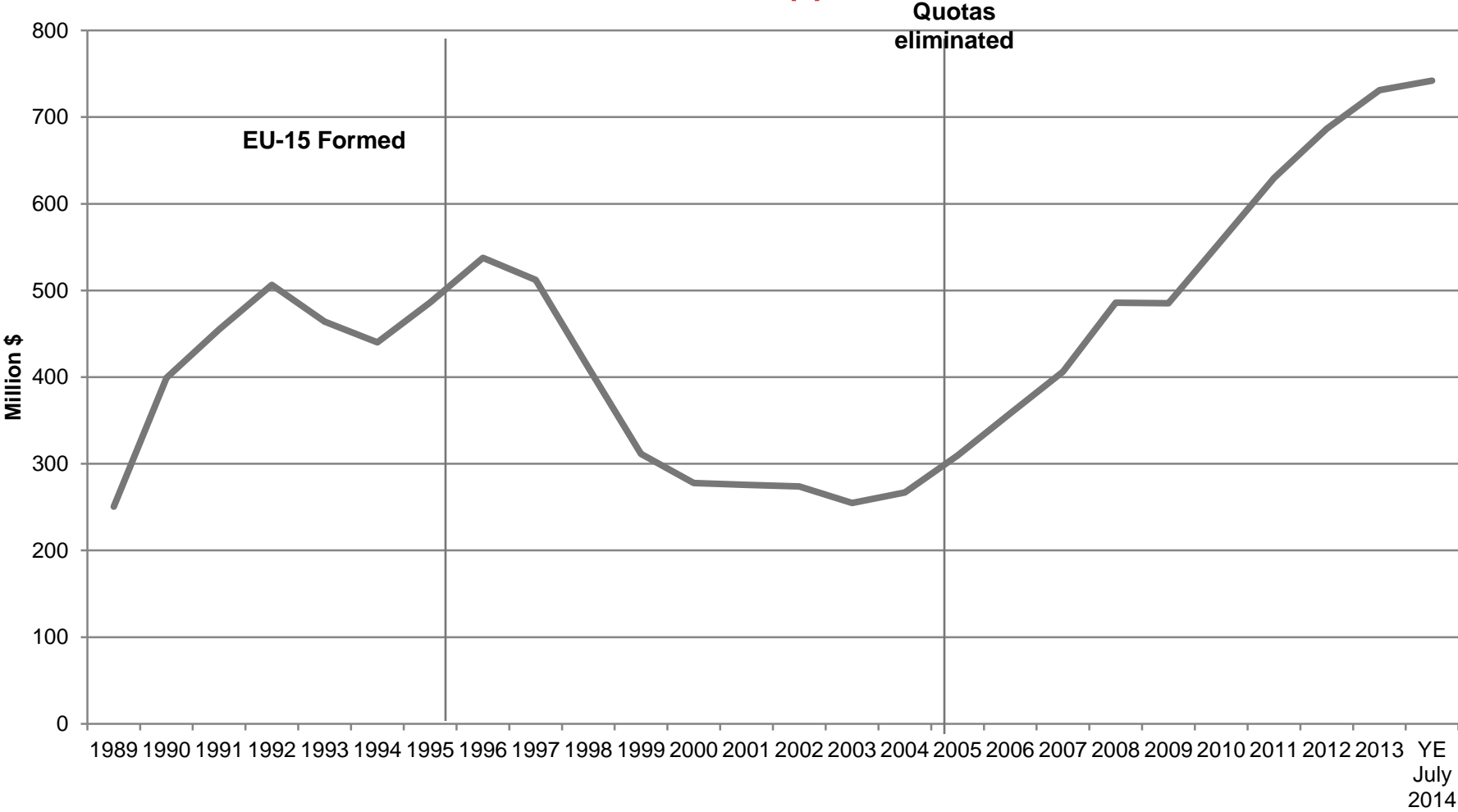
# U.S. APPAREL IMPORTS FROM THE EU BY VALUE (\$)



Source: U.S. Department of Commerce Office of Textiles & Apparel (OTEXA)

