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## **Textiles and Apparel**

The Trans-Pacific Partnership (TPP) levels the playing field for American workers and American businesses, leading to more Made-in-America exports and more higher-paying American jobs here at home. By cutting over 18,000 taxes different countries put on Made-in-America products, TPP makes sure our farmers, ranchers, manufacturers, service suppliers, and small businesses can compete—and win—in some of the fastest growing markets in the world. With more than 95 percent of the world’s consumers living outside our borders, TPP will significantly expand the export of Made-in-America goods and services and support American jobs.

### **EXECUTIVE SUMMARY**

TPP’s Textiles and Apparel chapter will create export opportunities for Made-in-America clothes, fabrics, and yarns and support jobs in the United States. This objective is advanced by a “yarn-forward” approach that requires use of yarns and fabrics from TPP countries in end products qual-

ifying for preferential treatment under TPP—with some flexibility so that American businesses and workers whose products depend on inputs not available within the TPP region can still benefit. The yarn-forward approach also will help to develop a regionally-integrated supply chain that will promote long-term growth and investment in this sector in the United States. The Textiles and Apparel chapter also secures close customs cooperation among TPP Parties to facilitate effective enforcement of the rules; and ensures that U.S. companies have access to temporary relief if an import surge causes, or threatens to cause, serious damage to their business.

## **CHAPTER OVERVIEW**

### **Eliminates tariffs on textile and apparel goods**

TPP will eliminate tariffs on U.S. exports of textiles and apparel to the other TPP markets, with many tariffs going to zero on day one, and others being phased out. We have reached a carefully crafted U.S. tariff elimination package with our TPP partners that takes into account the specific sensitivities of the United States.

### **Rules of Origin**

To ensure that the benefits of TPP go to TPP workers and businesses, TPP requires a “yarn forward” rule of origin, which means that to get the lower tariffs offered in TPP, a good must be made within the free trade area using U.S. or other TPP country yarns and fabrics. At the same time, we have carefully crafted exceptions to the general rules of origin. For example, the Textiles and Apparel chapter includes a “short supply list,” which provides TPP partners with flexibilities in cases where the U.S. and other TPP members do not produce enough of a particular fabric or yarn to meet production needs. In such cases, the short supply list allows apparel using these specified materials from outside the TPP region to qualify for TPP’s reduced tariff rates. There is also a special feature for Vietnam, linking improved access to the U.S. market for cotton pants to the purchase of U.S.-made cotton fabric.

### **Customs Cooperation to Combat Duty Evasion and Fraud**

The Textiles and Apparel chapter’s strong enforcement provisions and customs cooperation commitments enable U.S. Customs officers to work with other TPP countries to make sure that when traders claim their goods

should get the lower tariffs and better treatment available under TPP, those claims are genuine. This includes authority for U.S. Customs officials to work with TPP counterparts to fight customs offenses, such as duty evasion, smuggling, and fraud.

### **Safeguard for Textiles and Apparel**

The Textiles and Apparel chapter creates a special safeguard procedure for textiles and apparel. This provision allows us to temporarily restore higher duties on imports coming into the United States if imports from a TPP country cause or even threaten to cause serious damage to the U.S. industry.

### **Enforcement of the TPP rules**

To prevent customs fraud, TPP enables our Customs officers to go directly to facilities of exporters or producers in other TPP countries to verify that the textile and apparel goods those companies send to the United States are genuine TPP goods, and to investigate whether importers are meeting our rules. These commitments include protections for U.S. exporters and producers to ensure that they have a fair chance to show their goods meet the rules and therefore qualify for the lower tariffs and better treatment available under TPP.

## **NEW FEATURES**

The Textiles and Apparel chapter includes a carefully tailored short supply list, allowing flexibility to meet the rules of origin and strengthen regional integration. Building on past agreements, TPP provides for a variety of enforcement tools tailored to the textiles sector to allow customs authorities to investigate fraud and smuggling. These tools include robust verification procedures—with a focus on direct site visits—that apply to all countries in the TPP, as well as cooperation among TPP countries. U.S. Customs and Border Protection will use these tools to make sure that everyone is playing by the rules and that only genuine TPP goods benefit from TPP.

## **IMPACT**

The U.S. textile and apparel industry, having weathered the forces of globalization and the financial crisis of 2008, has emerged as strong and innovative, with an orientation toward exports. The industry is a major U.S.

manufacturing employer, with employment in the U.S. totaling more than 370,000 jobs on average in 2014, and the value of industry shipments rising from \$48.7 billion in 2009 to \$56.7 billion in 2014. U.S. textile and apparel manufacturers sold nearly \$11 billion worth of products to TPP countries in 2014, an increase of around 50 percent from 2009, helping to make the U.S. the world's fourth-largest exporter of textile products.

TPP will help increase sales of Made-in-America yarns, fabrics, and clothing to some of the fastest-growing markets in the world. The TPP region is home to hundreds of millions of consumers—from the emerging middle class in Southeast Asia to the high-end consumers of Japan. And textile and apparel industries in the TPP region require many of the high-technology textile products in which U.S. producers are most competitive, including those using composite materials and carbon fibers. TPP's Textile and Apparels chapter will help the U.S. capitalize on these strengths, with measures including:

### **Eliminating tariff barriers to U.S. exports**

Many Asia-Pacific economies maintain high tariffs on U.S. exports of yarns, fabrics, and apparel, ranging up to 30 percent in Japan and Malaysia.

### **Ensuring that TPP benefits go to genuine TPP textile and apparel products**

Customs fraud—including illegal transshipment, duty evasion, and improper or misleading country-of-origin marking—is always a risk. To address this issue, U.S. Customs and Border Protection has designated textiles and apparel as a priority trade enforcement issue in order to promote legitimate trade and safeguard U.S. manufacturing jobs. Close cooperation with trading partners also is needed to help ensure strong enforcement of the trade rules in this sector.

### **Valuing Existing Relationships**

Over 70 percent of U.S. textile exports go to our FTA partner countries. While we are looking to expand trade with new FTA partners under TPP, the TPP Textiles and Apparel chapter reflects careful consideration of U.S. business relationships with existing FTA partners given our strong interest in supporting economic activity in these countries.