UNITED STATES
FASHION INDUSTRY
ASSOCIATION

2020 Fashion Industry Benchmarking Study

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in collaboration with the
United States Fashion Industry Association

2020 Shakes Up the Sourcing and Business Outlook for the Fashion Industry

For everyone who is working from home, and spending the day at Zoom meetings, it will be no surprise that the key findings of the 2020 Benchmarking Survey reflect the uncertainty facing all of us every day. This is the seventh annual USFIA Fashion Industry Benchmarking Survey. This year respondents are dealing with the economic and personal impact of the COVID-19 global pandemic as well as expanding trade wars.

One of the questions in the survey every year asks brands and retailers what they think about the five-year outlook for the fashion industry. This year we see the lowest level of confidence in the five year outlook, and the highest number of respondents who are pessimistic. But even today, with so much uncertainty about the future, more than one-half (57%) of respondents say they are optimistic or somewhat optimistic. I see that number as a reflection of the confidence among sourcing executives that we can navigate these difficult times and remain connected with our customers.

A major contribution to this confidence in the long-term outlook for the fashion industry remains the essential partnerships between brands, retailers and suppliers around the world. The current global crises highlights something that we have talked about for years – the need for real partnerships throughout the supply chain. Every fashion company is faced with supply chain disruptions. Many companies have restructured, or are in the process of restructuring. And of course many well-loved brands and retailers are working through bankruptcy. Manufacturers around the world face the same issues and disruptions. So it is more important than ever for fashion companies to work with their suppliers to meet the key sourcing goals of speed-to-market, flexibility and agility, sourcing cost control and low compliance risks.

Our mission at USFIA remains to support the fashion industry with analysis, education and training, and also to advocate for trade policy that supports **Fashion Made Possible with Global Trade**. These days we are holding virtual meetings and only see each other via Zoom, but we continue to provide key insights and analysis about the issues facing the fashion industry.

Thanks to Dr. Sheng Lu, Associate Professor in the University of Delaware's Department of Fashion & Apparel Studies, for his hard work to analyze the data and develop these important conclusions. And special thanks to the sourcing executives who shared your views and your insights.

With best regards,

Julia K. Hughes
President
U.S. Fashion Industry Association

Executive Summary

The overwhelming majority of respondents report "economic and business impacts of the coronavirus (COVID-19)" as their top business challenge in 2020. The business difficulties caused by COVID-19 will not go away anytime soon, and U.S. fashion companies have to prepare for a medium to the long-term impact of the pandemic.

- COVID-19 has caused severe supply chain disruptions to U.S. fashion companies. The disruptions come from multiple aspects, ranging from a labor shortage, shortages of textile raw materials, and a substantial cost increase in shipping and logistics.
- COVID-19 has resulted in a widespread sales decline and order cancellation among U.S. fashion companies. Almost all respondents (96 percent) expect their companies' sales revenue to decrease in 2020.
- As sales drop and business operations are significantly disrupted, not surprisingly, all respondents (100 percent) say they more or less have postponed or canceled sourcing orders. Nearly half of self-identified retailers say the sourcing orders they canceled or postponed go beyond the 2nd quarter of 2020. Another 40 percent expect order cancellation and postponement could extend further to the fourth quarter of 2020 or even beyond. The order cancellation or postponement has affected vendors in China, Bangladesh, and India the most.
- Respondents say they are trying multiple approaches to mitigate the financial impact of COVID-19 as much as they can, including exploring alternative sourcing options, leveraging free trade agreement or trade preference programs, and taking advantage of customs rules like duty drawback and first sale for export.

Affected by COVID-19 and the worsened business environment, respondents are more conservative about the outlook of the fashion industry in the next five years.

- Those who feel optimistic or somewhat optimistic about the next five years swiftly fell from 65.3 percent in 2019 to a new low of 57.9 percent. In comparison, nearly one-third of respondents hold a pessimistic or somewhat pessimistic view about the future of the fashion industry, the highest since we launched the survey in 2014.
- The job market appears to be the sole positive aspect of the U.S. fashion industry during the pandemic. Nearly 90 percent of respondents still plan to increase hiring in the next five years, which is similar to the results last year and much higher than around 80 percent during 2014-2017.

COVID-19, together with the escalating U.S. trade war with China, has exerted significant and broad impacts on U.S. fashion companies' sourcing practices.

- The "increasing production and sourcing cost" is ranked as the 4th top business challenge facing respondents in 2020. Notably, for the second year in a row, respondents say "shipping and logistics" is their top cost concern in 2020. Further, as high as 90 percent of respondents explicitly say, the U.S. Section 301 action against China has increased their company's sourcing cost in 2020, up from 63 percent last year.
- COVID-19 and the trade war are pushing U.S. fashion companies to reduce their "China exposure" further. While "China plus Vietnam plus Many" remains the most popular sourcing model among respondents, around 29 percent of respondents indicate that they source MORE from Vietnam than from China in 2020, up further from 25 percent in 2019.
- As U.S. fashion companies are sourcing relatively less from China, they are moving orders mostly to China's competitors in Asia. All respondents (100 percent) say they have "moved some sourcing orders from China to other Asian suppliers" this year, up from 77 percent in 2019.

- However, no clear evidence suggests that U.S. fashion companies are sourcing more from the Western Hemisphere because of COVID-19 and the U.S.-China trade war.

U.S. fashion companies are NOT ignoring sustainability in sourcing despite facing unpresented financial and operational challenges during the pandemic.

- Over 70 percent of respondents this year say they plan to allocate MORE resources to the area of sustainability and social compliance through 2022, which is even higher than 63 percent in our 2019 survey.
- Reflecting companies' commitments to sourcing in sustainable and socially compliant ways, the vast majority of respondents say their company maps the supply chains (i.e., keep records of name, location, and function of suppliers.)
- Respondents identify "suppliers not being fully cooperative or willing to share information," "the special nature of the textile and apparel industry makes it not practical to gain visibility beyond the 1st tier supplier," and "insufficient internal budget/staff to map supply chain" as the top challenges for mapping supply chains.
- All respondents say they audit their suppliers. Around 65 percent of respondents say they use BOTH third-party certification programs and companies' in-house compliance team, a notable increase from last year (50 percent).
- U.S. fashion companies are actively exploring new approaches to improve sustainability and social compliance in sourcing, including contributing to the building of a circular economy.

In response to the changing business environment, U.S. fashion companies will continue to adjust their sourcing bases and sourcing practices.

- Sourcing diversification is slowing down, and more U.S. fashion companies are switching to consolidate their existing sourcing base. Close to half of the respondents say they plan to "source from the same number of countries, but work with fewer vendors," up from 40 percent in last year's survey.
- Companies will continue to adjust their sourcing bases but on a more modest scale than in the past. For the first time since we launched the survey in 2014, NONE of the respondents plans to substantially increase sourcing volume from ANY particular country or region in the world. This extraordinary result reminds us of the severity of the current economic crisis facing U.S. fashion companies and suggests the post-COVID economic recovery could be a long slow climb.
- China most likely will remain a critical sourcing base for U.S. fashion companies. However, non-economic factors, such as the reported forced labor in Xinjiang, could complicate companies' sourcing decisions.
- Benefiting from U.S. fashion companies' reduced sourcing from China, Vietnam and Bangladesh are expected to play a more significant role as primary apparel suppliers for the U.S. market.
- Given the supply chain disruptions experienced during the pandemic, U.S. fashion companies are more actively exploring "Made in the USA" sourcing opportunities to improve agility and flexibility and reduce sourcing risks. Around 25 percent of respondents expect to somewhat increase sourcing locally from the U.S. in the next two years, which is the highest level since 2016.

Associated with companies' shifting sourcing patterns, respondents report overall less utilization of U.S. free trade agreements (FTAs) and trade preference programs so far in 2020.

- Compared with last year's survey, only three FTAs and trade preference programs were used more often, including the African Growth and Opportunity Act (AGOA), Egypt Qualifying Industrial Zones (QIZ), and the U.S.-Korea Free Trade Agreement (KORUS).
- One major factor contributing to the less usage of FTAs and preference programs this year is U.S. fashion companies' reduced sourcing volume from these FTAs and preference program members.

Nationwide, the share of U.S. apparel imports entering under FTAs dropped to only 15.1 percent in the first five months of 2020, the lowest since 2008.

- We still find that some U.S. fashion companies, for whatever reason, do not always claim the duty-free benefits even when sourcing from member countries of a free trade agreement or trade preference program. The restrictive rules of origin (ROO) remain the most cited reason why U.S. fashion companies do not use FTAs more often for apparel sourcing purposes.

Respondents demonstrate more readiness and interest in using the US-Mexico-Canada Trade Agreement (USMCA) for apparel sourcing purposes in this year's survey.

- For companies that were already using NAFTA for sourcing, the vast majority (77.8 percent) say they are "ready to achieve any USMCA benefits immediately," up more than 31 percent from 2019.
- Even for respondents who were not using NAFTA or sourcing from the region, about half of them this year say they may "consider North American sourcing in the future" and explore the USMCA benefits.
- Some respondents expressed concerns about the rules of origin changes. These worries seem to concentrate on denim products in particular.

Respondents' enthusiasm for using the African Growth and Opportunity Act (AGOA) and sourcing from sub-Saharan African (SSA) countries rebound.

- Close to 37 percent of respondents say they have been sourcing MORE textile and apparel from the SSA region since its renewal in 2015, a substantial increase from 27 percent in the 2019 survey.
- More than 40 percent of respondents say AGOA and its "third-country fabric provision" are critical for their sourcing from the SSA region.
- However, respondents still demonstrate a low level of interest in investing in the SSA region directly. Around 27 percent of respondents say the temporary nature of AGOA and the uncertainty associated with the future of the agreement have discouraged them.
- With AGOA's expiration date quickly approaching, the discussions on the future of the agreement and the prospect of sourcing from SSA begin to intensify. Among the various policy options to consider, "Renew AGOA for another ten years with no major change of its current provisions" and "Replace AGOA with a permanent free trade agreement that requires reciprocal tariff cut and continues to allow the third-country fabric provision" are the most preferred by respondents.

I. Business Environment in the U.S. Fashion Industry

Top Business Challenges in 2020

Figure 1: Top Business Challenges for the U.S. Fashion Industry in 2020

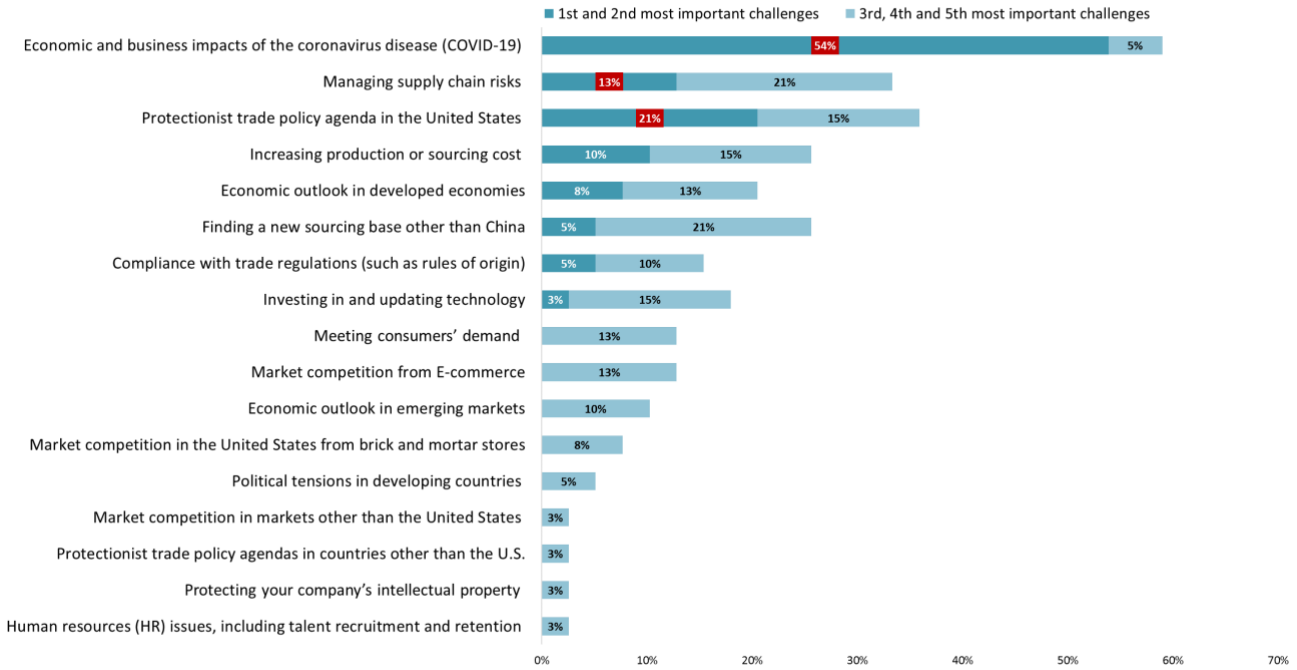

Table 1: Top Business Challenges for the U.S. Fashion Industry: Rank in 2020 vs. 2019

Top Business Challenges for the U.S. Fashion Industry in 2020	Rank in 2019	Rank in 2020 vs. in 2019
#1 Economic and business impacts of the coronavirus disease (COVID-19)	**/**	**New challenge**
#2 Managing supply chain risks	3	No major change
#3 Protectionist trade policy agenda in the United States	2	No major change
#4 Increasing production or sourcing cost	1	Less important
#5 Economic outlook in developed economies	**11**	**More important**
#6 Finding a new sourcing base other than China	5	No major change
#7 Compliance with trade regulations	**12**	**More important**
#8 Investing in and updating technology	4	Less important
#9 Meeting consumers' demand	8	No major change
#10 Market competition from E-commerce	6	Less important
#11 Economic outlook in emerging markets	10	No major change
#12 Market competition in the United States from brick and mortar stores	7	No major change
#12 Political tensions in developing countries	15	No major change
#12 Market competition in markets other than the United States	14	No major change
#12 Protectionist trade policy agendas in countries other than the United States	9	Less important
#12 Protecting your company's intellectual property	17	No major change
#12 Human resources (HR) issues, including talent recruitment and retention	16	No major change
#18 Currency value and impact of exchange rates on competitiveness or profitability	13	Less important

Note: Total score for each business issue is calculated based on weighted average as follows: 1st importance =5 points, 2nd importance =4 points, 3rd importance=3 points, 4th importance=2 points and 5th importance=1 point.

Every year, we ask respondents to select the top five challenges facing their businesses and rank these issues in order of significance. As shown in Figure 1 and Table 1, the results in 2020 reveal the unpresented challenge of the coronavirus (COVID-19) and the ongoing trade tensions on fashion companies' business operations. Specifically:

First, the overwhelming majority of respondents report "economic and business impacts of the coronavirus (COVID-19)" as their top business challenge in 2020. As much as 54 percent of respondents rate the issue as their 1st or 2nd top business challenge this year, which far exceeds the concerns for other topics on the list. This result echoes the daunting official economic data: the value of U.S. Gross Domestic Product (GDP) decreased at an annual rate of 4.8 percent in the first quarter of 2020[1]. Clothing retail sales in the U.S. shrank by over 40.8 percent in the first five months of 2020 compared with a year ago; [2]Also, from January to May 2020, the value of U.S. apparel imports decreased by 27.8 percent year over year, which has been much worse than the performance during the 2008-2009 global financial crisis (down 11.8 percent).[3] Several other recent studies also suggest that COVID-19 could be the most severe threat to the world economy since the 1930's great depression, and fashion apparel is one of the sectors that have been hit the hardest. [4]

Second, for three years in a row, respondents rate "the protectionist trade policy agenda in the United States" as one of their top three business challenges. Notably, since we released our last Benchmarking Study in July 2019, the Trump Administration has taken numerous new trade-restrictive measures that have affected textile and apparel products directly. For example, U.S. fashion companies paid $1,424 million more import duties in 2019 than 2018[5] because of the U.S. Section 301 tariff action against imports from China, and the U.S. retaliatory tariffs on imports from the European Union (EU).[6] Other unilateral trade restrictions, such as the U.S. Section 232 action on steel and aluminum imports, have also intensified the U.S. trade relations with its major trading partners and created new uncertainties for fashion companies' global operations.[7]

Third, several other top concerns to U.S. fashion companies in 2020 reflect the joint effect of COVID-19 and the protectionist U.S. trade policy measures against imports. For example, consistent with the results last year, respondents rate "**Managing supply chain risk**" and "**increasing production and sourcing cost**" as their 2nd and 4th top business challenge in 2020, respectively. Likewise, "findings a sourcing base other than China" and "compliance with trade regulations" are also among the top business challenges this year. In comparison, some conventional business challenges are regarded as relatively less pressing this year, such as market competition and the urgency of investing and updating technologies.

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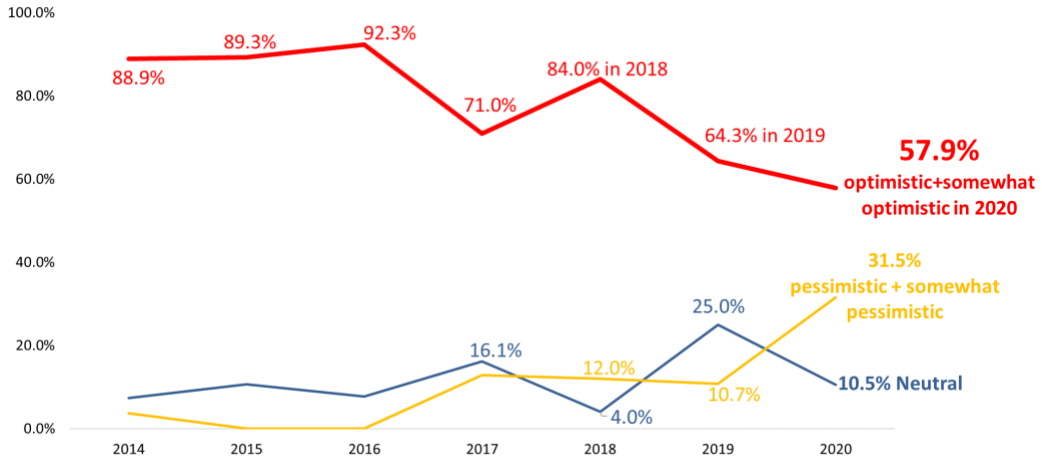
[1] U.S. Bureau of Economic Analysis, BEA (2020). *Gross domestic product, 1st quarter 2020*. Retrieved from https://www.bea.gov/news/2020/gross-domestic-product-1st-quarter-2020-advance-estimate
[2] U.S. Census Bureau (2020). *Monthly retail trade*. Retrieved from https://www.census.gov/retail/index.html
[3] Office of Textiles and Apparel, OTEXA (2020). *U.S. imports and exports of textiles and apparel*. Retrieved from https://otexa.trade.gov/msrpoint.htm
[4] Antonella Teodoro and Luisa Rodriguez. (2020). *Textile and garment supply chains in times of COVID-19: Challenges for developing countries*. United Nations Conference on Trade and Development (UNCTAD). Retrieved from https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2380 ;
International Labor Organization. (2020). *COVID-19 and the textiles, clothing, leather and footwear industries*. Retrieved from https://www.ilo.org/sector/Resources/publications/WCMS_741344/lang--en/index.htm
[5] U.S. International Trade Commission, USITC (2020). *Dataweb*. Retrieved from https://dataweb.usitc.gov/trade
[6] Office of the US Trade Representative, USTR (2020). *2020 trade policy agenda and 2019 annual report*. Retrieved from https://ustr.gov/sites/default/files/2020_Trade_Policy_Agenda_and_2019_Annual_Report.pdf
[7] Ibid

Industry Outlook for the Next Five Years

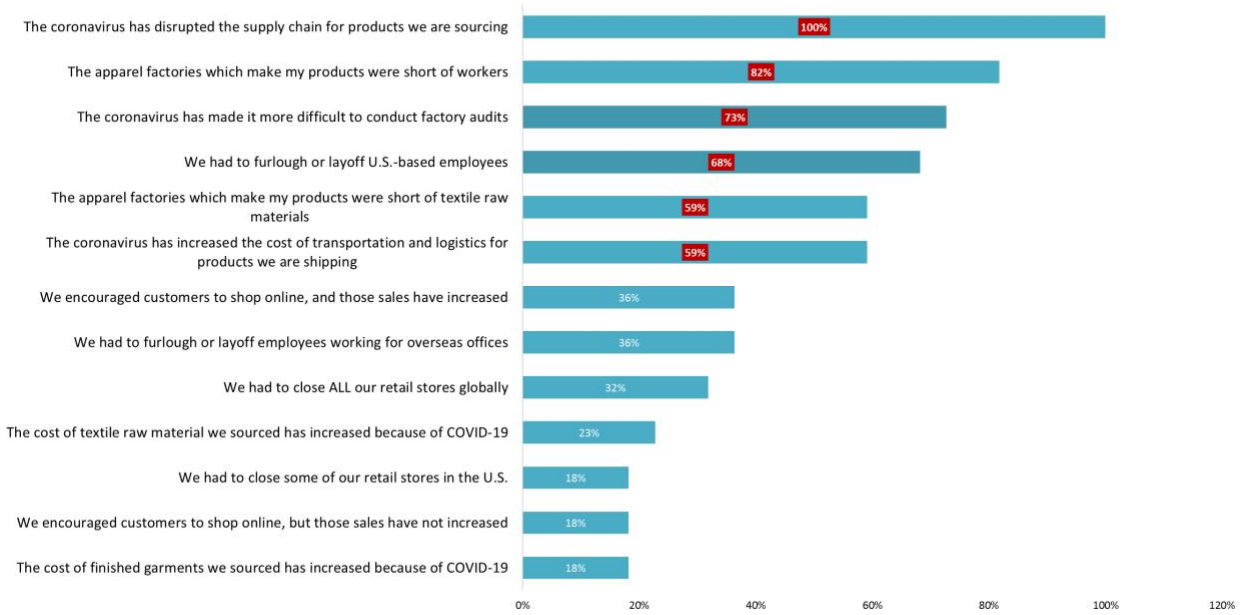
Affected by COVID-19 and the worsened business environment, respondents are more conservative about the outlook of the fashion industry in the next five years. Specifically, those who feel optimistic or somewhat optimistic about the next five years swiftly fell from 64.3 percent in 2019 to a new low of 57.9 percent (Figure 2). In comparison, nearly one-third of respondents hold a pessimistic or somewhat pessimistic view about the future of the U.S. fashion industry, the highest since we launched the survey in 2014. **The result suggests that U.S. fashion companies anticipate COVID-19, and possibly trade tensions, too, will have a long-term impact on their business operations.**

Figure 2: Respondents' Five-Year Outlook for the U.S. Fashion Industry



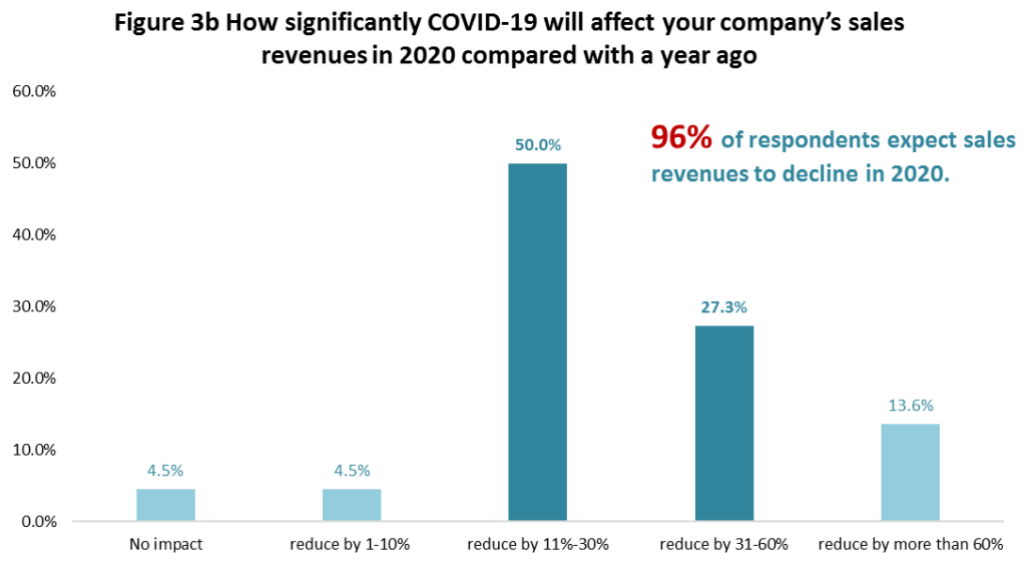
Impact of COVID-19 on U.S. Fashion Companies' Business Operations

Figure 3a: How has COVID-19 affected your companies' business operations so far?



