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September 4, 2012

Mr. Douglas Bell  
Chair, Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 17th Street NW  
Washington, D.C. 20508

Via Electronic Submission

RE: USTR-2012-0014—Negotiating Objectives with Respect to Mexico’s Participation in the Proposed Trans-Pacific Partnership Trade Agreement

Dear Mr. Bell:

The Retail Industry Leaders Association (RILA) appreciates the opportunity to provide comments to the Trade Policy Staff Committee of the United States Trade Representative on negotiating objectives with respect with Mexico’s Participation in the Trans-Pacific Partnership (TPP) negotiations. RILA strongly supports the negotiation of a comprehensive TPP, and the stated objective to achieve a high-standard, 21st century agreement with a membership and coverage that provides economically significant market access opportunities. RILA believes that the addition of Mexico to the TPP would contribute meaningfully to the achievement of these goals provided that the TPP maintains high standards of trade-openness and disciplines.

**Background**

RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad. Our members pay billions of dollars in federal, state and local taxes and collect and remit billions more in sales taxes. Our members are also leading corporate citizens with some of the nation’s most far-reaching community outreach and corporate social responsibility initiatives.

The retail sector, along with the suppliers and customers that it serves, is an essential part of the U.S. economy. Retail is known for its innovation and cutting edge business practices in areas such as supply chain management, marketing, commercial real estate, and other professional disciplines. Retailers meet the needs of U.S. consumers, and in doing so are essential drivers of the U.S. economy. We also serve the global market for consumer goods and bring U.S. products to the foreign markets where they operate. Retailers provide quality jobs at all employment

levels with good benefits. The industry also creates opportunities for entry-level employment, part-time work, jobs for non-skilled workers, management training, as well as a variety of rewarding professional careers.

### **RILA Supports Inclusion in the TPP of Mexico and a Commitment to Flexible Rules of Origin**

RILA welcomes the addition of Mexico in the TPP negotiations. As with any country aspiring to join the TPP, all three countries should be prepared to support and commit to the objective of a high-standard agreement that promotes trade and investment in all sectors, including sectors that have historically been politically sensitive such as apparel, footwear, dairy, and sugar.

The TPP provides an important opportunity to modernize and promote best practices in international trade rules. For example, the TPP should be comprehensive and eliminate duties on all products as quickly as possible, include rules that maximize trade and investment in all sectors, promote important protections for intellectual property rights and investors, including investor-state dispute settlement, and break down non-tariff barriers that inhibit trade.

The opportunity to share the TPP's updated trade rules with Mexico is a good one to break down persistent barriers to trade (such as supply managed commodities) that have not to date been addressed under the North American Free Trade Agreement (NAFTA). It is also time to update the overly restrictive "yarn-forward" rule of origin for apparel that was originally created in NAFTA. The U.S. apparel industry in 2012 is very different than in 1994 when NAFTA was implemented. Today's American apparel and retail industry is globally competitive and utilizes efficiencies in global sourcing. Flexibility in sourcing inputs is critical for our industry's ability to provide the fashionable apparel that consumers demand at affordable prices. The development of new TPP rules with countries that already have FTAs does not need to eliminate existing rules. Instead, the TPP can provide an alternative model that runs in parallel with existing FTAs.

RILA believes that TPP negotiators should work with industry to create a new template for apparel trade that accounts for current production and design capabilities in the United States, and stimulates investment, growth, and integration within the TPP region. This new template should recognize and facilitate the significant value created by American retailers, apparel brands, manufacturers, and importers as well as domestic textile producers. Such an approach should include a flexible general rule of origin for apparel that maximizes the incentive to grow trade and investment, value and jobs in the TPP. For specific products for which there is significant U.S. production, RILA stands ready to work with other stakeholders to develop criteria to determine when it would be appropriate to include more restrictive rules.

### **TPP Agreement Should Include ITA Membership**

RILA strongly supports the U.S. negotiating position that all TPP countries must join the World Trade Organization's Information Technology Agreement (ITA), including Mexico. The ITA is one of the most successful World Trade Organization agreements, and offers immense benefits to U.S. companies by providing duty free treatment on a wide variety of information and communications technology products. The United States has consistently pursued a policy of requiring new free trade agreement partners to join the ITA, and the TPP negotiations should be no different.

### **RILA Supports Supply Chain Innovations in TPP**

RILA encourages Mexico to embrace TPP negotiators' efforts to develop innovative provisions in the TPP that go beyond existing FTAs. Some new customs provision that RILA supports for inclusion in the TPP is to incorporate a placeholder to include account-based customs processing in the future to create a more efficient entry process and facilitate secure and compliant trade. Also as part of the TPP's living agreement, RILA supports the creation of a regular strategic dialogue of TPP nations and industries to address challenges/developments and to discuss solutions. For example, RILA recommends an action-focused agenda for continuing TPP dialogue on customs issues such as time-to-release commitments, a harmonized list of common data elements, paperwork reduction goals, and benchmarks for expedited regulatory approvals. Such an action-oriented agenda would be greatly welcomed by retailers and would enable TPP countries to measure their progress towards improved supply chain performance.

Of particular importance with regard to Mexico is including disciplines in the TPP to prevent overzealous customs authorities from undermining the policy intent of free trade agreements to expand trade and investment among the member countries. For example, there are serious concerns regarding overly detailed and intrusive customs enforcement of apparel supply chains by Mexico's Servicio de Administración Tributaria (SAT). Overly restrictive rules coupled with draconian enforcement actions have severely undermined policy goals to expand apparel trade within the Western Hemisphere. RILA believes the TPP provides a great opportunity to address this very real problem.

### **Conclusion**

RILA looks forward to working constructively with negotiators to secure a comprehensive, commercially-meaningful agreement. Mexico's participation in the TPP negotiations is a positive step forward to establish the TPP as a living agreement that welcomes additional members. Once a fulsome agreement is achieved, RILA believes that some of the TPP's greatest potential will come with further addition of other countries in the future and so it is critical that the best rules are established in the initial agreement. We look forward to continuing to work

with you as the negotiations progress on this important initiative. If you should have any questions about these comments, please contact me at [stephanie.lester@rila.org](mailto:stephanie.lester@rila.org) or by phone at (703) 600-2046.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Lester". The signature is written in a cursive, flowing style.

Stephanie Lester  
Vice President, International Trade