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For Immediate Release

June 1, 2011

52 Members of Congress Send USTR Key Negotiating Objectives for Trans-Pacific Partnership In Textiles and Apparel Chapter

Washington, DC) – Congressman Trey Gowdy (R-SC), along with Congressman Howard Coble and Larry Kissell joined 49 other Members of Congress in sending a letter to United States Trade Representative Ambassador Ron Kirk this week outlining key negotiating objectives for the textiles and apparel chapter of the Trans-Pacific Partnership (TPP) that is currently being negotiated.

The TPP agreement includes Chile, New Zealand and Singapore, Brunei, Australia, Vietnam, Peru, and Malaysia. However, it is Vietnam that causes serious concerns among U.S. textile and apparel producers and their trading partners in CAFTA, NAFTA, and Andean regions. Vietnam with its non-market economy is currently the second largest supplier of textile and apparel to the United States. Vinatex, the state controlled and subsidized textile and apparel company is responsible for nearly 40 percent of all Vietnamese textile and apparel exports. In addition, Vietnam depends on China, another major subsidizer, for most of its yarns and fabrics, importing \$2.2 billion of textile components from China in 2009.

Last month, during a House Committee on Agriculture hearing, Kirk said the administration is taking care to engage the textile industry "often and early" as it moves forward with the TPP negotiations. He said USTR hoped to get a "much better deal" (than Korea) for the U.S. textile industry in the TPP context. (*Inside U.S. Trade - 05/13/2011*)

"We want Ambassador Kirk to live up to his statements and this letter demonstrates that Members of Congress both Republicans and Democrats feel the same way," said NCTO Chairman Bill Jasper.

NCTO President Cass Johnson detailed the industry concerns: "Vietnam has drastically different working conditions, wages, health and safety rules, as well as other factors that could place our manufacturers at a distinct disadvantage without proper rules. In addition, the ownership by the government of land, the government control of wages, and the inability of workers to organize means that USTR must take a different approach where Vietnam is concerned. We need an agreement that provides market opportunities for our U.S. textile companies and workers and we urge USTR to ensure that the TPP negotiations do not negatively impact our industry."

The letter sent to Ambassador Kirk recommends objectives to address these concerns including negotiating special market access rules, adopting a yarn-forward rule of origin, and mandating that customs enforcement rules be strengthened well beyond past agreements.

The next round of TPP negotiations is scheduled to take place June 20th-24th in Vietnam where new U.S. proposals for textile and apparel rules are expected to be tabled.

A copy of the letter follows this release.

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June 1, 2011

Ambassador Ron Kirk
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Kirk:

As members of the United States House of Representatives representing districts with substantial textile and apparel industry interests, we write regarding the ongoing Trans-Pacific Partnership (TPP) negotiations. While we understand and appreciate the broad trade and geopolitical opportunities presented by the TPP, this agreement poses unique challenges for the U.S. textile and apparel industry, especially with the inclusion of Vietnam.

Consequently, from the perspective of the domestic textile sector, it is crucial that the United States handle the TPP negotiations carefully. If mismanaged, the TPP agreement could dramatically shift global trading patterns, displace critical U.S. textile, and apparel jobs and undermine important trade relationships in the Western Hemisphere that support nearly two million jobs.

Challenges Posed by Vietnam:

It is important to recognize that Vietnam's textile and apparel production and export model is heavily influenced by its proximity to and its relationship with China. Like China, Vietnam has a large state-owned and subsidized textile sector. Vietnam also has an undervalued currency, weak environmental rules and lax intellectual property enforcement. Finally, Vietnam depends on China for most of its yarns and fabrics, importing \$2.2 billion of textile components from China in 2009. Due to the fact that China is the dominant source of Vietnam's textile and apparel inputs, their market does not offer significant export opportunities for U.S. yarn and fabric producers.

In terms of trade flows, Vietnam, paying full duties, is already the second largest supplier of textiles and apparel to the United States behind China. A partially state-owned company named Vinatex is the 10th largest garment producer in the world. Furthermore, 57 percent of the U.S. merchandise trade deficit with Vietnam is in textiles and apparel.

Vietnam's ability to flood the U.S. textile and apparel market with imports is also well documented. Since Vietnam was granted "normal trade relations" with the U.S. in 2001, its textile and apparel exports to the U.S. market have increased by 12,855 percent and totaled \$6.3 billion in calendar year 2010. As a result, it is critical that the United States insist on the strongest possible textile text to address the challenges posed by Vietnam's inclusion in TPP.

We are encouraged that you have already indicated that textiles and apparel should be handled as a separate negotiating group. The textile and apparel sector has always been treated as an

independent chapter under U.S. free trade agreements, and we strongly support separating this product grouping from other manufactured products under the TPP negotiations. Textiles and apparel account for over one-third of two-way trade between the United States and Vietnam and represent a complex area of U.S. trade policy with unique sensitivities compared to virtually all other industrial sectors. As a result, these products are not suitable for treatment under a generic formula for all manufacturing products.