# U.S. APPAREL EXPORTS TO THE EU

## BY VALUE (\$)



**Source: U.S. Department of Commerce Office of Textiles & Apparel (OTEXA)**

## TOP U.S. APPAREL IMPORT SOURCES

### BY VALUE (\$)

<i>Rank</i>	<i>Country</i>	<i>Y/E July 2014</i>	<i>Y/E July 2013</i>	<i>% Share</i>	<i>% Growth</i>
	World	80,778,505,834	78,361,540,828	100.00	2.99
1	China	29,737,257,075	29,446,536,492	36.81	0.98
2	Vietnam	8,752,031,282	7,608,167,815	10.83	13.07
3	Bangladesh	4,894,986,125	4,722,322,510	6.06	3.53
4	Indonesia	4,833,217,930	5,049,080,784	5.98	-4.47
5	Mexico	3,687,718,354	3,656,117,108	4.57	0.86
-	EU	2,231,934,920	2,004,518,455	2.76	10.19
14	Italy	1,294,618,655	1,180,655,409	1.60	8.80
31	Portugal	168,041,405	132,281,342	0.21	21.28
32	Romania	166,114,682	143,294,588	0.21	13.74
33	France	155,358,382	147,996,917	0.19	4.74

# TOP U.S. APPAREL EXPORT DESTINATIONS

## BY VALUE (\$)

<i>Rank</i>	<i>Country</i>	<i>Y/E July 2014</i>	<i>Y/E July 2013</i>	<i>% Share</i>	<i>% Growth</i>
	World	5,951,826,873	5,654,168,773	100.00	5.26
1	Canada	2,076,860,799	1,908,683,571	34.89	8.81
2	Mexico	937,573,152	849,308,215	15.75	10.39
-	EU	741,974,544	718,001,673	12.47	3.34
3	United Kingdom	324,181,467	306,745,676	5.45	5.68
4	Japan	268,054,434	306,176,015	4.50	-12.45
5	Honduras	125,716,120	134,326,364	2.11	-6.41
10	Germany	100,814,697	85,087,420	1.69	18.48
11	Netherlands	93,741,135	103,098,195	1.57	-9.08
16	Italy	60,525,541	54,977,791	1.02	10.09
18	Belgium / Luxembourg	46,410,696	60,636,992	0.78	-23.46

# TOP EU APPAREL IMPORT SOURCES

BY VALUE (€)

<i>Rank</i>	<i>Country</i>	<i>Y/E July 2014</i>	<i>Y/E July 2013</i>	<i>% Share</i>	<i>% Growth</i>
	World	69,766,443,974	67,118,793,260	100.00	3.94
1	China	27,072,396,955	26,892,593,583	38.80	0.67
2	Bangladesh	10,383,304,984	9,323,439,401	14.88	11.37
3	Turkey	8,927,037,165	8,769,715,136	12.80	1.79
4	India	4,393,414,240	4,083,526,009	6.30	7.59
5	Morocco	2,182,834,852	2,139,137,744	3.13	2.04
16	United States	440,958,111	478,772,607	0.63	-7.90

Source: European Commission's eurostat

# TOP EU APPAREL EXPORT DESTINATIONS

## BY VALUE (€)

<i>Rank</i>	<i>Country</i>	<i>Y/E July 2014</i>	<i>Y/E July 2013</i>	<i>% Share</i>	<i>% Growth</i>
	World	21,786,264,117	20,838,908,389	100.00	4.55
1	Switzerland	3,328,349,546	3,285,363,233	15.28	1.31
2	Russia	3,144,547,928	3,125,772,789	14.43	0.60
3	United States	2,356,992,440	2,277,675,666	10.82	3.48
4	Hong Kong	1,457,204,654	1,280,426,957	6.69	13.81
5	Japan	1,303,463,651	1,321,671,143	5.98	-1.38

Source: European Commission's eurostat

A yellow sticky note is pinned to a white background with a red pushpin. The text on the note is written in a bold, red, sans-serif font and is arranged in four lines, slanted downwards from left to right. The text reads: "JOINT POSITION:", "AAFA, USFIA,", "AND EBCA".

