



**TRANS-PACIFIC PARTNERSHIP
APPAREL COALITION**

Toward a 21st Century TPP Agreement for Apparel

Debbie Mesloh

*Gap Inc., on behalf of
the TPP Apparel Coalition*

12.7.12 | Auckland

Learn more about apparel in the TPP at www.tppapparelcoalition.org >>

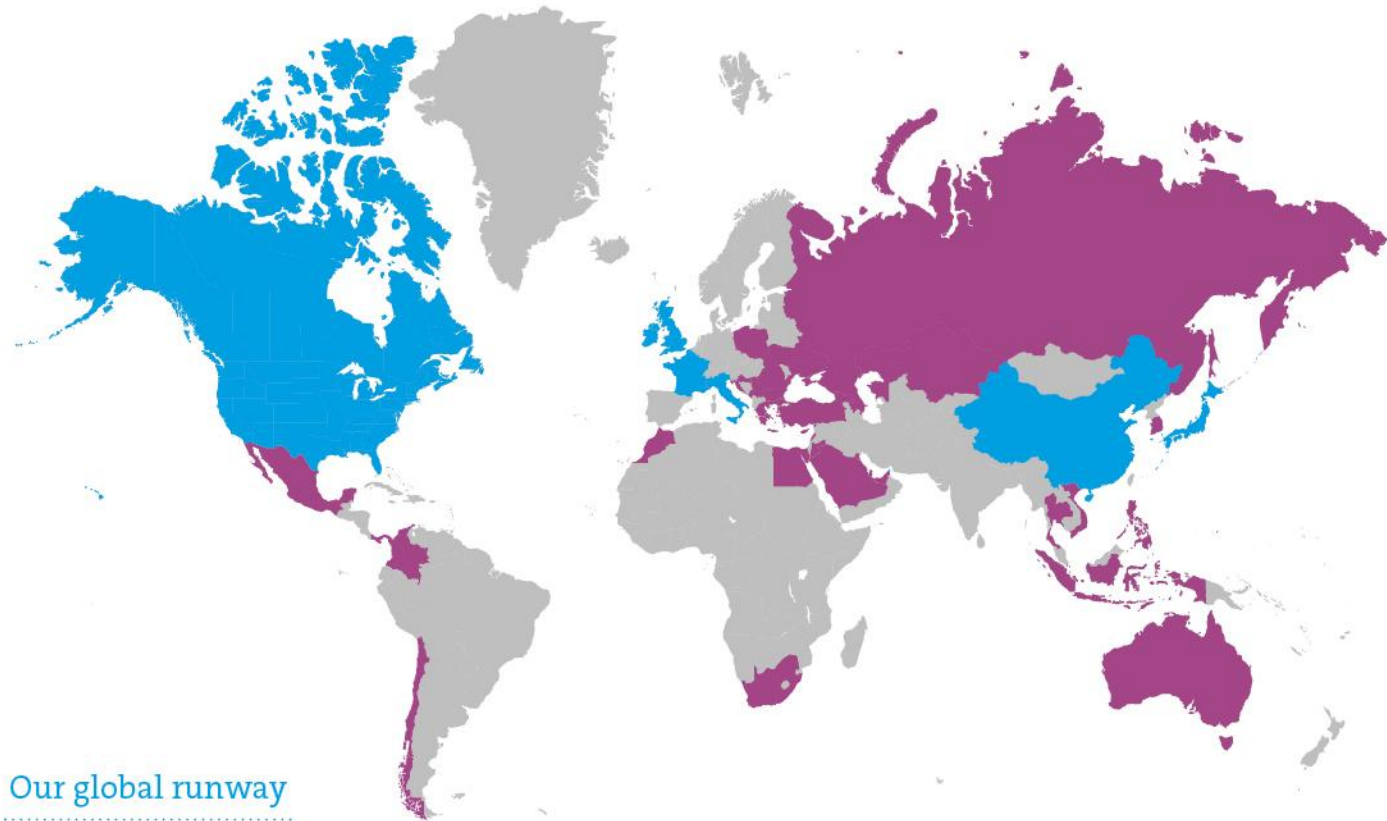
Gap Inc.

