



INTERNATIONAL  
**TRADE**  
ADMINISTRATION

# U.S. Textile & Apparel Trade Programs in a Post-Quota World

February 5, 2009

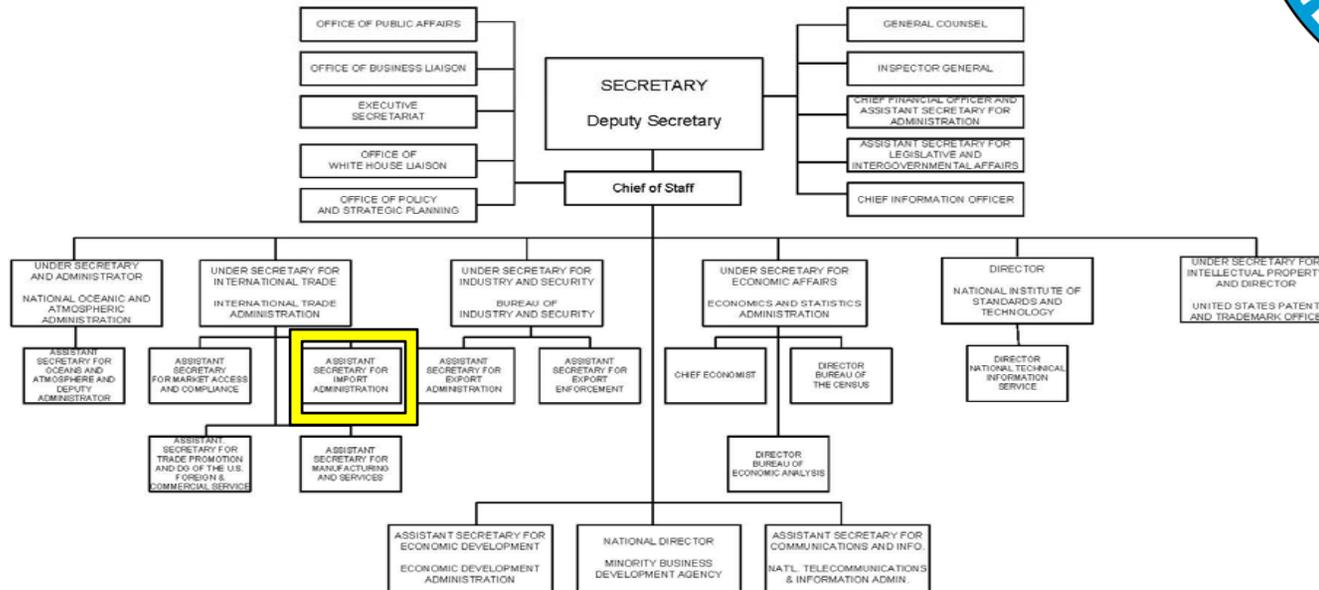


**Office of Textiles & Apparel  
International Trade Administration  
U.S. Department of Commerce**

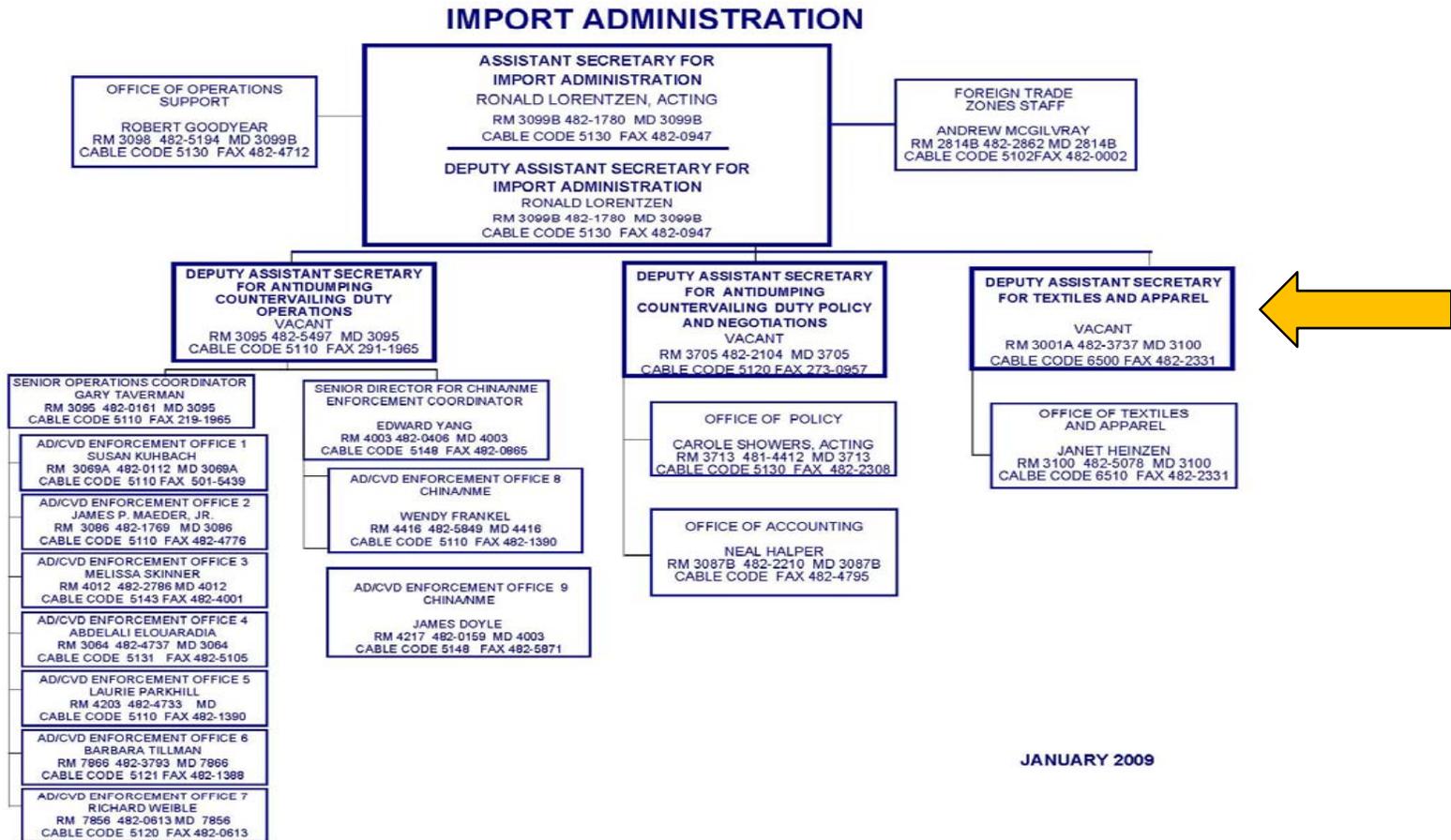
# Department of Commerce Organization



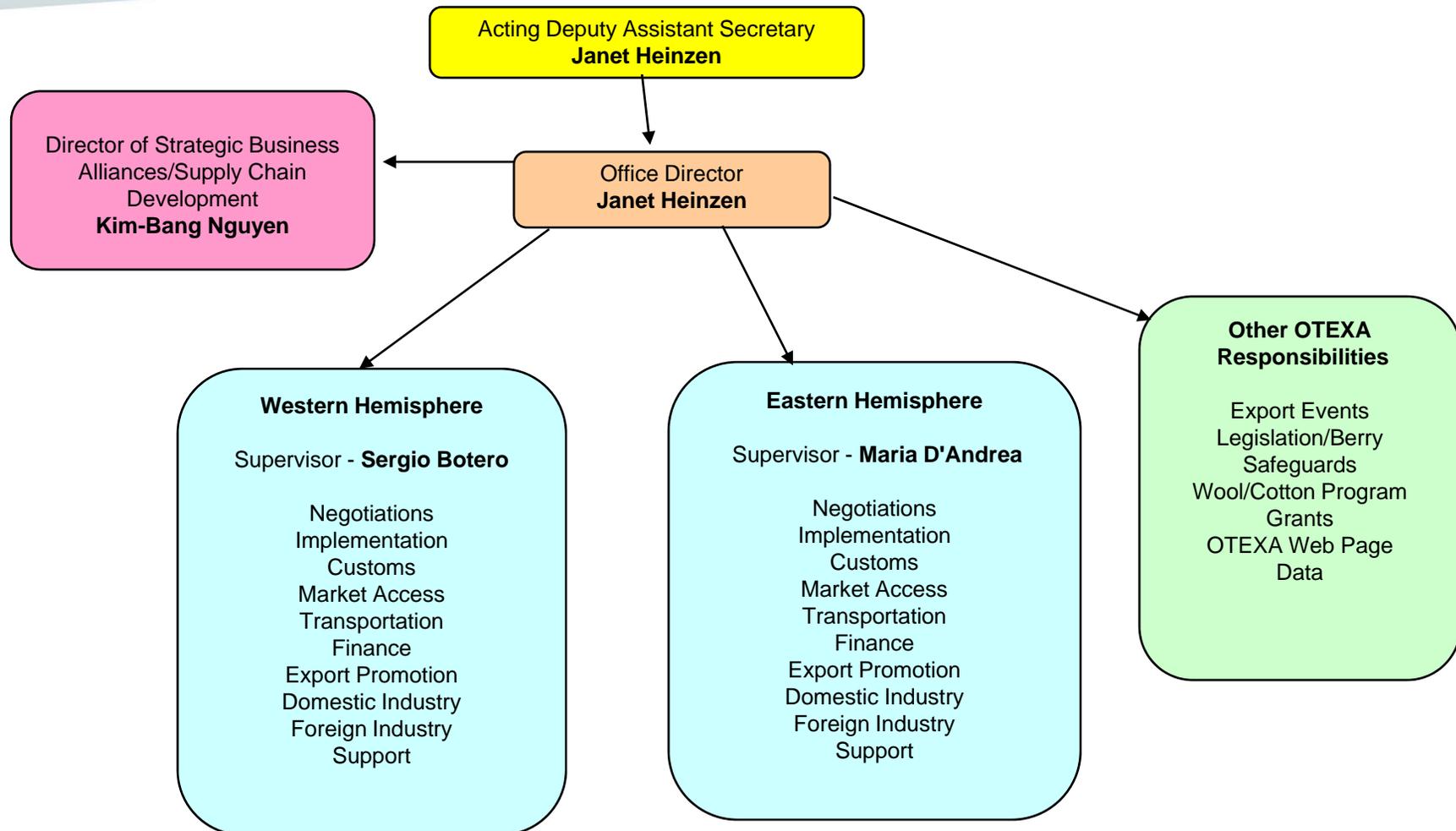
## U.S. DEPARTMENT OF COMMERCE



# Import Administration Organization



# Office of Textiles & Apparel (OTEXA) Organization



# OTEXA Overview

Develops programs and strategies to improve the competitiveness of the U.S. textile, apparel, footwear, and travel goods industries



- ✓ Compile industry data
- ✓ Research and analysis
- ✓ Assist in trade negotiations
- ✓ Promote U.S. textile and apparel companies at trade events
- ✓ Develop supply chain and sourcing strategies
- ✓ Execute U.S. textile and apparel trade policy

