



Importance of the Yarn-Forward Rule of Origin for Textiles & Apparel

Trans-Pacific Partnership Negotiations
September 10, 2011

Augustine D. Tantillo
Executive Director

AMTAC Introduction

- AMTAC is a non-profit trade association representing U.S. manufacturers.
- AMTAC represents a significant component of the U.S. textile industry, including the yarn, thread, fabric, dyeing and finishing, and apparel sectors.

Wide Coalition Supports Yarn Forward

- American Fiber Manufacturers Association
- American Manufacturing Trade Action Coalition
- Carpet and Rug Institute
- Georgia Association of Manufacturers
- National Cotton Council
- National Council of Textile Organizations
- National Textile Association
- Service Employees International Union
- U.S. Industrial Fabrics Institute

Purpose of a Free Trade Agreement (FTA)

- To extend trade preferences for the benefit of the contracting parties.
- By their very nature FTAs are designed to be exclusive: benefits should be reserved for the agreement partners.

Purpose of an FTA

- Properly designed FTAs require a rational set of commitments and obligations in order to gain lucrative benefits.
- FTAs must be symbiotic -- mutually beneficial

Yarn Forward

- AMTAC strongly supports the yarn-forward rule of origin.
- The yarn-forward rule is:
 - Logical
 - Fair
 - Critical

Yarn Forward is Logical

- TPP region contains the entire textile and apparel supply chain.
- All necessary components/processes are available in region (yarns, fabric, thread, dyeing and finishing, and final assembly).
- All elements of supply chain must see benefits from TPP.

TPP Region Has Substantial Textile Production

- Total TPP Textile Exports - \$26.1 Billion
- Total TPP Apparel Exports - \$18.6 Billion

Exports by TPP Country

	<u>Textiles</u>	<u>Apparel</u>	<u>Total</u>
U.S.:	\$17.9 B	\$5.6 B	\$23.6 B
Vietnam:	\$1.6 B	\$8.9 B	\$10.4 B
Australia:	\$3.1 B	\$254 M	\$3.4 B
Malaysia:	\$1.6 B	\$1.2 B	\$2.7 B
Singapore:	\$768 M	\$1.1 B	\$1.9 B
Peru:	\$373 M	\$1.2 B	\$1.6 B
New Zealand:	\$692 M	\$120 M	\$891 M
Brunei:	\$1 M	\$131 M	\$132 M
Chile:	\$93 M	\$29 M	\$123 M

Source: UN Comtrade 2010 Exports, Vietnam and Chile 2009, Brunei 2006

Textiles High Value Component of Finished Products

- Fiber, yarn, fabric, dyeing, finishing and printing often times account for:
 - 60-70% of the value of finished apparel
 - 90% of the value of home furnishings

Yarn Forward is Fair

- Benefits = Market Access
- Access to the U.S. market/consumer is a significant benefit for U.S. FTA partners.
- Other markets do not offer same level of opportunity for U.S. exporters.
- U.S. producers must see benefits equal to opportunities offered to others.

U.S. Largest TPP Consumer Mkt by Far

- U.S. population = 313 million
- Remaining TPP population = 197 million
- In consumption terms, U.S. market is 10 times greater than all other TPP countries combined.

Comparison of Consumer Mkts

- United States: \$10 trillion
- Other TPP Countries Combined: \$1 trillion
 - Australia: \$565 billion
 - Chile: \$98 billion
 - Malaysia: \$96 billion
 - Peru: \$83 billion
 - Singapore: \$73 billion
 - New Zealand: \$69 billion
 - Vietnam: \$62 billion
 - Brunei: \$2 billion