**JOINT POSITION:  
AAFA, USFIA,  
AND EBCA**

# KEY PRIORITIES



**Harmonization of  
Labeling, Product  
Safety, Testing  
Regulations &  
Prohibited Substances**



**Full, Immediate,  
Reciprocal  
Elimination of  
Tariffs**

**Flexible ROO**

**Facilitative  
Customs  
Provisions**



**Regulatory  
Convergence or Mutual  
Recognition of  
Regulations &  
Standards Across the  
Atlantic**





**Regulatory Convergence  
or Mutual Recognition of  
Regulations & Standards  
Across the Atlantic**

**The removal of non-tariff barriers on each side of the Atlantic has the potential to create significant economic growth. We believe regulatory convergence or mutual recognition should be used where possible and support the creation of a mechanism in TTIP that fosters the exchange between EU and U.S. legislative and regulatory authorities on how to address barriers to trade. Moreover, cooperation on new initiatives being developed can be an important contribution to avoiding future trade distortions.**



**Full, Immediate, &  
Reciprocal  
Elimination of Tariffs**

**Textile, leather, and clothing products are still among the most protected goods in the European Union, the United States and elsewhere. In the best-case scenario, TTIP would provide for the full, reciprocal, and immediate elimination of duties on apparel, without phase-out periods to reduce trade costs and barriers that disproportionately affect this industry, and which unnecessarily impose costs on consumers in both the United States and Europe.**



## **Flexible Rules of Origin**

**Tariff elimination is rendered meaningless if parties adopt restrictive rules of origin, forcing companies to use certain inputs to gain the benefits of the free trade agreement. Such restrictive rules discourage use of the agreement by both importers and exporters. We urge the Rules of Origin in this agreement be simple and flexible to encourage the development of trade and investment of companies using global supply chains.**



## **Harmonization of Regulations on Labeling**

**We believe it would be beneficial to harmonize textile-labeling regulations between the European Union and the United States as there are currently various differences intra-EU and across the Atlantic that add cost for businesses and consumers. Overall, the number of compulsory labeling requirements affixed to the product should be minimized to allow product-labels to be kept as simple as possible to promote consumer understanding. This simplification should include an alignment of the names of textile fibers and care instruction symbols on the basis of ISO standards, and eliminate requirements at Member State and U.S. state levels for chemicals substance labeling in favor of EU/U.S. Federal level requirements.**



**Harmonization of  
Regulations and  
Requirements on  
Product Safety & Test  
Methods**

**We strongly support the intention to harmonize technical regulations and approaches to guarantee product safety and consumer protection. Ideally, the European Union and the United States should work to remove unnecessary and duplicative testing by expanding of acceptance of conformity assessment bodies and moving towards a single international standard test method.**



## **Emphasis on Facilitative Customs Provisions**

**TTIP could help boost trade by reducing unnecessary border costs and delays for traders by improving predictability, simplicity, and uniformity in border procedures. We therefore support the negotiation of a Customs chapter that emphasizes trade facilitation, treats trusted traders as partners, and focuses enforcement activities on traders who are more likely to present risks. A standard approach for Customs across the United States and in various ports in Europe would help to eliminate current inconsistencies leading to high additional costs.**



## **Establishment of Harmonized List of Prohibitive Substances**

**We support the intention to work towards establishing a common list of chemicals and other substances which are prohibited or restricted in textile/clothing products as well as establishing common maximum allowed levels at EU/U.S. Federal levels. These limits and restrictions should be harmonized at Member State/State levels and applied consistently under a common framework. This area could be linked to the agreement between parties in the context of chemicals. Ideally, negotiators would agree on a simplification of compliance procedures without lowering the level of protection.**

# **U.S. FASHION INDUSTRY BENCHMARKING**

**USFIA's survey of 29 of the largest, leading fashion brands and retailers found...**

- 89% support or strongly support reducing the U.S. import tariff rate for apparel and fashion accessories**
- 85% support or strongly support abandoning yarn-forward Rules of Origin**
- Respondents report very low utilization rates of current FTAs and preference programs, suggesting that current rules do not work for the industry.**