Respondents suggest that COVID-19 has exerted immense pressure on their companies' business operations in 2020. Specifically:

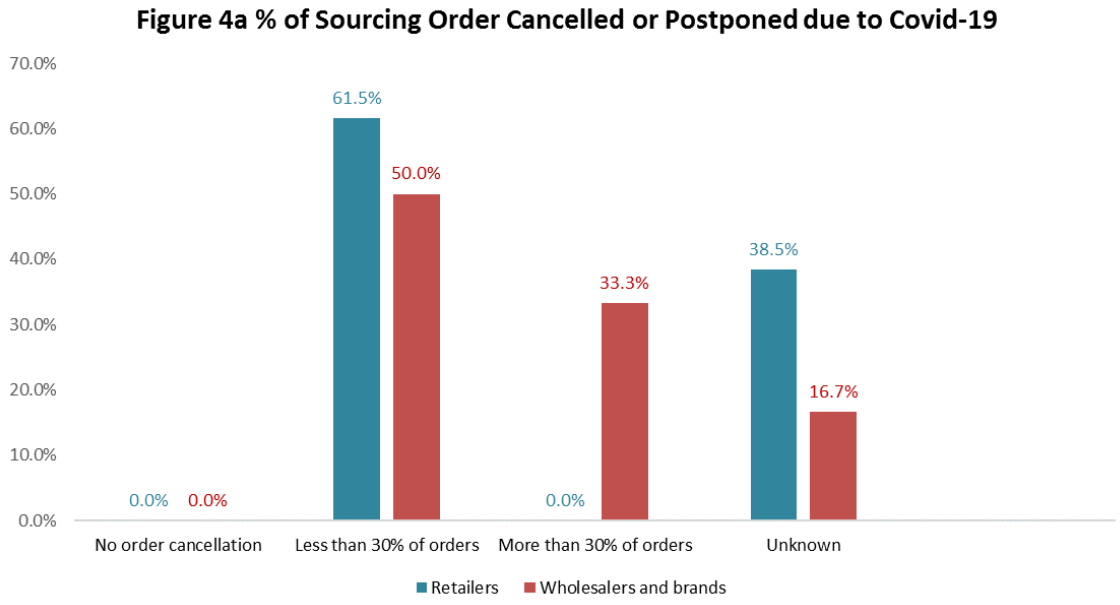
First, COVID-19 has caused severe supply chain disruptions to U.S. fashion companies. As detailed in Figure 3a, respondents unanimously (100 percent) report "supply chain disruption" as the most significant impact of COVID-19 on their business operations. **Notably, the supply chain disruption caused by COVID-19 comes from multiple aspects**. For example, over 80 percent of respondents say the garment factories that make their products were struggling with a labor shortage. Another 73 percent of respondents say they had difficulty in conducting regular factory audits because of COVID-19. Further, 59 percent of respondents say their contracted garment factories were short of textile raw materials or facing a substantial cost increase in shipping and logistics. As one respondent commented, "*Securing textile raw materials and production capacity has been highly challenged due to the need to implement extended payment terms, etc*." Another said, "*Coronavirus (COVID-19) has limited us to continue fabric collections we've developed in past seasons as ongoing fabrics were limited or unavailable due to mill closures. This is important for our business as we often base our collections off of these stories*."

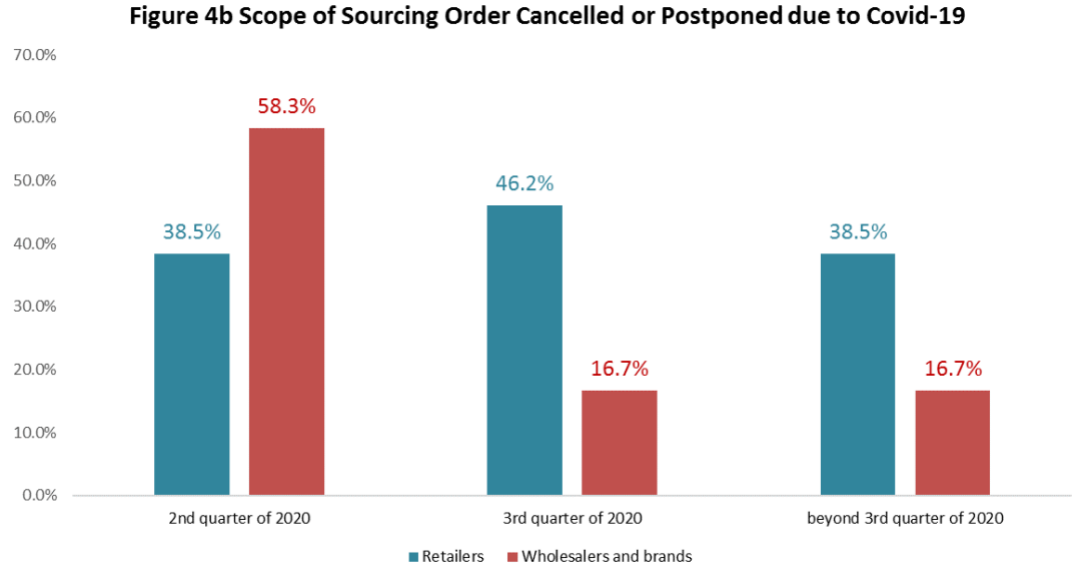


Second, COVID-19 has resulted in a widespread sales decline and order cancellation among U.S. fashion companies. As shown in Figure 3b, almost all respondents (96 percent) expect their companies' sales revenue to decrease in 2020, reflecting the across the board impact of COVID-19 on the U.S. fashion industry. Regarding the extent of sales decline in 2020, around half of the respondents report an 11-30 percent drop, and another 40 percent expect sales revenue to contract by more than 30 percent. However, there is no clear pattern between the size of the company and the anticipated sales decline.

As sales drop and business operations significantly disrupted, not surprisingly, all respondents (100 percent) say they more or less have postponed or canceled sourcing orders. Two patterns are worth noting: **On the one hand, the extent of order cancellation or postponement seems to be modest so far**. As shown in Figure 4a, the majority (over 60 percent) of self-identified retailers say they have only canceled or postponed less than 30 percent of their total sourcing orders due to COVID-19. Meanwhile, around 50 percent of self-identified fashion brands and wholesalers also confirm that less than 30 percent of their shipping orders got canceled or

postponed as of early June 2020. This result is consistent with the findings of other recent industry surveys, which suggest that in the first five months of 2020, textile and apparel factories worldwide, on average, suffered around 30-40 percent order cancellation. [8]





On the other hand, as shown in Figure 4b, nearly half of self-identified retailers say the sourcing orders they canceled or postponed go beyond the 2nd quarter of 2020. Another 40 percent expect order cancellation and postponement could extend further to the fourth quarter of 2020 or even beyond. **The result reminds us that the business difficulties caused by COVID-19 will not go away anytime soon, and U.S. fashion companies have to prepare for a medium to the long-term impact of the pandemic.**

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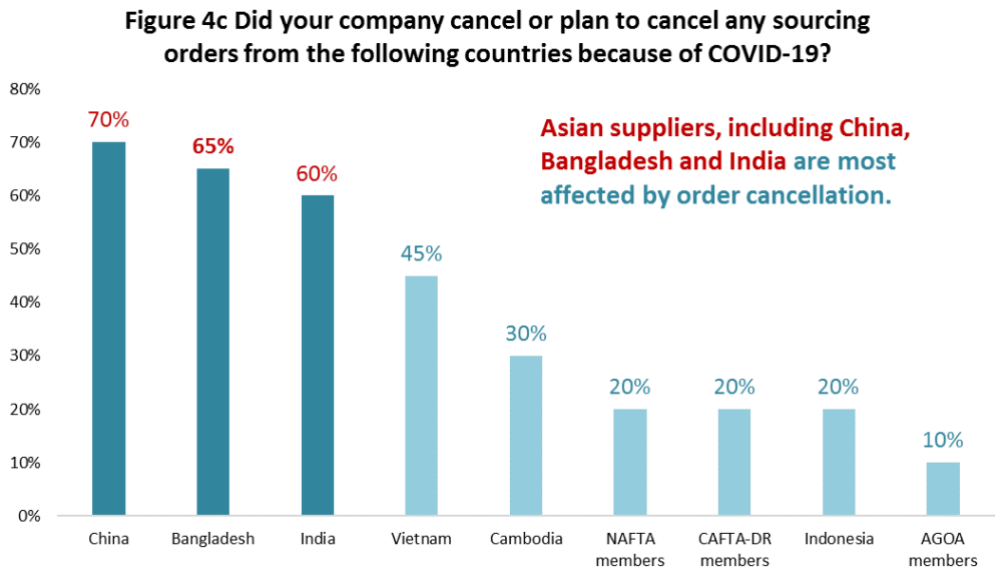
[8] International Textile Manufacturers Federation, ITMF (2020). *4th ITMF-survey about the impact of the Corona-pandemic on the global textile industry*. Retrieved from https://www.itmf.org/images/dl/press-releases/2020/Corona-Survey-4th-2020.06.18-Press-Release.pdf



(note: the numbers in Figure 4c only include those respondents that have canceled/postponed sourcing orders or plan to do so)

Third, the results show that U.S. fashion companies' order cancellation or postponement has affected vendors in China, Bangladesh, and India the most. As indicated in Figure 4c, over 60 percent of respondents say they have canceled or postponed sourcing orders from these three sourcing destinations, compared with 45-10 percent of other regions of the world. Two factors could be related to the phenomenon. One is the size effect—as the top apparel suppliers to the U.S. market, these three countries are often used to fulfill large-volume sourcing orders. In the current situation, however, fashion brands and retailers are most likely to cancel these large-quantity orders.

Meanwhile, U.S. apparel imports from these three countries currently cover almost all major product categories – which makes them, particularly China, the most exposed to order cancellation. [9] It is also interesting to note that respondents seem to be more "careful" about canceling orders coming from **Vietnam**, which is widely regarded as the "Next China" for apparel sourcing.[10] (Note: Please check the second part of the report, which provides a detailed analysis of the impact of COVID-19 on U.S. fashion companies' sourcing strategies.)

Fourth, as a reflection of the resilience of the U.S. fashion industry, respondents say they are trying multiple approaches to mitigate the financial impact of COVID-19 as much as they can. As shown in Figure 4d, the most commonly adopted strategies include exploring alternative sourcing options (68 percent), leveraging free trade agreement or trade preference programs (45 percent), and taking advantage of customs rules like duty drawback and first sale for export (41 percent). However, very few respondents (only 5 percent) say they have benefited from the Trump Administration's 90-day import duty-deferral program launched in April 2020 due to its restrictive eligibility criteria and short window for application.[11] Furthermore, over 40 percent of respondents

[9] Lu, Sheng. (2020). Covid-19 – The worst-case scenarios for apparel sourcing. *Just-Style.* Retrieved from https://www.just-style.com/analysis/covid-19-the-worst-case-scenarios-for-apparel-sourcing_id138428.aspx
[10] Textile Outlook International. (May 2020). *Editorial: The global textile and apparel industry post-lockdown*. No.203, 4-17. Textile Intelligence Limited.
[11] On April 18, 2020, President Trump signed an Executive order, which announced to offer a 90-day deferment period on certain payments for importers who have "faced a significant financial hardship due to COVID-19."

say they have been trying three or more different approaches to mitigate the financial impacts of COVID-19. No single measure alone seems to be sufficient enough to help companies survive the pandemic.

Figure 4d Has your company explored or expanded any of the following strategies to mitigate customs costs?

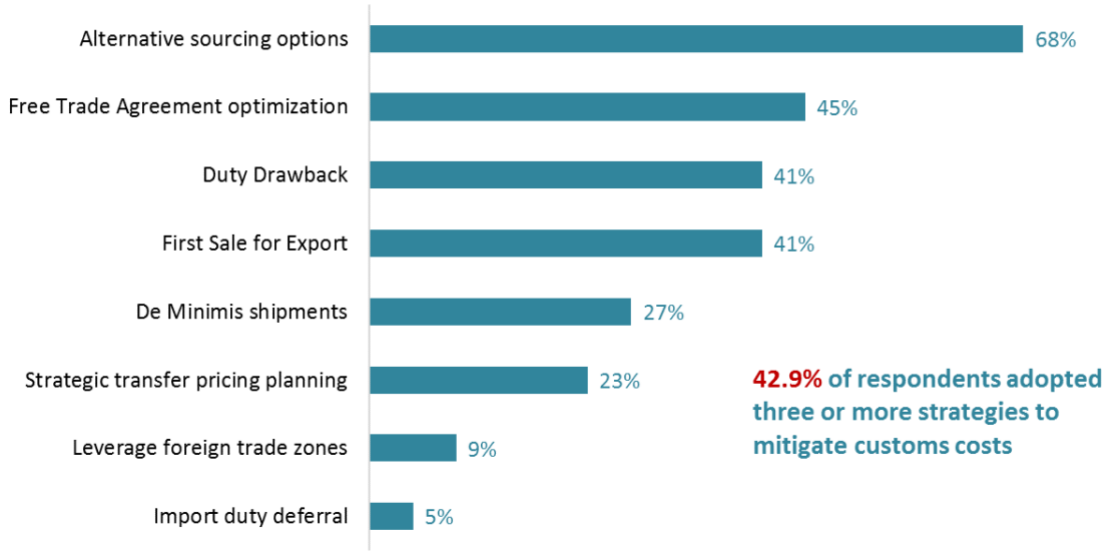


Table 2 How Does Your Company Plan to Deal With Obsolete Products?

Plans	%
My company has thought about this and will likely sell obsolete inventory to liquidators like TJ Maxx at some point	**41%**
My company has thought about this and is planning extreme sales (70%-85% off the regular selling price) once stores reopen	**32%**
My company has not given this much thought but is looking for ideas	23%
My company will likely send the goods back to vendors	5%

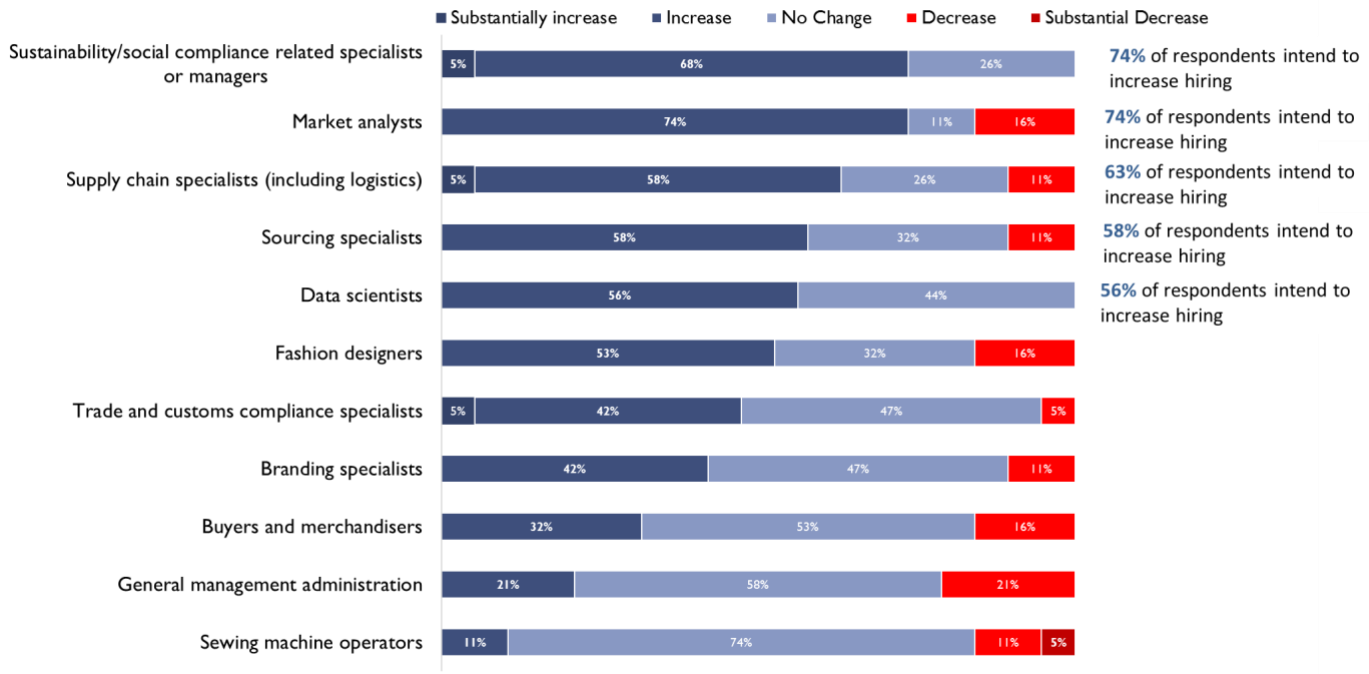
Additionally, U.S. fashion companies have been exploring ways to deal with their unsold or obsolete products caused by COVID-19 store closures. As shown in Table 2, the most popular approach among respondents is to "sell obsolete inventory to liquidators like TJ Maxx" (41 percent). Another 32 percent of respondents say they are planning "extreme sales" (i.e., 70-85 percent off the regular selling price) to clear the stock and improve their cash flows. Around one-fourth of respondents say they are still open for ideas.

Demand for Human Talents in the Next Five Years

The job market appears to be the sole positive aspect of the U.S. fashion industry during the pandemic. **Nearly 90 percent of respondents still plan to increase hiring in the next five years,** which is similar to the results last year and much higher than around 80 percent during 2014-2017. Respondents' hiring plan also reveals their overall confidence in the post-COVID economic recovery in the near and medium-term, should we control the pandemic later this year.

However, imports subject to U.S. trade remedy measures, including anti-dumping, section 301, section 201 and section 232 are not eligible. For more, please see https://www.cbp.gov/newsroom/national-media-release/treasury-and-cbp-announce-deferment-duties-and-fees-certain

Figure 5: Respondents' Expected Demand for Human Talent in the Next Five Years (From Highest Demand to Lowest Demand)



However, as we find in the past, companies' hiring plans continue to be quite unequal between different types of positions. As shown in Figure 5, **five types of positions, including sustainability/social compliance related specialists or managers, market analysts, supply chain (including logistics) specialists, sourcing specialists, and data scientists,** will be most in-demand over the next five years. Meanwhile, fashion companies are least likely to hire **sewing machine operators** and **general management administrators** in the same time frame. In particular, a record high of 21 percent of respondents plans to cut positions for general administrators through 2025, compared with only 11 percent in the last two years' surveys.

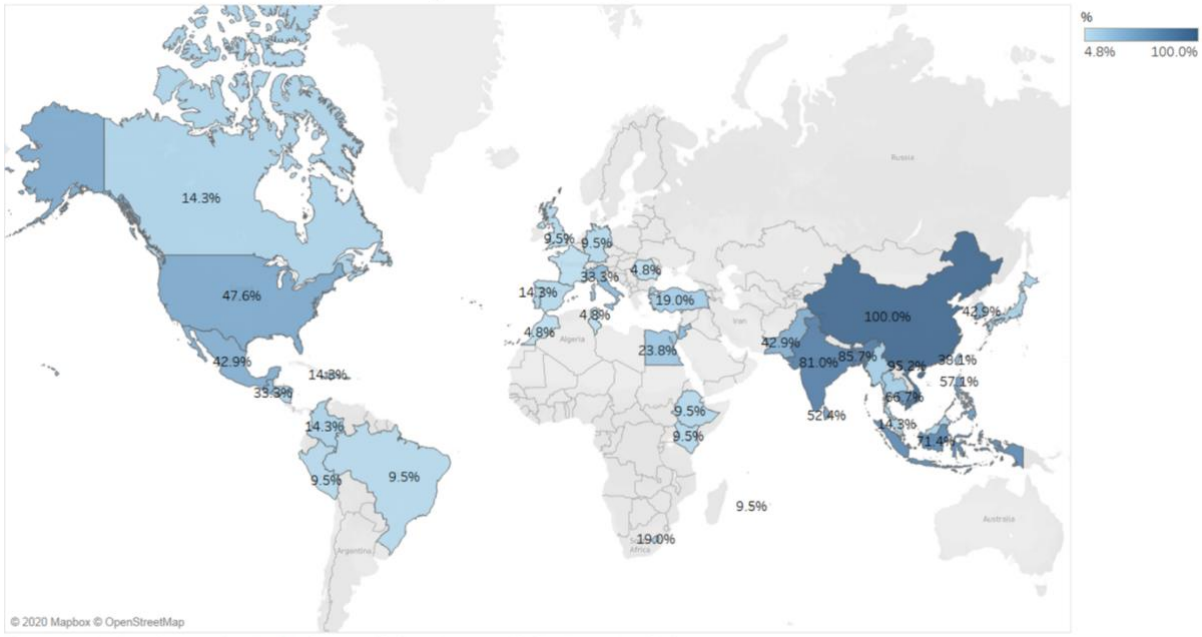
Overall, the contrasting demand for different types of talent reflects companies' business priorities in the years ahead and illustrates **the changing nature of the U.S. fashion industry, which is becoming ever more globalized, supply-chain based, technology-intensive, and data-driven.** [12] As companies continue to invest in new digital technologies and innovate their business models by leveraging tools such as big data, further structural change in the fashion job market can be highly expected.

