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Managing Textile Trade: TPP Rules of Origin

Types of rules

- Change in tariff classification—subheading, heading, or chapter
- Value content
- Technical process

US approach for apparel is “yarn forward” to protect the domestic textile industry

Key players:
US and
Vietnam

FIGURE 1A VIETNAMESE EXPORTS
BY PRODUCT, 2013

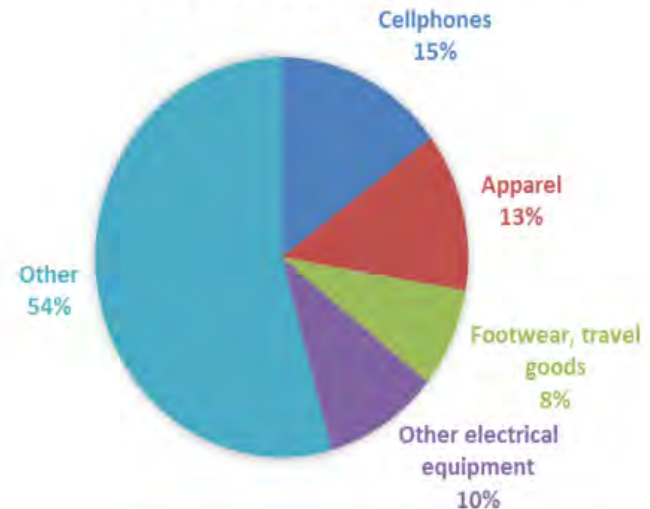
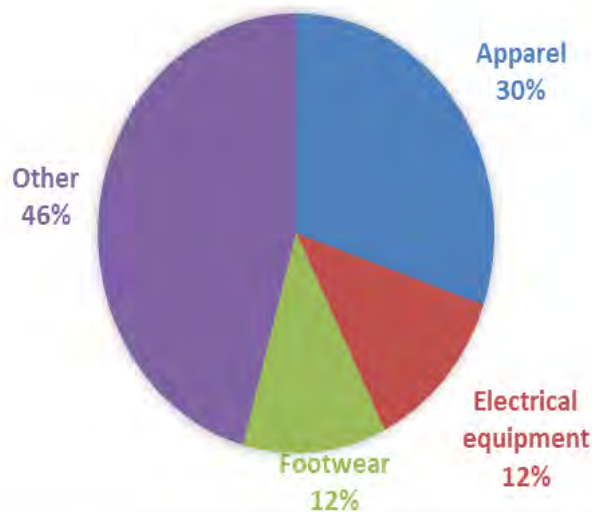
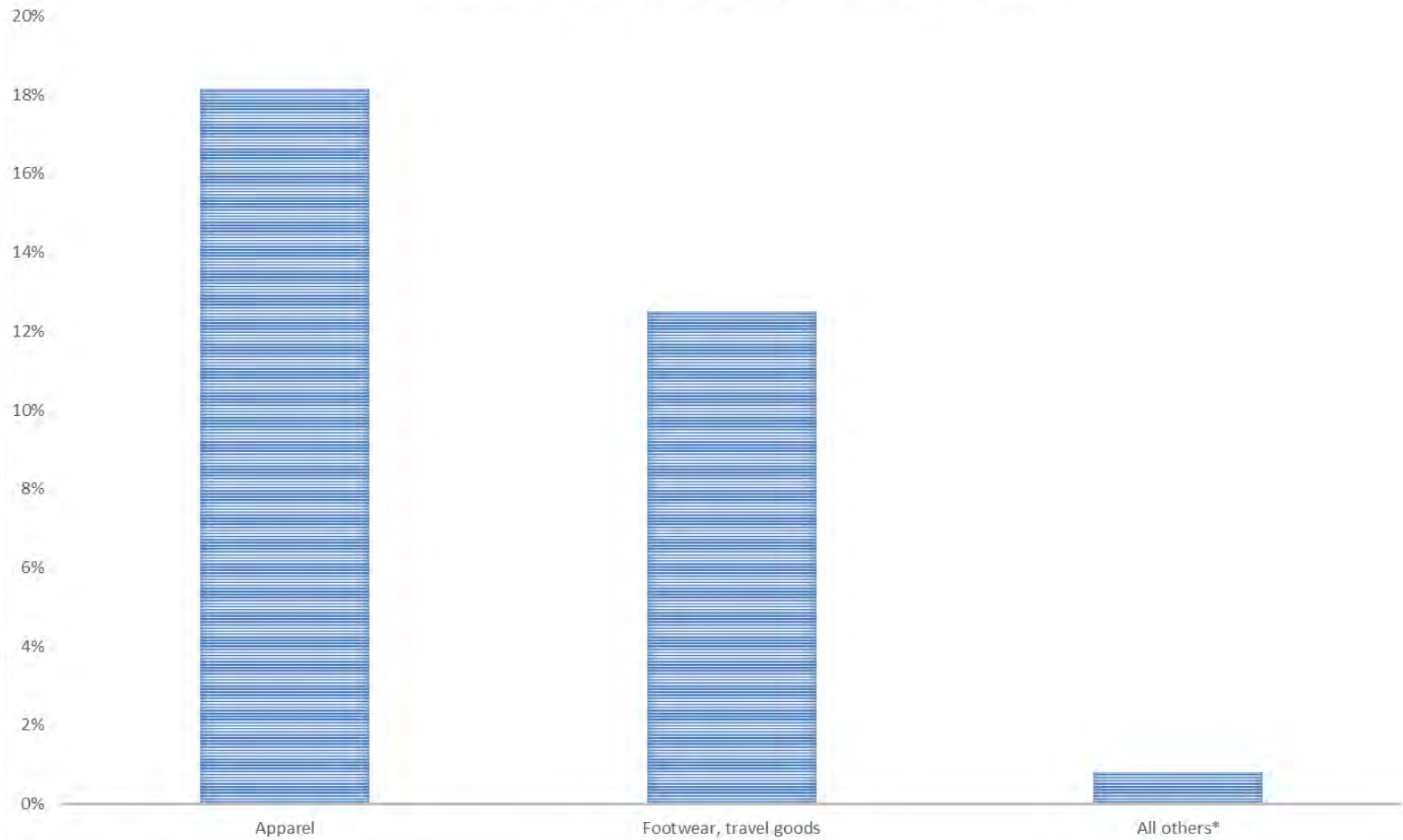