**YARN-FORWARD  
DOESN'T WORK  
WITH TODAY'S  
GLOBAL VALUE  
CHAINS**

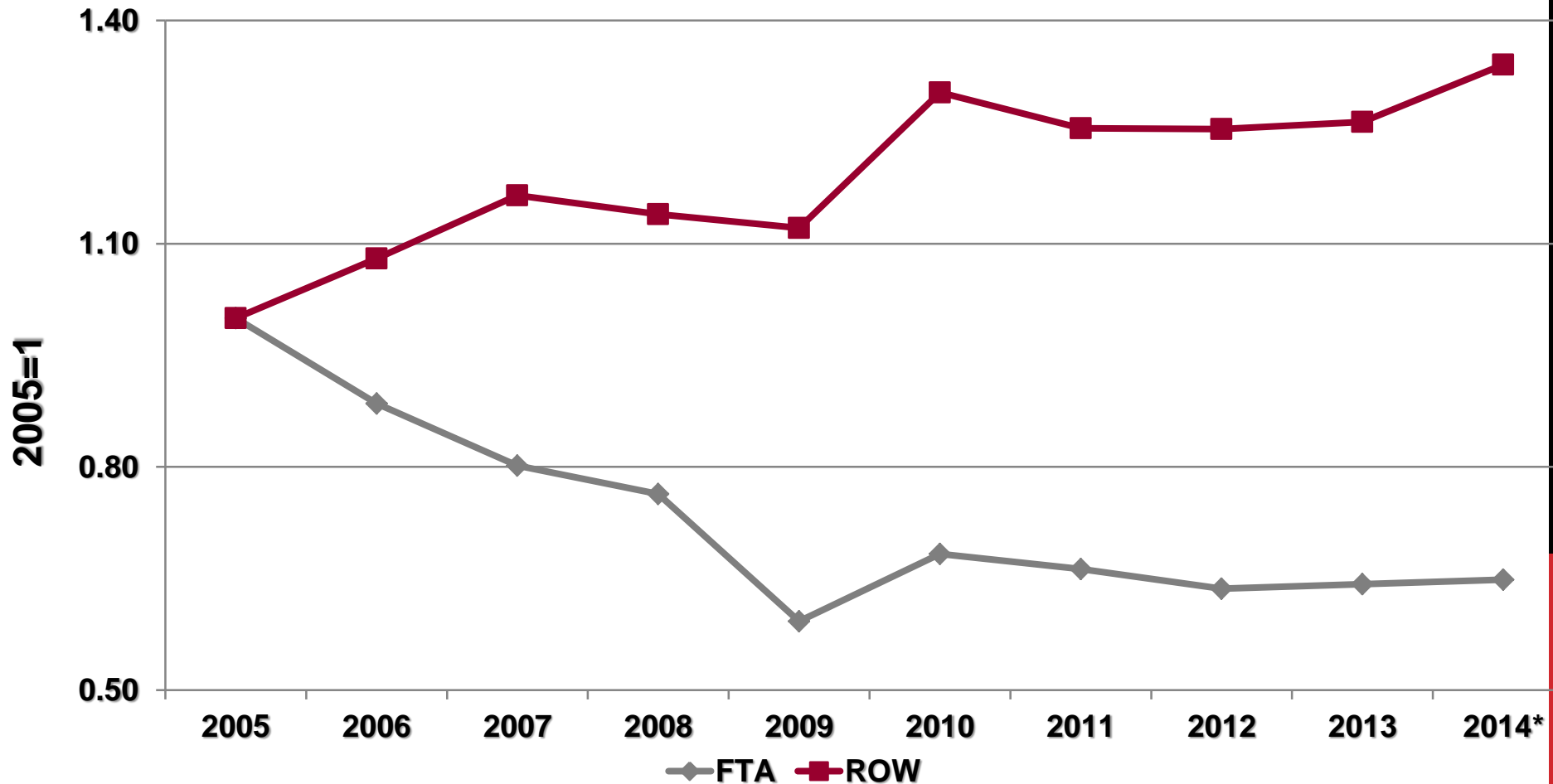
# WHAT IS YARN-FORWARD?