Gap Inc. operates in 90 countries, with more than \$14.5 billion in global sales in FY2011 through our five brands—Gap, Banana Republic, Old Navy, Piperlime and Athleta.

Gap Inc. directly employs 132,000 associates around the globe, including many in TPP countries.

We are a leading global specialty retailer offering clothing, accessories and personal care products for men, women, children and babies. With about 3,000 company-operated stores and over 250 franchise stores, our presence is felt around the world. We were also founded on the promise to do more than to just sell clothes.





Our global runway

- Gap Inc. operated stores
- Open franchise stores
- Opportunity



[**Click to Watch on YouTube**](#)

Who is the TPP Apparel Coalition



Who is the TPP Apparel Coalition

The TPP Apparel Coalition includes American retailers, apparel brands, apparel manufacturers, and importers, and the many millions of American workers the industry employs.

The TPP Apparel Coalition is comprised of US-headquartered companies that together **employ 3 million associates globally**, including **2 million associates in the United States**, and an aggregated **total sales of \$528 billion**.

Coalition member companies design, market and sell products manufactured in and imported to the United States.

We also market and sell products throughout the TPP countries.

Ingredients for Today's Apparel Supply Chain Model

Key Sourcing Decisions

- ✓ Quality
- ✓ Delivery Time
- ✓ Competitiveness
- ✓ Social Responsibility/Compliance

Emergence of Global Supply Chains

- ✓ Consumer Fashion Demands = Diversity of Suppliers
- ✓ Short Fashion Cycles = Sophisticated Supply Chain

Predictability

- ✓ Good relationship between vendor and importer
- ✓ Rules That Are Easy to Understand and Use

Ingredients for a Successful TPP for Apparel

- **Duty Free** treatment that takes effect on Day One.
- **Flexible Rules of Origin** that promote trade and investment in apparel.
- **Full Integration** of Customs Provisions and Safeguards so that they are not apparel sector specific.
- **Customs and Logistics Procedures** that facilitate trade, and are harmonized and streamlined throughout the supply chain.
- **Regulatory Coherence** to create aligned regulatory approaches, such as labeling and product safety.

Auckland Status

After 14 rounds of negotiations, need a fresh start to break the gridlock.

Apparel is a key sector for several TPP countries.

TPP remains vital for apparel industry to:

- ✓ remove barriers among TPP nations
- ✓ support alternative sourcing opportunities within TPP
- ✓ keep pace with trade liberalization in other regions

