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Has the Political Influence of the U.S. Textile Industry Waned? A Case Study on the Negotiation Results of the Trans-Pacific Partnership (TPP)

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Keywords: U.S. textile industry, political influence, TPP

Research question: The purpose of the study is to empirically evaluate the effectiveness of the U.S. textile industry (defined by the North American Industry Classification Code 313 and 314) in lobbying the making of U.S. trade policy on textiles and apparel (T&A). Despite the “impression” that the political power of the U.S. textile industry has significantly declined with the shrinking size of the industry (Rivoli, 2014), few empirical studies actually have been conducted with presence of hard evidence in support of the argument. Thus, findings of the study will fulfill an important research gap and contribute to the understanding of trade politics in today’s U.S. T&A industry.

Literature review: The economic state of the U.S. textile industry suggests two trade policy priorities for the industry today: One is to protect the operation of the Western-Hemisphere supply chain. Particularly, facing a shrinking domestic market, over 60 percent of U.S. yarn and fabric output were exported in 2014, among which 70 percent went to countries in the Western Hemisphere (Platzer, 2014; Pickles, Plank, Staritz & Glasmeier, 2015). The other priority is to reduce the market access barriers facing U.S. made technical and industrial textiles in emerging markets (NCTO, 2015). Based on that, this study proposes that: a declined political influence of the U.S. textile industry will be manifested by a U.S. T&A trade policy that will disrupt the Western-Hemisphere textile and apparel supply chain, and/or reduce the market access of U.S. technical and industrial textile products in overseas market.

Research Method: To test the hypothesis, this study conducted a case study on the negotiation results of the Trans-Pacific Partnership (TPP). Case study as a research method has the advantage of illustrating the behavior of trade policymaking in a holistic context (Anderson & Neary, 1996). TPP is selected because: first, it is both the newest and most influential free trade agreement reached by the United States (USTR, 2016); Second, the U.S. textile industry has a high stake in TPP and has made great advocacy efforts in the negotiating process (NCTO, 2015).

Results and discussions: Through analyzing the final text of TPP and comparing it to the commercial interests of the U.S. textile industry, this study finds that: first, TPP includes important mechanisms to protect the Western-Hemisphere supply chain within which the U.S. textile industry has key interests. This is demonstrated in two aspects: one is the strict yarn-forward rules of origin adopted by TPP despite the strong opposition from the U.S. apparel and retail sector hoping a more flexible one (Platzer, 2014). As a matter of fact, the rules of origin adopted by TPP turn out to be even stricter than the one included in the North American Free Trade Agreement (NAFTA) and the Central American Free Trade Agreement (CAFTA). The second is the tariff phase-out schedule, which includes a much longer transition period than any

existing free trade agreements. While apparel imports from Vietnam are regarded as the single largest threat to the Western-Hemisphere supply chain, the long phase-out schedule successfully prevents the potential flood of apparel imports from Vietnam to the U.S. market once TPP is implemented. Second, U.S. trade policymakers successfully made other TPP members, such as Japan and Vietnam, agree to open their industrial and technical textile markets to the U.S. products on day one since TPP takes into effect. Based on the results, it seems TPP is highly consistent with the key policy priorities held by the U.S. textile industry. From the results of TPP, there is no evidence showing a declined political influence of the U.S. textile industry on the making of U.S. T&A trade policy.

Implications and future research agenda: Findings of this study have several important implications. First, the results challenge the arguments held by previous studies which suggest a declined political influence of the U.S. textile industry in lobbying trade policymaking. Second, results of the study suggest a different approach to analyze the potential economic impact of TPP. Particularly, the right research question may not be how TPP will potentially affect the U.S. textile industry, but rather to which extent the U.S. textile industry has “shaped” the key provisions in TPP. Future studies can further explore the secret of political influence of the U.S. textile industry, specially compare it to other sectors.

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