# Committee for the Implementation of Textile Agreements (CITA)

Interagency committee chaired by the Department of Commerce, includes USTR, State, Treasury, Labor

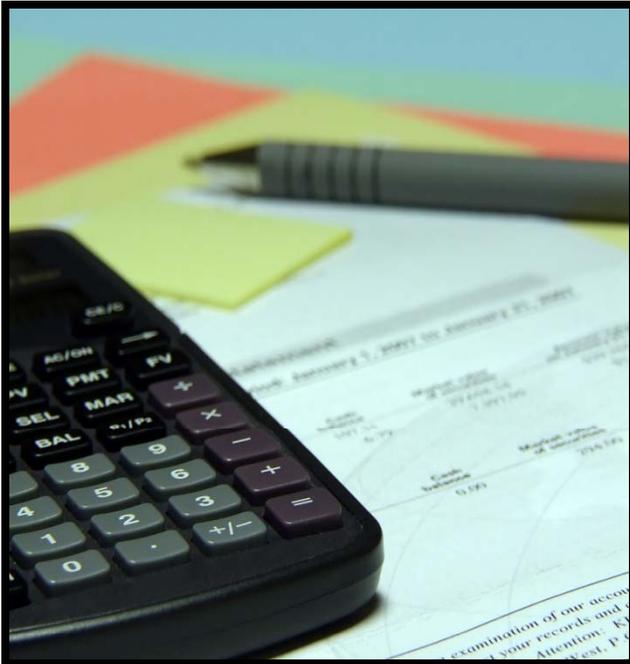


- Established in 1972
- Implement textile and apparel provisions of Free Trade Agreements (FTAs) and preference programs
- Administer textile and apparel safeguard actions (FTAs)

# U.S. Trade Policy

- ✓ **The Office of the U.S. Trade Representative (USTR)** – develops and coordinates U.S. international trade, commodity, and direct investment policy, and oversees negotiations with other countries.
- ✓ **Trade Policy Staff Committee (TPSC)** – committee of senior representatives from 19 Federal agencies that reviews and advises on matters relating to trade.
- ✓ **Trade Policy Review Group (TPRG)** – senior political level committee that reviews issues when agreement is not reached in the TPSC, or if significant policy questions are being considered.
- ✓ **National Economic Council (NEC)** – chaired by the president, the NEC considers memoranda from the TPRG, as well as important or controversial trade-related issues.

# Industry Advice



Formal industry advice on trade matters is received from:

- The Industry Trade Advisory Committee on Textiles and Clothing (ITAC 13)
- The Industry Trade Advisory Committee on Distribution Services (ITAC 5)
- The Exporters' Textile Advisory Committee (ETAC)

# OTEXA Export Services

OTEXA has over 30 years of experience in facilitating exports for small and medium-sized companies.

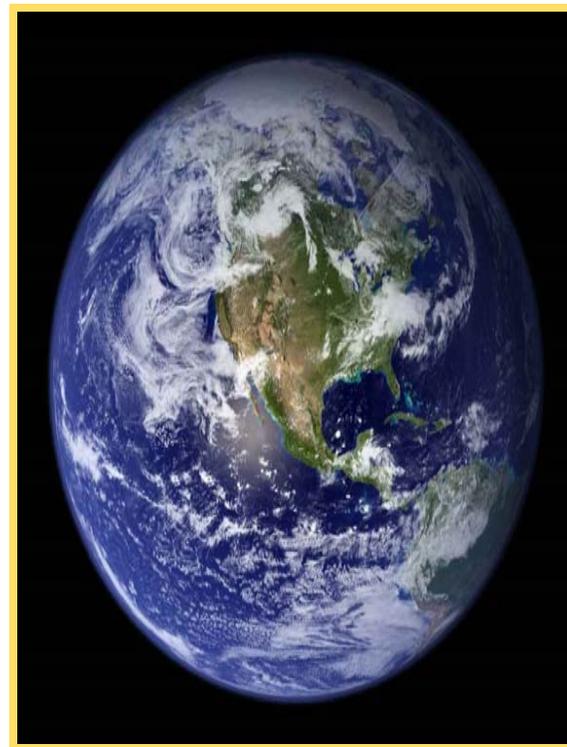
- Export counseling and assistance
- Market research
- U.S. Pavilions at established overseas trade shows
- Trade missions
- Emphasis on niche markets, higher end producers and suppliers, and FTA partnerships
- Catalog/sample presentations at overseas trade shows