Why Flexibilities are Needed

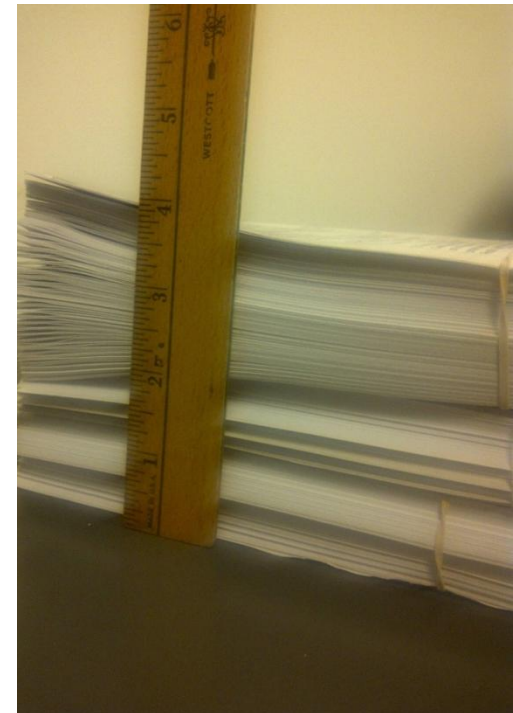
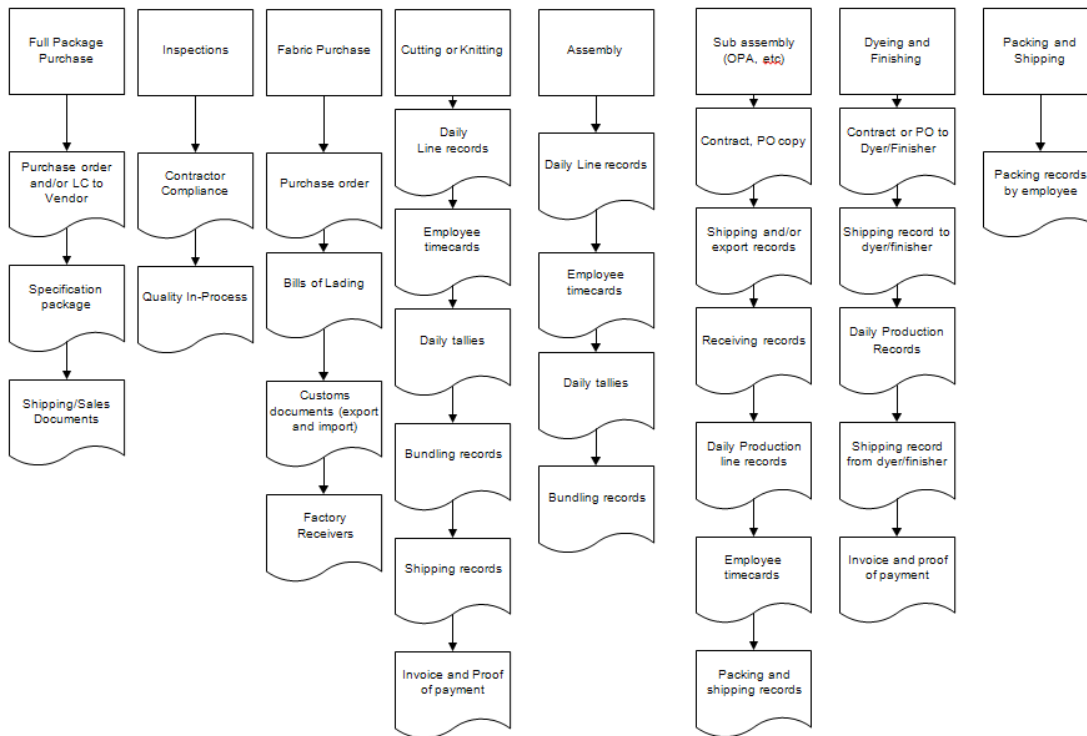
Part One: Restrictive Rules in Past FTAs



