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April 11, 2014

Secretary  
United States International Trade Commission  
500 E Street SW  
Washington, DC 20436

**RE: Inv. No. 332-503, Earned Import Allowance Program: Evaluation of the Effectiveness of the Program for Certain Apparel from the Dominican Republic)**  
[http://www.usitc.gov/secretary/fed\\_reg\\_notices/332/332\\_503\\_notice02242014sgl.pdf](http://www.usitc.gov/secretary/fed_reg_notices/332/332_503_notice02242014sgl.pdf)

To Whom It May Concern:

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 referenced annual study by the International Trade Commission's (ITC) study on the effectiveness of the Earned Import Allowance Program.

By way of background, the AAFA represents about 530 companies accounting for about 1000 brands. Our members design, make, market, and sell clothes, shoes, and fashion accessories in the United States and in nearly every country around the world, including in the Dominican Republic.

As you may recall, we have commented on this program in the past during the previous ITC investigations. We appreciate the continued opportunity to comment, and recognize that the request for comment is mandated by Congress. However, we are puzzled why Congress, after four years of reports showing how the program has failed to satisfy its goals, does not take action to rectify the situation. This lack of action is perplexing as there was strong bipartisan and bicameral support for the program when it was first enacted.

In 2013, the ITC reported, "Four years after the implementation of the EIAP, the Government of the Dominican Republic and U.S. and Dominican apparel industry sources indicated that, as currently structured, the program is not providing enough incentives to help boost the competitiveness of Dominican apparel exports in the U.S. market. As in the previous year, U.S. imports of woven cotton bottoms (pants and trousers, bib and brace overalls, breeches and shorts, and skirts and divided skirts) from the Dominican Republic declined significantly in 2012 and in the first quarter of 2013, by value and by quantity."

In 2012, the ITC reported, "Three years after its implementation, the Earned Import Allowance Program (EIAP) is not providing enough incentives to help boost the competitiveness of Dominican apparel exports in the U.S. market, as intended." That report further states, "The USITC received several recommendations from industry and other sources concerning improvements to the EIAP. The recommendations were the same as those offered during the first and second annual reviews. They included lowering the 2-for-1 ratio of U.S. to foreign fabric to a 1-for-1 ratio; including other types of fabrics and apparel items in the EIAP; and changing the requirement that dyeing, finishing, and printing of eligible fabrics take place in the United States."

In 2011, the ITC reported "The Earned Income Allowance Program (EIAP) appears to provide insufficient incentive to increase production of woven cotton bottoms in the Dominican Republic."

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The 2010 report, which was initially optimistic, reported that “The Earned Income Allowance Program (EIAP) had initial beneficial effects on U.S. and Dominican textile and apparel industries.” However, it further noted, “reports on planned use of the program going forward have been mixed, as some Dominican trouser manufacturers and U.S. firms that import woven cotton trousers from the Dominican Republic indicate the program may become less cost-effective in the future. A few of the firms indicated that they may move production out of the Dominican Republic if it is no longer economical to produce there.”

This unmistakable negative trend is reinforced by trade statistics published on the website of the Commerce Department agency that implements this program.

In 2013, U.S. apparel imports under the EIAP equaled \$2.7 million. This represents a 76 percent drop from 2012 levels of \$11.4 million. The 2012 levels in turn represent a 45 percent drop from the 2011 levels of \$20.6 million (which in turn represents a 37 percent drop from 2010 levels). Data for the first two months of 2014 are running at an annualized level of about 1/10 of the already depressed 2013 levels. This drop in qualifying U.S. imports under the EI AP has been accompanied by a parallel drop in all woven cotton bottom imports (the class of garments eligible to be imported under the EIAP) into the United States from the Dominican Republic.

Although there was initial enthusiasm for the program, a decision by the Commerce Department to interpret the term “wholly formed” in a manner that required qualifying fabrics to be dyed and finished in the United States, made the program cost prohibitive. As a result, companies either shifted production out of the Dominican Republic or discontinued use of the Earned Import Allowance Program (EIAP), or both.

While AAFA members have occasionally explored using the program, they report that the benefits offered by the program are not sufficient to warrant business development. Unless rectified, we continue to see the program as providing little benefit for any of the stakeholders. U.S. and Dominican apparel companies will not use the program to be competitive nor will U.S. textile companies see fabric exports occur as a result.

We believe several strategies could be employed that could arrest this decline, creating real opportunities for apparel production in the Dominican Republic and for U.S. textile exports. Not surprisingly, these suggestions were included in past reports and we would respectfully ask that they be cited in the 4<sup>th</sup> report as well:

1. Modify the 2:1 ratio to 1:1.
2. Reverse the “wholly formed” interpretation by the Commerce Department.
3. Expand the program coverage to enable other kinds of fabrics and products to gain benefits.

It is our hope that these recommendations could be considered by Congress and implemented this year.

In the meantime, thank you again for providing us this opportunity to submit comments on this matter. If you have any questions or comments, please feel free to contact Nate Herman ([nherman@wewear.org](mailto:nherman@wewear.org)) in my office.

Sincerely,



Steve Lamar  
Executive Vice President