[12] Imran Amed, Anita Balchandani, Achim Berg, Saskia Hedrich, Shrina Poojara, and Felix Rölkens. (2019). *The State of Fashion 2020: Navigating uncertainty. Mckinsey & Company*. Retrieved from https://www.mckinsey.com/industries/retail/our-insights/the-state-of-fashion-2020-navigating-uncertainty

II. Sourcing Practices in the U.S. Fashion Industry

Sourcing base and sourcing portfolio

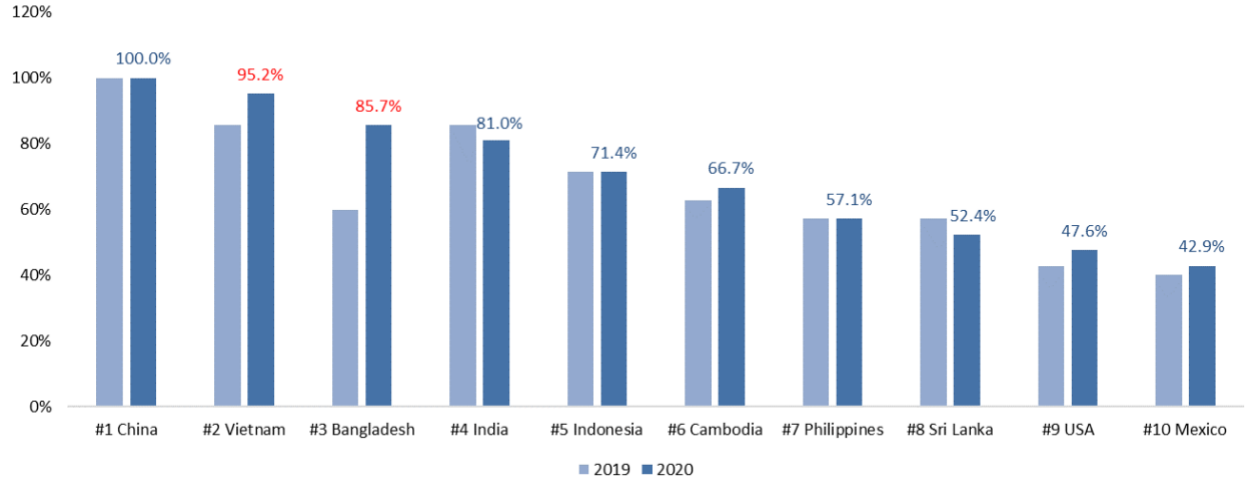
Figure 6 Respondents' Sourcing Base in 2020



Map based on Longitude (generated) and Latitude (generated). Color shows sum of %. Details are shown for Country.

Note: Respondents were asked to select all sourcing destinations they are currently using. The utilization rate shown in the above map is calculated by dividing the frequency of each country's utilization by the total number of respondents.

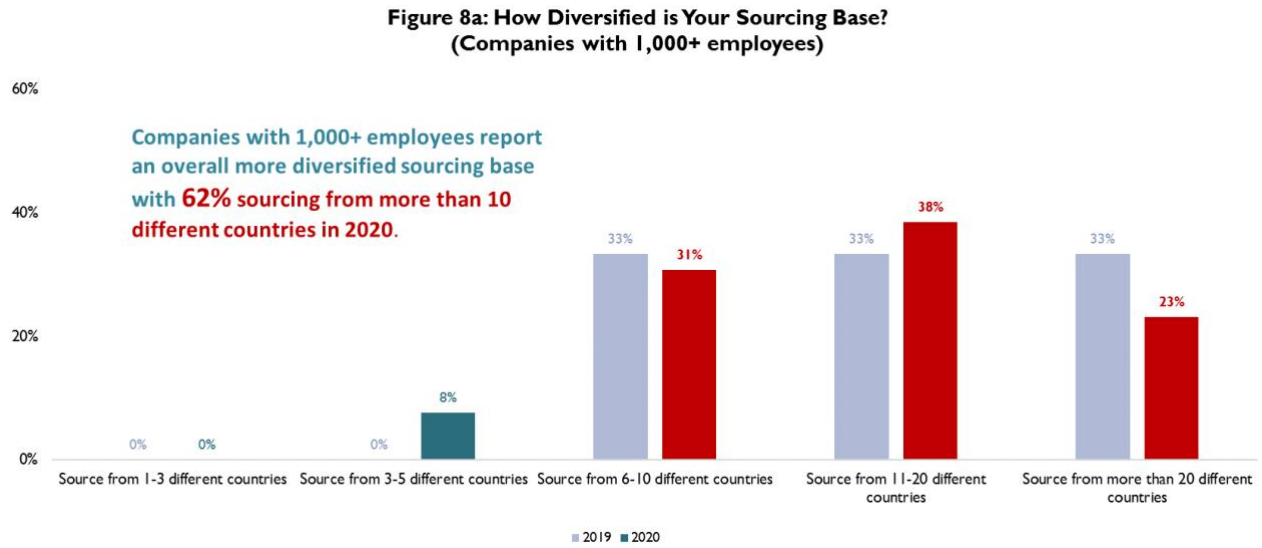
Figure 7: Respondents' Top 10 Sourcing Bases in 2020

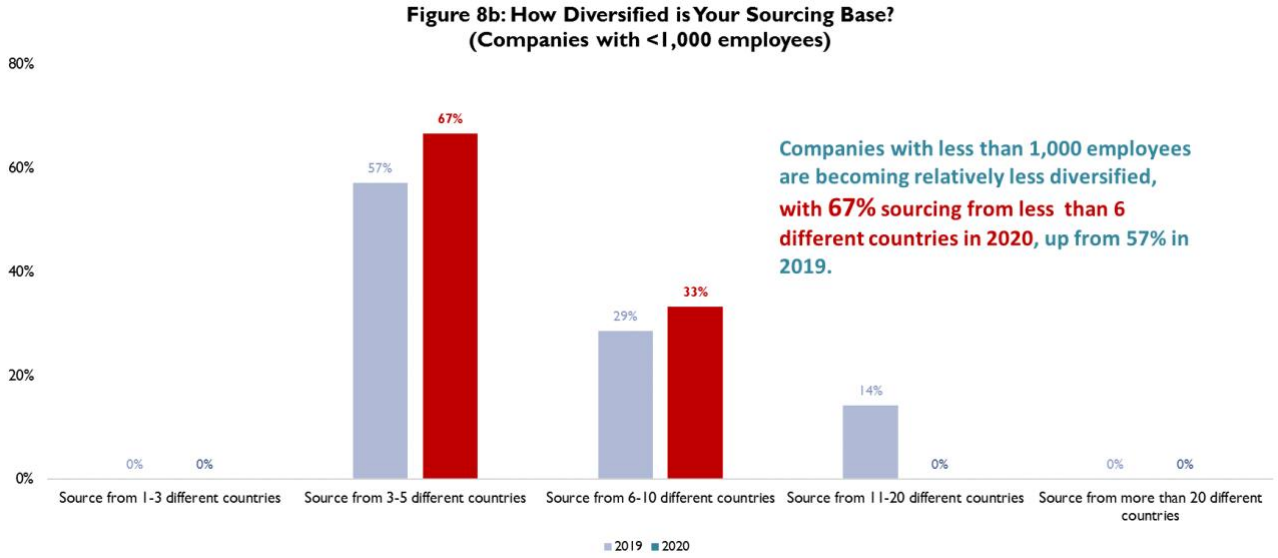


Reflecting the U.S. fashion industry's global reach, respondents report sourcing from as many as 45 countries or regions in 2020, close to 48 in 2019 (Figure 6). Matching with the official U.S. trade statistics, **China (100 percent of respondents), Vietnam (95.2 percent of respondents)** and **Bangladesh (85.7 percent of respondents)** are the top three most-utilized sourcing destinations, followed by India (81.0 percent), Indonesia (71.4 percent), Cambodia (66.7 percent), Philippines (57.1 percent) and Sri Lanka (52.4 percent).

Despite the changing business environment, Asia's position as the dominant sourcing base for U.S. fashion companies remains unshakeable. As shown in Figure 7, the same as what we found in the past three years, almost all the top ten most-utilized sourcing destinations in 2020 are Asian countries, except the United States (rank #9) and Mexico (rank #10). Several of these top Asian sourcing destinations also see a higher utilization rate in 2020 than a year ago, including **Vietnam** (up 9.5 percentage points), **Bangladesh** (up 25.7 percentage points), **Sri Lanka** (up 4.8 percentage points), and **Cambodia** (up 3.8 percentage points).

Sourcing diversification and sourcing portfolio





U.S. fashion companies typically source from multiple countries to balance the needs for sourcing cost, speed, reliability, flexibility, and risk control.[13] This year, we find respondents' sourcing diversification strategies include both continuities and changes:

[13] Gereffi, G. (2019). The regional dynamics of global trade: Asian, American, and European models of apparel sourcing. In The *Dialectics of Globalization* (pp. 31-62). Routledge.

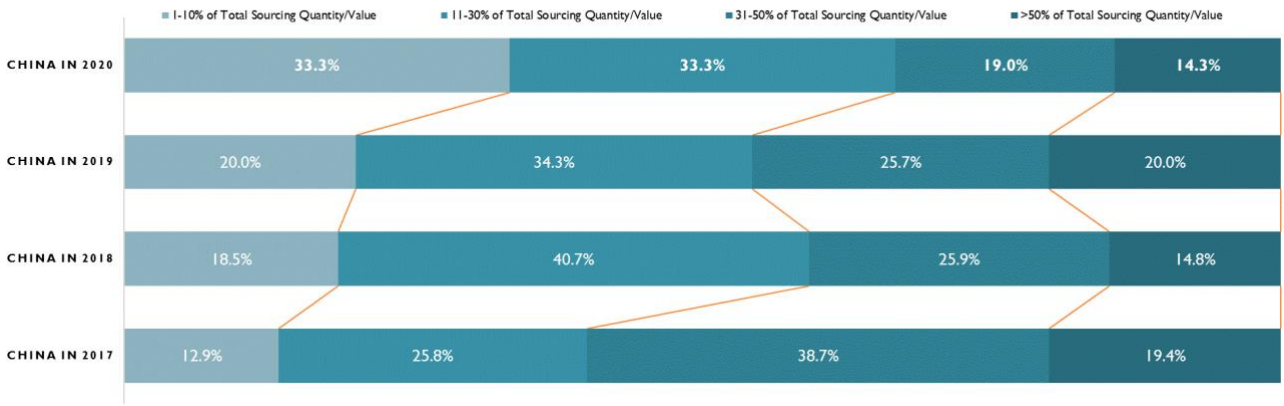
First, most respondents continue to maintain a relatively diverse sourcing base, with 42.1 percent currently sourcing from 10+ different countries or regions. However, this figure was notably lower than the last three years (57.1 percent in 2019, 60.7 percent in 2018, and 57.6 percent in 2017), suggesting some U.S. fashion companies are switching to consolidate their sourcing bases as part of their corporate business strategy in response to the changing market environment.[14]

Second, larger companies, in general, continue to be more diversified in sourcing than smaller companies. As shown in Figures 8a and 8b, around 60 percent of respondents with 1,000+ employees report sourcing from 10+ different countries or regions in 2020, including 23 percent importing from 20+ different countries or regions. **Meanwhile, the vast majority (67 percent) of respondents with less than 1,000 employees report sourcing from only 3-5 different countries or regions.** None of these relatively small companies is sourcing from 10+ different countries or regions in 2020, down from 14 percent last year.

Table 3 What Does Your Company's Sourcing Portfolio Look Like in 2020?

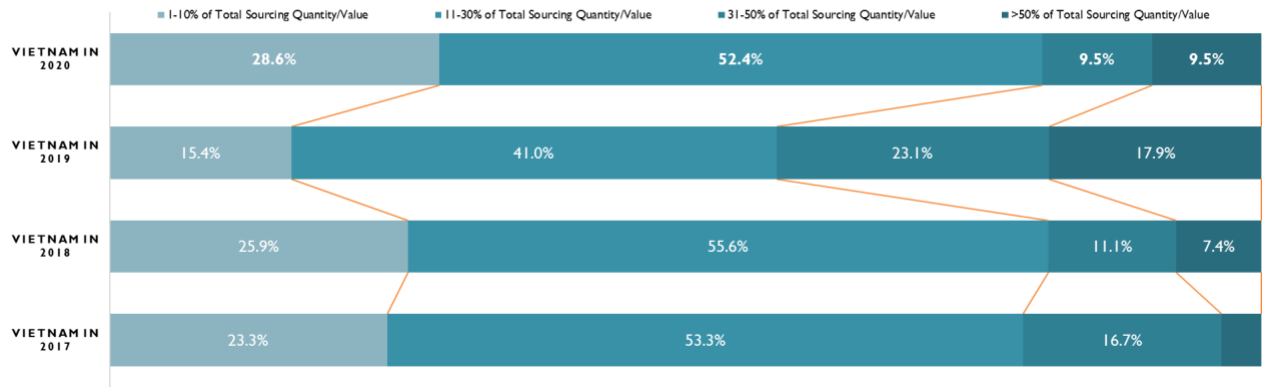
Sourcing Destinations	>50% of Total Sourcing Quantity/Value	31-50% of Total Sourcing Quantity/Value	11-30% of Total Sourcing Quantity/Value	1-10% of Total Sourcing Quantity/Value	Do Not Source There
USA	0%	0%	0%	43%	57%
China	14%	19%	33%	33%	0%
Vietnam	10%	10%	52%	29%	5%
Bangladesh	5%	5%	48%	33%	10%
Elsewhere in Asia	5%	5%	43%	43%	5%
Europe	0%	0%	14%	14%	71%
Turkey	0%	5%	5%	14%	76%
Canada	0%	0%	0%	10%	90%
Mexico	0%	0%	10%	29%	62%
South & Central America	0%	0%	0%	55%	45%
Africa	0%	0%	0%	33%	67%
Middle East	0%	0%	0%	43%	57%

Figure 9a: Sourcing from China as % of Total Sourcing Quantity/Value



[14] Achim Berg, Saskia Hedrich, Patricio Ibanez, Sara Kappelmark, and Karl-Hendrik Magnus. (2019). *Fashion's new must-have: Sustainable sourcing at scale.* Mckinsey & Company. Retrieved from https://www.mckinsey.com/industries/retail/our-insights/fashions-new-must-have-sustainable-sourcing-at-scale

Figure 9b Sourcing from Vietnam as % of Total Sourcing Quantity/Value



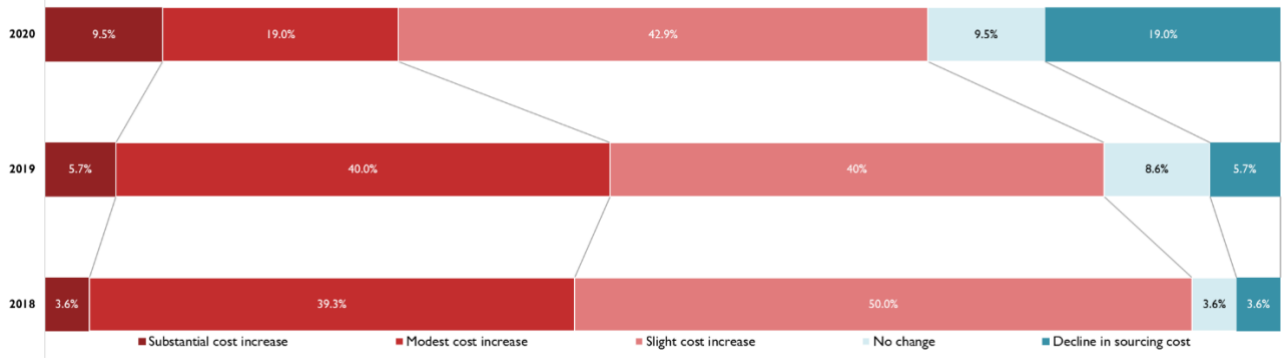
Third, "China plus Vietnam plus Many" remains the most popular sourcing model among respondents. However, the details of this model continue to evolve, as shown in Table 3 and Figures 9a and 9b. Specifically:

- **China and Vietnam combined now typically account for 40-60 percent of U.S. fashion companies' total sourcing value or volume.** Notably, while China remains the most utilized sourcing base, the country is no longer always the top supplier for U.S. fashion companies. **Around 29 percent of respondents indicate that they source MORE from Vietnam than from China in 2020, up further from 25 percent in 2019.**
- Other than China and Vietnam, U.S. fashion companies also source from a few other countries, and each additional country, including the United States, typically accounts for less than 10 percent of a company's total sourcing value or volume (Table 3). This practice has stayed stable since 2016.

Impact of COVID-19 and the U.S.-China Trade War on Sourcing

Results show that COVID-19, together with the escalating U.S. trade war with China,[15] has exerted **significant and broad impacts** on U.S. fashion companies' sourcing practices.

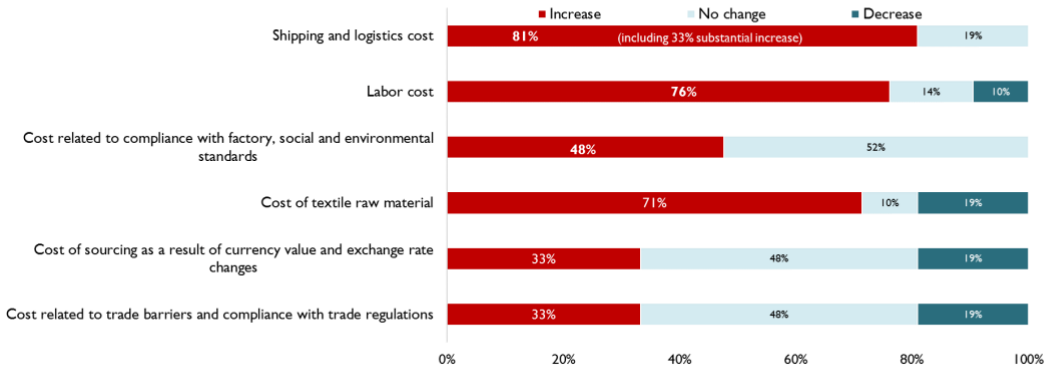
Figure 10a: What is your overall expectation about sourcing cost in 2020?



The vast majority of respondents (71.4%) still expect an increase of sourcing cost in 2020, although the overall cost pressure is less overwhelming than last year; 19% of respondents expect a decline in sourcing cost in 2020, much higher than the level in the past two years.

[15] As of July 2020, the Trump Administration has taken five major Section 301 tariff actions against China. Approximately two-thirds of U.S. imports from China are subject to increased Section 301 tariffs, ranging from 7.5%-25%. For details, please see Andres Schwarzenberg. (2020). *Section 301 of the Trade Act of 1974*. Congressional Research Service. Retrieved from https://crsreports.congress.gov/product/pdf/IF/IF11346

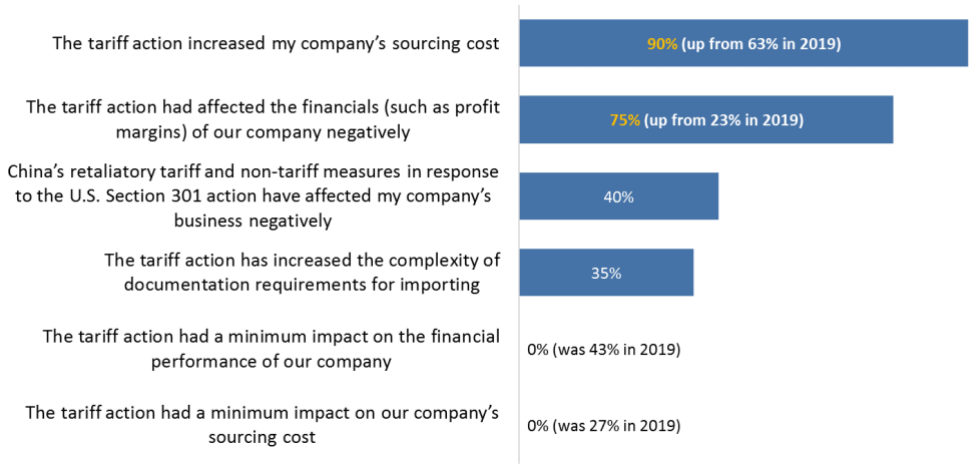
Figure 10b : How do you expect the following factors impacting sourcing cost to change in 2020 from last year?



First, COVID-19 and the trade war have increased U.S. fashion companies' sourcing costs, especially regarding shipping and logistics. The "increasing production and sourcing cost" is ranked as the 4th top business challenge facing respondents this year (was #1 in 2019). As shown in Figure 10a, the overall cost pressure in 2020 is less overwhelming than last year, thanks to the relatively lower price of textile raw materials, such as cotton[16] and polyester.[17] However, the cost pressure is NOT gone—still, as much as 71 percent of respondents expect their production and sourcing cost will continue to rise in 2020. As one respondent commented, "*Trade war increased cost in China and created uncertainty. Coronavirus really didn't cause a shift in strategy, it was already in place due to the cost of tariffs.*"

As shown in Figure 10b, **respondents identify "shipping and logistics cost," "labor cost," and "cost related to compliance with the factory, social and environmental standards" as the top three factors that lead to the increase of sourcing costs in 2020.** Notably, for the second year in a row, respondents say "shipping and logistics" is their top cost concern in 2020. Around one-third of respondents expect their shipping and logistics costs to "substantially increase" in 2020, which is even worse than the case last year (was 10 percent).

Figure 11a: How has the U.S. Section 301 tariff action against China affected your company's sourcing cost and financials so far?