Why Flexibilities are Needed

Part Two

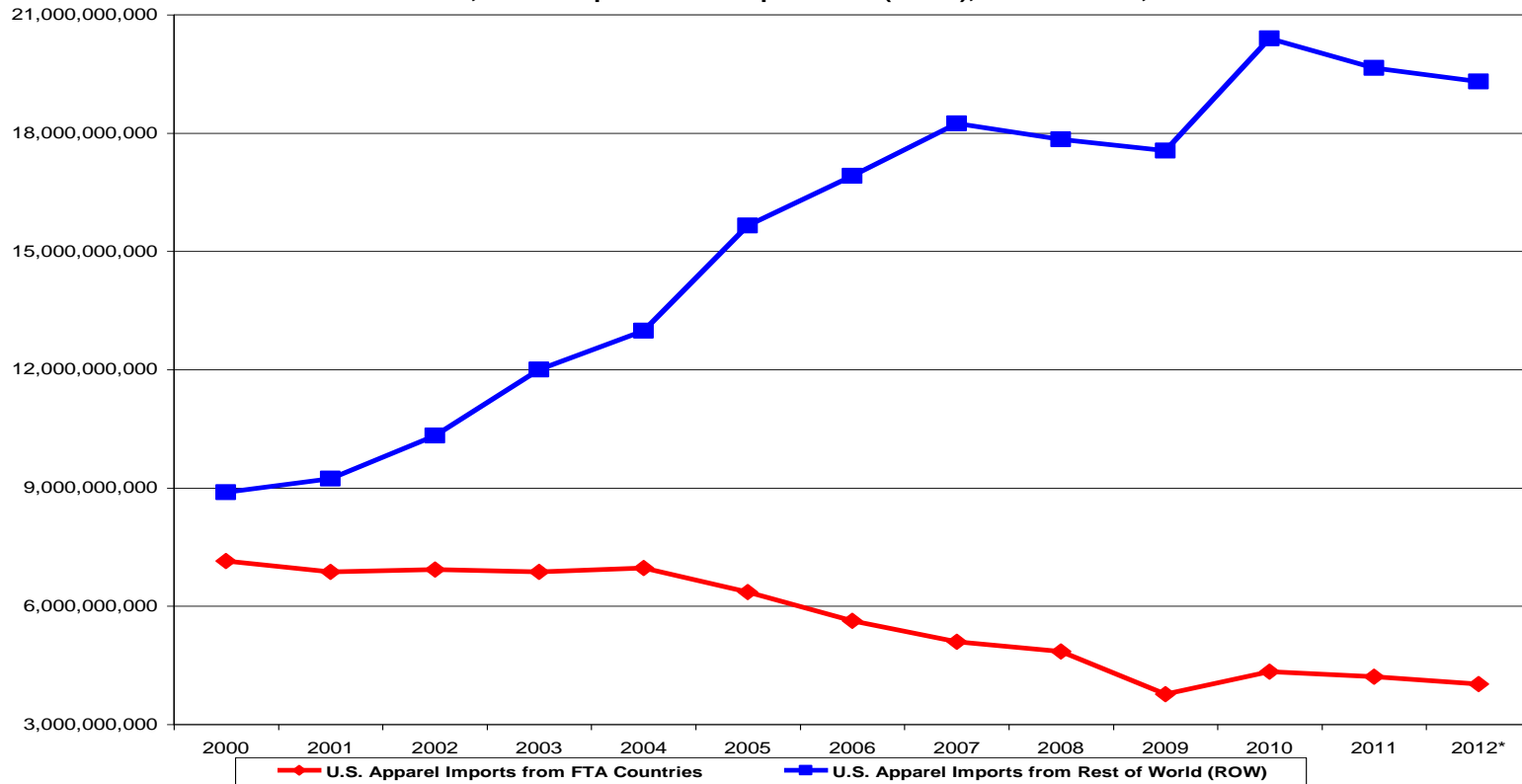
*PROOF OF ORIGIN DOCUMENT PACKAGE REQUIREMENTS
U.S. BUREAU OF CUSTOMS AND BORDER PROTECTION DOCUMENT REQUEST*



Four inches of documents per style is too much.

Let's Take a Look at the Facts

U.S. Apparel Imports from FTA Countries* Vs. Rest of World (ROW)
2000-2012*, Actual Square Meter Equivalents (SMEs), November 20, 2012



Source: Office of Textiles and Apparel (OTEXA), U.S. Department of Commerce.
Note: FTA Countries* includes all implemented U.S. FTAs that have "yarn-forward" rules (does not include Israel or Jordan)
Note: 2012* Equals 12 Months Ending September 30, 2012

