



Policy Challenges Facing the U.S. Apparel Industry

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AMTAC

“The mission of the American Manufacturing Trade Action Coalition (AMTAC) is to preserve and create American manufacturing jobs through the establishment of trade policy and other measures necessary for the U.S. manufacturing sector to stabilize and grow.”

International Trading System

- Modern global trading system has its roots in the post World War II era
- To foster political, economic and monetary stability, three multinational organizations were formed:
 - United Nations (1945)
 - International Monetary Fund (1945)
 - General Agreement on Tariffs & Trade or GATT (1947)

Marshall Plan Mentality

- Post WW II – America is the strongest economic, industrial and military power in the world
- U.S. dedicated to rebuilding the global economy
- Trade was viewed as a conduit for aid to allies (non Soviet Bloc countries)

General Agreement on Tariffs & Trade

- Multilateral agreement that established international trade rules
- Helped to regulate tariff treatment
- Defined unfair trading practices
 - Dumping
 - Subsidies
- Succeeded by the World Trade Organization (1995)
- WTO has stronger enforcement mechanisms than the GATT

GATT/WTO System

- Concessions & obligations based on economic development
- Least developed countries – Bangladesh/Sub Saharan Africa
- Developing countries – India/China
- Developed countries – U.S./Western Europe

Textiles & Apparel are Key Areas of Trade Policy Focus

- Textiles & apparel are generally the #1 export commodity for most developing countries
- Apparel especially critical to developing countries since it is often a low capital investment / high labor industry
- U.S. tariffs on textiles & apparel are higher than most other manufactured products
 - Avg. U.S. duty on Manufactured Goods – 3%
 - Avg. U.S. duty on Yarns – 5-7%
 - Avg. U.S. duty on Fabrics – 10-12%
 - Avg. U.S. duty on Apparel – 15-17%

Possible 2012 Policy Developments

- Berry Amendment Procurement Reform
- Trans-Pacific Trade Partnership (TPP)
- Least-Developed Country (LDC) Preferences / Preference Reform
- Pakistan/Afghanistan Reconstruction Opportunity Zones (ROZ)
- Philippines Preference Program for Apparel

Berry Amendment & Procurement Reform

- Current Emphasis on Reducing the Federal Budget will lead to Scrutiny of Existing Procurement Rules
- Opponents of Buy-American Laws will Argue that We “Can No Longer Afford” the Berry Amendment
- Under the Guise of Procurement Reform a Troubling Alliance is Forming between:
 - Administration Procurement Officials
 - Opponents of Berry on Capitol Hill
 - Foreign and U.S. Multinational Textile and Apparel Companies

Trans-Pacific Partnership (TPP)

Negotiations

- Ambitious new agreement with 8 other countries and plans to expand.
 - Four participants are already FTA partners: Singapore, Chile, Australia and Peru.
 - Four countries would be new FTA partners – Malaysia, Brunei, New Zealand and **Vietnam**.
- Original goal was to complete by APEC meeting in Nov.; however, talks will stretch into 2012.

TPP Continued

- Obama administration has tabled a yarn-forward rule of origin but no agreement from other participants
- TPP countries will be seeking expeditious duty-free treatment for qualifying apparel
- Customs enforcement provisions will be critical to prevent non-TPP countries (China) from taking advantage of duty free benefits

Special Apparel Preferences for all Least Developed Countries

- Some members of Congress are driving a movement to revise U.S. preference programs to:
 1. include all least developed countries
and
 2. eliminate the yarn-forward rule of origin for textiles and apparel

Preference Program Changes

- These changes would signal a fundamental shift in U.S. trade policy for textiles and apparel
- Bangladesh and Cambodia are significant exporters to the U.S. and have been gaining market share rapidly
- Eliminating the yarn-forward rule of origin would take business from U.S. yarn and fabric component suppliers and give it to China

Special Apparel Preferences for Pakistan & Afghanistan

- Bush administration initiative to counteract terrorism by creating Reconstruction Opportunity Zones (ROZs) encompassing Afghanistan and the border regions of Pakistan
- Program includes limited product coverage allowing certain textile and apparel articles assembled in ROZs to be imported into the U.S. duty free
- Obama administration and certain members of congress working to expand product coverage and geography, which would simply subsidize existing Pakistani production and cost U.S. jobs

Special Apparel Preferences for the Philippines

- Legislation known as SAVE Act would provide U.S. duty-free treatment for imports of certain apparel items from the Philippines
- Apparel containing U.S. yarns and fabrics qualifies for U.S. duty free treatment
- Also contains problematic single transformation (assembly only) rule for a lengthy list of products

Summation

- U.S Trade Policy Heavily Rooted in an Antiquated Marshall Plan Mentality
- U.S. Manufacturers and Producers are Consistently Placed at a Disadvantage
- Textiles and Apparel are Key Areas of Focus for U.S. Trade Policy
- The Budget Reduction Debate will Spur Procurement Reform Initiatives that will Impact the Berry Amendment
- Several Other Current Policy Initiatives would have a Dramatic Impact on the U.S. Industry

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