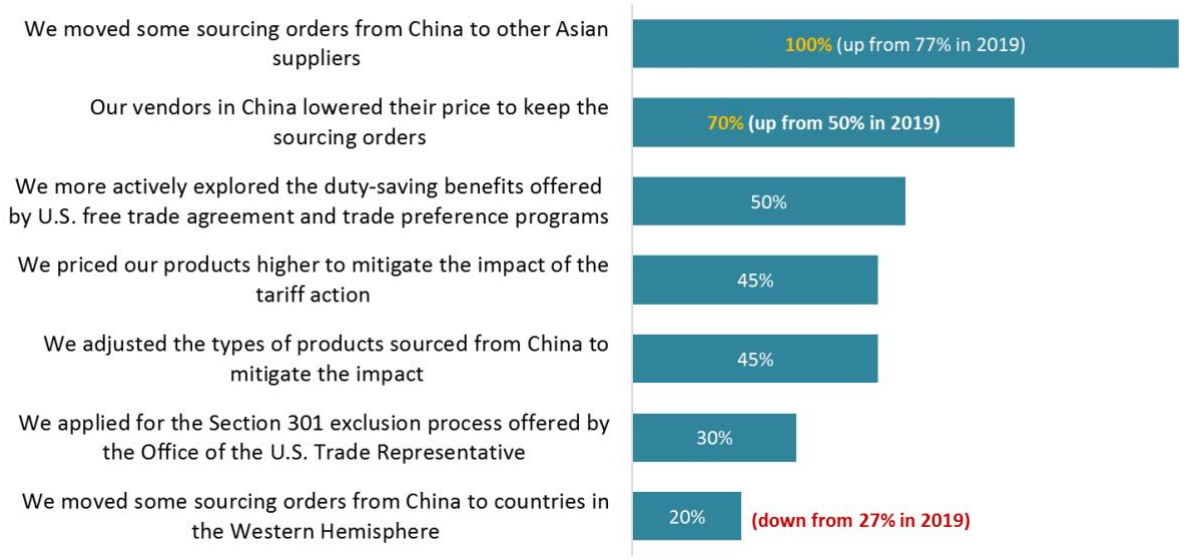


[16] Cotton Incorporated. (2020). *Cotton market fundamentals & price outlook (July 2020)*. Retrieved from https://www.cottoninc.com/wp-content/uploads/2020/07/2020-07-Monthly-Economic-Letter.pdf
[17] Federal Reserve Bank of St. Louis. (2020). *Producer price index by commodity for textile products and apparel: Polyester fibers*. Retrieved from; https://fred.stlouisfed.org/series/WPU031502411

The unusual shipping and logistics cost increase this year is related to COVID-19 directly. For example, according to media reports, shipping companies are applying surcharges for some international shipping during the pandemic, which adds to the sourcing costs of U.S. fashion companies[18]. More often than not, companies also have to switch to a more expensive shipping route or modality due to quarantine measures and port closures.[19]

The U.S.-China trade war is another primary factor behind companies' sourcing cost increase this year. As of July 2020, around $30 billion of U.S. textile, apparel, and home textile products imports from China (or nearly 90 percent of the total) are subject to a 7.5% punitive Section 301 tariff on top of the regular most-favored-nation (MFN) tariff rate. [20] Understandably, **as high as 90 percent of respondents *explicitly* say, the U.S. Section 301 action has increased their company's sourcing cost in 2020, up from 63 percent last year** (Figure 11a). Further, 75 percent of respondents also report a negative impact of the U.S. Section 301 action on their financials this year, a substantial increase from only 23 percent in 2019. Further, around 40 percent of respondents say China's retaliatory tariff and non-tariff barriers in response to Section 301 have hurt their businesses too. This result supports the findings of some recent analysis, which also suggests that U.S. textile and apparel companies overall suffer from reduced exports and higher import costs (including for needed textile raw materials) due to the trade war with China.[21]

Figure 11b: What measures has your company taken in response to the U.S. Section 301 tariff action against China?



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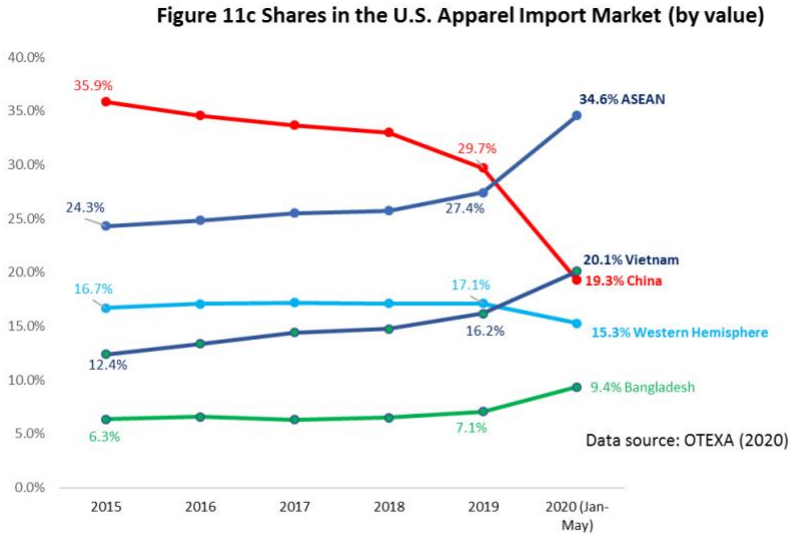
18 Matt Grossman. (May 22, 2020). The Covid surcharge: Companies confront the unforgiving economics of coronavirus. *Wall Street Journal.* Retrieved from https://www.wsj.com/articles/the-covid-surcharge-companies-confront-unforgiving-economics-of-coronavirus-11590139802

19 Keith Bradsher and Niraj Chokshi. (February 27, 2020). Virus disrupts China's shipping, and world ports feel the impact. *New York Times.* Retrieved from https://www.nytimes.com/2020/02/27/business/economy/china-coronavirus-shipping-ports.html

20 Office of the U.S. Trade Representative, USTR. (2020). *Section 301-China*. Retrieved from https://ustr.gov/issue-areas/enforcement/section-301-investigations/section-301-china

21 Lu, Sheng. (2019). Does the U.S.-China tariff war benefit or hurt the U.S. textiles and apparel industry?, *International Textile and Apparel Association Annual Conference Proceedings*. Retrieved from https://doi.org/10.31274/itaa.8245



Second, COVID-19 and the trade war are pushing U.S. fashion companies to reduce their "China exposure" further. As early as in our 2014 benchmarking study, we found U.S. fashion companies had begun to look for alternative sourcing destinations to China and build a more diversified sourcing base. [22] **The U.S.-China trade war and COVID-19, together with other factors, such as China's increasing labor cost[23], seem to have accelerated U.S. fashion companies' process of moving out of China.**[24] As illustrated in Figure 9a, this year, only about one-third of respondents say more than 30 percent of their total sourcing value or volume comes from China, down from 45.7 percent in 2019 and substantially lower than nearly 60 percent back in 2017.

As U.S. fashion companies are sourcing relatively less from China, they are moving orders mostly to China's competitors in Asia. As shown in Figure 11b, when asked about the specific measures companies have taken in response to the U.S. Section 301 action, all respondents (100 percent) say they have "moved some sourcing orders from China to other Asian suppliers," up from 77 percent in 2019. Figure 11c further shows that, **in the first five months of 2020, measured by value, China lost its position as the top apparel supplier to the U.S. market** and China's market share plummeted from nearly 30 percent in 2019 to a historic low of 19.3 percent.[25] Consistent with the result in Figure 11b, most of China's lost market shares have been taken by other Asian suppliers, particularly Bangladesh and members of the Association of Southeast Asian Nations (ASEAN), such as Vietnam, Cambodia, and Indonesia.[26]

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[22] Please see the U.S. Fashion Industry Benchmarking Study from 2014 to 2019: https://www.usfashionindustry.com/resources/research-reports/research-reports/usfia-fashion-industry-benchmarking-study

[23] Fung Business Intelligence. (2020). *China sourcing update: Labor Cost (May 2020).* Retrieved from https://www.fbicgroup.com/sites/default/files/China%20Sourcing%20Update%20Labour%20Cost%20MAY%202020.pdf

[24] Lu, Sheng. (2020). US apparel sourcing patterns are changing. Here's how. *Just-Style*. Retrieved from https://www.just-style.com/analysis/us-apparel-sourcing-patterns-are-changing-heres-how_id138122.aspx

[25] Office of Textiles and Apparel, OTEXA. (2020). *U.S. imports of textile and apparel.* Retrieved from https://otexa.trade.gov/msrpoint.htm

[26] U.S. International Trade Commission, USITC. (2019). *Shifts in U.S. merchandise trade, 2018—Textiles and apparel (Investigation No. 332-345)*. Retrieved from https://www.usitc.gov/research_and_analysis/trade_shifts_2018/textiles.htm

Table 4 Percentage of U.S. Apparel Imports from the Western Hemisphere

By quantity						
Sourcing destinations	2018	2019	2018 vs.2019	2019 (Jan-May)	2020 (Jan-May)	2020 vs. 2019 (Jan-May)
Western Hemisphere	15.6%	15.6%	-0.1%	16.0%	14.0%	-2.1%
CAFTA-DR	10.7%	10.7%	-0.1%	10.8%	9.1%	-1.7%
NAFTA (USMCA)	3.2%	3.0%	-0.2%	3.3%	3.2%	-0.1%
By value						
Sourcing destinations	2018	2019	2018 vs.2019	2019 (Jan-May)	2020 (Jan-May)	2020 vs. 2019 (Jan-May)
Western Hemisphere	17.1%	17.1%	0.0%	17.3%	15.3%	-2.0%
CAFTA-DR	10.1%	10.3%	0.2%	10.2%	9.1%	-1.1%
NAFTA (USMCA)	4.8%	4.5%	-0.3%	4.7%	4.0%	-0.7%

Data source: Office of Textiles and Apparel (OTEXA), U.S. Department of Commerce (2020)

Third, no clear evidence suggests that U.S. fashion companies are sourcing more from the Western Hemisphere because of COVID-19 and the U.S.-China trade war. In recent years, near-sourcing from the Western Hemisphere, particularly members of the North American Free Trade Agreement (NAFTA)[27] and the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) is growing in popularity, as non-cost factors such as speed to market are given more weight in fashion companies' sourcing decisions. [28]

However, both the survey results and official trade statistics suggest otherwise. For example, only 20 percent of respondents say they have "moved sourcing orders from China to Western Hemisphere" in response to the Section 301 tariff action, which is even fewer than 27 percent in 2019 (Figure 11b). Likewise, as summarized in Table 4, both in quantity and value terms, U.S. fashion companies have been importing LESS from countries in the Western Hemisphere since 2019. NAFTA and CAFTA-DR members continued to lose market shares in the U.S. apparel import market so far in 2020 (January to May). [29] Several factors could be related to the phenomenon:

- **First, U.S. fashion companies source products from Asia (including China) and the Western Hemisphere for different purposes.** In general, US companies tend to source either price-sensitive or more sophisticated items from Asia, where factories overall have higher productivity and more advanced production techniques. Meanwhile, the Western Hemisphere is typically used to source products that require faster speed-to-market or more frequent replenishments during the selling season. Some studies further show that there is more divergence in the products imported into the United States from Asian countries and the Western Hemisphere from 2015 to 2019. In contrast, over the same period, China, ASEAN, and Bangladesh appear to be exporting increasingly similar products to the United States.[30] This explains why Asian suppliers, rather than NAFTA and CAFTA-DR members, saw their apparel exports to the U.S. increased because of COVID-19 and the US-China tariff war.

[27] NAFTA is replaced by the U.S.-Mexico-Canada Trade Agreement (USMCA) on July 1, 2020.
[28] Achim Berg, Lara Haug, Saskia Hedrich, and Karl-Hendrik Magnus. (2020). *Time for change: How to use the crisis to make fashion sourcing more agile and sustainable*. Mckinsey & Company. Retrieved from https://www.mckinsey.com/industries/retail/our-insights/time-for-change-how-to-use-the-crisis-to-make-fashion-sourcing-more-agile-and-sustainable
[29] Office of Textiles and Apparel, OTEXA. (2020). *U.S. imports of textile and apparel.* Retrieved from https://otexa.trade.gov/msrpoint.htm
[30] Lu, Sheng. (2020). US apparel sourcing patterns are changing. Here's how. *Just-Style*. Retrieved from https://www.just-style.com/analysis/us-apparel-sourcing-patterns-are-changing-heres-how_id138122.aspx

- **Second, the apparel production capacity in the Western Hemisphere has been hit hard by COVID-19 as well.** Industry sources report that due to the spread of COVID-19 in the region, garment factories in North, South, and Central America have been struggling with factory lockdowns, quarantine measures, and worker shortages. As of July 2020, most Western Hemisphere countries have yet to allow garment factories to reopen fully. [31]
- Third, with an unprecedented high level of unemployment, U.S. consumers are becoming ever more price-sensitive in clothing shopping.[32] However, as an apparel sourcing base, the Western Hemisphere, in general, is regarded as less price competitive than Asian suppliers.[33] In other words, **the higher production and sourcing cost could disadvantage Western Hemisphere as a preferred apparel-sourcing base for U.S. fashion companies during the pandemic**.

Rating sourcing destinations

Table 5 Strength and Weakness as a Sourcing Base

Region	Sourcing destination	Speed to market	Sourcing cost	Flexibility and agility	Risk of labor and social compliance	Risk of environmental compliance
Western Hemisphere	USA	4.0	1.5	3.0	4.0	4.0
	Mexico	3.5	3.0	3.0	3.0	3.0
	CAFTA-DR	3.5	3.0	3.0	3.0	3.0
	Colombia	3.0	3.0	3.0	3.0	3.0
Asia	China	3.5	3.5	4.0	3.0	3.0
	Vietnam	3.0	3.5	3.5	3.0	3.0
	Bangladesh	2.0	4.5	3.0	2.0	2.0
	Indonesia	2.5	3.5	3.0	2.5	2.5
	India	2.5	3.5	3.0	2.0	2.5
	Sri Lanka	2.5	3.5	3.0	3.0	2.5
	Cambodia	2.5	3.5	3.0	2.5	2.0
Rest of the world	Europe	3.0	2.0	2.5	4.0	4.0
	Turkey	2.5	3.0	3.0	3.0	3.0
	AGOA	2.0	3.0	2.5	2.5	2.5
	Egypt	2.5	3.5	3.0	3.0	3.0

Note: The results are based on respondents' average rating for each country on a scale of 1 (much lower performance than the average) to 5 (much higher performance than the average). In the table, ● means strength as a sourcing base (rating score between 5.0-4.0); ▲ means average performance (rating score between 3.0-3.9); ◆ means weakness as a sourcing base (rating score between 1.0-2.9). However, the results do NOT reflect the author's evaluation of each country.

To understand the strengths and weaknesses of each primary sourcing destination, this year, we again asked respondents to rate them against five criteria with the most significant impact on sourcing decisions.

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31 Just-Style. (2020). *Timeline – How coronavirus is impacting the global apparel industry*. Retrieved from https://www.just-style.com/news/timeline-how-coronavirus-is-impacting-the-global-apparel-industry-free-to-read_id138313.aspx

32 Harriet Torry. (June 10, 2020). Coronavirus continues to weigh on U.S. consumer prices. *Wall Street Journal.* Retrieved from https://www.wsj.com/articles/coronavirus-continues-to-weigh-on-u-s-consumer-prices-11591793399

33 Lu, Sheng. (2018). What will happen to the U.S. textile and apparel industry if the NAFTA goes? *Margin: The Journal of Applied Economic Research, 12(2)*, 113-137.

- **Speed to Market:** 1) The United States, Mexico, and CAFTA-DR members continue to demonstrate substantial competitiveness in lead time due to their geographic proximity to the U.S. market. 2) Highly consistent with what we found in the past two years, China and Vietnam again scored higher in speed to market than most of their Asian and African competitors in 2020. This result can be attributed to these two countries' overall higher efficiency in supply chain management based on their more sophisticated and advanced local textile and apparel industries. [34] 3) Respondents say sourcing from the EU, in general, can offer a shorter lead time than many Asian suppliers. This result is reasonable as textile and apparel mills in many developed EU countries have actively adopted modern digital and automation technologies to improve their speed to market capabilities.[35] On the other hand, shipping from the EU to the U.S. is also shorter in the distance than from Asia.

- **Sourcing Cost:** 1) Consistent with the survey results from 2017 to 2019, respondents this year again say Bangladesh offers the most competitive price, followed by Vietnam, Indonesia, Cambodia, India, and Sri Lanka. Outside Asia, Egypt is regarded as a sourcing base that can offer a relatively competitive price too. 2) Respondents say sourcing from Asia overall will incur a lower cost than from the Western Hemisphere and other parts of the world. In addition to the factor of lower labor cost, more accessibility to cheaper textile raw materials (such as yarns and fabrics) produced locally is another critical competitive advantage of Asian apparel manufacturers.[36] 3) As apparel manufacturing remains mostly labor-intensive, not surprisingly, respondents say sourcing from the United States and the EU, where the wage level is among the highest in the world, will be most expensive.

- **Flexibility and agility:** 1) Regarding the capability of quickly adjusting the delivery, volume, and product of the sourcing order upon requests of customers, China scored the highest again this year based on its unparalleled production capacity and integrated production networks. [37]A recent study further shows that few countries can compete with China in terms of the great variety of apparel products it produces for the U.S. market.[38] 2) Meanwhile, respondents see other primary sourcing bases have similar performance in flexibility and agility, except EU and members of the African Growth and Opportunity Act (AGOA), which received the lowest rating score.

- **Risk of labor and social compliance:** 1) According to respondents, the United States and the EU demonstrate a notable competitive edge against other sourcing destinations in terms of labor and social compliance. 2) Respondents still regard sourcing from Bangladesh involves relatively higher compliance risks in general, with the rating score for the country stood at 2.0, the same as last year. Some respondents explicitly expressed their concerns about the dissolution of the Alliance for Bangladesh Worker Safety (Alliance) and the Accord on Fire and Building Safety in

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[34] Sara Andersson, Alix Machiels and Charles Bodwell. (2019). *Securing the competitiveness of Asia's garment sector: A framework for enhancing factory-level productivity*. International Labor Organization (ILO). Retrieved from https://www.ilo.org/asia/publications/WCMS_732907/lang--en/index.htm

[35] Euratex. (2020). *Facts and key figures of the European textile and clothing industry*. Retrieved from https://euratex.eu/wp-content/uploads/EURATEX-Facts-Key-Figures-2020-LQ.pdf

[36] Lu, Sheng. (2019). Regional Comprehensive Economic Partnership (RCEP): Impact on the Integration of Textile and Apparel Supply Chain in the Asia-Pacific Region. In *Fashion Supply Chain Management in Asia: Concepts, Models, and Cases* (pp. 21-41). Springer.

[37] Hassen Saheed. (2019). Prospects for the textile and apparel industry in China. *Textile Outlook International, No.200*, 98-151. Textile Intelligence Limited.

[38] Lu, Sheng. (2019). How the tariff war is shifting 'Made in China' sourcing strategy for U.S. apparel retailers. *Apparel Magazine (RIS).* Retrieved from https://risnews.com/how-tariff-war-shifting-made-china-sourcing-strategy-us-apparel-retailers

Bangladesh (Accord), a move that is widely viewed as not helpful with building more confidence in Bangladesh's social responsibility practices. [39]

- **Risk of environmental compliance:** 1) Respondents see the risk of environmental compliance and labor & social compliance highly correlated. [40] In some U.S. fashion companies, the same department or program handles both issues.[41] As one respondent commented, "*(we) set up a dedicated sustainability team to focus on various company initiatives.*" 2) In general, respondents see sourcing from developed countries, such as the United States and EU countries, involves a relatively low risk of environmental compliance. In comparison, respondents see the environmental compliance risk relatively higher when sourcing from developing Asian countries, such as Bangladesh, and Cambodia, and AGOA members. 3) Two contributing factors could be related to the rating scores. One is that more restrictive environmental regulations and effective enforcement mechanisms, in general, are implemented in the developed economies.[42] On the other hand, developing countries have to bear a more substantial burden of managing and reducing the environmental impact of the fashion industry, as most apparel are produced there today.[43]

Further, respondents say their rating for the risk of compliance is primarily based on field experience working with vendors in respective countries. For example, one respondent rated sourcing from Bangladesh as "high risk" in social and labor compliance. According to that respondent, "*My answers are based specifically on my experience of visiting factories and meeting with factory managers - their opinions on caring about specific issues and how great their record-keeping usually is.*" Respondents also say that external factors, such as international news reporting, may affect their perception of compliance risks in respective countries too.

In conclusion, the results suggest that **no sourcing destination is perfect**, which helps explain why U.S. fashion companies typically use a mix of sourcing bases to balance speed to market, sourcing cost, flexibility, and compliance risk. On the other hand, **China, Vietnam, CAFTA-DR members, and Mexico overall are regarded as the most balanced sourcing destinations against all the five criteria**, which offers these countries and regions unique competitive advantages as preferred sourcing destinations.

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[39] Elizabeth Paton. (March 1, 2020). After factory disaster, Bangladesh made big safety strides. Are the bad days coming back?. *New York Times.* Retrieved from https://www.nytimes.com/2020/03/01/world/asia/rana-plaza-bangladesh-garment-industry.html

[40] Burns, Leslie. (2019). *Sustainability and Social Change in Fashion.* Bloomsbury publishing: New York.

[41] Patagonia. (2020). Working with factories. Retrieved from https://www.patagonia.com/our-footprint/working-with-factories.html

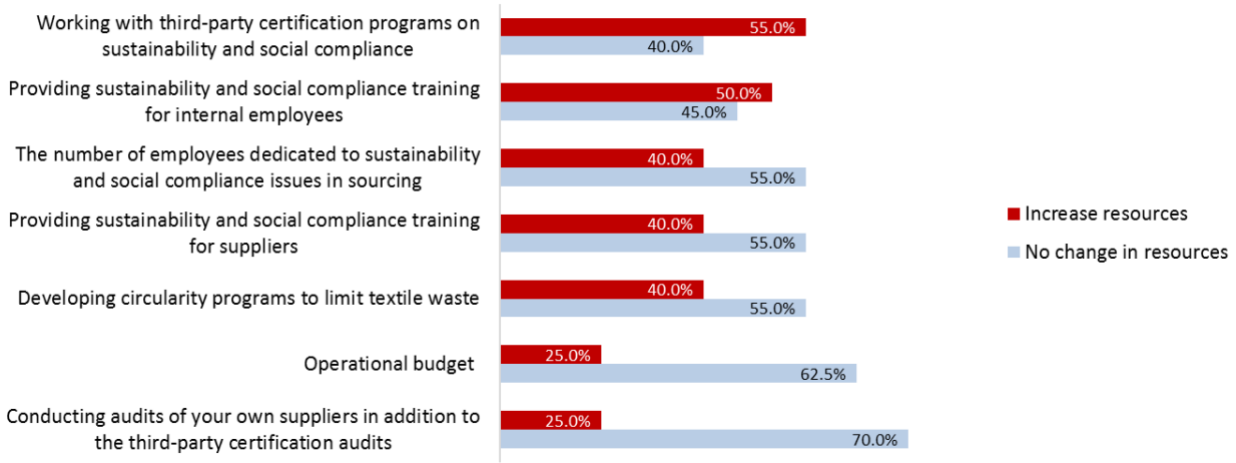
[42] Muthu, S. S. (2020). *Assessing the environmental impact of textiles and the clothing supply chain*. Woodhead publishing: Cambridge, United Kingdom.

[43] Dicken, P. (2015). *Global shift: Mapping the changing contours of the world economy (7th ed)*. SAGE Publications Ltd.

70%

of respondents say they will **allocate more resources for sustainability and social compliance** over the next two years, up from 63% in 2019. Another 20% expect no change.

Figure12a: How will your company's allocation of resources for sustainability and social compliance change over the next two years?