# Leading Textiles and Apparel Shippers to U.S.

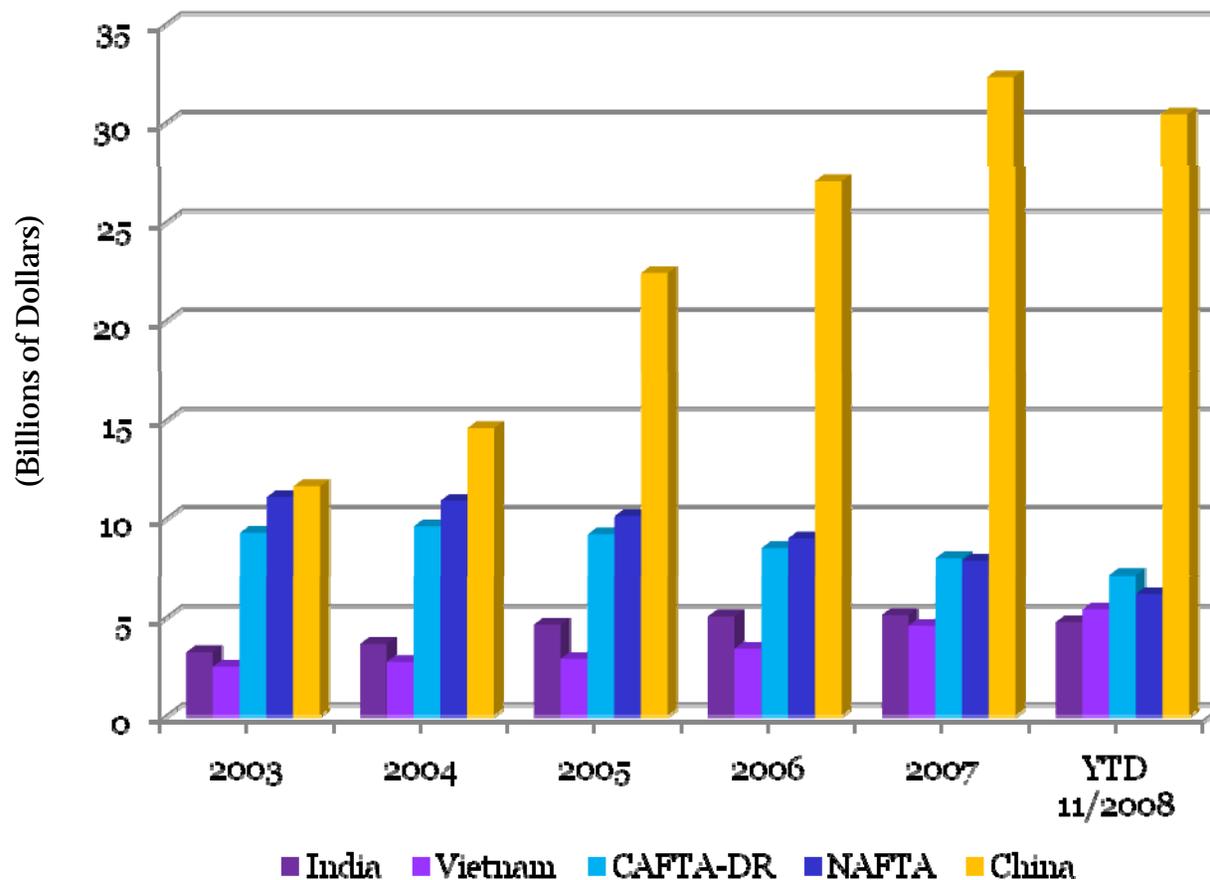
## Ranked by Value

2007	Year-to-Date 11/2008
1. China	1. China
2. Mexico	2. Vietnam
3. India	3. India
4. Vietnam	4. Mexico
5. Indonesia	5. Indonesia
6. Bangladesh	6. Bangladesh
7. Pakistan	7. Pakistan
8. Honduras	8. Honduras
9. Cambodia	9. Cambodia
10. Italy	10. Italy



# U.S. Imports of Textiles and Apparel

\$96.4 billion in imports of textiles and apparel to the U.S. in 2007;  
\$86.7 billion in January-November 2008



India, Vietnam, CAFTA-DR, NAFTA and China together account for over 60% of U.S. imports of textiles and apparel

# Top 10 Markets for U.S. Textiles and Apparel

## Ranked by Value

2007

1. Canada
2. Mexico
3. Honduras
4. Dominican Rep
5. El Salvador
6. China
7. Japan
8. United Kingdom
9. Germany
10. Belgium

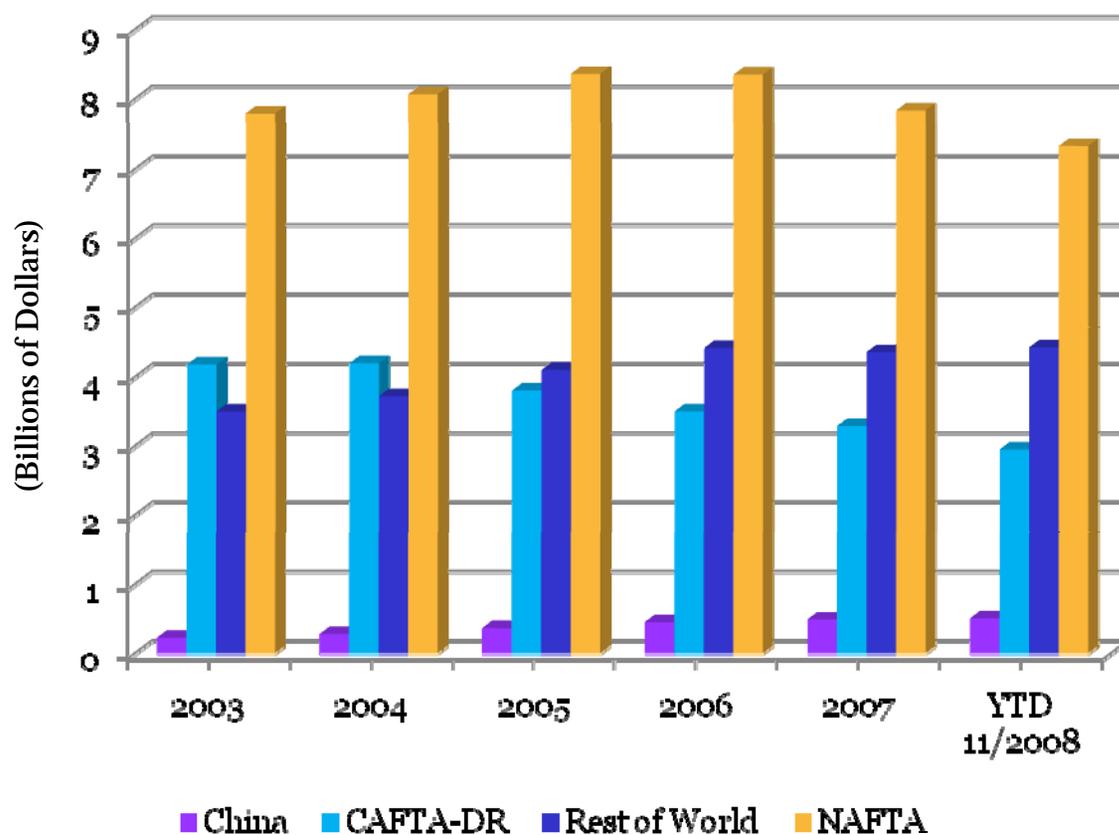
Year-to-Date 11/2008

1. Canada
2. Mexico
3. Honduras
4. Dominican Rep
5. China
6. El Salvador
7. Japan
8. United Kingdom
9. Germany
10. Belgium