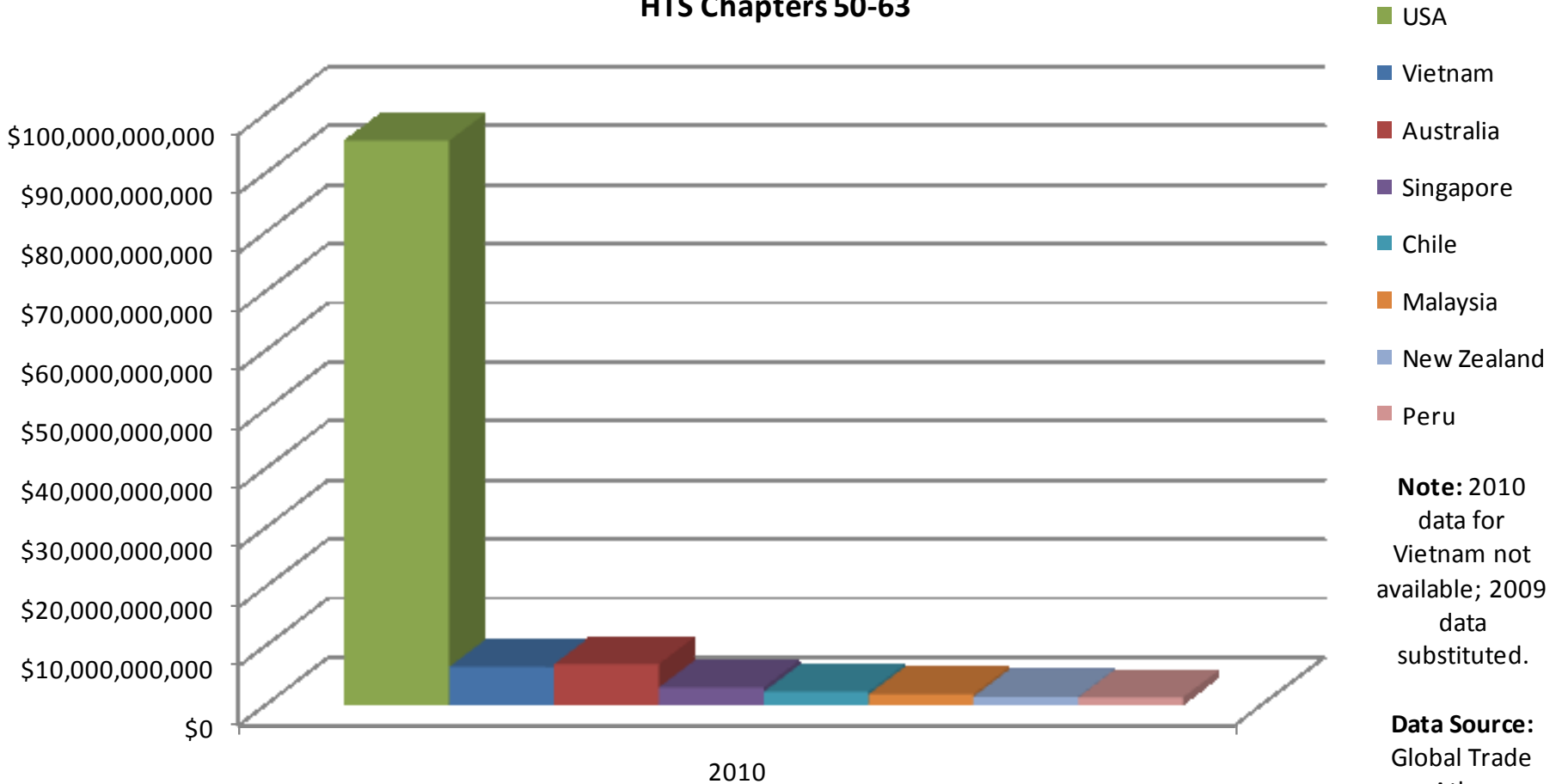
Source: 2009 Household Consumption Expenditure from United Nations Statistics Division

U.S. Textile & Apparel Market

- The U.S. is the largest textile/apparel market in the world. Imported over \$95 billion in 2010. Accounted for more than **17 percent** of total world imports of \$559 billion.
- All other TPP partners combined accounted for less than \$20 billion, or only **3.5 percent**, of world imports in 2010.
- U.S. textile/apparel market nearly 5 times larger than other TPP partners combined.

Textile and Apparel Imports, 2010

HTS Chapters 50-63



Note: 2010 data for Vietnam not available; 2009 data substituted.

Data Source: Global Trade Atlas.

Benefits Should Go To TPP Producers

- TPP partners are agreeing to a mutual set of commitments:
 - Preferential market access
 - Intellectual property rights
 - Environmental standards
 - Safety and labor standards
- No Free Riders – Non-TPP countries should not be granted equal or greater benefits than TPP countries.

Yarn Forward is Critical

- Weak Rule of Origin = No Textile Investment
- Yarn forward is critical for TPP countries to attract long-term manufacturing investment versus being relegated to final assembly.
- Single transformation rule provides no incentive for investment or movement up the value chain. China will supply yarns and fabrics from existing Chinese factories.
- Attracting investment from China, Japan and others will only happen if the rules foster investment.

U.S. Political Considerations

- TPP terms will be highly scrutinized in Washington especially with inclusion of Vietnam.
- Jobs are top priority in the U.S. in current economic climate. U.S. elections in 2012.
- Congress will not approve a lopsided agreement that disadvantages U.S. producers and costs jobs.

Yarn-Forward Has Strong Political Support

- 52 Members of Congress from 21 states sent letter to Amb. Kirk stressing importance of yarn forward in TPP.
- President Obama 2008 letter to U.S. textile industry:
“I also support inclusion of the yarn forward rule in free trade agreements...”
- Pressing for weak rules will delay negotiations for years. TPP may never be enacted.

In Summary

- The TPP agreement will be one of the most critical ever negotiated.
- Has to have benefits for all countries and segments of the textile production chain.
- To be balanced and fair, it must contain a yarn-forward rule for textiles and apparel.

CONTACT AMTAC!

American Manufacturing Trade Action Coalition

AMTAC

**910 16th Street, NW
Suite 402
Washington, DC 20006**

Phone: (202)452-0866 E-mail: atantillo@amtacdc.org

Visit our website at:

www.amtacdc.org