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Dear Ms. Regina Vargo & Srs. Hernando José Gómez, Christian Espinoza, & Pablo de la Flor:

On behalf of the American Apparel and Footwear Association, the national trade association for the apparel and footwear industries, and their suppliers, I am writing to offer recommendations for a commercially meaningful free trade agreement with the Andean nations.

AAFA has a long history of supporting expanded trade with the Andean region. We were among the organizations that led the effort for successful passage of the Andean Trade Promotion and Drug Eradication Act (ATPDEA). We were also one of the first groups to call for the transition of the ATPDEA into a full free trade agreement.

We represent a significant number of textile, apparel, and footwear companies who presently do business with the Andean countries. These companies are engaged in a variety of activities with the region, including exporting, importing, investing, and distributing. For these companies, a commercially meaningful FTA will be critical in ensuring they can maintain and expand their operations in the Andean region. For other AAFA members, who are not active in the region, the FTA will determine the extent to which they will trade with this region in the future.

Swift conclusion of the FTA talks is also vitally important for the region. In the years preceding passage of the ATPDEA, apparel and footwear trade with the region had declined as competitive pressures diverted business activities to other parts of the world. Although the ATPDEA has briefly rejuvenated this relationship, new competitive dynamics in the global trading system combined with the imminent expiration of the ATPDEA threaten to reverse this progress. A well-negotiated FTA with the region will transition the current program to make it simpler to use, permanent, reciprocal, broader, and more flexible.

We have raised these concepts previously in testimony before the Trade Policy Staff Committee and the International Trade Commission, and in direct conversations with negotiators. As you move toward conclusion of the agreement, we felt it important to reinforce them again.

We believe a commercially meaningful agreement with the region should contain the following concepts:

Rules of Origin and Market Access:

Since we have recently communicated with you regarding the footwear rules of origin and market access issues for the Andean FTA, our comments here will focus primarily on textiles and apparel. For textiles and apparel¹, a reciprocal yarn forward essential character rule with built in flexibilities to ensure continuous development of trade. Such flexible features include:

- A. Single Transformation (cut and sew) rules for several specific articles, including: brassieres, swimwear, boxers, nightwear, girls dresses, dress shirts, pajamas and nightwear, dressing gowns/robes, skirts, coats and jackets, woven blouses, and pants.
- B. Fabric forward rules for wool articles.
- C. An updated short supply list (including the items identified in the Central America Free Trade Agreement updated with any additional articles that are found to be in short supply).
- D. A streamlined short supply mechanism that is transparent, predictable, and speedy.
- E. Full cumulation provisions to permit and encourage the sharing and trading of inputs among the United States, the Andean nations, and other U.S. FTA partners in the hemisphere.
- F. Earned tariff preference levels – similar to what was requested by the U.S. textile industry in the Central America agreement – that permits companies to use non originating denim fabric in a ratio with originating fabrics.
- G. Special regime style provisions – similar to that which is contained in the North American Free Trade Agreement – to permit duty free access for goods meeting a fabric forward entire garment rule.
- H. De Minimis rules with no exemptions.
- I. Incorporation of existing features from the ATPDEA, such as the ability to use nylon filament yarns from Mexico or Israel, to permit seamless transition for existing operations dependent on those supply chains.

It is absolutely essential that textile and apparel goods, be provided reciprocal duty free access on the first day of the agreement. Moreover, given that these products already enjoy duty free access to the

¹ Except textile travel goods, which should be subject to a substantial transformation rule of origin with immediate duty free access.

U.S. market, all parties to the agreement should include provisions that provide for refund of duties on qualifying articles to 1/1/2005.

Duty Drawback

The FTA should provide full access to duty drawback mechanisms to avoid the problem contained in NAFTA that inappropriately penalized companies for adhering to the rule of origin.

Intellectual Property Rights

The FTA should maintain high standards of protection for intellectual property rights, particularly for protection of trademarks. These provisions should ensure enactment and enforcement of laws to protect trademarks, and to provide for the protection of famous brands. All outstanding trade market disputes should be resolved to the U.S. satisfaction prior to the conclusion of the negotiations.

Customs

The FTA should contain provisions that facilitate entry of legitimate and originating goods. Documentation and certification requirements should be minimal and should not create new paperwork burdens. Entry, verification and audit procedures should rely upon electronic certification and/or documentation normally generated in the course of business.

VI. Social Responsibility

The FTA should incorporate high standards to ensure protection of workers rights, particularly core labor standards as articulated by the International Labor Organization (ILO). As in CAFTA, the agreement should provide for the enforcement of workers rights provisions and the resources to ensure that all stakeholders in the country have the understanding and capability how best to advance those workers rights.

VII. Government Procurement

The FTA should maintain requirements contained in the Berry Amendment.

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If negotiated to include these provisions, the FTA can solidify the very strong partnership that already exists between the United States and the Andean countries. It would provide incentives for our companies to maintain and expand business in the region to the mutual benefit of the United States and the Andean countries.

We look forward to working with you to advance this important initiative.

Sincerely,



Kevin M. Burke
President & Chief Executive Officer