# U.S. Exports of Textiles and Apparel

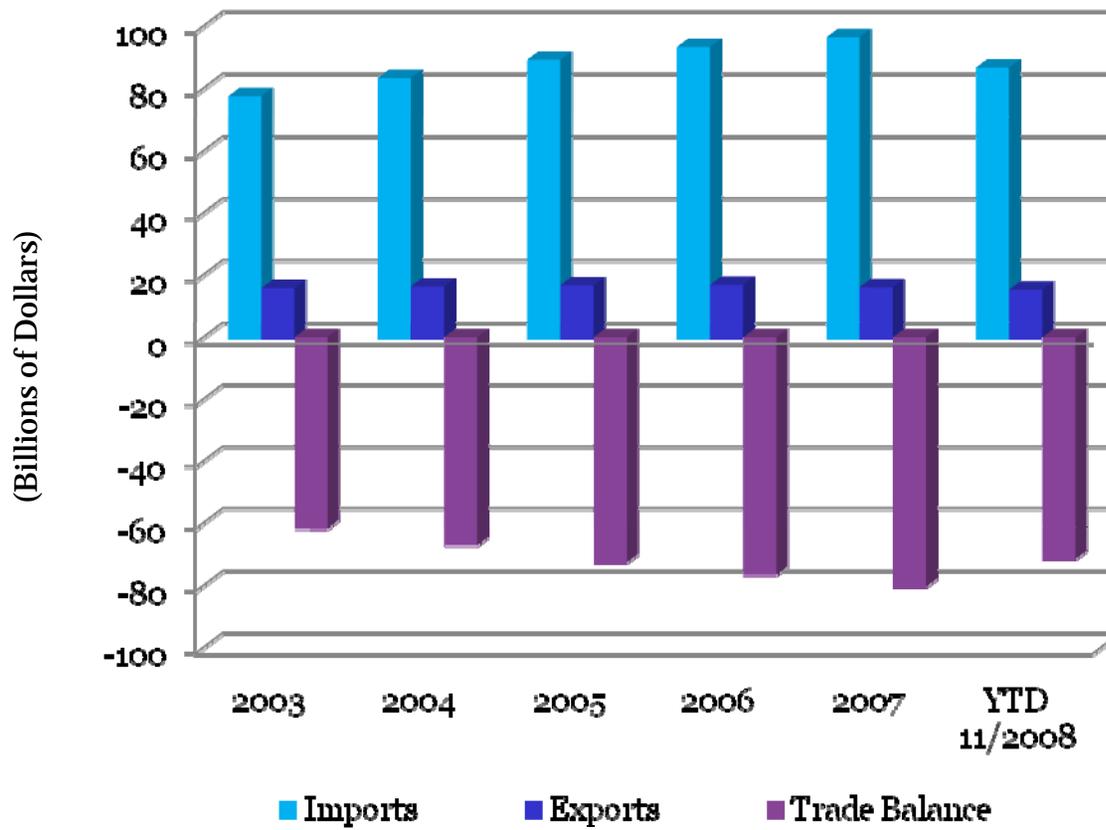
\$16.0 billion in exports of U.S.-made textiles and apparel in 2007;  
\$15.2 billion in January-November 2008



Almost 70 percent of U.S. exports are to our FTA partners in the Western Hemisphere: NAFTA and CAFTA-DR

# U.S. Textile and Apparel Trade Balance

The U.S. textile and apparel trade balance widened from \$61.8 billion in 2003, to \$71.5 billion in January-November 2008



# Opening Markets: Free Trade Agreements

- FTAs – 17 Countries
- FTAs Implemented Since 2022 – 12 countries
- FTAs Pending Congressional Approval - 3
  - Colombia
  - Panama
  - South Korea