# INDEX OF U.S. APPAREL IMPORTS

## U.S. YARN-FORWARD FTAS VS. ROW

### 2005 = 1 (BY VOLUME)



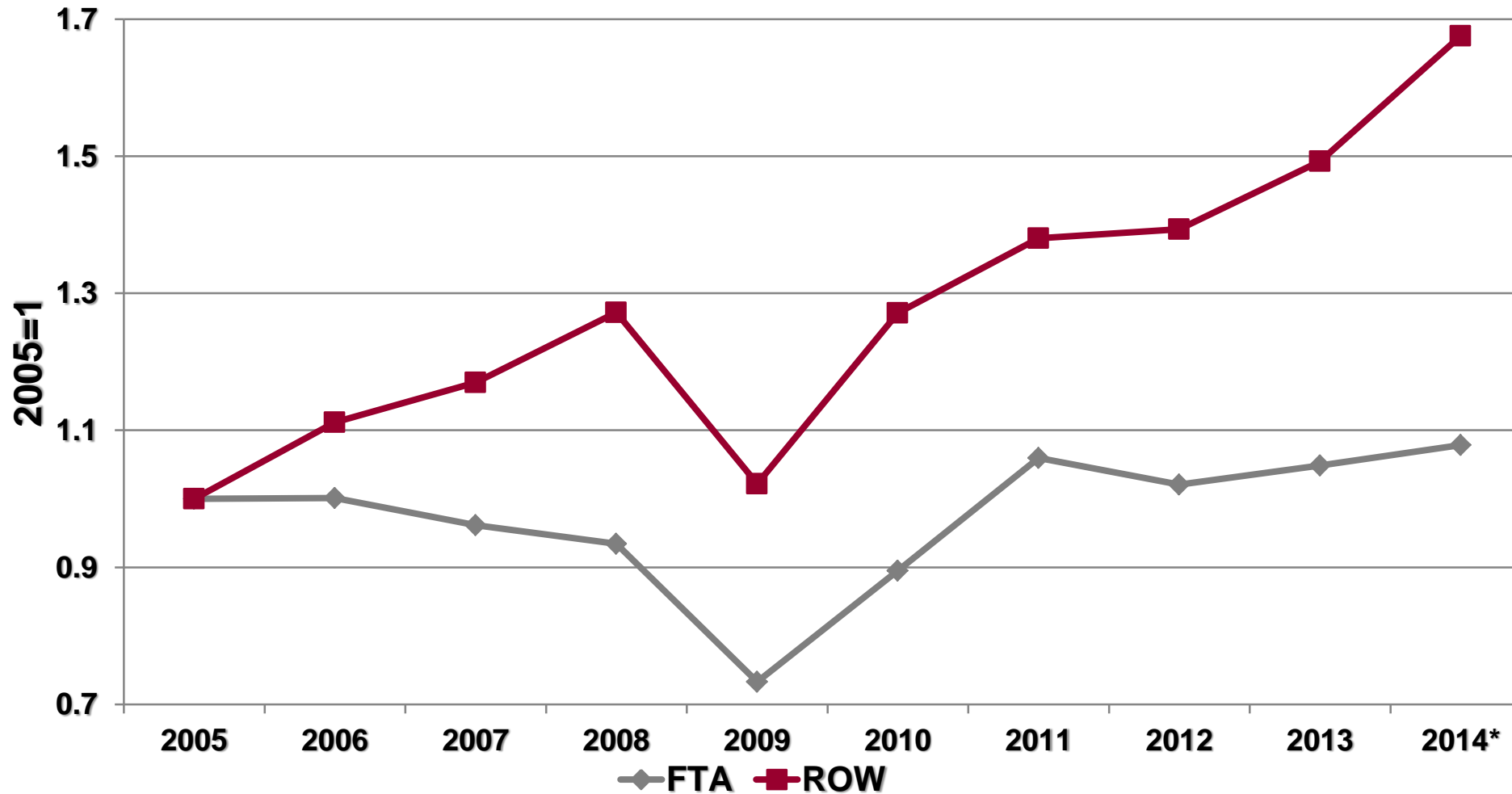
\*2014 = YE July 2014

Source = Office of Textiles & Apparel (OTEXA), U.S. Department of Commerce

# INDEX OF U.S. YARN & FABRIC EXPORTS

## U.S. YARN-FORWARD FTAS VS. ROW

### 2005 = 1 (BY VOLUME)



\*2014 = YE July 2014

Source = Office of Textiles & Apparel (OTEXA), U.S. Department of Commerce

# **OUR PROPOSAL FOR T-TIP**

## **APPAREL**

### **FLEXIBLE RULES WITH...**

- RVC (REGIONAL VALUE CONTENT)**
- CUT & SEW**
- CHANGE IN TARIFF HEADING**

## **FOOTWEAR**

### **CHANGE IN TARIFF HEADING**

## **IMMEDIATE & RECIPROCAL DUTY-FREE ACCESS**

# THANK YOU!



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