



July 22, 2024

Laura Buffo
Chair of the Trade Policy Staff Committee
Office of the United States Trade Representative
600 17th Street, NW
Washington, DC 20508

RE: Request for Comments on the Americas Partnership for Economic Prosperity—Trade Track
USTR-2024-0009

Dear Ms. Buffo:

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 in response to the Office of the U.S. Trade Representative's (USTR) Request for Comments on the Americas Partnership for Economic Prosperity (APEP) Trade Track.

CEPA is a strong champion 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). CEPA supports the APEP Leaders' call to develop inclusive and sustainable approaches to trade and investment that will foster greater economic integration among the partner countries.¹

For APEP to fully achieve its goals of tackling economic inequality, fostering regional economic integration and good jobs, and restoring faith in democracy by delivering for working people across the region, it should include more countries in the region.² A reasonable starting point would be a review of current U.S. free trade agreement partners in the Americas. CEPA views the inclusion of additional partners as a path to greater cohesion and collaboration in the region, allowing APEP to complement and build on existing trading relationships. The CAFTA-DR region, in particular, offers great potential in this regard.

However, CEPA members have faced challenges in meeting new investment goals and commitments in the CAFTA-DR region, and believe alignment with APEP goals through

¹ Request for Comments on Americas Partnership for Economic Prosperity-Trade Track, Federal Register, (June 20, 2024), <https://www.federalregister.gov/documents/2024/06/20/2024-13470/request-for-comments-on-americas-partnership-for-economic-prosperity-trade-track>.

² Americas Partnership for Economic Prosperity, U.S. Department of State, <https://www.state.gov/americas-partnership-for-economic-prosperity/>.

broadener inclusion, beyond Costa Rica and the Dominican Republic, could facilitate much-needed progress. This also aligns well with initiatives such as the Vice President's Call to Action and the Partnership for Central America, supporting shared policy goals to strengthen and diversify supply chains, boost economic development, empower women in the region, and stem the flow of migration.³

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.⁴ Increasing utilization of CAFTA-DR for apparel can be done without reopening the agreement and will facilitate trade and investment in the region. CEPA believes APEP offers a ripe opportunity to do so given its stated goals to build on and coexist with regional trade agreements.

In support of the goals outlined thus far, CEPA offers the following actionable items for APEP members to consider in support of increased integration and economic growth in the Western Hemisphere.

- 1. Reduce non-tariff barriers and harmonize export and import processes in Central America to promote trade, investment, and job growth in the region**

CEPA strongly supports APEP's focus on customs and trade facilitation. The harmonization of export and import processes and reduction of non-tariff barriers among APEP partners will be key to strengthening regional competitiveness and integration. CEPA recommends streamlining all customs regulations to achieve the gold standard in trade facilitation and more fully foster investment and inter-regional investments. CEPA supports the report of the Commercial Customs Operations Advisory Committee (COAC) Rapid Response Subcommittee Northern Triangle Working Group which provides recommendations to reduce non-tariff barriers and improve customs processes in the Northern Triangle countries.⁵ We urge the administration to review the COAC recommendations and use them as the basis for the U.S. position on APEP customs and trade facilitation efforts.

³ *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/>.

⁴ 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/22dee558-ac80-4801-b2f6-9c5d799b644e/downloads/CAFTA-DR%20sourcing%20and%20US%20textile%20exports%2003.30.pdf>.

⁵ *Report of the Work of the COAC Subcommittee on Rapid Response (RR)- Northern Triangle Working Group*, U.S. Customs and Border Protection, (August 21, 2019), <https://www.cbp.gov/sites/default/files/assets/documents/2019-Aug/COAC%20RR%20Rapid%20Response%20Subcommittee%20Northern%20Triangle%20Findings%20Report%202019%20FINAL.pdf>.