U.S. fashion companies are NOT ignoring sustainability in sourcing despite facing unpresented financial and operational challenges during the pandemic. As suggested by other recent studies, sustainability and social responsibility are becoming ever more critical themes for the fashion industry in the post-COVID world.[44] Specifically:

First, over 70 percent of respondents this year say they plan to allocate MORE resources to the area of sustainability and social compliance through 2022, which is even higher than 63 percent in our 2019 survey. As shown in Figure 12a, the top two areas where companies are most willing to "invest more" include "**working with third-party certification programs on sustainability and social compliance**" (55 percent), and "**providing sustainability and social compliance training for internal employees**" (50 percent). Similar to the results in previous years, around 40 percent of respondents also plan to "increase the number of staff dedicated to sustainability and social compliance, strengthen related training for suppliers, and develop circularity programs to limit textile waste." However, largely due to financial restraints during the pandemic, fewer respondents (around 25 percent) say they plan to increase their operational budget for sustainability or conduct more audits of their own in the next two years. As one respondent explains, *"Indicating that we are cutting budgets for sustainability does NOT reflect decreased support for sustainability, just that like all functions in the organization, they will have to operate with less."*

[44] Boston Consulting Group, Sustainable Apparel Coalition, and Higg Co. (2020). *Weaving a better future: Rebuilding a more sustainable fashion industry after covid-19*. Retrieved from https://apparelcoalition.org/wp-content/uploads/2020/04/Weaving-a-Better-Future-Covid-19-BCG-SAC-Higg-Co-Report.pdf

Second, reflecting companies' commitments to sourcing in sustainable and socially compliant ways, the vast majority of respondents say their company maps the supply chains (i.e., keeps records of name, location, and function of suppliers). Notably, as indicated in Figure 12b, this year, around 85 percent of respondents track not only Tier 1 suppliers (i.e., factory where the final product is assembled) but also Tier 2 suppliers (i.e., subcontractors or major component suppliers, such as fabrics), slightly up from 80 percent in 2019. However, similar to what we found in the previous surveys, it is still less common for U.S. fashion companies to map Tier 3 (i.e., yarn spinners, finding and trimming suppliers) and Tier 4 suppliers (i.e., raw materials suppliers, such as cattle/pig hides, rubber, cotton, wool, goose down, minerals/metals and chemicals).

Figure 12b: How does your company map your supply chain--i.e. keeping records of name, location and function of your suppliers?

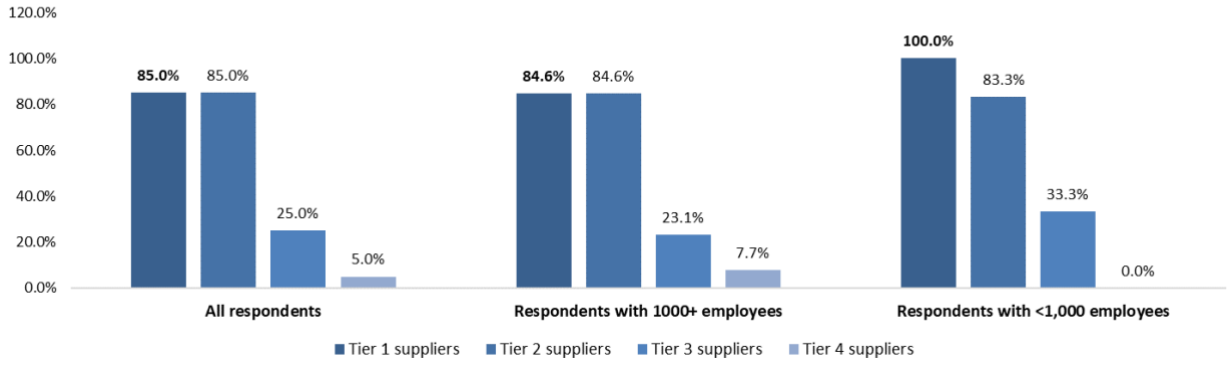
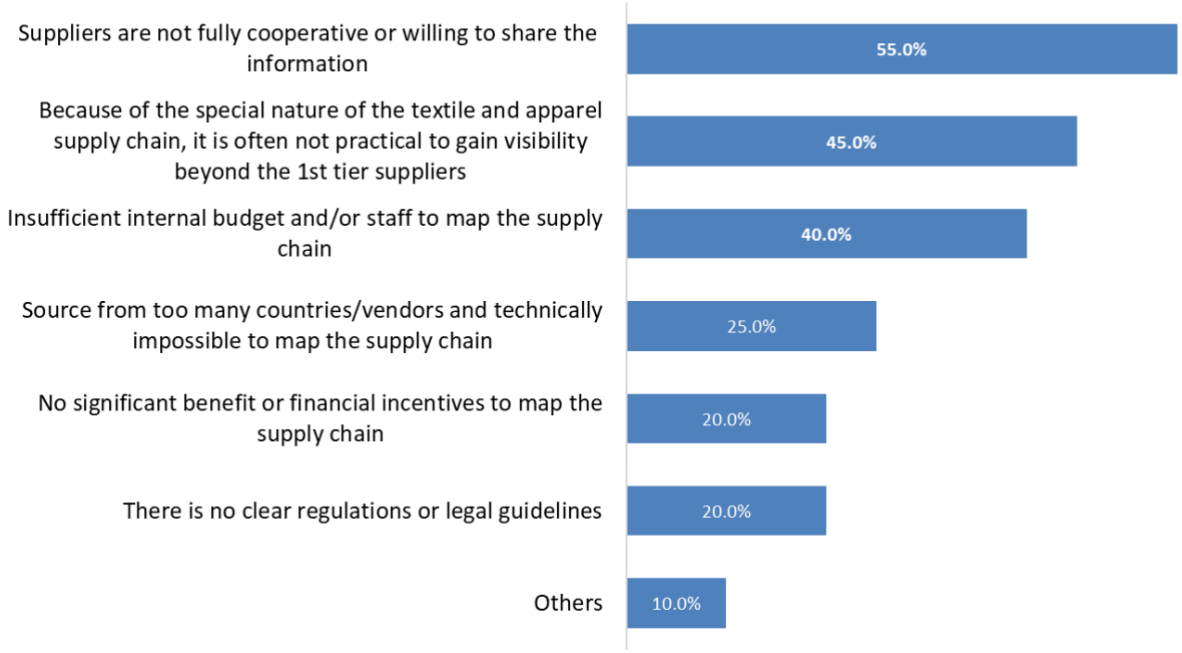


Figure 12c: What are the main challenges for your company to map supply chains?



When asked about the challenges for mapping supply chains, respondents list three major concerns, including: "**suppliers not being fully cooperative or willing to share information**" (55 percent), "**the special nature of the textile and apparel industry makes it not practical to gain visibility beyond the 1st tier supplier**" (45 percent) and "**insufficient internal budget/staff to map supply chain**" (40 percent).

As one respondent commented, "*We primarily work with Tier 1 suppliers, getting these factories to disclose mills can be difficult. However, we are conditioning order placement on this type of cooperation. It also seems that everyone needs more education in this area and uniform standards…*"

100% of respondents say they **audit suppliers** and **85%** use third-party certification to audit suppliers.

Figure 13a: How does your company audit your suppliers?--Conduct own audit or use third-party certification program

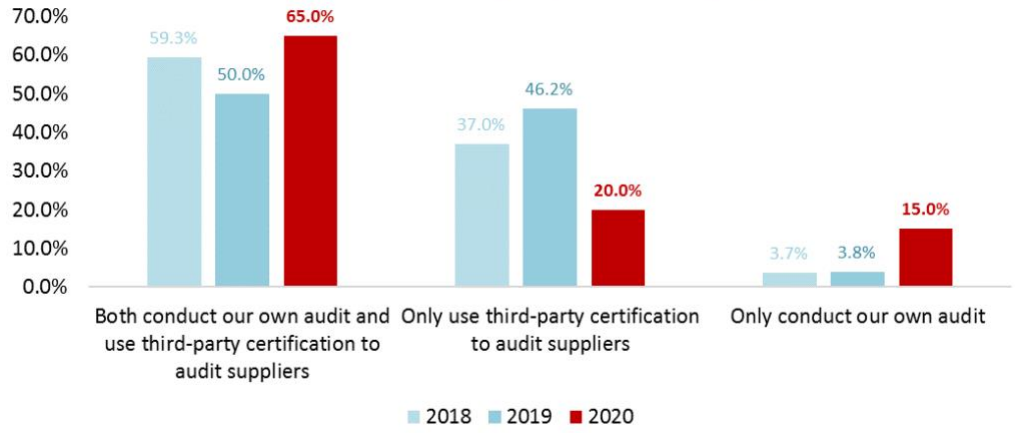
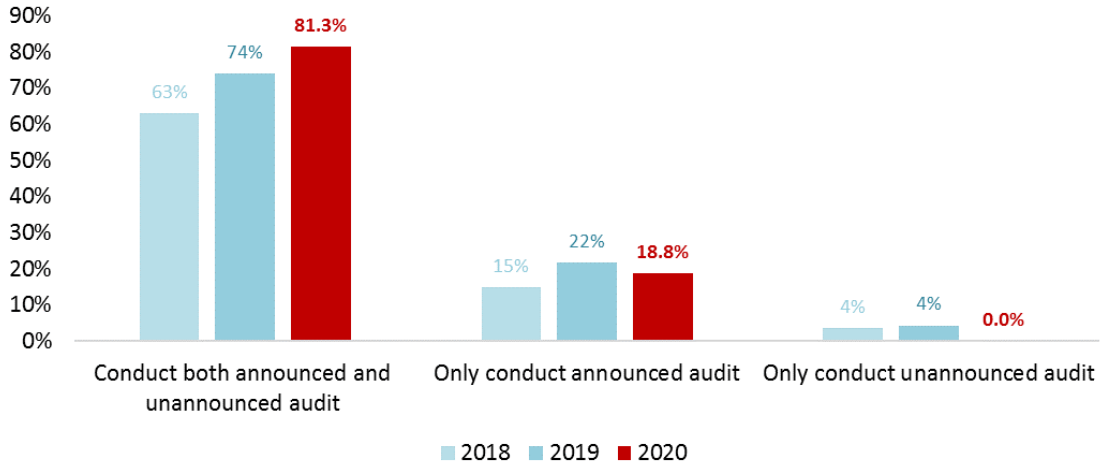
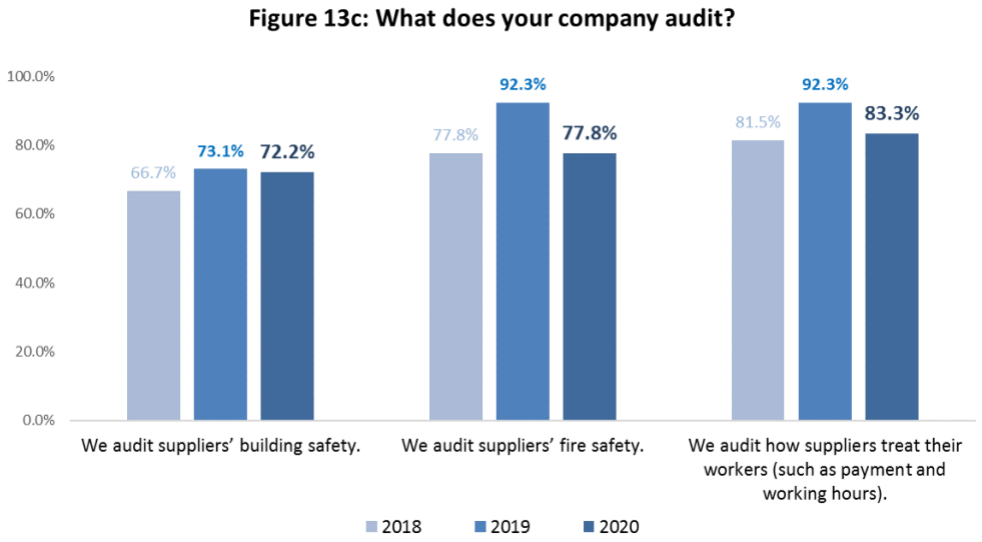


Figure 13b: How does your company audit your suppliers?--Conduct announced or unannounced audit





Third, 100 percent of respondents say they currently audit their suppliers, suggesting this is a crucial tool for achieving sustainable and socially compliant sourcing. Specifically, as shown in Figures 13a-13c:

- **The vast majority of respondents (85 percent) currently use third-party certification programs to audit.** Around 65 percent of respondents say they use BOTH third-party certification programs and companies' in-house compliance team, a notable increase from last year (50 percent). In comparison, due to credibility concerns, it is not a common practice for companies to rely on their own compliance team only.
- **Regarding the nature of the inspection, 81 percent of respondents conduct BOTH announced and unannounced audits this year, a further increase from 74 percent in 2019.** Such a practice can balance the needs of building business trust and ensure the credibility of the audits. For the same reason, it is not surprising to see far fewer companies conduct solely announced or unannounced audits.
- **Regarding the content of the audit, respondents say they usually focus on three primary areas related to social responsibility:** treatment of workers (72 percent), fire safety (78 percent), and building safety (83 percent). However, respondents admit that conducting factory audits has been much more challenging this year due to travel restrictions, shortage of staff, and travel funding cut during the pandemic.

Fourth, U.S. fashion companies are actively exploring new approaches to improve sustainability and social compliance in sourcing. For example, several respondents say they are using the Higg Index developed by the Sustainable Apparel Coalition to achieve better performance in sustainability.[45] Companies are also increasingly leveraging digital technology in compliance audits. One respondent commented, "*(we) implemented web-based software for facilitating new vendor/factory on-boarding and retaining audit reports/findings/documentation.*"

[45] Sustainable Apparel Coalition. (2020). *Higg Index*. Retrieved from https://apparelcoalition.org/the-higg-index/

Related to sustainability, U.S. fashion companies are making efforts to contribute to the building of a circular economy.[46] Some specific initiatives launched by companies include:

- Setting up a dedicated committee or have a designated team to oversee the sustainability aspects of product development.
- Embrace the concept of "circularity" in product design and textile material development, focusing on "reducing waste," "recycling," and "reusing." One respondent says, "*We have taken circularity back to inception with design offerings in fabric, dyeing, and all trim components.*" Another adds, "*We have double-downed on our quality standards to ensure our goods last longer than our competitors, we re-purpose unused fabrics for other goods, and support apparel reuse and recycling*."
- Rethink and innovate the existing business model to achieve circularity and sustainability. For example, one respondent says that "*(we) move away from the fast-fashion/disposable apparel model; sell higher quality garments that last longer; don't "greenwash" but actually practice what you only preach for marketing purposes; spend enough with suppliers and create long term partnerships so they can invest in the capabilities that are already out there*…"

Emerging Sourcing Trends

When looking ahead for the next two years, several emerging sourcing trends are worth watching:

Table 6 What Best Describes Your Company's Sourcing Strategy in the Next Two Years?

Sourcing strategy in the next two years	2019	2020	2020 vs. 2019
Source from the **same number of countries**, but work with **fewer suppliers**	40.0%	47.6%	7.6%
Source from **more countries** and work with **more suppliers**	25.7%	19.0%	-6.7%
Source from the **same number of countries**, but work with **more suppliers**	17.1%	4.8%	-12.4%
Source from **fewer countries** and work with **fewer suppliers**	11.4%	19.0%	7.6%
No change	5.7%	4.8%	-1.0%
Source from **fewer countries**, but work with **more suppliers** in these countries	0.0%	4.8%	4.8%

First, sourcing diversification is slowing down, and more U.S. fashion companies are switching to consolidate their existing sourcing base. As shown in Table 6, when asked about how their company's sourcing strategy will evolve through 2022, close to half of the respondents say they plan to "**source from the same number of countries, but work with fewer vendors,**" up from 40 percent in last year's survey. Another 20 percent of respondents say they will "**source from fewer countries and work with fewer vendors**," which is also a notable increase from only 11 percent in 2019. In comparison, fewer respondents this year (19 percent vs. 25.7 percent in 2019) say they plan to diversify their sourcing base further (i.e., source from more countries and work with more vendors).

As we found in the 2019 benchmarking study, fashion companies' motivations for sourcing diversification strategy primarily include reducing the dependence on sourcing from China, catering to the increasing demand for speed to market, and fulfilling market expansion needs. **However, to carry out the sourcing diversification strategy typically requires substantial new investments—from capital to human resources, which are beyond the affordability of many fashion companies this year due to COVID-19.**

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[46] A "circular economy" means "designing out waste and pollution, keeping products and materials in use and regenerating natural systems. For more, please see Textile Exchange. (2020). *How companies can embrace circularity in their material sourcing strategies*. Retrieved from https://mci.textileexchange.org/discover/circularity/

Instead, companies find it more urgent and rewarding to consolidate the existing sourcing base and resources and strengthen the relations with their key vendors. Competition in the fashion industry is becoming supply chain-based. Building a strategic partnership with high-quality vendors will play an ever more critical role in supporting fashion companies' efforts to achieve speed to market, flexibility and agility, sourcing cost control, and low compliance risk. As one respondent commented, "*due to bankruptcies all around (retailer, suppliers, etc.)… consolidation will be an important sourcing trend*" among U.S. fashion companies in 2020. Another added that "*more collaborative working relationship between sourcing and suppliers will be critical this year.*"

Second, companies will continue to adjust their sourcing bases but on a more modest scale than in the past. When asked about how their companies' current sourcing base may change through 2022, for the first time since we launched the survey in 2014, NONE of the respondents plans to substantially increase sourcing volume from ANY particular country or region in the world. This extraordinary result reminds us of the severity of the current economic crisis facing U.S. fashion companies and suggests the post-COVID economic recovery could be a long slow climb. Specifically, as shown in Figures 14a, around half of the respondents plan to modestly increase sourcing from a few Asian countries in the next two years, including **Bangladesh, Indonesia, Vietnam, and India**. **These countries, in general, will most likely serve as alternatives to sourcing from China.** Meanwhile, respondents also expressed some interest in increasing imports from **the Western Hemisphere**, such as members of CAFTA-DR (40 percent) and reshoring from the United States (25 percent).

Figure 14a: How do you think your company's sourcing value (or volume) from the following countries or regions will change in the next two years?

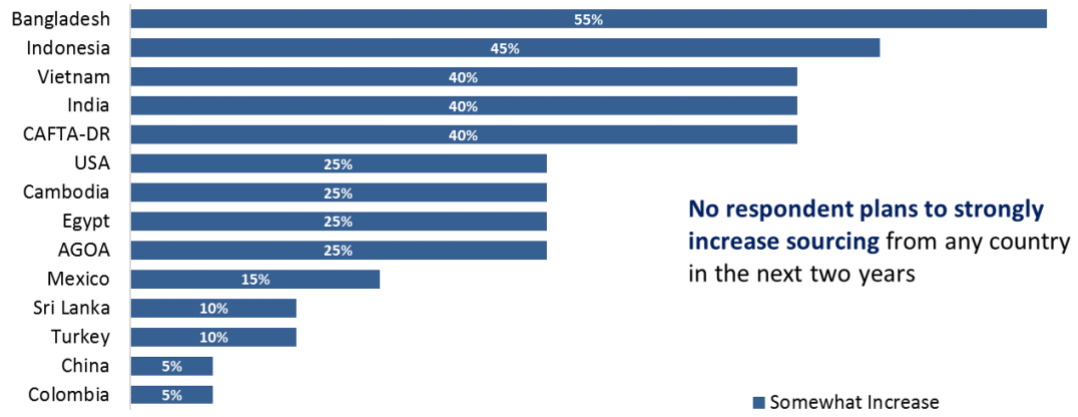
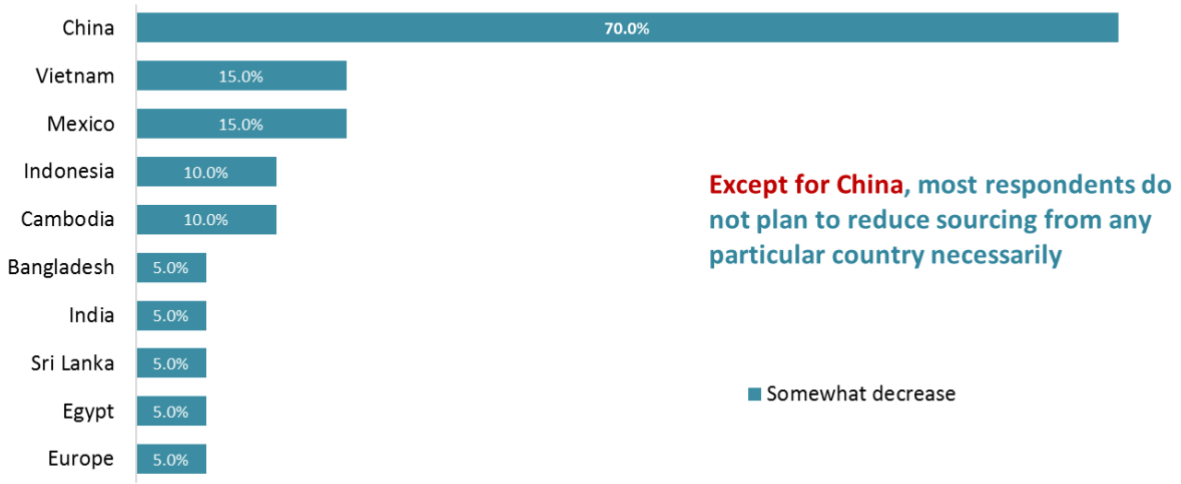


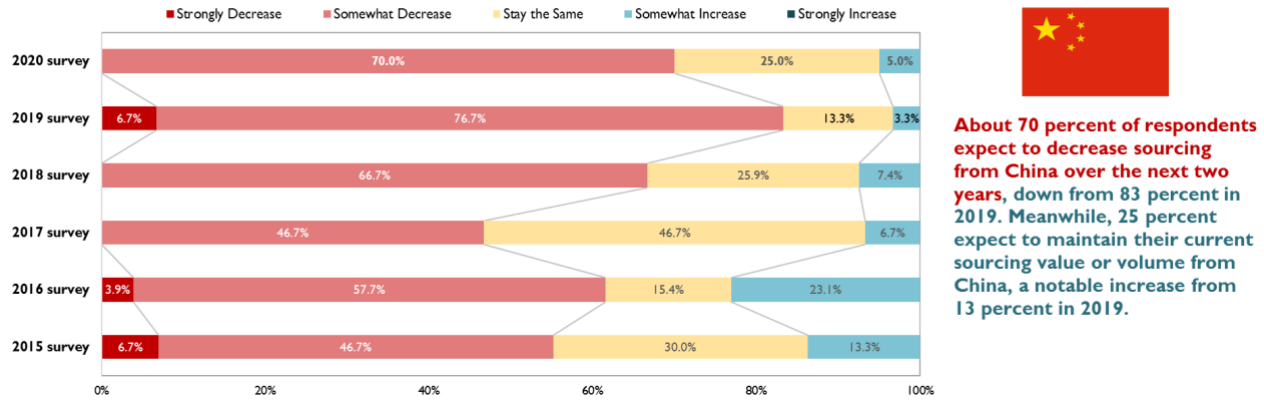
Figure 14b: How do you think your company's sourcing value (or volume) from the following countries or regions will change in the next two years?



