Congress of the United States
Washington, DC 20515

July 10, 2013

Ambassador Michael Froman
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Froman:

The undersigned Members of Congress write to express our collective concern regarding the Trans-Pacific Partnership (TPP) negotiations. Specifically, we are troubled by the position of the Vietnamese government regarding the textile negotiations and the impact this standpoint could have on the U.S. textile industry's suppliers and its export partners. After 17 rounds of negotiations, Vietnam is seeking to replace long standing textile rules that have been included in previous free trade agreements with a new rule that would allow Vietnam to source textiles from China and export garments and finished goods to the United States duty free. A recent study concluded that if adopted as part of the TPP, this rule would cost more than 500,000 U.S. textile and related jobs and put more than 1.5 million jobs in the textile and apparel supply chains in the Western Hemisphere and Africa in jeopardy.

The TPP talks are entering what is expected to be the final year of negotiations and because of the Vietnamese government's intransigence, the United States government ranks textiles and apparel among the three most difficult negotiating chapters. We strongly urge the United States Trade Representative (USTR) to maintain its current position for strong textile rules which include the "yarn forward" rule-of-origin. From NAFTA to the recently implemented Korean free trade pact, the yarn-forward rule has been an essential component of every U.S. free trade agreement over the past 25 years. This rule has a proven track record of job creation in the U.S. and our free trade areas, and it is responsible for hundreds of thousands of U.S. manufacturing workers and millions of direct and indirect jobs in countries south of our border and in Africa. Specifically, the yarn-forward rule is responsible for $25 billion of United States two-way trade with Mexico, Haiti, the CAFTA-DR countries and the Andean region.

The yarn-forward rule has been a success because it ensures that only textile and apparel manufacturers within a particular free trade region, such as the proposed TPP, get the benefits from the agreement. Vietnam, however, wants to replace this proven rule with a new rule that would allow its state owned companies to flood the U.S. market with subsidized Chinese inputs. Vietnam predicts that under this new rule, its market share in the U.S. would rapidly increase from 7 to nearly 30 percent. Almost all of this growth would be taken from small and medium-sized textile companies in the U.S. and our trading partners in the Western Hemisphere and Africa. Additionally, over ten billion dollars of current U.S. textile exports would be lost and more than a million workers in fragile economies would see their livelihoods destroyed.

While the toll on U.S. manufacturing workers would be high, the social and economic impact on small developing economies south of our border that depend on the textile and apparel supply chain would be devastating. That is why textile and apparel groups that represent Haiti, the CAFTA-DR countries, Mexico, the Andean countries – as well as groups representing the AGOA countries - have joined U.S. industry in supporting the maintenance of strong textile rules in the TPP. These groups represent thousands of small privately-owned companies[1] that have been created under the existing preference rules and provide badly needed jobs and opportunities to their countries.

In addition to the rules-of-origin, the TPP must include other rules that have long been the standard for previous FTAs. These include extended duty phase-down periods for sensitive textile and apparel products and strong customs enforcement rules and resources. These are particularly important given the array of

[1] The Textile and Apparel Coalition for TPP (www.taa-tpp.com)

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subsidies and benefits that Vietnam's state-run economy gives to its textile sector. These benefits have fueled Vietnam's rise as a major apparel exporter by allowing Vietnam to artificially reduce prices on manufactured goods. The U.S. government must insist on a reasonable transition period with Vietnam and other TPP partners as duty preferences are phased into existence.

We understand that the TPP is intended to encourage two-way trade with the countries participating in the talks. However, we strongly believe that the terms of this trade agreement must be fairly constructed, that long standing and established rules should not be eroded, and that a final agreement must preserve and create investment in U.S. manufacturing and jobs, particularly in small and medium-sized businesses. Maintaining provisions such as yarn forward and strong duty preferences in the TPP will not only help the domestic textile industry keep well-paying and productive jobs in the U.S. but it will also aid the development and emergence of new export markets amongst our important trading partners. We look forward to working with the USTR as the TPP negotiations press forward this year. As the TPP negotiations come to a conclusion, we will be mindful of the outcome of the textile and apparel rules in determining our ultimate views on a final agreement.