Korea, South



Panama

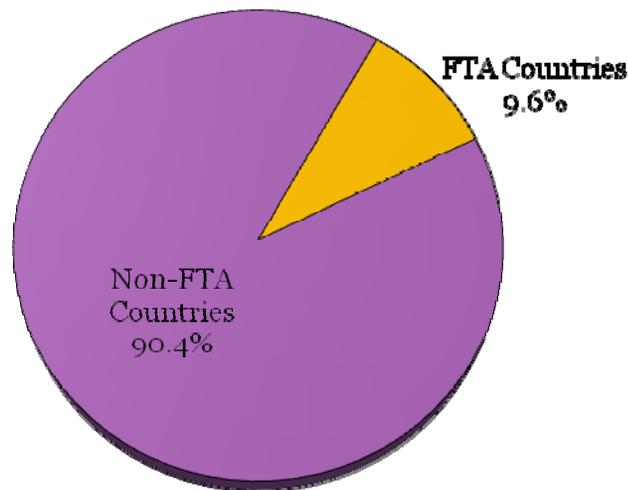


Colombia

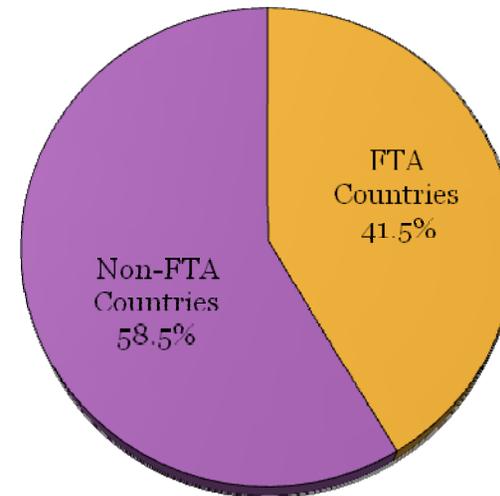


# U.S. Free Trade Agreement Partners in the Global Economy

**Percent of World GDP, 2007**



**Percent of U.S. Exports, 2007**



FTA = Free Trade Agreement

GDP = gross domestic product

Notes: World GDP excludes the United States. GDP figures on a purchasing power parity basis. Export figures are for total U.S. exports. FTA Countries include all countries with free trade agreements with the United States (Australia, Bahrain, Canada, Chile, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore).

Source: International Monetary Fund, World Economic Outlook Database (October 2008); U.S. Department of Commerce and the U.S. Census Bureau.

# Common FTA Textile Provisions

- **Reciprocal Market Access**
  - Trade Promotion Authority (TPA, 2002), Congressionally-mandated negotiating objective to obtain competitive opportunities for U.S. exports of textiles/apparel in foreign markets substantially equivalent to those afforded in U.S. markets
- **Yarn-Forward Rule of Origin**
  - Generally, textile and apparel goods must be produced starting at the yarn stage in FTA countries in order to receive duty-free treatment
  - Negotiated exceptions for certain FTAs – tariff preference levels (TPLs), cut and sew



# Common FTA Textile Provisions, continued

- **Safeguard Mechanism**
  - Allow tariff snapback if textile imports cause/threaten serious damage
- **Customs Cooperation Against Transshipment**
  - Requirements to share information, conduct factory visits
  - If fraud present, allow denial of entry to shipments
  - Additional reporting obligations in certain FTAs
- **Commercial Availability (“Short Supply”)**
  - Fiber, yarn or fabric not commercially available in the FTA region can be sourced outside of the region for use in qualifying goods

# FTA Commercial Availability Provisions

- FTA partners consult to consider whether the rule of origin applicable to a particular textile or apparel product should be revised to address issues of availability of supply of fiber, yarns or fabrics.
- CAFTA-DR and Peru
  - Developed with U.S. and Central American textile and apparel industry input
  - Fast/streamlined process: 30-44 business days; no consultation requirement
  - No Congressional layover
- Proceedings to date:
  - Australia, 1 request/1 approval/1 product
  - CAFTA-DR, 51 requests/47 approvals/120 products
  - NAFTA, 21 requests/6 approvals/15 products
  - Singapore, 2 requests/1 approval/4 products

# Trade Preference Programs

## African Growth and Opportunity Act (AGOA)



SSA countries qualifying for AGOA textile & apparel benefits include Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Chad, Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, and Zambia

- Entered into force October 1, 2000; expires September 30, 2015.
- Provides duty-free/quota-free treatment to certain textile, apparel, footwear & textile luggage manufactured in qualifying sub-Saharan African (SSA) countries:
  - Allows lesser developed beneficiary countries (LDBC) to use 3<sup>rd</sup> country yarns/fabrics, subject to a cap until 2012
  - Allows for the use of SSA yarns/fabrics, subject to a cap until 2015
  - Handloomed, handmade folklore articles & ethnic printed fabrics (Category 9), designated as such by CITA
  - Textile and textile articles produced entirely in a LDBC (Category 0)
  - Non-textile travel goods & footwear must meet regional content value

# Trade Preference Programs, continued

## AGOA, continued

- Apparel benefits contingent on SSA country having in place effective visa system & enforcement/verification procedures.
- Other Provisions
  - A “tariff snapback” in event that surge in imports of eligible articles causes serious damage/threat thereof to domestic industry
  - Commercial availability provision
  - SSA exporters who engage in illegal transshipment denied preferential benefits for 5 years
- Trade (2007)
  - U.S. imports of textiles & apparel from SSA, \$1.3 million, of which 96% received preferential access to U.S. market
  - U.S. exports of textiles & apparel to SSA, \$67.5 million

# Trade Preference Programs, continued

## Andean Trade Promotion and Drug Eradication Act (ATPDEA)



Beneficiary countries include Colombia, Ecuador & Peru. Bolivia's benefits suspended 12/2008.

- Entered into force October 1, 2002; expires December 31, 2009.
- Provides duty-free/quota-free treatment to apparel, footwear & textile luggage manufactured in ATPDEA beneficiary countries:
  - Apparel using fabrics/components formed or knit-to-shape in the U.S. from U.S or Andean yarns
  - Apparel using llama, alpaca or vicuna fabrics/components formed or knit-to-shape in the region
  - Apparel using Andean fabrics/components, subject to a cap
  - Bras cut & assembled in the U.S. or the region, subject to value requirement
  - Handloomed, handmade & folklore articles
  - Textile luggage assembled from U.S. yarns/fabrics
  - Footwear must meet certain regional value content (non-U.S./non-ATPDEA footwear uppers not permitted)

# Trade Preference Programs, continued

## ATPDEA, continued

- Other Provisions
  - Special rules for findings & trimmings, certain interlinings, “de minimis”, and certain nylon filament yarn
  - Commercial availability provision (NAFTA short supply & designated short supply)
- Trade (2007)
  - U.S. imports of textiles & apparel from ATPDEA, \$1.3 billion, of which 90% received preferential access to U.S. market
  - U.S. exports of textiles & apparel to ATPDEA, \$190 million

# Trade Preference Programs, continued

## Caribbean Basin Trade Partnership Act (CBTPA)



Beneficiary countries include Antigua & Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, and Trinidad & Tobago.

