May 10, 2013

The Honorable Demetrios Marantis
Acting U.S. Trade Representative
VIA REGULATIONS.GOV

RE: Comments on the Transatlantic Trade and Investment Partnership (TTIP), Docket USTR-2013-0019

Dear Ambassador Marantis:

The National Council of Textile Organizations is responding to a request for comments in the *Federal Register* on April 1, 2013, regarding the Transatlantic Trade and Investment Partnership (Docket USTR-2013-0019). The members of NCTO are highly engaged in international trade, particularly through our growing exports of fiber, yarn, and fabric to countries all over the world. A free trade agreement with the European Union, if structured properly, could provide solid benefits to the U.S. textile industry by providing duty free access for certain inputs that are not available from domestic sources and by providing new export opportunities.

The European Union is the U.S. textile sector's third largest export market, after the NAFTA and CAFTA countries, with exports of $2.4 billion last year, an increase of 27% over the past three years. The U.S. textile industry exports significant amounts of industrial fabrics, felts and non-woven fabrics, staple fibers, filament yarns and finished textile products to the EU.

Our members also have a range of concerns with this agreement that can be addressed in a constructive manner and to the benefit of all parties.

Define the Agreement and Partners from the Beginning

This agreement will be between the United States and the European Union. However, countries beyond the EU27 have expressed an interest in obtaining benefits through this agreement. Specifically, the Government of Turkey has expressed strong interest in participating in this agreement or negotiating on a parallel track since it is an associate member of the EU with common customs rules. This is an important question to be resolved and industry input should be sought in order to assess the potential impact and opportunity of this agreement for the domestic industry. In addition, third parties, particularly preference trade countries of individual EU member states, should not be granted benefits through this agreement.

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Similarly, we would like to know whether these negotiations will include the four members of the European Free Trade Agreement (Iceland, Liechtenstein, Norway, and Switzerland). Iceland, Liechtenstein, and Norway are part of the European Economic Area, which has created a single internal market, and Iceland might be a full member by 2014. Switzerland is a major supplier of textile machinery and equipment to the U.S. market.

Furthermore, we understand that Mexico has indicated an interest in possibly being a partner to this agreement. NCTO members remain very concerned about the burdensome Customs requirements and the lack of resolution of investigations of textile products being exported from the United States to Mexico. Notwithstanding any other issues that could potentially arise, we oppose allowing Mexico to join these discussions until the Mexican Customs/SAT issues are satisfactorily resolved.

We urge the U.S. to pursue an agreement that includes chapters similar to what we have used in previous free trade agreements. In this way, business will see the layout of the agreement in a systematic formula. Further, the issues should be resolved as part of the negotiations and rules established. Processes should be included to resolve future issues, but chapters should not be left open for further negotiations and interpretation after the agreement is concluded. Regulators should implement the negotiated terms and not be given the authority to write rules for issues left unresolved at the negotiating table. A "living agreement" will create uncertainty and business will not know what is coming next. This will stymie future trade, and possibly even hinder current trade.

Imports, Exports, Sensitive Products, and Rules of Origin

As with any free trade agreement, NCTO believes that the benefits of any agreement should accrue to the signatory countries. Benefits should not be given to free riders that are not party to the agreement and not subject to the negotiated disciplines of the agreement. The time-tested and proven "yarn forward" style rule for textiles and apparel has been a cornerstone of textile trade policy for more than 25 years and must be included in the TTIP. Along with the yarn forward rule of origin, there also must be lengthy tariff phase-outs for sensitive products and strong customs rules to prevent transshipment. We also recognize the importance of flexibilities for products that are not available from U.S. or EU producers, such as certain nylon filament yarn. The U.S. has included an exception for Israeli-produced nylon filament for the last two decades as a result. Exceptions in this agreement should be made with great caution to ensure that the benefits of this agreement accrue to companies in the partner countries wherever possible and that no manufacturer in a partner country is injured by this agreement.

We also urge USTR to consider the impact of a TTIP on existing free trade and preference partners. The Western Hemisphere, particularly NAFTA, DR-CAFTA, and the Andean countries are vital export markets for U.S. textiles.

