

What's in the TPP Chapter on Apparel and Textiles?

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Apparel brands and retailers will see significant benefits under the in-work Trans-Pacific Partnership once the agreement is implemented and in the years following, and now that the text for the trade deal has been released, details surrounding what those benefits will be and when they will be realized are at least a bit clearer.

In short, most apparel will be yarn forward—meaning goods would have to be made using U.S. or other TPP country yarns to qualify for benefits, dresses, skirts and bags made of textiles will see duties eliminated from day one, and most knit tops and woven pants won't have duties phased out for 10-12 years after implementation.

The 12-nation Pacific Rim agreement will help retailers save on the \$1.78 billion spent on imports from TPP partners last year. Imports from Vietnam alone totaled \$700 million in 2014 and American companies paid \$100 million in duties from those goods.

Sourcing Journal spoke with Elise Shibles, a member of the Sandler, Travis & Rosenberg (STR) customs and international trade law firm, who has already started analyzing the text, to help decode the document.

What are the Rules of Origin for textiles and apparel?

Put simply, a good will qualify for benefits under TPP if it is yarn forward, or made of inputs outlined in the Short Supply List or if it qualifies under the cut and sew rule.

“Almost all apparel is subject to the typical yarn forward requirement, the exceptions are for bras and for synthetic baby garments and for textile bags,” Shibles said. “For those things, you can use yarn or fabric from anywhere and cut and sew within the TPP—so it’s not yarn forward, it’s the cut and sew rule.”

Further, a textile or apparel good that doesn’t automatically qualify for benefits because it isn’t 100 percent yarn forward, could still be considered eligible if the total weight of its non-TPP yarn doesn’t exceed 10 percent of the main fabric.

What’s on the Short Supply List?

A total of 194 fibers and fabrics made the Short Supply List, which means any of them can be sourced from any country—it does not have to be a TPP member country—and the products they go into will still qualify for the duty free, or reduced duty, benefits.

Some of the items to make the list include 100 percent polyester microfiber twill for use in woven bottoms, bonded fabric with a plain woven face for men’s and women’s water-resistant garments, polyester woven fabrics of staple or filament yarns containing between 3 and 21 percent elastomeric yarns for use in some woven swimwear, and cut pile corduroy fabrics with at least 85 percent cotton.

A 100 percent dyed man-made fiber knit fabric for use in textile bags, stretch denim fabric of certain blends, and carded wool-blend fabrics for men’s, women’s and children’s outerwear also made the list.

A few of the items on the Short Supply List are only temporary, though. These items will be removed from the list five years after the agreement is entered into force.

Which products will see benefits right away? Which will have longer phase outs?

“Dresses, skirts and textile bags are all immediately free upon entry into force,” Shibles said.

Knit tops and woven pants, which have the highest volume of trade however, won’t be duty free for 10-12 years after implementation—a move, according to Shibles, intended to protect domestic or Western Hemisphere production from existing trade agreements like CAFTA and NAFTA.

The U.S. and Vietnam also have a special program for woven trousers as part of TPP. Under a so-called Earned Import Allowance program, similar to some existing programs the U.S. has with Haiti and the Dominican Republic, a company can get credit for exporting U.S. fabric to Vietnam for use in cotton woven trousers. Those credits can then be used by the company for use in cotton woven trousers out of Vietnam using foreign fabric.

“It’s kind of like a pay to play,” Shibles explained. “If you buy a certain amount of U.S. fabric, then you’re able to use a certain amount of foreign fabric.”

What’s next for the agreement and for American brands and retailers?

President Obama notified Congress of intent to enter into the TPP agreement Thursday, which started the 90 countdown for when the trade deal can be signed.

There are other items that are immediately free as part of the TPP, but they can’t be lumped into broad categories and are quite specific, Shibles explained, so importers should look at their own specific items compared to the market access schedule and find key, specific areas of opportunity.

“They should do a strategic examination of the types of goods they import compared to the rules of origins and duty phase outs and look at what they’re sourcing inside the TPP region and outside of the TPP region and look at what would be strategic to move into the TPP region,” she said. “There are key strategic items that offer good value, but they’re going to be specific to different types of companies.”

To assist in navigating the new trade deal, STR created a three-tiered Trans-Pacific Partnership Assessment and Compliance Program, to help companies assess TPP duty savings possibilities and take advantage of them. Click [here](#) for more information.

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