Additionally, CEPA has identified several specific challenges and opportunities related to customs and trade facilitation that could be translated to APEP partner countries.⁶ Harmonizing customs procedures and port operations, reviewing and aligning foreign trade zone processes and regulations, and enhancing systems and port infrastructure across partner countries will serve to increase certainty, reliability, and consistency for the movement of goods across APEP economies. CEPA also recommends the U.S. execute a Memorandum of Understanding on facilitation of trade and investment in support of the growth of Customs-Trade Partnership Against Terrorism (CTPAT) partners operating in the region, including by offering CTPAT partners express trade facilitation among partner countries.

2. Expand access to yarns and fabrics to fuel investment and growth in the region's apparel sector

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 Central America, which imposes a ceiling on the region's growth potential.

To help catalyze growth and investment in the region, we recommend that the administration work with interested lawmakers and stakeholders — including CAFTA-DR parties, domestic manufacturers, and apparel brands and retailers — to negotiate a discrete set of yarns and fabrics to be designated in short supply. Such a list should be developed with the sole purpose of driving vertical integration for increased and sustained private sector investment in the region. The first 43 products on the CAFTA-DR short supply list were added as a group prior to the conclusion of CAFTA-DR negotiations, and APEP offers a real opportunity to revisit the short supply list with a group of engaged partners. CEPA also stands ready to engage with the administration on a list of key investment incentives to help drive more vertical investment beyond adding to the short supply list.

In addition, we recommend that the administration modernize the rules governing the short supply process for textiles and apparel in CAFTA-DR. The Chair of the Committee for the Implementation of Textile Agreements (CITA) published rules for the short supply program in September 2008 under the authority granted under Article 3.25 of CAFTA-DR. Those rules have not been updated in the almost fifteen years since they took effect. At the same time, two-way

⁶ *Non-Tariff Barriers in Central America*, Coalition for Economic Partnerships in the Americas, <https://img1.wsimg.com/blobby/go/22dec558-ac80-4801-b2f6-9c5d799b644e/downloads/CEPA%20Trade%20Facilitation%20One%20Pager%201.pdf?ver=1690894908094>.

trade in textiles and apparel between the United States and Central America is lower today than it was when CAFTA-DR was first signed. Using its existing authority, the Chair of CITA should initiate a new process to modernize the rules governing the short supply process with the intent of encouraging further trade and investment throughout the hemisphere.

CEPA believes a modernized short supply process should, among other items:

- Preclude claims of substitutable products in response to short supply requests for specific materials;
- Require that entities objecting to short supply petitions demonstrate actual production and sales of the requested product in meaningful quantities; and
- Require that entities offering to make a requested product provide samples to petitioners.

CEPA believes such improvements to the CAFTA-DR short supply mechanism will make the program more commercially workable, unlocking a key component to economic growth and more sustained regional investment.⁷ This would, in turn, support the U.S. economy and create additional job opportunities in the APEP partner countries.

3. Permit cumulation of inputs between U.S. free trade agreement partners, trade preference programs, and economic frameworks 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 U.S. trade preference programs like Haiti HOPE/HELP — cumulation. CAFTA-DR allows accumulation for knit fabric used in garments classified under Chapter 62 (See Appendix 4.1-B).⁸ CEPA supports linking all U.S. trade agreements, trade preference programs, and economic frameworks 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. One prime example of this system is the use of Pima cotton from Peru. This cotton could be shipped to another country in the region for assembly into a garment and then enter the U.S. duty-free under the cumulation provision.

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 USTR's engagement in supporting strong trade partnerships throughout the Western Hemisphere, and we look

⁷ *Recommendations for an Improved CAFTA-DR Short Supply Mechanism*, Coalition for Economic Partnerships in the Americas, <https://img1.wsimg.com/blobby/go/22dee558-ac80-4801-b2f6-9c5d799b644e/downloads/Short%20Supply%20One%20Pager.pdf?ver=1656008984085>.

⁸ *Annex 4.1 Specific Rules of Origin*, Dominican Republic-Central America Free Trade Agreement, https://tcc.export.gov/wcm/groups/tradedataanalysis/@tcc/documents/tradeagreement/cafta_annex4_1_products.pdf.

forward to continuing to work with the Biden-Harris Administration to shape policies in a way that grows economic opportunities for the whole supply chain.

Sincerely,

Beth Hughes

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

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