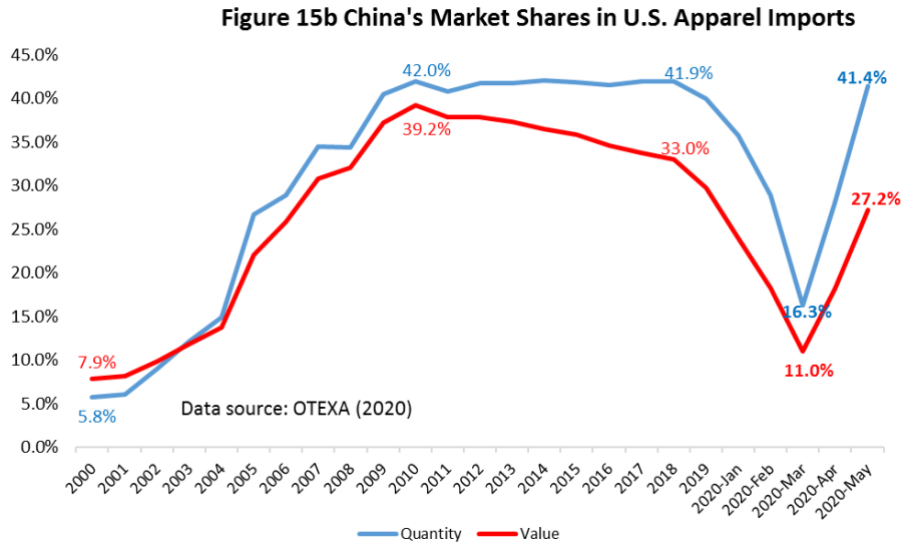
On the other hand, as shown in Figure 14b, **except for China, most respondents do not plan to reduce sourcing from any particular country necessarily.** This result echoes the findings summarized in Table 6, i.e., most surveyed U.S. fashion companies plan to continue sourcing their products from the same number of countries or regions through 2022.

Third, China most likely will remain a critical sourcing base for U.S. fashion companies, yet non-economic factors could complicate companies' sourcing decisions. Continuing the trend in the past few years, around 70 percent of respondents expect to somewhat decrease sourcing from China through 2022, down from 83 percent in last year's survey (Figure 15a). Meanwhile, 25 percent of respondents expect to maintain their current sourcing value or volume from China through 2022, a notable increase from 13 percent in 2019. **Overall, the result suggests that at least in the medium term, U.S. companies would like to continue sourcing from China but with a relatively reduced sourcing volume.** [47]

Figure 15a: How do you think your sourcing value or volume from China will change in the next two years?



[47] Textile Outlook International. (March 2020). *Trends in US textile and clothing imports.* No. 202. 156-240. Textile Intelligence Limited.



The latest trade statistics also support the view that U.S. fashion companies continue to treat China as an essential apparel-sourcing base, despite COVID-19, the trade war, and companies' sourcing diversification strategy. [48] As the first country hit by COVID-19, China's apparel exports to the U.S. dropped by as much as 49.2 percent from January to May 2020 (the latest data available) compared with a year ago. In February 2020, China's market shares slipped to only 11 percent, and both in March and April 2020, U.S. fashion companies imported more apparel from Vietnam than from China. However, as shown in Figure 15b, **China's apparel exports to the U.S. are experiencing a "V-shape" recovery**: as of May 2020, China had quickly regained its position as the top apparel supplier to the U.S., with a 27.2 percent market share in value and 41.4 percent share in quantity. As one respondent commented, "*It is difficult for our company and the price point that it serves to source outside of China. Even with the tariffs, we cannot access the proper fabric, prices, and volumes in other regions. Other regions must develop the capacity for us to leave. Therefore we are looking at all cost-cutting measures.*"

Moreover, U.S. apparel imports from China are also becoming more price-competitive—the unit price slipped from $2.25/Square meters equivalent (SME) in 2019 to $1.91/SME in 2020 (January to May), or down nearly 15% (compared with a 3.1% price drop of the world average). As of May 2020, the unit price of U.S. apparel import from China was only 65 percent of the world average, and around 25—35 percent lower than those imported from other Asian countries. One contributing factor to the trend is that approximately 70 percent of respondents say their vendors in China had lowered the price to keep sourcing orders (Figure 11b).

However, some non-economic factors, from the deteriorated U.S.-China bilateral relations, the evolving situation of COVID-19, to the emerging social compliance risks associated with China, could complicate U.S. fashion companies' sourcing decision. Take the trade war, for example. One respondent commented, "*Diversification began with the tariffs and will continue as negative (U.S.) consumer sentiment on China product builds.*" Another adds, "*The cost of the (Section 301) penalty tariffs was the direct cause of our resourcing at least 20% of our production outside of China.*" "*The US-China trade war has forced our company to dramatically reduce China sourcing,*" says one respondent.

[48] Office of Textiles and Apparel, OTEXA (2020). *U.S. imports of textile and apparel.* Retrieved from https://otexa.trade.gov/msrpoint.htm

Understandably, should the U.S.-China trade tensions continue to escalate, it is not unlikely that U.S. fashion companies may substantially cut their China sourcing further, even if it is not a preferred choice economically.

The reported forced labor in Xinjiang is another recently surfaced and highly sensitive issue, which may potentially hold back U.S. fashion companies' sourcing from China. [49] On July 1, 2020, four U.S. government agencies (the State, Commerce, Treasury, and Homeland Security) jointly issued a business advisory to caution companies whose supply chains are exposed to the Xinjiang Uyghur Autonomous Region (XUAR).[50] As summarized in Table 7, respondents have been working on due diligence and remedy, reiterating their zero-tolerance approach to forced labor and joining industry-wide efforts for unified action to address the situation.

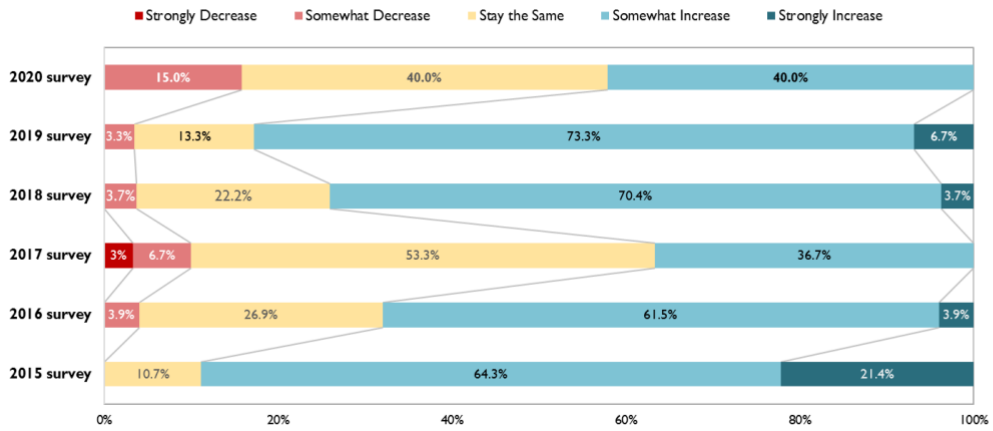
Table 7 Measures Taken by Respondents in Response to the XUAR Forced Labor Issue

Types of measures	Comments from Respondents
Reinforce factory audits, and extend the scope of the audits to textile raw materials	*"Confirming raw material sources (cotton), notifying suppliers of prohibition, enhanced controls, and procedures."* *"Auditing of facilities both textile as well as apparel."* *"Monitoring suppliers for trafficked Uighur workers outside Xinjiang. We have no direct suppliers in Xinjiang."* *"Work with suppliers and fabric suppliers to identify the source of cotton or other raw materials. Work with third-party auditors to ramp up audit efforts."* *"Our local personnel have also been advised to monitor factories for any signs of forced labor."*
Reduce, or avoid sourcing from the XUAR region	*"(We) canceled orders/shipments; shifted production away from the region completely."* *"We will not produce in factories in the (XUAR) region."*
Strengthen communication with vendors	*"(we) reinforced policies on forced labor, implemented statement of fact forms for our vendors to sign and confirm acknowledgment of our forced labor policies and consequences for violating."* *"We are communicating with our suppliers that the use of such labor in factories using such labor is cause to terminate all contracts. "*
Join industry-wide efforts	*"Engagement with industry associations such as USFIA, AAFA, and FLA to stay informed; internal discussion including at the leadership level; and increased focus on supply chain mapping."* *"Active participation in joint industry association activities/working groups/meetings etc."*

[49] Elizabeth Paton and Austin Ramzy. (July 23, 2020). Coalition brings pressure to end forced Uighur labor. *New York Times.* Retrieved from https://www.nytimes.com/2020/07/23/fashion/uighur-forced-labor-cotton-fashion.html?smid=tw-nytimes&smtyp=cur

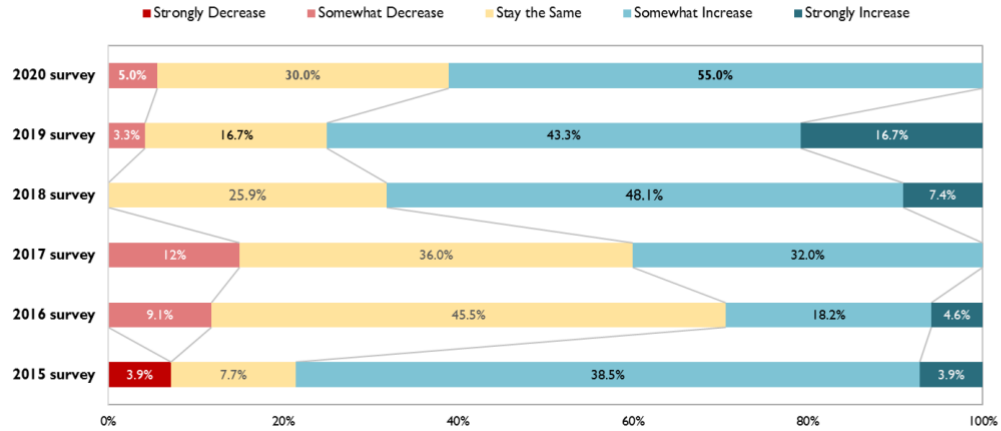
[50] U.S. Department of State. (2020). *Xinjiang supply chain business advisory*. Retrieved from https://www.state.gov/xinjiang-supply-chain-business-advisory/

Figure 16: How do you think your sourcing value or volume from Vietnam will change in the next two years?



Respondents are turning more conservative about Vietnam's growth potential. 40% expect to somewhat increase sourcing from the country in the next two years, the lowest since 2018.

Figure 17: How do you think your sourcing value or volume from Bangladesh will change in the next two years?



Respondents remain a relatively high level of interest in sourcing from Bangladesh. 55 percent plan to somewhat increase sourcing in the next two years vs. 60.0 percent in 2019 and 55.6% in 2018

Fourth, benefiting from U.S. fashion companies' reduced sourcing from China, Vietnam and Bangladesh are expected to play a more significant role as primary apparel suppliers for the U.S. market.

This year, **Vietnam** remains the #2 sourcing destination among respondents, with a 95.7 percent usage rate, up from 86 percent in 2019. Vietnam is also seen as one of the most balanced sourcing destinations in the world, which makes "Made in Vietnam" more attractive than many of its competitors (see Table 5). Measured in value, Vietnam accounted for a historic high of 20 percent of U.S. apparel imports in the first five months of 2020, up from 16.2 percent in 2019.[51]

For several years, Vietnam has been a "rising star" for apparel sourcing, but with this success in 2020, **some respondents nevertheless are turning more conservative about the country's export growth potential in the next two years.** As shown in Figure 16, around 40 percent of surveyed companies plan to somewhat increase sourcing from Vietnam through 2022, which, however, is a substantial decrease from 80 percent in the 2019 benchmarking survey. Another 40 percent of respondents expect to maintain their current sourcing value or volume in the next two years, jump from 13 percent in 2019.

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[51] Office of Textiles and Apparel, OTEXA (2020). *U.S. imports of textile and apparel.* Retrieved from https://otexa.trade.gov/msrpoint.htm

The concerns about the growth potential of Vietnam's apparel exports come from two aspects. On the one hand, **the heavy reliance on imported textile raw material, such as man-made fiber (MMF) yarns and fabrics, substantially limits the expansion of Vietnam's apparel production and export**.[52] This explains why, shortly after COVID-19 broke out in China in early 2020, garment factories in Vietnam were found struggling with a shortage of textile raw materials supplied by China.[53] On the other hand, the EU-Vietnam Free Trade Agreement (EVFTA)[54], and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)[55] make Vietnam one of the very few apparel exporters that can enjoy duty-free market access (though not immediately) to EU, Japan and Canada (or 45 percent of the world's apparel import market).[56] Given Vietnam's limited population and size, **U.S. fashion companies may face intensified competition with their counterparts in Europe, Japan, and Canada for production capacity in Vietnam down the road.** To make it even worse, as big tech giants are moving production to Vietnam to avoid U.S. tariffs on China, the competition for resources (especially labor) between the apparel industry and other export-oriented sectors in the country could heat up further.[57]

This year, **Bangladesh** is the #3 top sourcing destination, with an 85.7 percent usage rate among respondents, a notable increase from 60 percent in the 2019 benchmarking study. As shown in Figure 17, respondents overall maintain a relatively high level of interest in sourcing from Bangladesh in the next two years: around 55 percent plan to expand their sourcing value or volume (was 60 percent in 2019), and another 30 percent expect no change. The official trade data supports the trend--measured in value, Bangladesh accounted for 9.4 percent of U.S. apparel imports in the first five months of 2020, which was a record high and up from 7.1 percent in 2019.[58]

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[52] Hassen Saheed. (2017). Prospects for the textile and clothing industry in Vietnam. *Textile Outlook International, No.186*, 57-102. Textile Intelligence Limited.

[53] Jon Emont and Chuin-Wei Yap. (March 8, 2020). Companies That Got Out of China Before Coronavirus Are Still Tangled in Its Supply Chains. *Wall Street Journal*. Retrieved from https://www.wsj.com/articles/companies-that-got-out-of-china-before-coronavirus-are-still-tangled-in-its-supply-chains-11583686996

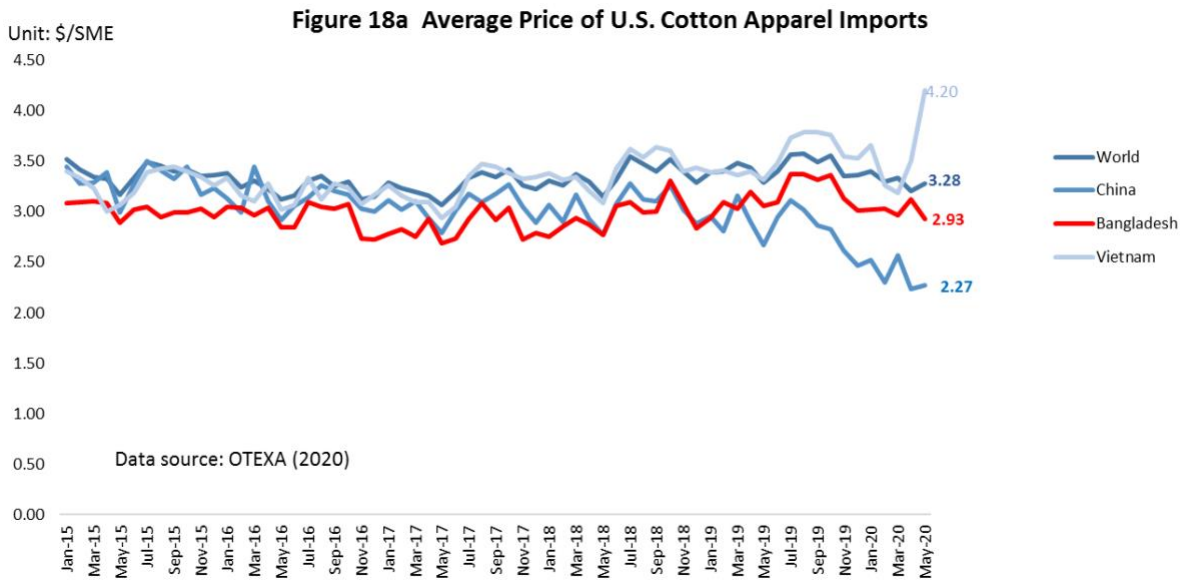
[54] EVFTA is expected to enter into effect in 2020. For more, please see https://trade.ec.europa.eu/doclib/press/index.cfm?id=1437

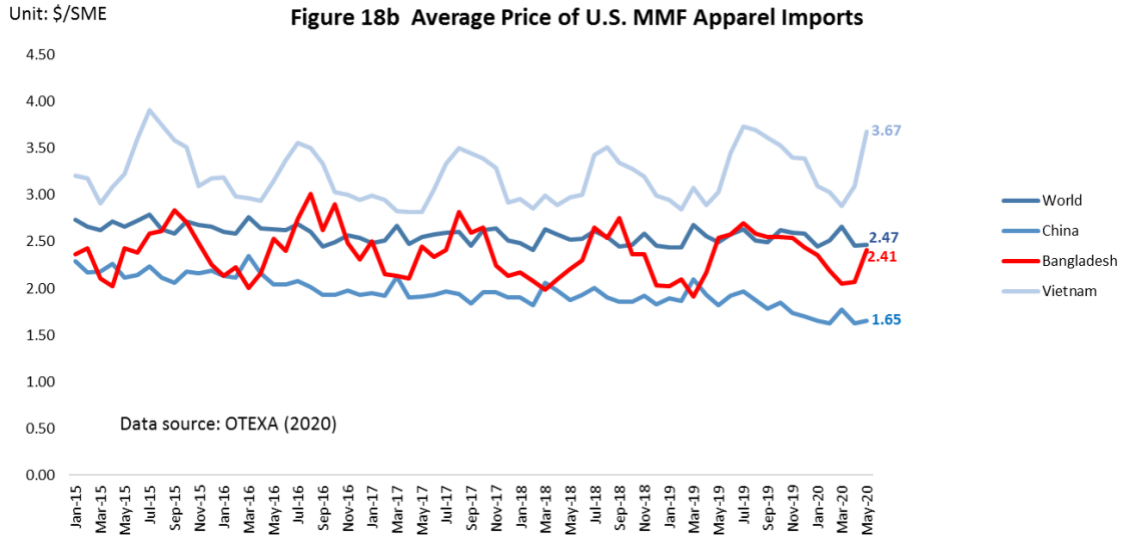
[55] On December 30, 2018 the CPTPP entered into force among the first six countries to ratify the agreement – Canada, Australia, Japan, Mexico, New Zealand, and Singapore. On January 14, 2019, the CPTPP entered into force for Vietnam. For more, please see https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpgp/index.aspx?lang=eng

[56] World Trade Organization, WTO. (2020). *International trade and tariff statistics.* Retrieved from https://data.wto.org/

[57] Cheng, TF, & Li, L. (July 2, 2019). Vietnam's apparel sector fears cost surge as tech giants move in. *Nikkei Asian Review.* Retrieved from https://asia.nikkei.com/Economy/Trade-war/Vietnam-s-apparel-sector-fears-cost-surge-as-tech-giants-move-in

[58] Office of Textiles and Apparel, OTEXA (2020). *U.S. imports of textile and apparel.* Retrieved from https://otexa.trade.gov/msrpoint.htm





Overall, respondents say apparel "Made in Bangladesh" enjoys a prominent price advantage over many other Asian suppliers (see Table 5)**.** As shown in Figures 18a, "Made in Bangladesh" demonstrated a notable price advantage for **cotton apparel items**, which accounted for nearly 77 percent of the country's total apparel exports to the U.S. in 2019.[59] Other than the factor of labor cost, the strong capacity in cotton yarn and fabric production locally (mainly for knit apparel) rather than relying on imports, has contributed to the cost advantage of "Made in Bangladesh." [60]

However, Bangladesh does not appear to enjoy much price advantage for man-made fiber (MMF) apparel items, due to its dependence on imported textile inputs (Figure 18b). That being said, as an interesting new trend, trade statistics show that the value of **Bangladesh's MMF apparel exports to the U.S. enjoyed a 5.5 percent growth in the five months of 2020**. In contrast, the exports from

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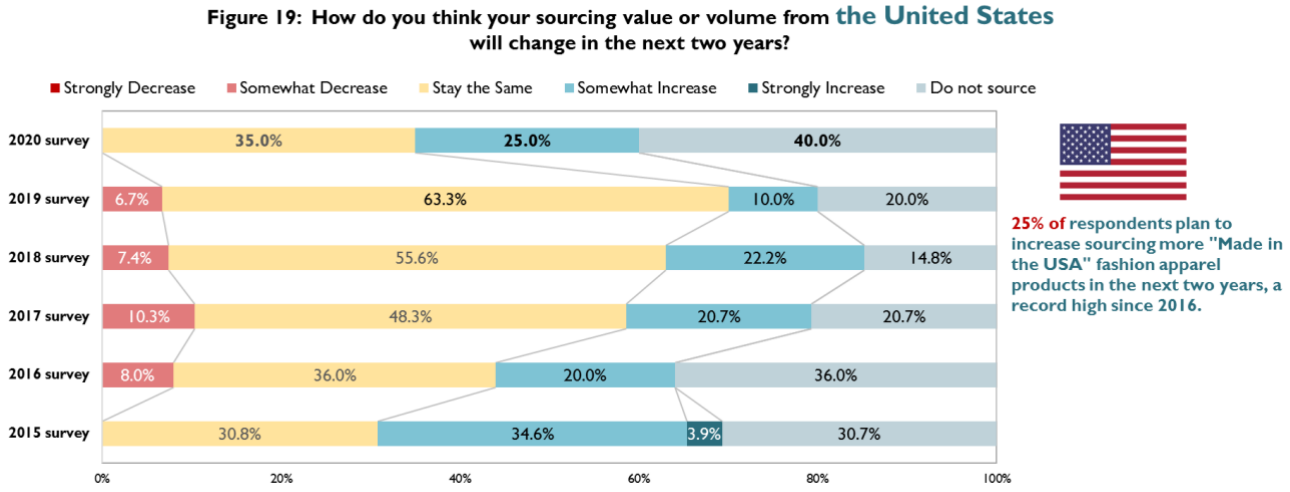
59 Ibid.

60 Lopez-Acevedo, G., & Robertson, R. (Eds.). (2012). *Sewing success? employment, wages, and poverty following the end of the multi-fibre arrangement*. The World Bank.

China and Vietnam suffered a significant decline (drop 44.5 percent and 8.8 percent, respectively) over the same period.[61] **MMF apparel could be a potential new growth engine for Bangladesh's exports, as U.S. fashion companies are eager to diversify sourcing from China, and the sourcing capacity in Vietnam is not available.**



Fifth, U.S. fashion companies are open to exploring "Made in the USA" sourcing or reshoring, yet critical challenges remain. This year, the United States is the #9 most utilized sourcing base with a 47 percent usage rate, close to 43 percent in the 2019 benchmarking study. Around 25 percent of respondents expect to somewhat increase sourcing locally from the U.S. in the next two years, which is the highest level since 2016. Another 35 percent of respondents expect no change in their current sourcing volume or value.

