



September 19, 2012

The Honorable Ron Kirk
United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Kirk:

On behalf of the undersigned U.S. textile trade associations, we are writing to express strong opposition to the proposal from The Hosiery Association (THA) for a knit-to-shape, assembly-only exception for socks and hosiery from the yarn-forward origin rules in the Trans-Pacific Partnership (TPP). This proposal runs contrary to the United States textile industry's longstanding position in support of a yarn-forward rule of origin for textiles and apparel, including socks and hosiery, in free trade agreements.

Yarn forward is the long-established rule of origin for our industry, incorporated into U.S. trade and preference agreements dating back to NAFTA. It encompasses all stages of production from yarn spinning to fabric formation and final garment assembly, all of which must be done either in the United States or in an FTA partner country to qualify for duty-free treatment.

The rule is logical because the vast majority of the value of a finished textile or apparel product comes from its components, rather than from its final assembly. Allowing the highest value-added elements of the production chain to originate outside the contracting FTA countries transfers its benefits to third countries not party to the agreement and not obligated to contribute market-opening concessions in return.

Specifically, the THA proposal, as outlined in their position paper and in subsequent communications, would allow TPP hosiery producers to source yarns for man-made fiber socks and hosiery outside the TPP region in all instances except in the case of 100% cotton and polyester products. This proposal would be a massive blow to U.S. and other TPP producers who manufacture acrylic, nylon and various other types of man-made fiber yarns. Producers of cotton, wool and blended fiber yarns used in these socks and hosiery would also be hurt.

In addition, by only supporting the yarn-forward rule for 100% cotton and polyester socks and hosiery, the THA proposal appears to eliminate the requirement to source even cotton and polyester yarns in the TPP region in the case of hosiery products containing a blend of yarns, such as 50% cotton, 40% polyester and 10% nylon socks. The reality of the marketplace is that blends are commonplace for all types of socks including cotton and polyester products. Blends are highly desirable since various types of fibers and yarns impart distinct performance characteristics to the finished product such as elasticity, moisture wicking, colorfastness, and temperature management. The United States is an enormous producer of cotton and polyester yarns for sock production, and U.S. cotton and polyester yarn producers would suffer greatly if this proposal was adopted.

In short, the THA proposal allows yarns currently made in large quantities in the United States to be sourced from third parties, notably China. China, which subsidizes exports through various schemes, including a persistently undervalued currency, would be positioned to team with state-owned hosiery producers in Vietnam to devastate the U.S. market. Our associations represent companies that would lose business, exports, and jobs under the THA proposal while also being denied any tangible new opportunities from TPP.

Further, the concerns expressed in THA's policy paper are not supported by the facts. For example, last year under the CAFTA-DR and NAFTA agreements, the United States imported \$578 million of qualifying socks and hosiery products under HTS subheading 6115 - *Panty Hose, Tights, Stockings, Socks and Other Hosiery*. Both agreements are yarn forward, thus qualifying imports incorporate yarns sourced within the FTA region. As shown in the chart below, qualifying trade equates to nearly 98% of U.S. imports of these products. In fact, for socks and hosiery, qualifying trade from our Western Hemisphere FTA partners has been growing steadily in recent years, both in absolute terms and as a percentage of total imports. The yarn-forward rule for hosiery has this proven track record of success.

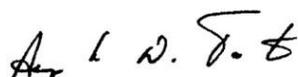
U.S. Imports from NAFTA and CAFTA-DR Partners – Socks & Hosiery (HTS 6115)

	2007	2008	2009	2010	2011
Qualifying	\$466,532,925	\$464,089,622	\$466,054,980	\$577,857,825	\$592,424,195
Total Imports	\$409,226,844	\$412,768,680	\$446,718,716	\$564,454,326	\$578,131,344
% Qualifying	87.7%	88.9%	95.9%	97.7%	97.6%

In conclusion, we feel strongly that the TPP should contain a yarn-forward arrangement for knit-to-shape items including socks and hosiery. The agreement will succeed only if it expands markets for U.S. manufacturers and creates domestic employment. THA's proposal would work against these goals, granting the agreement's benefits to third parties in non-signatory countries such as China.

Thank you for USTR's strong support of the yarn-forward rule and for your continuing efforts to extend this established rule of origin to the Trans-Pacific Partnership.

Sincerely,



Augustine D. Tantillo
Executive Director
American Manufacturing
Trade Action Coalition
(AMTAC)



Cass M. Johnson
President
National Council of Textile
Organizations (NCTO)



Paul T. O'Day
President & Counsel
American Fiber Manufacturers
Association (AFMA)

cc: Demetrios Marantis, Deputy USTR
Gail Strickler, AUSTR for Textiles and Apparel
Douglas Bell, Counselor and AUSTR for Trade Policy and Economics
Kim Glas, Deputy Assistant Secretary for Textiles and Apparel, U.S. Department of Commerce