Mexico and Canada Add a New Dynamic

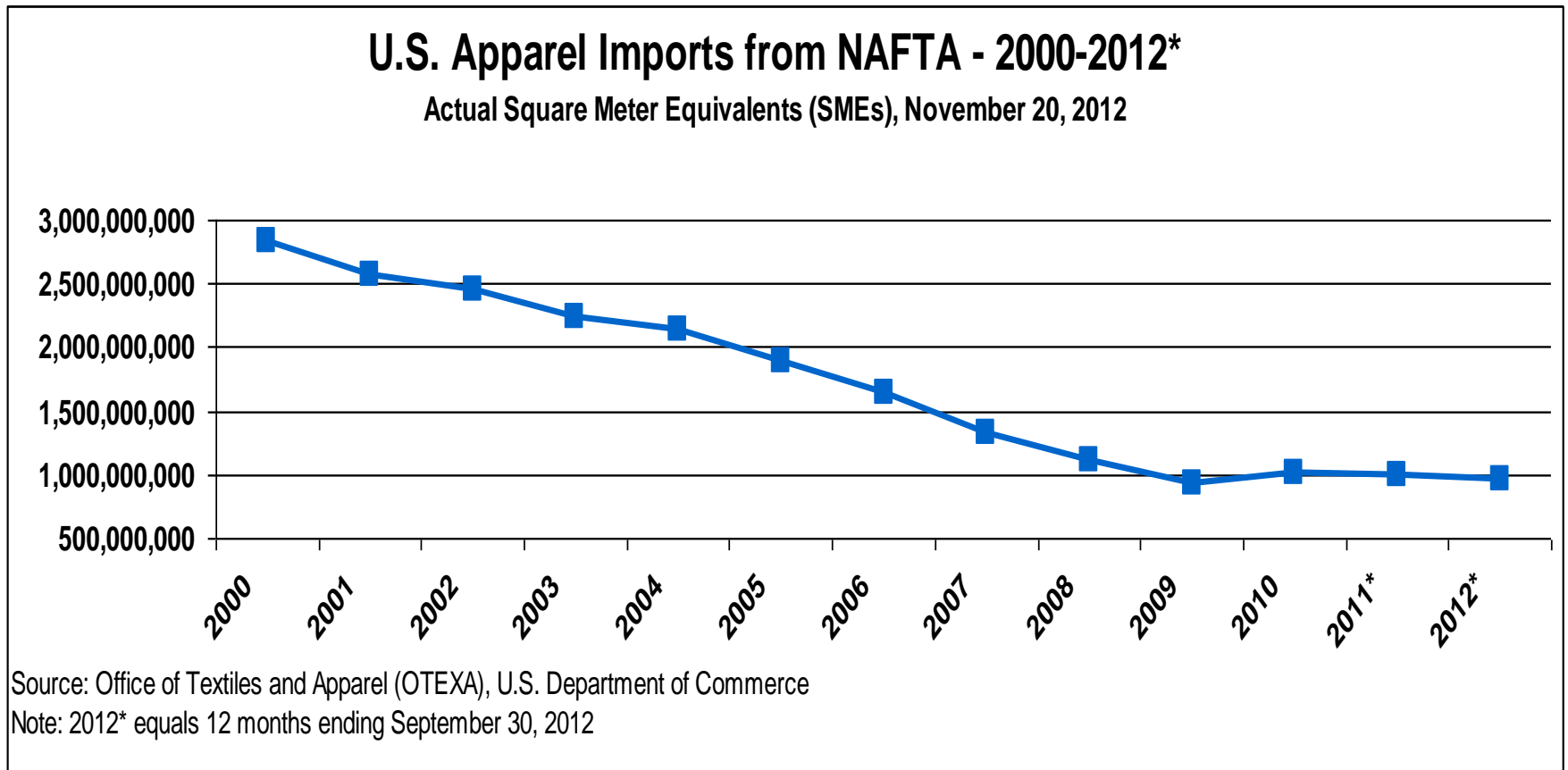
We welcome the addition of Mexico and Canada.

Let's take a look at the traditional US apparel model, created in NAFTA 20 years ago. The dynamic has changed in the past two decades.

Restrictive rules of origin were originally intended to promote trade and investment, foster vertical integration, and ensure that the benefits of the FTA go to the member countries.

Let's take a look at the facts – how apparel trade has evolved under this model.

Apparel Imports from NAFTA Countries Have Declined



Fresh Thinking for a Successful TPP

We support a fair 21st-century approach to apparel trade - with rules of origin, market access, customs, and safeguard provisions that promote trade and investment.

The TPP needs a new approach that liberalizes trade and investment.

NAFTA has demonstrated what happens when the marketplace outlives an agreement.

One size does not fit all, and apparel rules of origin should be tailored for different categories of garments (similar to tariff staging).

Creative Solutions to Consider

There are many apparel ROO paths to success in TPP. To work, the TPP needs sufficient flexibilities to promote trade and investment for apparel.

- ✓ **Cut and Sew** (i.e., yarns and fabrics from anywhere)
 - Similar to ROO for many other products.
- ✓ **Regional Value Content** (ensures sufficient level of value add is performed within TPP countries, but allows flexibility)
 - Similar to ROO in ASEAN and some US FTAs.
- ✓ **Permanent Short Supply** (a mechanism with workable provisions and limited paperwork that allows flexibility in sourcing fabrics)

Global Quota System is Over

Design a TPP that is future proof and accommodates a dynamic industry and a global economy. Provisions negotiated in TPP for apparel need to endure for decades.

We share the goal to successfully conclude the TPP as soon as possible, and to create a win-win agreement that promotes trade and investment for participating countries.



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Thank you.

For more information, visit
www.tppapparelcoalition.org