

American Apparel & Footwear Association (AAFA)
Fashion Accessories Shippers Association (FASA)
National Foreign Trade Council (NFTC)
National Retail Federation (NRF)
Retail Industry Leaders Association (RILA)
Travel Goods Association (TGA)
U.S. Association of Importers of Textiles and Apparel (USA-ITA)
United States Chamber of Commerce

June 22, 2009

Dear MEMBERS OF THE SENATE FINANCE COMMITTEE:

We write to express our strong support for meaningful trade preferences for Afghanistan and Pakistan. However, we are deeply disappointed with H.R. 1886, the *Pakistan Enduring Assistance and Cooperation Enhancement Act of 2009* (PEACE Act of 2009), which the House passed on June 11th to create Reconstruction Opportunity Zones (ROZ) along the Pakistan-Afghanistan border. When the Senate takes up this legislation, we strongly urge that the Senate start with S. 496, introduced by Senator Maria Cantwell, and expand and revise it in several areas to ensure that the ROZ program is not a hollow gesture to the people of Afghanistan and Pakistan.

The ROZ program represents a critical opportunity for the United States to foster economic development and social stability in the region and to make good on the promise of a closer economic relationship with Pakistan and Afghanistan. As currently drafted in both the House and the Senate, however, the ROZ program represents only symbolic assistance for Pakistan and Afghanistan.

Much has changed both politically and economically since the ROZ program was first crafted by the Bush Administration more than two years ago. Yet the pending legislation is essentially unchanged, gerrymandering coverage to match a China quota agreement that no longer exists, and blocking benefits for those products that Pakistan is best positioned to produce. The Congress should update the proposal to reflect the world today, where there are no quotas, Asian suppliers are in fierce competition for sales to the U.S. market and security conditions in the region have grown worse.

For the ROZ initiative to be effective, duty-free treatment must be extended to all textile and apparel products, and especially to cotton trousers and shorts and cotton knit tops. These products are most likely to generate employment opportunities. Cotton knit shirts and cotton trousers are vitally important to Pakistan, yet these products face U.S. duties that average around 17 percent. Configuring the ROZ program to include these items will give Pakistan a fighting chance in this competitive industry. Moreover, U.S. producers are not at risk from apparel exports from Pakistan; it is the other Asian producers who compete with Pakistan. Cotton knit shirts and cotton trousers from Pakistan represent a mere 3.6 percent of total U.S. imports of these products.

We also urge Congress to revisit the limited areas in Pakistan that are eligible to use the ROZ program. Limiting ROZs to extremely remote areas that are experiencing intense conflict and are not yet mature for industrial growth would only delay job creation. Therefore, we encourage you to consider expanding the geographic areas in Pakistan to include areas that are currently capable of production. All of Pakistan, not just the tribal areas on the Northwest Frontier, is being targeted by extremists.

Another area of concern in S. 496 is the disclosure requirements. We agree that transshipment is a legitimate concern, and we support the effective and time-proven anti-transshipment provisions that exist in other trade preference programs like the African Growth and Opportunity Act (AGOA). However, S. 496 goes way beyond those provisions and requires extensive disclosure of sensitive and proprietary information. For example, the legislation requires the disclosure of the names of all owners, directors, officers, suppliers, and U.S. customers of ROZ entities. This raises significant proprietary information concerns because companies do not want to reveal their sourcing strategies to competitors. S. 496 also requires Pakistan and Afghanistan to compile a list of names and addresses of all participating entities. Such a list would surely become a target list for America's enemies in the region.

S. 496 incorporates key criteria for determining eligibility, including countries' commitments to internationally-recognized labor rights, consistent with the Generalized System of Preference (GSP) and other preference programs repeatedly reviewed and approved by Congress. Unlike S. 496, however, the House bill seeks to impose highly onerous labor criteria that would undermine the ability of this program to produce the much-needed economic growth in this region. The labor provisions in the House bill go far beyond the GSP program, are unworkable, particularly given the unique security considerations that will be encountered in the region, and will only serve as a further disincentive for companies to use this program. Therefore, we strongly urge that S. 496 be the model for any labor provisions included in the final legislation.

Moreover, the pay-for mechanism in the House-passed bill would actually increase the cost of doing business in non-ROZ areas of Pakistan. This is contrary to the goal of bringing greater job creation to this critically important region, and would raise questions about possible conflict with World Trade Organization rules regarding most-favored-nation treatment for those areas of Pakistan that are not eligible for ROZ investment. Penalizing one part of Pakistan to benefit another is a terrible precedent in a trade preference program.

The United States has an important opportunity to send a tangible message to the people of Afghanistan and Pakistan with this initiative. We have a chance to create real employment that counters the recruitment efforts of extremist groups in both countries. But that is possible only if the product scope, geographic coverage, disclosure, labor, and pay-for provisions of the ROZ program reflect the realities in the region. We encourage you to make these important revisions so we can translate the U.S. vision into real economic development to support U.S. and regional stability.

Thank you for your time and consideration in this matter.

Sincerely,

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