As noted in the 2019 benchmarking study, **the advantage of proximity to the market, which makes speedy replenishment for in-season items possible, is an important factor behind "Made in the USA" sourcing.** However, the relatively high price, limitations in the fabric options, the shortage of skilled labor, and the small production capacity are among fashion companies' top concerns. **For example, U.S. apparel manufacturers are predominantly small and medium-sized.** According to the U.S. Census Bureau, as of 2016 (the latest data available), about 70.6 percent of U.S. apparel mills were with less than ten employees, including 54 percent with less than five employees. [62]**Notably, because of the significant disadvantage in labor cost, U.S. apparel mills are not trying to replace imports, but instead focusing on their "niche market."** Designer-based micro-factories are particularly popular in U.S. fashion centers, such as New York City and California. These factories typically provide customized services, ranging from proto-typing to sample production. Related, U.S. textile and apparel mills also commonly describe themselves as "innovators" and "solutions providers" on their websites to highlight that the nature of their core business is to serve customers' needs rather than just "making" physical products.[63]

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[61] Office of Textiles and Apparel, OTEXA (2020). *U.S. imports of textile and apparel.* Retrieved from https://otexa.trade.gov/msrpoint.htm

[62] U.S. Census Bureau. (2018). *2016 SUSB annual data tables by establishment industry*. Retrieved from https://www.census.gov/data/tables/2016/econ/susb/2016-susb-annual.html

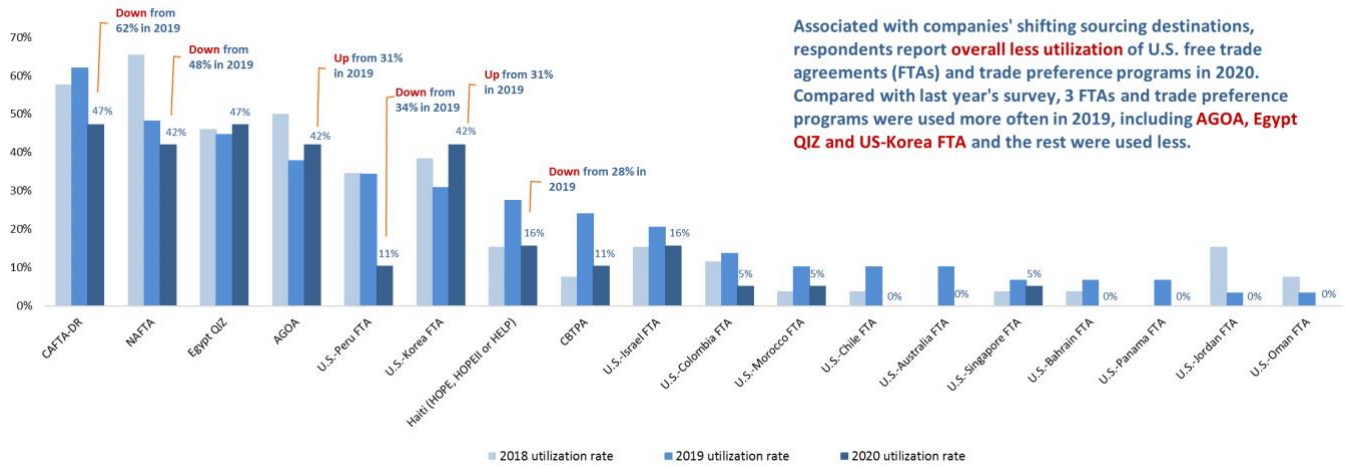
[63] Keough, Kendall., & Lu, Sheng. (2020). 'Made in the USA' textiles and apparel – Key production and export trends. *Just-Style.* Retrieved from https://www.just-style.com/analysis/made-in-the-usa-textiles-and-apparel-key-production-and-export-trends_id138013.aspx

In conclusion, given the supply chain disruptions experienced during the pandemic, U.S. fashion companies are more actively exploring "Made in the USA" sourcing opportunities to improve agility and flexibility and reduce sourcing risks. More information about U.S.-based textile and apparel mills and their production capabilities, such as the "Made in the USA" database developed by the Office of Textiles and Apparel (OTEXA) under the U.S. Department of Commerce[64], will also prompt fashion companies' reshoring efforts.

III. Trade Policy and the U.S. Fashion Industry

Utilization of Enacted Free Trade Agreements and Preference Programs

Figure 20a: Utilization rate of free trade agreements/trade preference programs by survey respondents: 2018-2020



Note: Utilization rate equals the frequency of each free trade agreement/preference program's utilization divided by the total number of respondents.

As of June 30, 2020, there are fourteen free trade agreements (FTAs) and three major trade preference programs enacted in the United States.[65] These trade programs offer U.S. companies the opportunity to save money on import tariffs and more easily obtain access to foreign markets. This is especially the case for the fashion industry. While the average applied U.S. import tariff rate for all goods has been lowered to only 3.3 percent as of 2019, the average tariff rate remains as high as 8.0 percent for textiles and 11.6 percent for apparel.[66] As a result, textiles and apparel products accounted for only 4.8 percent of the total value of U.S. merchandise imports but contributed nearly 30 percent of tariff revenues between 2017 and 2019.[67]

Associated with companies' shifting sourcing patterns, respondents report overall less utilization of U.S. free trade agreements (FTAs) and trade preference programs so far in 2020 (Figure 20a). Compared with last year's survey, only three FTAs and trade preference programs were used more often, including the **African Growth and Opportunity Act, AGOA** (42 percent vs. 38

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64 Office of Textiles and Apparel, OTEXA. (2020). *Made in USA database*. Retreived from https://otexa.trade.gov/growamerica/madeinusa.htm

65 Office of the U.S. Trade Representative, USTR (2020). *Trade agreements.* Retrieved from https://ustr.gov/trade-agreements

66 World Trade Organization, WTO (2020). *World tariff profiles 2020.* Retrieved from https://www.wto.org/english/res_e/booksp_e/tariff_profiles20_e.pdf

67 United States International Trade Commission, USITC (2020). *Interactive trade and tariff dataweb*. Retrieved from https://dataweb.usitc.gov

percent in 2019), **Egypt Qualifying Industrial Zones** (47 percent vs. 45 percent in 2019), and the **U.S.-Korea Free Trade Agreement, KORUS** (42 percent vs. 31 percent in 2019). Other FTAs and trade preference programs were reported to be used less often, particularly the North American Free Trade Agreement (NAFTA) (now USMCA) and the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).

Figure 20b: Percentage of U.S. Textile and Apparel Imports under FTAs

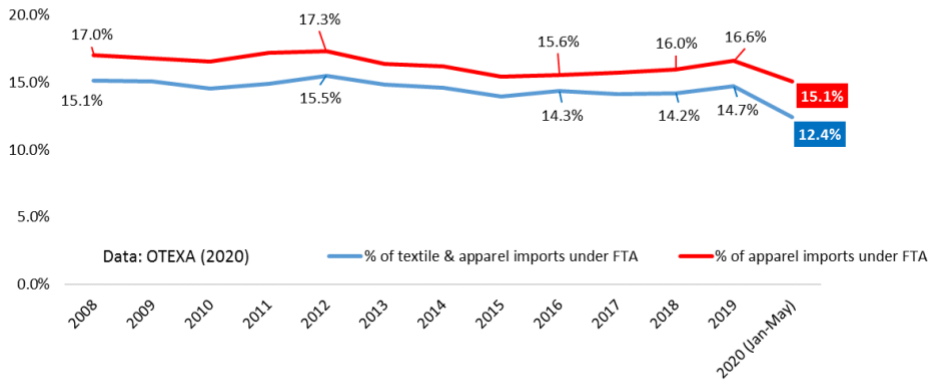
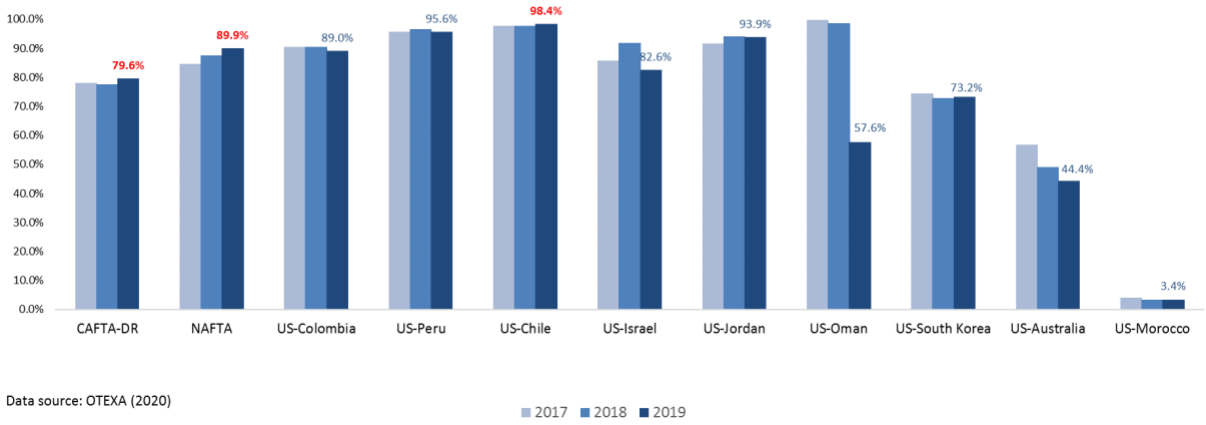


Figure 20c: Utilization Rate of Enacted U.S. Free Trade Agreements for Apparel Sourcing (by value)



One major factor contributing to the lower usage of FTAs and preference programs this year is U.S. fashion companies' reduced sourcing volume from these FTA and preference program members. For example, statistics show that in the first five months of 2020, the value of U.S. apparel imports from FTA partners went down by as much as 31.9 percent from a year ago, compared with a 24.3 percent drop of non-FTA countries. [68] As a result, the share of U.S. apparel imports entering under FTAs dropped to only 15.1 percent in the first five months of 2020, the lowest since 2008. Similarly, when considering textiles and apparel as a whole, only 12.4 percent of U.S. imports were entered under FTAs so far in 2020, also the record low in the past twelve years.[69]

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[68] Office of Textiles and Apparel, OTEXA. (2020). *U.S. imports under free trade agreements—apparel*. Retrieved from https://otexa.trade.gov/fta/catv1.htm
[69] Ibid.

On the other hand, **we still find that some U.S. fashion companies, for whatever reason, do not always claim the duty-free benefits even when sourcing from member countries of a free trade agreement or trade preference program.** For example, this year, around 10 percent of surveyed companies, which source from the CAFTA-DR or NAFTA region, say they chose to forgo the duty-free benefits under the agreements. This result matches the national trend—respectively, about 20.4 percent and 10.1 percent of U.S. apparel imports under CAFTA-DR and NAFTA in 2019 did not claim the FTA duty-free benefits (Figure 20c).

Further, consistent with what we found in the past, the restrictive rules of origin (ROO) remain the most cited reason why U.S. fashion companies do not use FTAs more often for apparel sourcing purposes. Related, the difficulty of finding price-competitive textile raw material in sufficient quantity within the FTA region is another major obstacle that discourages companies from using the FTAs. As one respondent commented, "*our raw materials and trims are sourced from non- eligible countries… this disqualifies us (for enjoying the FTA benefits)*."

U.S.-Mexico-Canada Trade Agreement (USMCA or NAFTA2.0)

On July 1, 2020, **the U.S.-Mexico-Canada Trade Agreement (USMCA)** officially enters into force and replaces the 26-year-old NAFTA. [70] Commonly called "NAFTA 2.0", USMCA was reached among the United States, Mexico, and Canada on September 30, 2018, and signed by presidents of the three countries on November 30, 2018. The three countries also agreed to a protocol of amendment to the original USMCA text on December 10, 2019. [71]

Regarding the textiles and apparel chapter in USMCA:[72]

- In general, USMCA still adopts the so-called "yarn-forward" rules of origin. This means that for a finished garment to enjoy the preferential duty treatment under the agreement, in general, fibers may be produced anywhere, but each component starting with the yarn used to make the garments must be formed in the USMCA region.
- Other than the source of yarns and fabrics, USMCA newly requires that some specific parts of an apparel item (such as sewing thread, pocket bag fabric, and narrow elastic bands) need to use inputs made in the USMCA region so that the finished apparel item can qualify for the duty-free import treatment.[73] However, USMCA will allow visible lining fabrics to be sourced from anywhere in the world, which is more liberal than NAFTA.
- USMCA allows a relatively more generous De minimis than NAFTA, permitting up to 10 percent of a garment's content, by weight, to come from outside the USMCA region, up from 7 percent allowed by NAFTA.
- Regarding the tariff preference level (TPL) mechanism, USMCA seems to be a "balanced deal" that has accommodated the arguments from all stakeholders with competing views.[74]

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[70] White House. (2020). Proclamation to Take Certain Actions Under the United States-Mexico-Canada Agreement Implementation Act and for Other Purposes. Retrieved from https://www.whitehouse.gov/presidential-actions/proclamation-take-certain-actions-united-states-mexico-canada-agreement-implementation-act-purposes/

[71] M. Angeles Villarreal. (2020). *U.S.-Mexico-Canada (USMCA) Trade Agreement.* Congressional Research Service. Retrieved from https://crsreports.congress.gov/product/pdf/IF/IF10997

[72] Office of the U.S. Trade Representative, USTR. (2019). *USMCA factsheet: Textiles and apparel.* Retrieved from https://ustr.gov/sites/default/files/files/Press/fs/USMCA/USMCA-Textiles.pdf

[73] However, USMCA creates a transition period ranging from 12 to 30 months for the implementation of these new rules of origin requirements. For more, please see the USMCA text chapter 4 (rules of origin) https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/04-Rules-of-Origin.pdf

[74] Michaela D. Platzer. (2019). *Textile and apparel sectors disagree on certain provisions of*

Specifically, compared with NAFTA, USMCA will cut the TPL level, but only to those product categories with a low TPL utilization rate (such as Canada's cotton/man-made fiber apparel exports to the U.S.). Meanwhile, USMCA will expand the TPL level for a few product categories with a high TPL utilization rate in the past (such as U.S. cotton/man-made fiber apparel exports to Canada).[75]

- USMCA will make no major changes to the Commercial availability/short supply list mechanism in NAFTA.

Table 8 Is Your Company Ready and Planning to Use USMCA?

Respondents currently using NAFTA for sourcing			
Items	2019	2020	2020 vs. 2019
We have analyzed the impact of USMCA on our business, and **we are ready to achieve any USMCA benefits immediately**	46.7%	77.8%	**+31.1%**
We have not analyzed the impact of USMCA on our business; **we are not ready yet to achieve any USMCA benefit**	20.0%	22.2%	+2.2%
Respondents currently NOT using NAFTA for sourcing/sourcing from the NAFTA region			
Items	2019	2020	2020 vs. 2019
We **may consider North American sourcing** in the future and will need to understand if USMCA benefits are available	0.0%	50.0%	**+50.0%**
We likely will **NOT source** from the NAFTA territory and **NOT use USMCA** in the future	70.0%	50.0%	**-20.0%**

With the uncertainty for the agreement mostly gone, compared with a year ago, respondents demonstrate more readiness and interest in using the USMCA for apparel sourcing purposes in this year's survey. Specifically, for companies that were already using NAFTA for sourcing, the vast majority (77.8 percent) say they are "ready to achieve any USMCA benefits immediately," up more than 31 percent from 2019. As another encouraging sign, **even for respondents currently not using NAFTA or sourcing from the region, about half of them this year say they may "consider North American sourcing in the future" and explore the USMCA benefits.** In contrast, fewer respondents admit they have no plan to use USMCA nor source from the USMCA region in the near future. "*(sourcing from USMCA) is too costly even with duty-free incentives*," one respondent explains.

Nevertheless, when asked about the potential impact of USMCA on companies' apparel sourcing practices, **some respondents expressed concerns about the rules of origin changes. These worries seem to concentrate on denim products in particular.** For example, one respondent says, "*USMCA changes negatively affects our denim jeans sourcing particularly with the new pocketing rules of origin.*" Another adds, "*Denim pocketing ROO change is a concern but manageable*."

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the proposed U.S.-Mexico-Canada (USMCA) Agreement. Congressional Research Service. Retrieved from https://fas.org/sgp/crs/row/IF11124.pdf

[75] U.S. International Trade Commission, USITC (2019). *U.S.-Mexico-Canada Free Trade Agreement: Likely impact on the U.S. economy and on specific industry sectors* (Publication Number 4889). Retrieved from https://www.usitc.gov/publications/332/pub4889.pdf

It also remains to be seen whether USMCA will boost "Made in the USA" fibers, yarns, and fabrics by limiting the use of non-USMCA textile inputs. For example, while the new agreement expands the TPL level for U.S. cotton/man-made fiber apparel exports to Canada (typically with a 100 percent utilization rate), these apparel products are NOT required to use U.S.-made yarns and fabrics.

African Growth and Opportunity Act (AGOA)

The African Growth and Opportunity Act (AGOA) is a non-reciprocal trade preference program enacted in 2000 that provides duty-free treatment to U.S. imports of certain products from eligible sub-Saharan African (SSA) countries. AGOA intends to promote market-led economic growth and development in SSA and deepen U.S. trade and investment ties with the region. As of 2019, among 49 potential beneficiaries, 38 are currently eligible for the preference benefits, and 23 further qualify for the "third-country fabric" provision, which allows for a certain quantity of AGOA apparel exports to be produced from yarns and fabrics of any origin.[76] AGOA received new authorization in 2015, which will last for ten years until 2025 (including the third-country fabric provision).[77]

This year, respondents report sourcing from four SSA countries, including Kenya, Ethiopia, Lesotho, and Mauritius, each was utilized by around 10 percent of the respondents (see Figure 6)**.** A recent study by the U.S. International Trade Commission (USITC) [78] finds that nationwide, **U.S. apparel imports from SSA countries grew faster than the world average.** During the examined period of 2016–2019, U.S. apparel imports from SSA enjoyed a compound annual growth rate (CAGR) of 11.8 percent (compared with 1.3 percent CAGR of all countries), from $1.0 billion in 2016 to $1.4 billion in 2019. **However, the SSA region overall remained a small apparel supplier to the U.S. market, accounting for only 1.7 percent of the market shares in 2019** (lower than 2.7 percent in 2004, but a record high since 2015).

In the survey, we again asked respondents about the impact of AGOA on their sourcing practices from the SSA region. Several trends are worth noting (Table 9):

First, respondents' enthusiasm for using AGOA and sourcing from the SSA region rebounds. This year, close to 37 percent of respondents say they have been sourcing MORE textiles and apparel from the SSA region since its renewal in 2015, a substantial increase from 27 percent in the 2019 survey. Around 25 percent of respondents expect to expand sourcing from the SSA region further through 2022 as part of their company's efforts to diversify sourcing from Asia, given the current circumstances (see Figure 14a).

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[76] Office of Textiles and Appare, OTEXA. (2020). *AGOA preferences: Country eligibility, apparel eligibility, and textile eligibility*. Retrieved from https://otexa.trade.gov/AGOA_Trade_Preference.htm

[77] Brock R. Williams. (2020). *African Growth and Opportunity Act (AGOA)*. Congressional Research Service. Retrieved from https://crsreports.congress.gov/product/pdf/IF/IF10149

[78] U.S. International Trade Commission, USITC. (2020). *U.S. trade and investment with Sub-Saharan Africa: Recent trends and new developments* (Publication Number 5043). Retrieved from https://www.usitc.gov/publications/332/pub5043.pdf

Table 9 Impact of AGOA on Apparel Sourcing from Sub-Saharan African

Items	2019	2020	2020 vs.2019
My company has increased the sourcing value or volume from members of AGOA since 2015	27.6%	36.8%	9.2%
The third country fabric provision is important for my company to use AGOA for apparel sourcing	24.1%	42.1%	18.0%
My company has made or will make more investment in AGOA members, such as building factories or expanding sourcing capacities	6.9%	15.8%	8.9%
In the next five years, my company will strategically adjust or redesign supply chain based on AGOA	13.8%	15.8%	2.0%
The temporary nature of AGOA discourages our company to invest and source more textiles and apparel from the region	44.8%	26.3%	-18.5%

Second, more than 40 percent of respondents say AGOA and its "third-country fabric provision" are critical for their sourcing from the SSA region, a notable increase from 24 percent in our 2019 survey. Several studies point out that due to limited yarn and fabric production in SSA, the "third-country fabric" provision, which is more liberal than the "yarn forward" rules of origin, provides a necessary incentive for U.S. fashion companies to source from SSA. [79] The official trade statistics also explains why AGOA and its "third-country fabric" provision matter—**as much as 98 percent of U.S. apparel imports from SSA countries currently claim the AGOA benefits. Of these apparel imports, virtually ALL of them use the "third-country fabric" provision (97.7 percent in 2018 and 97.1 percent in 2019)**.[80]

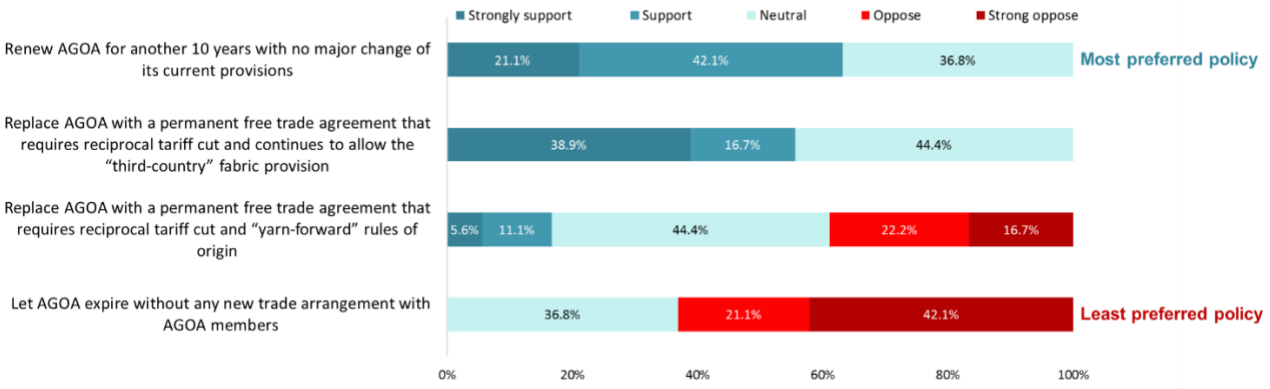
Third, U.S. fashion companies still demonstrate a low level of interest in investing in the SSA region directly. This year, fewer than 16 percent of respondents say they "have invested or plan to invest in the AGOA region to expand the apparel production and sourcing capacity there." Likewise, the same small percentage of respondents plan to "strategically adjust or redesign their supply chain based on AGOA," which is close to what we found in the 2019 survey. Among the various factors contributing to U.S. companies' hesitancy in investing in SSA, **around 27 percent of respondents say the temporary nature of AGOA and the uncertainty associated with the future of the agreement have discouraged them.** Other studies find that the legal environment in SSA not being conducive to attracting U.S. direct investment is another major cause.[81]

With AGOA's expiration date quickly approaching, the discussions on the future of the agreement and the prospect of sourcing from SSA begin to intensify. In addition to the proposal for renewing AGOA, several other options also have been under consideration. Notably, on March 17, 2020, the Trump administration officially notified Congress of its intention to negotiate a free

[79] Lu, Sheng. (2019). Challenges for sub-Saharan Africa as an apparel sourcing hub. *Just-Style.* https://www.just-style.com/analysis/challenges-for-sub-saharan-africa-as-an-apparel-sourcing-hub_id136851.aspx
[80] Office of Textiles and Appare, OTEXA. (2020). *U.S. imports under trade preference programs--apparel*. Retrieved from https://otexa.trade.gov/agoa-cbtpa/catv1.htm
[81] U.S. International Trade Commission, USITC. (2020). *U.S. trade and investment with Sub-Saharan Africa: Recent trends and new developments* (Publication Number 5043). Retrieved from https://www.usitc.gov/publications/332/pub5043.pdf

trade agreement (FTA) with Kenya. The FTA negotiation officially kicked off on July 8, 2020.[82] This is a critical move—if successfully reached, the U.S.-Kenya FTA could become a model trade agreement between the United States and SSA countries and eventually replace AGOA.[83]

Figure 21 : What is Your Preferred Policy Option for AGOA after 2025?



