



April 22, 2024

Victor Ban  
Special Counsel  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

**RE: Request for Comments on Promoting Supply Chain Resilience Docket Number USTR–2024–0002**

Dear Mr. Ban:

On behalf of the members of the Coalition for Economic Partnerships in the Americas (CEPA), we appreciate this opportunity to submit comments on promoting supply chain resilience.

CEPA brings together companies, trade associations, think tanks, and other stakeholders with a decades long track record of creating thousands of jobs in the Americas through investment and trade. We are a coalition of major American companies and manufacturers focused on the humanitarian, security, and economic crisis in the Americas, ready to dedicate resources, experience, and expertise to create enduring humanitarian, worker-centric, and sustainable solutions that work for the United States and Central America.

Through smart trade policies, the United States can promote billions of dollars of new investment in the region and create sustainable civil societies where opportunity can flourish. Creating the conditions to provide communities in Central America with more jobs, higher wages, sustainable growth and long-term stability will also promote resilient supply chains.

**CAFTA-DR Trade**

It is through trade—specifically, incentivizing the utilization of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) for apparel—where we will see progress. Unfortunately, CAFTA-DR is not structured to effectively attract the kind of textile and apparel investment that the industry needs to shift a broader diversity of sourcing from Asia and promote a more resilient supply chain in the Americas.

According to data released by the International Trade Administration’s Office of Textiles and Apparel (OTEXA)<sup>1</sup>, the utilization rate of CAFTA-DR for apparel sourcing fell to 70.2% in 2023. A record number of U.S. apparel imports (29.5%) from CAFTA-DR member countries did not claim duty free benefits, most notably due to an insufficient supply of qualifying yarns and fabrics. It is important to note that U.S. yarn and fabric exports to CAFTA-DR continues to lag behind U.S.

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<sup>1</sup>OTEXA trade data: <https://www.trade.gov/otexa-import-data>

yarn and fabric exports to the rest of the world. There is no question that CAFTA-DR continues to be a strong market for U.S. yarn and fabric exports (about 20% go there), but growth in apparel from other parts of the world continues to be stronger.

### **CEPA Policy Recommendations**

#### **1. Improve the CAFTA-DR short supply process to foster modern apparel production in the region without negatively impacting U.S. jobs.**

Fashion apparel production in the Western Hemisphere cannot be diversified and expanded unless there is access to more varied yarns and fabrics. With only 10% of the world's yarns produced in the Western Hemisphere, many fashion yarns are in short supply in the region even if they are not recognized as such by the CAFTA-DR short supply list. Modern apparel is made up of thousands of fabrics, yarns, and fibers and only a tiny fraction of those are produced in the U.S. Fibers, yarns, and fabrics determined not to be available in commercial quantities in a timely manner should be allowed to be sourced from outside the CAFTA-DR countries for use in apparel products and imported to the U.S. duty-free.

Moreover, the current short supply process is too burdensome and slow to allow sufficient flexibility for modern apparel producers. The current process has become tainted due to the blocked submission of valid petitions and by certain textile producers failing to provide the product at a commercially available price, quality, volume, and time frame. Furthermore, allowing access to more yarns and fabrics could also help curb migration by creating thousands more jobs in the region. In a recent report, [\*Heterogeneous Trade Agreements and Adverse Implications of Restrictive Rules of Origin: Evidence from Apparel Trade\*](#), the authors conclude that "loosening the rules to allow for new fabrics would not only attract investment and create more jobs for Central Americans, it could also reduce immigration from the region by as much as 67%." We recommend improving the short supply process to promote modern apparel production in the region without negatively impacting U.S. jobs.

#### **2. Permit cumulation of inputs between U.S. free trade agreement partners and trade preference programs to further incentivize textile and apparel investment in the Americas.**

In addition to modernizing the short supply process to be more responsive to industry needs, CEPA recommends capitalizing on another flexibility that already exists in CAFTA-DR as well as in other U.S. trade preference programs like Haiti HOPE/HELP – cumulation. CAFTA-DR allows cumulation for knit fabric used in garments classified under Chapter 62 ([See Appendix 4.1-B](#)). CEPA supports linking all U.S. trade agreements and trade preference programs in the Americas together, which would create a virtuous web among U.S. trading partners without allowing textile and apparel products using inputs from China to receive the benefits of the CAFTA-DR agreement. A great example of this would be Pima cotton from Peru shipped to Central



America, assembled into a garment, would enter the U.S. duty-free under the cumulation provision.

**3. Reduce nontariff barriers and harmonize export and import processes in Central America to promote trade, investment, and job growth in the region.**

In addition to allowing access for more yarns and fabrics, CEPA recommends reducing nontariff barriers and harmonizing export and import processes in Central America is key to promoting regional trade, investment, and job growth in the region. CEPA supports the [report](#) of the Commercial Customs Operations Advisory Committee (COAC) Rapid Response Subcommittee Northern Triangle Working Group which provides “recommendations on reducing the nontariff trade barriers and improving customs processes in the Northern Triangle region of Central America, comprised of Guatemala, El Salvador, and Honduras, for the purpose of reducing migration driven by economic push factors.”

Thank you for your attention to this important issue. CEPA looks forward to working with the Biden-Harris Administration to advance CAFTA-DR and ensure it promotes resilient supply chains for workers, communities, and investors.

Sincerely,

A handwritten signature in black ink that reads "Beth Hughes". The signature is written in a cursive, flowing style.

Beth Hughes  
Vice President, Trade and Customs Policy  
American Apparel & Footwear Association  
On behalf of CEPA