Ambassador Froman , thank you for your consideration of the perspectives this letter has outlined.

Sincerely,

Patrick McHenry
Member of Congress

Howard Coble
Member of Congress

Bill Pascrell
Member of Congress

Lynn Westmoreland
Member of Congress

Linda Sanchez
Member of Congress

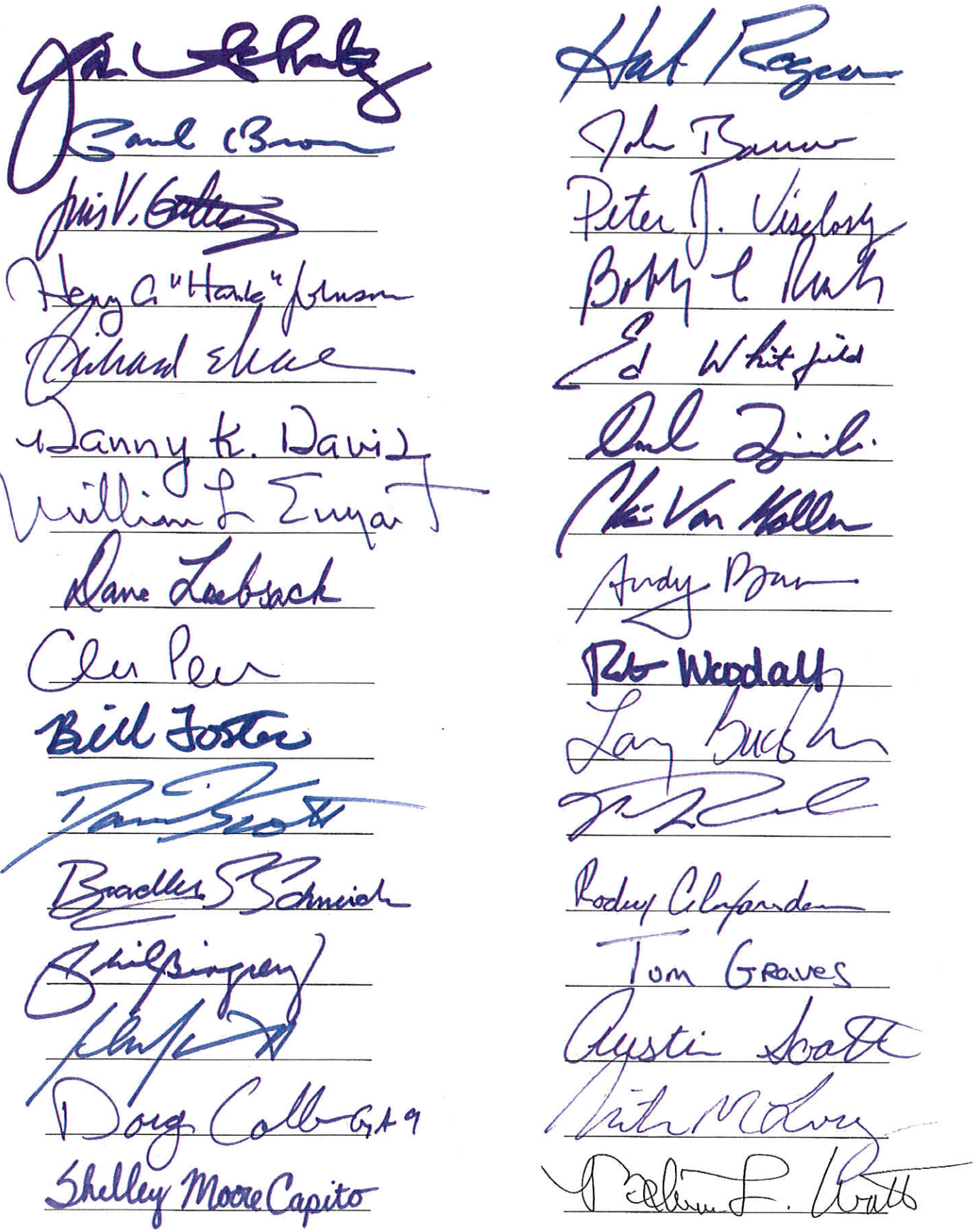