To gain more insights into U.S. fashion companies' thinking about the future of AGOA after its expiration in 2025, we asked respondents to rank four policy options in the order of their preferences. As shown in Figure 21:

First, "Renew AGOA for another ten years with no major change of its current provisions" is the top choice of respondents. Over 63 percent of respondents support this proposal (including 21 percent strongly support), and none opposes. For U.S. fashion companies, this option means they can continue to enjoy the same AGOA benefits, including the liberal rules of origin and preferential duty treatment, without having to adjust the current sourcing practices and supply chains. The ten-year renewal of the agreement can also provide a stable policy environment for sourcing from the SSA region, at least in the medium term. The drawback of this option is that some structural issues facing AGOA will not be improved, such as enhancing the genuine competitiveness of SSA countries' apparel exports and promoting the development of their local textile industry.[84] And the problem of how to deal with the expiring AGOA will come up again in a few years.

Second, "Replace AGOA with a permanent free trade agreement that requires reciprocal tariff cut and continues to allow the *third-country fabric provision*" is the 2nd top choice of respondents. Around 56 percent of respondents say they support this policy option (including 39 percent strongly support), and none opposes. Should this policy option be adopted, U.S. fashion companies can continue to enjoy the preferential duty treatment and the AGOA-style rules of origin when sourcing apparel from SSA countries. Replacing AGOA, which is temporary, with a permanent free trade agreement, is also conducive to the creation of a stable policy environment that may prompt U.S. fashion companies' long-term investment in the SSA region.

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82 Office of the U.S. Trade Representative, USTR. (2020). Joint statement between the United States and Kenya on the launch of negotiations towards a free trade agreement. Retrieved from https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/july/joint-statement-between-united-states-and-kenya-launch-negotiations-towards-free-trade-agreement

83 Brock R. Williams and Lauren Ploch Blanchard. (2020). *U.S.-Kenya FTA Negotiations*. Congressional Research Service. Retrieved from https://crsreports.congress.gov/product/pdf/IF/IF11526

84 Brady, Shannon., & Lu, Sheng. (2020). *Managing used clothing trade.* In Bloomsbury Fashion Business Cases. London: Bloomsbury Academic. Retrieved from https://www.bloomsburyfashioncentral.com/

Third, "Let AGOA expire without any new trade agreement with AGOA members" is the least favored policy option among respondents. As much as 63 percent oppose this policy option, and no one supports. This result is far from surprising—should the policy option is adopted, it means U.S. fashion companies will lose all their current benefits under AGOA. As noted in several studies, **SSA countries' current competitive advantage as an apparel sourcing destination comes almost solely through the duty-free treatment under AGOA.** [85] For example, several respondents explicitly expressed their concerns about the long lead time and the lack of textile raw material locally from the region when sourcing from SSA countries. "*The long lead time and the reliance on imported Raw material makes AGOA non-appealing for the price value product we sourced*," one respondent says. " "*the extremely long lead time and lack of flexibility make growing business there (in SSA) difficult for our company*," adds another respondent. Thus, it can be highly expected that without AGOA or its replacement, U.S. fashion companies would have even less financial incentives to source from the SSA region, given many other sourcing options available.[86]

Additionally, "Replace AGOA with a permanent free trade agreement that requires reciprocal tariff cut and yarn-forward rules of origin" is by far the most controversial policy option among respondents. While close to 17 percent of respondents support the initiative, another 22 percent oppose. Should this policy option be adopted, "theoretically" U.S. fashion companies will still be able to enjoy the duty-free benefits when importing from the SSA region. However, considering the minimal local textile production capacity in SSA, to meet the restrictive yarn-forward rules of origin in practice will be a significant challenge. Neither is it realistic to expect a substantial usage of U.S.-made yarns and fabrics for apparel sourced from SSA, either. The physical distance between the two regions will almost double the lead-time U.S. fashion companies are already concerned about when sourcing from SSA countries.

On the other hand, supporters for adopting the yarn-forward rules of origin in a permanent free trade agreement in replace of AGOA argue that such a policy change would encourage the development of the local textile industry in the SSA region. For example, regarding the proposed U.S.-Kenya Free Trade Agreement, some stakeholders commented that "*we should move to a yarn forward rule of origin in phases…to allow the orderly verticalization of the apparel industry (in Kenya).*" "*A strong, vertical supply chain for the apparel and footwear industry in Kenya will reduce costs, minimize disruption, and improve efficiency,*" another says. [87]

To sum up, the apparel-specific rules of origin will likely become the focal point of the policy debate regarding how to deal with AGOA after its upcoming expiration in 2025.

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[85] U.S. International Trade Commission, USITC. (2020). *U.S. trade and investment with Sub-Saharan Africa: Recent trends and new developments* (Publication Number 5043). Retrieved from https://www.usitc.gov/publications/332/pub5043.pdf

[86] Lu, Sheng. (2019). Challenges for sub-Saharan Africa as an apparel sourcing hub. *Just-Style.* https://www.just-style.com/analysis/challenges-for-sub-saharan-africa-as-an-apparel-sourcing-hub_id136851.aspx

[87] Keough, Kendall., & Lu, Sheng. (2020). US-Kenya trade deal – Here's what the apparel industry wants. *Just-Style.* Retrieved from https://www.just-style.com/analysis/us-kenya-trade-deal-heres-what-the-apparel-industry-wants_id138771.aspx

Other Trade Policy Priorities

This year, we again surveyed respondents on their views on specific trade policy initiatives

First, similar to our results in the past few years, respondents predominantly support initiatives to eliminate trade barriers of all kinds, from removing the U.S. Section 301 punitive tariffs on imports from China, reducing high import tariffs on textiles and apparel, adopting more liberal rules of origin than yarn-forward in U.S. free trade agreements, to simplifying the overcomplicated documentation requirements.

90% of respondents **support** and **0%** **oppose**

Remove the U.S. Section 301 punitive tariffs on imports from China

90% of respondents **support** and **0%** **oppose**

Reduce U.S. import tariff rate for apparel & accessories

84% of respondents **support** and **0%** **oppose**

Reduce U.S. import tariffs rate for textiles (fiber, yarn and fabrics)

79% of respondents **support** and **0%** **oppose**

Abandon the strict "yarn-forward" rules of origin and adopt a more flexible one in the negotiation or renegotiation of future U.S. trade agreements

79% of respondents **support** and **0%** **oppose**

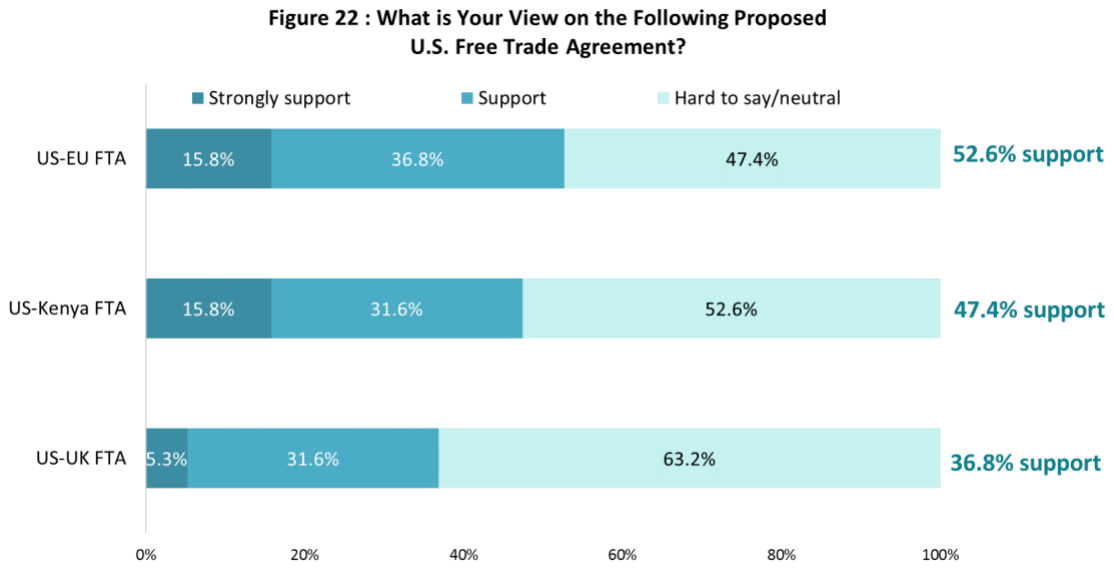
Negotiation of cumulation for fashion, apparel, and textile products in all existing U.S. FTAs and preference programs

74% of respondents **support** and **0%** **oppose**

Extend the Generalized System of Preferences (GSP) benefits to textiles, apparel, and footwear

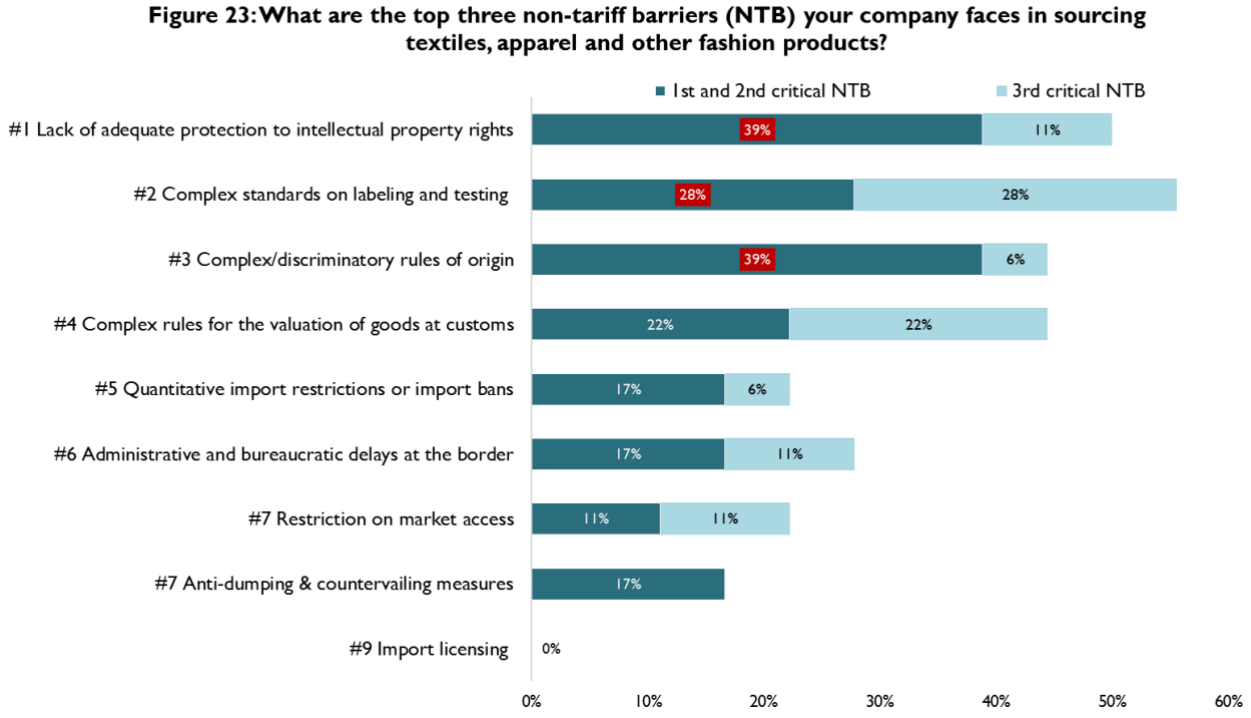
74% of respondents **support** and **5%** **oppose**

Reduce documentation requirements for importing and exporting textiles and apparel under free trade agreements (FTAs)



Second, the vast majority of respondents also support policy initiatives that can help them explore new sourcing and market access opportunities. This includes but not limited to extending the Generalized System of Preferences (GSP) coverage to textile and apparel products, as well as adopting the cumulation mechanism in existing and future U.S. trade programs. As shown in Figure 22, respondents also indicate overall strong support for the efforts to reach new U.S. free trade agreements with the European Union (EU), Kenya, and the United Kingdom (UK). The level of enthusiasm for these proposed FTAs, in general, mirrors the trade volumes.

Non-tariff Barriers

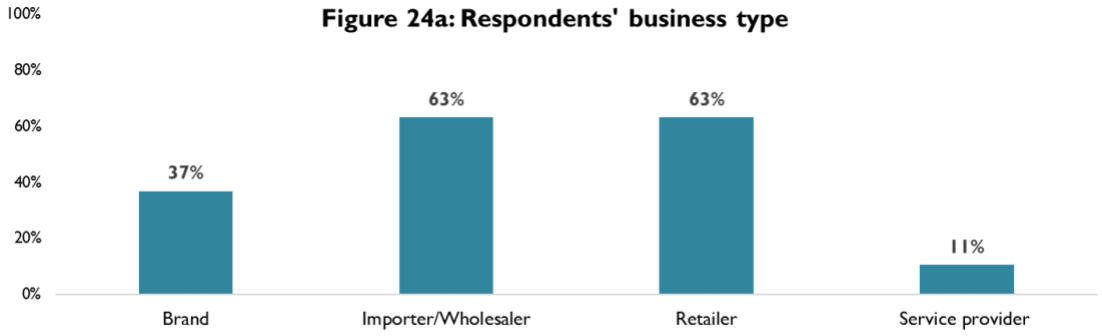


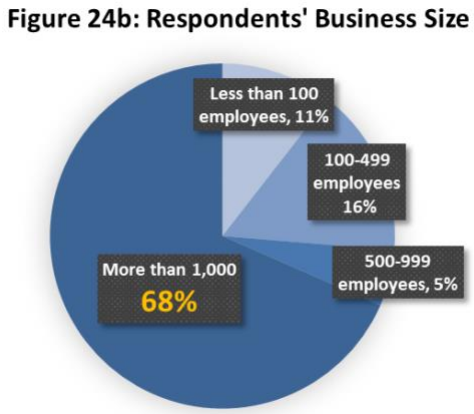
This year, we again asked respondents to report the non-tariff barriers (NTB) they face in sourcing fashion apparel products. As shown in Figure 23, "**Lack of adequate protection to intellectual property rights**" is companies' top concern in 2020, with nearly 40 percent of respondents ranking the issue either their 1st or 2nd most encountered NTB. As more apparel sales move online during the pandemic, fighting to block counterfeit and pirated products could become a new urgency and priority for U.S. fashion companies.[88]

On the other hand, similar to the results in 2018 and 2019, "**complex standards on labeling and testing,**" "**complex or discriminatory rules of origin**" and "**complex rules for the valuation of goods at customs**" are the next batch of non-tariff barriers of significant concerns to respondents. In comparison, respondents are least worried about import licensing and anti-dumping & countervailing measures.

[88] U.S. Department of Homeland Security, DHS. (2020). *Combating trafficking in counterfeit and pirated goods: Report to the President of the United States.* Retrieved from https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf

VI. Respondents' Profile





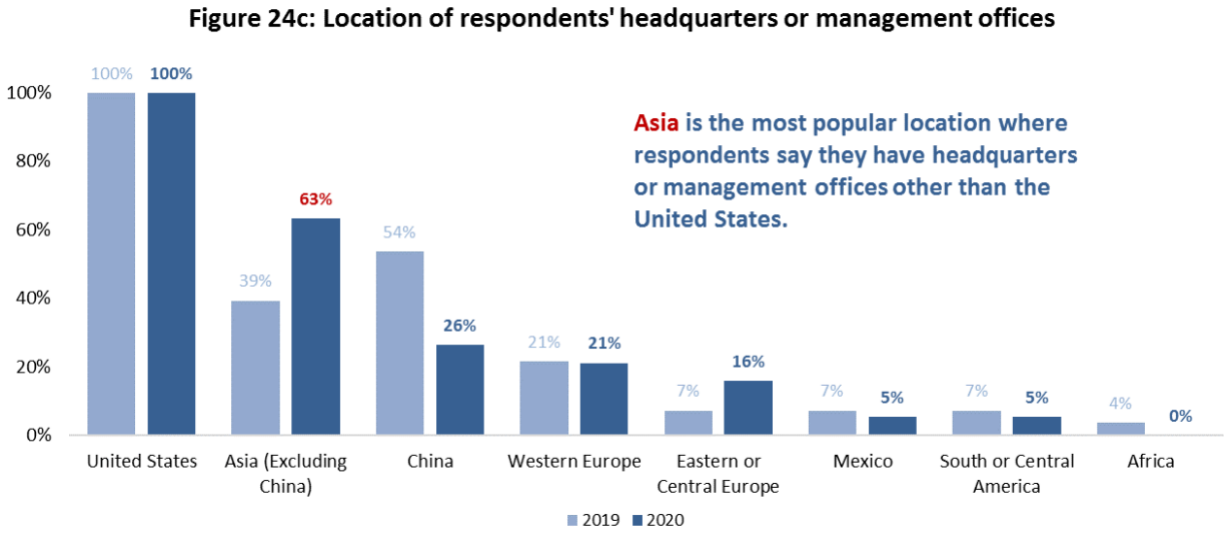
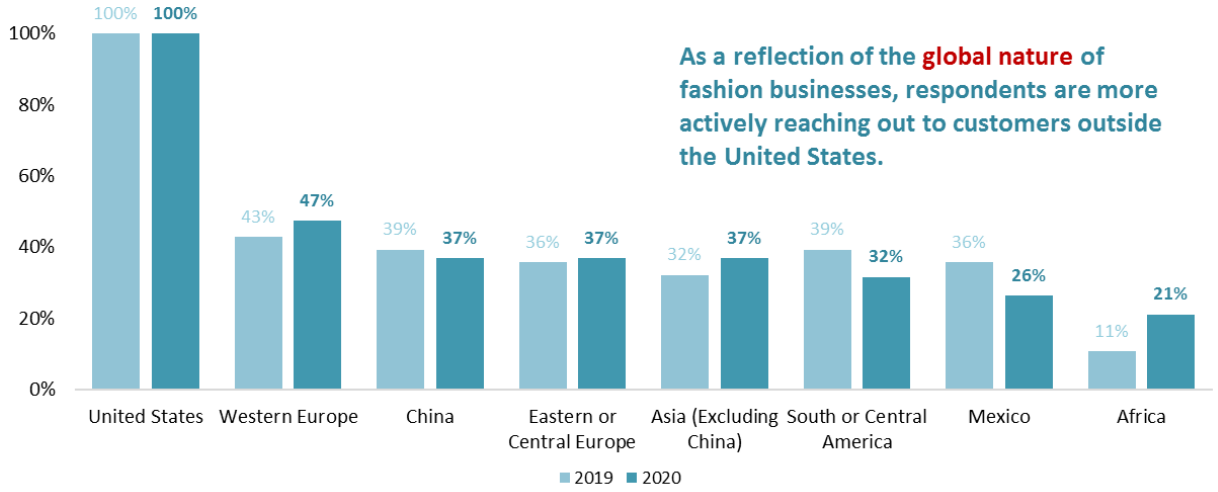


Figure 24d: Where does your company sell products, either in brick-and-mortar stores or online?



This benchmarking study was based on a survey of nearly 25 executives at the leading U.S. fashion companies from April to June 2020. The study incorporates a balanced mix of respondents representing various types of businesses in the U.S. fashion industry. Approximately 63 percent of respondents are self-identified retailers, 37 percent self-identified brands, 63 percent self-identified importers/wholesalers, and 11 percent were service providers, including sourcing agents (see Figure 24a).

This year, respondents include very influential players in the U.S. fashion industry. Around 68 percent of respondents report having more than 1,000 employees. Another 21 percent of respondents represent medium-sized companies with 101-999 employees, and the rest 11 percent report having less than 100 employees (Figure 24b).

Additionally, 100 percent of respondents represent companies with headquarters or major management offices in the United States. This year, around 75 percent of respondents also have headquarters or major management offices outside the United States, including China (26 percent), Asia other than China (63 percent), Western Europe (21 percent), Eastern and Central America (16 percent) and Mexico (5 percent) among others (Figure 24c). In addition to 100 percent selling products in the United States, over half of respondents also sell products in Canada, Western Europe, Mexico, and Asia (Figure 24d), too. These patterns reflect the global nature of fashion business today and the ever-closer connection of the U.S. fashion industry with markets and supply chain partners around the world.

About Dr. Sheng Lu

Dr. Sheng Lu is an Associate Professor in the Department of Fashion and Apparel Studies at the University of Delaware. With over 60 publications in academic and trade journals, Dr. Lu's research focuses on the economic and business aspects of the textile and apparel industry, including international trade, trade policy and the governance of the global apparel value chain. Dr. Lu received the 2014 Rising Star Award and 2019 Mid-Career Excellence Award from the International Textile and Apparel Association (ITAA) in recognition of his research and teaching excellence. He is also the recipient of the Paper of Distinction Award at 2014, 2015, and 2017 ITAA annual conference for his study on the textile and apparel specific-sectoral impact of mega free trade agreements. Several of his studies were cited by government reports such as the Congressional Research Service (CRS) studies prepared for members of U.S. Congress, U.S. International Trade Commission (USITC) official assessment on the economic impacts of free trade agreements as well as the World Bank, International Labor Organization, and the United Nations research publications. Dr. Lu's published works also have been translated into Chinese, Vietnamese, Spanish and Thai and regularly featured by the media outlet, including the Wall Street Journal, New York Times, Financial Times (UK), BBC World News (UK), Nikkei Asian Review (Japan), South China Morning Post (Hong Kong), Los Angeles Times, Voice of America, and Forbes.

More Information: www.fashion.udel.edu and www.shenglufashion.com/blog

About the United States Fashion Industry Association (USFIA)

The United States Fashion Industry Association (USFIA) is dedicated to fashion made possible by global trade.

USFIA represents brands, retailers, importers, and wholesalers based in the United States and doing business globally. Founded in 1989, USFIA works to eliminate tariff and non-tariff barriers that impede the fashion industry's ability to trade freely and create jobs in the United States.

Headquartered in Washington, D.C., USFIA is the voice of the fashion industry in front of the U.S. government as well as international governments and stakeholders. With constant, two-way communication, USFIA staff and counsel serve as the eyes and ears of our members in Washington and around the world, enabling them to stay ahead of the regulatory challenges of today and tomorrow. Through our publications, educational events, and networking opportunities, USFIA also connects with key stakeholders across the value chain, including U.S. and international service providers, suppliers, and industry groups.

More Information: www.usfashionindustry.com