Market Access

We believe that the TTIP should incorporate the same basic market access arrangement that has been adopted under every previous U.S. free trade agreement. Specifically, textile products should be granted differing duty elimination schedules based on sensitivity. Products deemed to be sensitive due to potential market share displacement or job loss should be afforded multi-year phase-outs.

Very simply, it would be a serious error to deem all textile products equal for the purposes of tariff elimination. Certainly, there will be some products that would serve as good candidates for immediate duty free access. However, there will be a substantial number of textile and apparel items that should be deemed highly sensitive and not eligible for a quick transition to tariff free treatment. Reasonable duty phase-out schedules would afford producers in both the U.S. and EU adequate time to adjust to the new preferential trading environment established under TTIP. In addition, reasonable phase-outs would also give our current FTA partners that will certainly be impacted by the TTIP adequate time to adjust.

We also urge the U.S. and the EU to resolve outstanding trade disputes immediately. A recent example is the EU decision to impose retaliatory duties on certain U.S. products as a result of the Byrd Amendment. The Byrd Amendment was repealed in 2006, and its provisions have not been in effect since 2007. The EU claims that the U.S. did not fully implement the 2002 WTO decision against the Byrd Amendment. Among the items hit with retaliatory duty are women's jeans, which saw duties go from 12 percent to 38 percent. This will harm U.S. producers of premium women's jeans.

Value Added Taxes

Under current WTO rules, the countries of the EU are provided significant trade advantages over the United States through national value added taxes (VAT). U.S. exporters must pay these taxes when products are imported into the EU, and EU exporters are rebated these taxes when exporting to the U.S. In addition, many EU nations now maintain value added taxes that are truly exorbitant. As a result, U.S. producers and exporters face an enormous disadvantage when competing against EU products in the U.S. market and when trying to export to the EU market.

U.S. negotiators should certainly insist that the VAT issue be firmly placed on the agenda of the TTIP. Moreover, the U.S. must find a remedy for this problem since many EU VAT assessments now serve as a de-facto 20 percent or higher tariff on our exports and an equal percentage rebate on goods shipped to our market. A true free trade agreement would eliminate this substantial government-created market distortion.

Government Procurement

As part of every trade negotiation, there are agreements regarding government procurement. As with every previous FTA, U.S. negotiators must preserve current law, in particular the Berry

Amendment, for military procurement. The U.S. military remains an important customer for the U.S. textile industry, and defense needs drive important research and innovation in our industry. Further, being able to outfit and supply our military from domestic sources is vital for our national defense. NCTO believes it would be detrimental to our industry and to our military if non-U.S. companies are granted access to defense contracts through a watered down Berry Amendment.

Regulatory Compatibility

Addressing differences in regulations offers a helpful way to eliminate non-tariff barriers to trade. Such differences do hinder trade and drive up costs, particularly when companies are forced to duplicate certain efforts like product testing. In some cases, such as product labeling, the U.S. has developed an excellent system for apparel to identify fiber content and country of origin. The U.S. system provides the consumer with sufficient information to make an informed decision, but the system is not onerous to business. In this case, we urge adoption of the U.S. system.

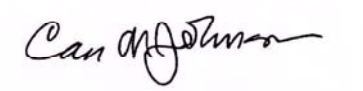
We recognize the importance of rules and regulations to protect public health and other essential functions, but we caution USTR to be mindful of the detrimental impact that over-regulation can have on domestic and international trade. Regulatory harmonization can be a good and beneficial goal if regulations are streamlined and unnecessary regulations are eliminated. We strongly urge the Administration to strive for an open, transparent, science-based regulatory system on both sides of the Atlantic to promote business and trade.

Conclusion

NCTO believes that a well-constructed free trade agreement with the European Union could offer significant export opportunities for U.S. textile producers. There are a number of issues that could easily weaken or eliminate those export opportunities, including weak rules of origin, poorly conceived tariff phase-out schedules, weakening current government procurement programs, EU VAT taxes, oppressive regulation, and allowing non-signatory countries to participate in the agreement. Further, any rules that undermine the Berry Amendment would be detrimental to our industry and would be strongly opposed by the domestic industry.

Thank you for providing us this opportunity to comment. If you have questions, or if you need additional information, please do not hesitate to contact me.

Sincerely,



Cass Johnson
President