



April 10, 2024

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal:

We, the Coalition for Economic Partnerships in the Americas (CEPA), a group of major American companies and manufacturers dedicated to promoting regional trade and job growth, write today to underscore the importance of expanding trade and investment throughout the Western Hemisphere. Through this lens, we are particularly focused on expanding apparel sourcing from partner countries in the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).

The CAFTA-DR region offers enormous potential due to its proximity to the U.S. market. However, some in the U.S. apparel industry have faced challenges in meeting new investment goals and commitments in the region, and recent allegations of transshipment of goods made with forced labor through CAFTA-DR perpetuate these challenges by driving a risky narrative that trade with the region is tainted.

U.S. apparel imports face regressively high tariffs, so the duty-free benefits that free trade agreements like CAFTA-DR offer provide additional incentives to source competitive apparel for U.S. consumers. These duty-free benefits are key to unlocking investment in the region. Unfortunately, CAFTA-DR is not living up to its potential as apparel imports from the region claiming duty-free benefits have declined since the agreement's rolling entry into force.¹

Increasing utilization of CAFTA-DR for apparel can be done without reopening the agreement and will facilitate trade and investment in the region. This also aligns well with initiatives such as the Vice President's Call to Action and the Partnership for Central America,

¹ Dr. Sheng Lu, *U.S. Apparel Sourcing from CAFTA-DR and U.S. Textile Exports: Myth vs. Reality*, Coalition for Economic Partnership in the Americas, (March 2023), <https://img1.wsimg.com/blobby/go/22dec558-ac80-4801-b2f6-9c5d799b644e/downloads/CAFTA-DR%20sourcing%20and%20US%20textile%20exports%2003.30.pdf>.

supporting shared policy goals to strengthen and diversify supply chains, boost economic development, empower women in the region, and stem the flow of migration.²

We want to build on this momentum and capitalize on industry commitments to achieve those goals, but several long-term challenges have proven an obstacle to doing so. CAFTA-DR's built-in short supply mechanism allows sourcing flexibilities for yarns and fabrics that are not made in the U.S. or partner countries so that imports can still unlock duty-free treatment. But this process has been costly, burdensome, and inefficient over the years. Companies seeking to expand their investments have been unable to source the inputs that would allow them to manufacture high-demand products like technical apparel and fashion items in the region. Without these additional materials, companies are restricted to producing basic apparel in the region, which imposes a ceiling on the region's growth potential.

Compounding this long-term challenge is a growing narrative that CAFTA-DR countries are being used to transship products connected to forced labor. Lawmakers have amplified these allegations in a series of recent letters to the Biden Administration. The U.S. apparel and retail industry champions robust trade compliance and is on the front lines of ensuring our supply chains are free of forced labor. Therefore, we have concerns about repeated claims of non-compliance being made without supporting evidence and data, which may harm the very growth the U.S. government and industry are trying to promote by creating a chilling effect on new investment and sourcing in the region.

In response to these allegations, the Department of Homeland Security (DHS) has developed a comprehensive action plan with the aim of expanding enforcement of these illegal customs activities that are purportedly harming the American textiles industry.³ The U.S. apparel industry, which boasts many designated as "trusted traders" by U.S. Customs and Border Protection, stands ready to engage with and provide input to DHS as it rolls out these enhanced enforcement activities. The U.S. apparel industry benefits from a level playing field and is an important partner in ensuring bad actors are unable to profit from illegal customs practices. We encourage you to hold DHS to a commitment to work with all stakeholders in support of a risk-based and data-driven action plan that is effective in combating illicit commerce while still facilitating legitimate trade.

² *FACT SHEET: Vice President Harris Launches a Call to Action to the Private Sector to Deepen Investment in the Northern Triangle*, The White House, (May 27, 2021), <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/27/fact-sheet-vice-president-harris-launches-a-call-to-action-to-the-private-sector-to-deepen-investment-in-the-northern-triangle/>; and Partnership for Central America, <https://www.centampartnership.org/>.

³ *New DHS Textile Enforcement Actions Crack Down on Illicit Trade to Support 500,000 American Textile Jobs*, U.S. Department of Homeland Security, (April 5, 2024), <https://www.dhs.gov/news/2024/04/05/new-dhs-textile-enforcement-actions-crack-down-illicit-trade-support-500000>.

The textiles and apparel industries comprise unique, complex supply chains that foster growth and support jobs both in the region and here at home. We appreciate congressional engagement in supporting strong trade partnerships throughout the hemisphere, and we look forward to continuing to work with lawmakers to shape policies in a way that grows economic opportunities for the whole supply chain.

Sincerely,

A handwritten signature in dark ink that reads "Beth Hughes". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

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

cc: Members of the U.S. House Committee on Ways and Means