- Entered into force October 1, 2000; expires September 30, 2010.
- Provides duty-free/quota-free treatment to apparel, footwear and textile luggage manufactured in CBTPA beneficiary countries:
  - Apparel of U.S. yarn/fabric, cut in U.S.
  - Apparel of U.S. yarn/fabric, cut in U.S. & further processed
  - Apparel of U.S. yarn/fabric/thread, cut in beneficiary country
  - Apparel of U.S. yarn/regional fabric/fabric knit-to-shape, subject to a cap

# Trade Preference Programs, continued

## CBTPA, continued

- **Qualifying articles, continued**
  - Non-underwear t-shirts of U.S. yarn
  - Bras cut & assembled in U.S. or beneficiary country, subject to value requirement
  - Handloomed, handmade & folklore articles
  - Textile luggage made from U.S. fabric
  - Footwear must meet certain regional value content (non-U.S./non-CBTPA footwear uppers not permitted)
- **Other Provisions**
  - Special rules for findings & trimmings, certain interlinings, “de minimis”, elastomeric content, and certain nylon filament yarn
  - Commercial availability provisions (NAFTA short supply & designated short supply)
- **Trade (2007)**
  - U.S. imports of textiles & apparel from CBTPA, \$507.8 million, of which 90% received preferential access to U.S. market
  - U.S. exports of textiles & apparel to CBTPA, \$224.0 million

# Trade Preference Programs, continued

## Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II)



- Extends through September 30, 2018 the duty-free treatment provided under HOPE I for certain imported textiles & apparel wholly assembled or knit-to-shape in Haiti
- Allows for 3<sup>rd</sup> country yarns & fabrics, and co-production with the DR
- Amount of goods receiving preferential treatment subject to rule of origin requirements & a cap

# Trade Preference Programs, continued

## HOPE II, continued

- Extends duty-free treatment (without cap limitation) to
  - Brassieres, luggage, headwear, sleepwear & articles covered by CAFTA-DR's "single transformation" rule
  - Apparel accompanied by an earned import allowance certificate that reflects amount of credits equal to total square meter equivalents (SMES) provided under the Earned Import Allowance Program (see Statutory Programs)
  - Apparel made from yarns & fabrics in short supply
- Trade (2007)
  - U.S. imports of textiles and apparel from Haiti, \$452.2 million, of which 3% received preferential access to the U.S. market under Haiti HOPE
  - U.S. exports of textiles and apparel to Haiti, \$61.2 million

# Statutory Programs

## **Dominican Republic (DR) 2 for 1 Earned Import Allowance**



- CAFTA-DR was amended in 2008 to create an uncapped benefit for eligible apparel articles wholly assembled in the DR that meet requirements for a “2 for 1” Earned Import Allowance.
- For every 2 square meter equivalents (SME) of qualifying U.S.-formed fabric shipped to the DR for the production of apparel, qualifying apparel producers may export 1 SME of certain apparel, wholly formed in the DR, to the U.S. duty-free, regardless of the yarn and/or fabric source.
- Effective December 1, 2008.
- Authority delegated to OTEXA to implement the program.

# Statutory Programs, continued

## **Haiti Earned Import Allowance Program**

- In 2008, Congress enacted Haiti HOPE II, which provides expanded trade preferences to apparel articles produced in Haiti.
- One of the programs under Hope II is the Earned Import Allowance Program, which became effective on October 1, 2008.
- For every 3 square meter equivalents (SME) of qualifying U.S.-formed fabric shipped to Haiti for the production of apparel, qualifying apparel producers may export 1 SME of apparel wholly formed or knit-to-shape in Haiti, from Haiti or the DR, duty free, regardless of the source of the fabric.

# Statutory Programs, continued

## Cotton Tariff Rate Quota (TRQ) Program



- Provides temporary duty reductions for imports of certain cotton woven fabrics for manufacturing men's & boys' cotton shirts in the U.S.
- OTEXA reviews applications & issues licenses to eligible U.S. manufacturers.
- 7 companies were issued licenses in 2009.

## Wool TRQ Program



- Provides temporary duty reductions for imports of certain worsted wool fabrics for manufacturing men's & boys' suits/suit-type jackets/trousers.
- Eligible participants must cut & sew men's & boys' worsted wool suits/suit-like jackets/trousers in the U.S. or weave worsted wool fabric in the U.S.
- OTEXA reviews applications & issues licenses to eligible U.S. manufacturers.
- 13 companies were issued licenses in 2009.

# Leveling the Playing Field: The WTO Doha Development Agenda (DDA)



- Launched in Doha, Qatar in 2001.
- Fundamental U.S. objective for textiles and apparel is to obtain reciprocal market access.
- No consensus among WTO Members about treatment of textiles and apparel.
- U.S./EU joint proposal to reduce non-tariff barriers to trade related to labeling of textiles, apparel, footwear and travel goods.
- Negotiations stalled due to competing interests of developed and developing countries.
- WTO anticipates negotiations to continue this year to achieve a positive outcome.