Moreover, we recommend the following key negotiating objectives under the TPP textile chapter:

- 1. Noting Vietnam's non-market economy status and the subsequent inherent advantages provided to its textile and apparel sector, special market access rules should be negotiated under TPP.** Various approaches for sensitive products should be considered such as excluding certain tariff lines altogether, negotiating tariff reductions versus phase-outs, and extended duty phase-down/phase-out periods. Furthermore, Vietnam should be required to meet certain transparency and market-based economy benchmarks before gaining benefits.
- 2. The basic yarn-forward rule of origin for textiles and apparel should be adopted under the TPP with no loopholes.** The yarn-forward rule is the accepted rule for the industry and is incorporated into all U.S. free trade agreements dating back to NAFTA. This is also the most logical rule because it reserves the benefits for the signatories to the agreement and also aids in Customs enforcement. In addition, the President, in a letter to the U.S. textile industry on October 24, 2008, indicated his strong preference for a yarn-forward rule. As part of the yarn-forward rule, it is also important that all textile components in garments, including linings, narrow elastic fabrics, sewing thread and pocketing, be required to originate in parties to the agreement. Derogations from the yarn-forward rule, including tariff preference levels (TPLS) and single transformation, should not be allowed.
- 3. Customs enforcement rules must be strengthened.** The past five years have demonstrated that the present set of customs rules developed under the CAFTA agreement are easily evaded by fraudulent producers, most of whom reside in China. This has cost both the domestic textile industry and U.S. Treasury dearly. Customs rules should be updated to include effective tracking of yarn and fabric inputs as well as other measures. Given Vietnam's heavy reliance on China for yarns and fabrics, strong customs rules are mandatory if fraudulent activity is to be contained.

In conclusion, we believe that risks to the domestic textile industry can be greatly reduced if the TPP textile text is negotiated following the recommendations described above. While the TPP countries, particularly Vietnam, have substantial capability to produce finished textile and apparel goods for export, they have limited ability to consume finished textile products manufactured in the United States. A weak textile text could lead to an increase in the U.S. trade deficit and cause the loss of significant textile and apparel jobs in the United States. Consequently, we strongly urge you to include these key points in a final agreement.

Thank you for your consideration of our views, and we look forward to your response on this important matter.

Sincerely,

TPP Letter Signatories by State
52 Total (26 Republicans / 26 Democrats)

ALABAMA

Martha Roby (R-AL-2)
Mike Rogers (R-AL-3)
Terri Sewell (D-AL-7)

ARIZONA

Raul Grijalva (D-AZ-7)

CALIFORNIA

Linda Sanchez (D-CA-39)

CONNECTICUT

Joe Courtney (D-CT-2)
Rosa DeLauro (D-CT-3)

GEORGIA

John Barrow (D-GA-12)
Sanford Bishop (D-GA-2)
Paul Broun (R-GA-10)
Phil Gingrey (R-GA-11)
Hank Johnson (D-GA-4)
David Scott (D-GA-8)
Lynn Westmoreland (R-GA-3)

IOWA

Bruce Braley (D-IA-1)
Thomas Latham (R-IA-4)

MAINE

Mike Michaud (D-ME-2)

MASSACHUSETTS

Jim McGovern (D-MA-3)

MICHIGAN

Thaddeus McCotter (R-MI-11)

MISSISSIPPI

Alan Nunnelee (R-MS-1)

NEW JERSEY

Bill Pascrell Jr. (D-NJ-8)

NORTH CAROLINA*

G.K. Butterfield (D-NC-1)
Howard Coble (R-NC-6)
Renee Ellmers (R-NC-2)
Virginia Foxx (R-NC-5)
Walter Jones Jr. (R-NC-3)
Larry Kissell (D-NC-8)
Patrick McHenry (R-NC-10)
Mike McIntyre II (D-NC-7)
Brad Miller (D-NC-13)
Sue Wilkins Myrick (R-NC-9)
David Price (D-NC-4)
Heath Shuler (D-NC-11)
Mel Watt (D-NC-12)

OHIO

Marcy Kaptur (D-OH-9)
Betty Sutton (D-OH-13)

OREGON

Peter DeFazio (D-OR-4)

PENNSYLVANIA

Tom Marino (R-PA-10)

RHODE ISLAND

David Cicilline (D-RI-1)
Jim Langevin (D-RI-2)

SOUTH CAROLINA*

James Clyburn (D-SC-6)
Jeff Duncan (R-SC-3)
Trey Gowdy (R-SC-4)
Mick Mulvaney (R-SC-5)
Tim Scott (R-SC-1)
Joe Wilson (R-SC-2)

TENNESSEE

John Duncan Jr. (R-TN-2)
Phil Roe (R-TN-1)

TEXAS

Mike Conaway (R-TX-11)
Randy Neugebauer (R-TX-19)

VIRGINIA

Morgan Griffith (R-VA-9)

WISCONSIN

Tom Petri (R-WI-6)

*ENTIRE DELEGATION ON LETTER