October 2, 2017

The Honorable Orrin Hatch
Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Neal
Ranking Member
House Committee on Ways and Means
1139E Longworth House Office Building
Washington, DC 20515

Dear Chairmen and Ranking Members:

We, the undersigned, represent the overwhelming majority of textile manufacturing in the United States. Our production chain, from fiber to finished product, employs over 560,000 workers nationwide, produced more than $74 billion in output in 2016, and exported in excess of $26 billion of our production last year.

We are writing to provide you with input on the negotiations to date to modernize NAFTA. While we are not privy to any specific negotiating position, we note that there have been various news articles indicating that the U.S. government has tabled an offer designed to update and improve NAFTA's textile and apparel rules of origin. Specifically, there are media reports that an elimination of the agreement's Tariff Preference Levels (TPLs) was discussed at the most recent round in Ottawa.

As domestic manufacturers of fibers, yarns, and fabrics, we would strongly support an effort to eliminate the TPL system. TPLs were an ill-conceived mechanism that cost the U.S. thousands of textile and apparel jobs in the early years of NAFTA and to this day deny U.S. textile manufacturers hundreds of millions of dollars in annual sales to our NAFTA partner countries.

TPLs are a blanket exception to the yarn-forward origin rule that diverts critical benefits under the agreement to non-NAFTA parties, namely China. This origin loophole allows product to be shipped duty free among the NAFTA parties, although none of the textile components are required to originate within the NAFTA region.

Under the agreement, Mexico and Canada combined are permitted to ship over 235 million square meter equivalents of certain third-party apparel, fabrics, and other textile articles annually to the U.S. duty free. An additional allowance is made for nearly 13 million kg of third-party cotton and man-made yarns. These and other loopholes unnecessarily drive textile production and employment out of the NAFTA region and should be eliminated.

Based on their TPL entries in 2015, the last year for which full data is available, we estimate that Mexico and Canada shipped over $725 million worth of textiles and apparel to the United States duty free through the TPL system. Applying this one-year figure to the 23 years of NAFTA's existence leads to an estimate of over $16.7 billion worth of product exported duty free to the U.S., none of which are required to contain any U.S. textile components.

Moreover, the U.S. government recently concluded that TPLs undermine the integrity of free trade agreements through the decision to discontinue TPLs with Nicaragua, Bahrain, and Morocco. The elimination of NAFTA's TPLs would help to harmonize NAFTA with other U.S. FTAs in this important area.

It is simply unacceptable to continue this mechanism that contradicts the basic intent of NAFTA to stimulate mutually-beneficial trading structures between the contracting parties and to drive investment, production, and employment to the United States and the NAFTA region. China and other non-NAFTA parties already play a dominant role in the various textile markets of the three NAFTA countries. In addition, the TPL system has granted major benefits and concessions to countries like China that are granting no market-opening preferences to their domestic markets.

In closing, importers and retailers need no further incentive to disenfranchise U.S. products and workers in favor of textile components from Asia that are often artificially priced due to substandard labor practices, substandard environmental practices, rampant intellectual property violations, and state sponsored subsidies. Consequently, we encourage you as the leadership of the congressional committees responsible for trade policy to fully support our request to eliminate these harmful and unnecessary provisions under NAFTA.

Sincerely,

Augustine Tantillo	Gary M. Adams	Diane Bayatafshar
President & CEO	President & CEO	Acting President
NCTO	National Cotton Council	AFMA

Roy Bowen
President
Georgia Association of
Manufacturers

Lewis F. Gossett
President & CEO
South Carolina
Manufacturers Alliance

Michael Woody
Chairman
Narrow Fabrics Institute

Ted Anderson
Chairman
United States Industrial
Fabrics Institute

Steve Rosenthal
Managing Director
American Flock Association