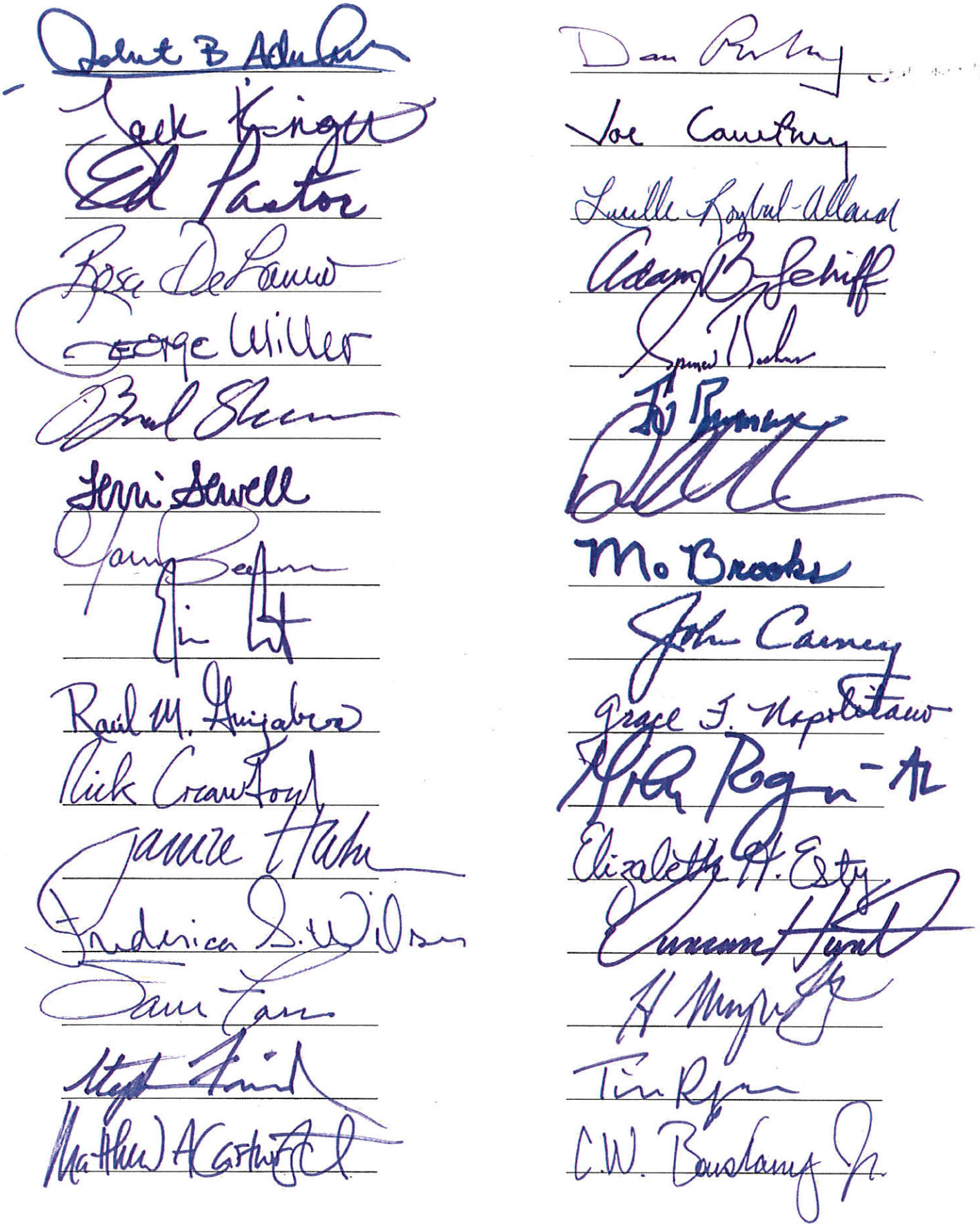
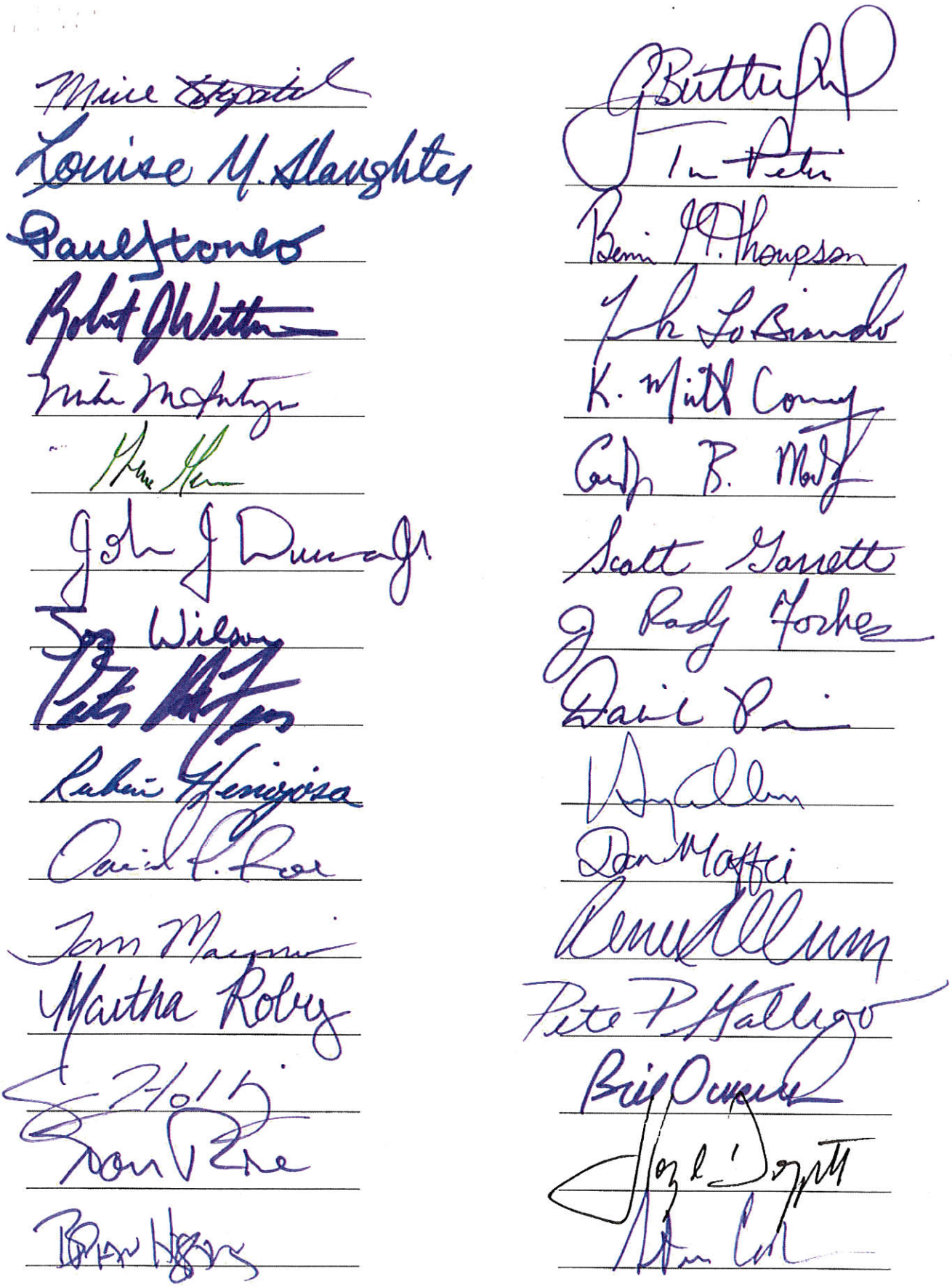
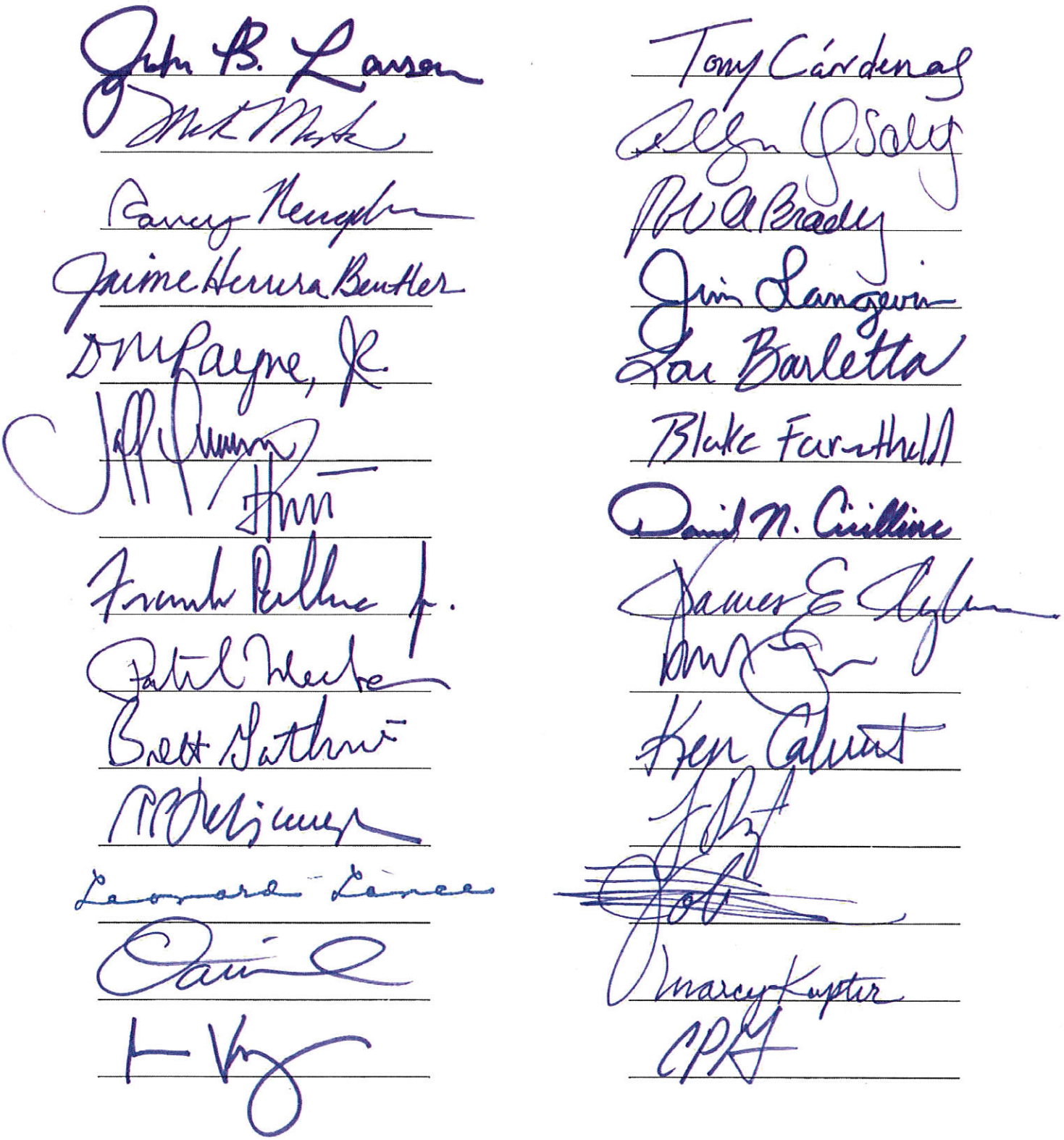
Sanford Bishop
Member of Congress

Walter Jones
Member of Congress

Mike Michaud
Member of Congress

Trey Gowdy
Member of Congress

Robert Pittenger
Member of Congress

Mick Mulvaney
Member of Congress

Richard Hudson
Member of Congress