FIGURE 3A VIETNAMESE EXPORTS TO US



44% of
Vietnamese
apparel
exports to US

FIGURE 2 US AVERAGE TARIFF RATE

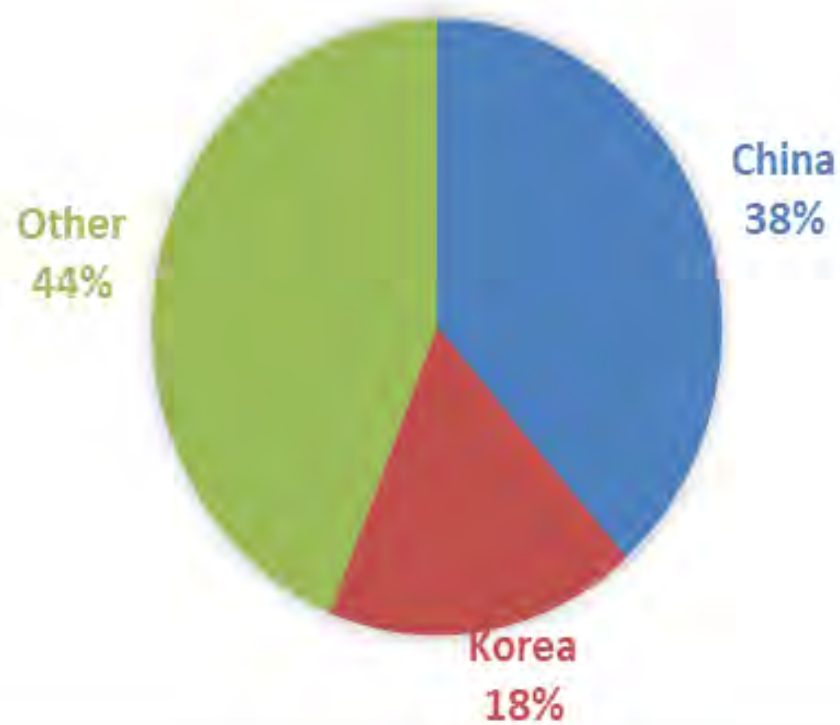


* Includes products with zero duties.

Vietnamese apparel under TPP

- Most US tariffs reduced $\frac{1}{3}$ to $\frac{1}{2}$ immediately, with balance remaining in place 10-12 years
- Canada, Japan eliminate most apparel tariffs immediately
- But the yarn-forward rule applies to all TPP parties and remains in place permanently

**FIGURE 4 VIETNAMESE IMPORTS OF
TEXTILE INPUTS**



Some flexibility in the rule

- Non-TPP fabric allowed for a few products (not significant exports for Vietnam)
- Short-supply list includes cotton fabric for dress shirts (\$250 million in exports, 20% tariff)
- Earned import allowance for jeans, khakis
- Regional cumulation

But no TPLs

Vietnam benefits if:

- Korea or Taiwan join TPP (~30% of input imports)
- Vietnam attracts FDI in upstream textile sectors >> Chinese labor costs rising

But at expense of Asian LDCs

- Bangladesh, Cambodia compete with Vietnam in apparel >> will continue to pay 15-20 percent average tariff
- All other HICs provide duty-free, quota-free market access to LDCs
- US should do in conjunction with TPP