# Doha: Harmonization of Labeling

- October 26, 2007 - U.S. & EU jointly tabled in the WTO Negotiating Group on Market Access text on reducing non-tariff barriers (NTBs) to trade related to labeling of textiles, apparel, footwear, and travel goods.
- Sri Lanka and Mauritius have co-sponsored the proposal.
- Proposal aims to
  - Streamline labeling requirements on a global scale, provide flexibility for exporters if labeling requirements are changed mid-shipment, and lower costs for suppliers while passing savings onto consumers
  - Simplify labeling & facilitate trade by setting parameters and recommendations on what information Members can and cannot require on labels
  - Fulfill a mandate in the Doha Declaration asking Members to address NTBs that are of interest to developing countries

# Foreign Trade Concerns and Problems

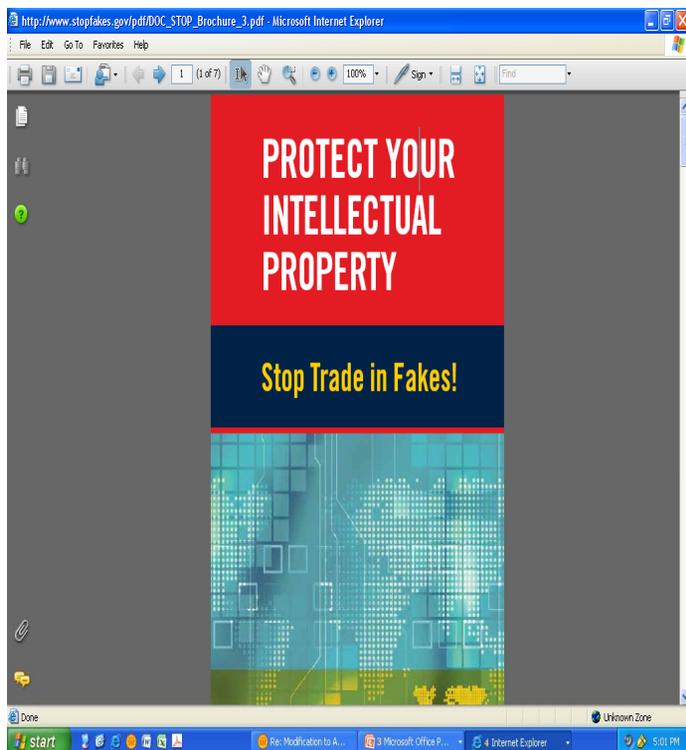
- Monitor foreign trade policies and practices to ensure compliance with WTO and international trade agreement commitments and access for U.S. products.
- Provide information on foreign import requirements, by country, for the textile, apparel, footwear and travel goods sectors:
  - Product standards
  - Labeling
  - Tariffs
  - Taxes
  - Import documentation

# Monitoring Foreign Subsidies

- Monitor foreign subsidies practices affecting the U.S. textile and apparel sectors.
- Evaluate compliance with WTO subsidies commitments.
- Consult with foreign governments regarding subsidies practices.
- In December 2008, the United States requested WTO Dispute Settlement consultations with China over illegal support for Chinese “Famous Brands”, measures to promote Chinese exports, ranging from textiles and refrigerators to beer and peanuts.



# Strategy Targeting Organized Piracy (STOP)



- Growing trade in pirated & counterfeit goods threatens innovation, workers' livelihoods, health and safety.
- Fake products, including clothing, account for an estimated 5-7% of global trade, costing legitimate rights holders around the world billions of dollars annually.
- STOP: a comprehensive U.S. government program to stop trade in pirated and counterfeit goods.
- Visit [www.StopFakes.gov](http://www.StopFakes.gov) for information about obtaining and enforcing intellectual property rights.

# Military Procurement of Textiles and Apparel



- Department of Defense (DoD) required by the “Berry Amendment” to procure domestically manufactured textile and apparel products:
  - Purpose: to maintain active industrial base for these products
  - Generally applied on fiber forward basis
  - Some companies subsist mostly or solely on DoD contracts
  - FY 2007 procurement of clothing and textiles by the Defense Logistics Agency: more than \$2 billion worldwide
- Visit the OTEXA website at [otexa.ita.doc.gov](http://otexa.ita.doc.gov) for additional information on the Berry Amendment.

# Textile Grants

- In 2008, OTEXA administered six grants for the textile and apparel industries.
- Congress provided authorization and funding for four textile and apparel research grants in appropriations for the Department of Commerce: the National Textile Center (NTC), the Textile Marking System, Auburn University's Novel Polymeric Research, and Textile/Clothing Technology Corporation (TC2).
- Funds for the fifth and sixth grants, the worsted wool fabric programs, are provided annually through 2014 from amounts collected from import duties.
- Total funds administered in FY2008, \$11.3 million.

# OTEXA Website: Your Textile/Apparel Resource



[Otexa.ita.doc.gov](http://Otexa.ita.doc.gov)

- Trade Data Reports
  - Major Shippers (Import Data)
  - Export Market
  - Trade Balance
  - Preliminary Import Data
- Free Trade Agreements
- Trade Preference Programs: AGOA, ATPDEA, CBTPA, Haiti HOPE
- Statutory Programs: Cotton and Wool TRQs, DR 2 for 1, Haiti HOPE 3 for 1

# 2009 and Beyond



- The U.S.-China bilateral textile agreement, limiting imports of 34 individual product categories, expired on December 31, 2008.
- The Vietnam import monitoring program for certain apparel products ended on January 20, 2009.
- U.S. trade in textiles and apparel subject to normal WTO disciplines and U.S. trade remedy mechanisms.
- U.S. International Trade Commission, at request of Congress, is monitoring U.S. imports of textiles and apparel from China.
  - For more information on this program, visit [www.usitc.gov/ind\\_econ\\_ana/research\\_ana/chinareports\\_332.htm](http://www.usitc.gov/ind_econ_ana/research_ana/chinareports_332.htm)

# Contacts

Thank you for your time and attention!

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