WITNESS STATEMENT OF
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INTERNATIONAL TRADE COMMISSION HEARING
INVESTIGATION NUMBER - 332-352
ANDEAN TRADE PREFERENCE ACT

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Chairwoman Aranoff and distinguished members of the Committee. Thank you for the opportunity to appear today and outline the VF Corporation perspective regarding the Andean Trade Preference Act (ATPA).

My name is John Strasburger. I am Vice President, General Manager of the VF Americas Sourcing office. VF Corporation is the world's largest apparel company with more than $7 billion in annual revenues. VF, which is headquartered in Greensboro, North Carolina, is a public company and our shares are traded on the New York Stock Exchange.

I am sure you are familiar with some of our brands. We have over 30 brands, including Wrangler®,Lee®, The North Face®, Vans®, Nautica® and JanSport®. We have approximately 45,000 associates working in locations across the world. Our brands are sold in more than 150 countries through 67,000 retailers in all channels of distribution, from mass retailers to department stores to specialty retailers. In addition, we own and operate more than 650 of our own retail stores, and many of our brands sell products directly to consumers over the Internet.

VF has a large, complex International Supply Chain organization, which manages sourcing, manufacturing and distribution. VF produces more than 600 million items annually at more than 1,400 facilities, some of which we own, in over 35 countries around the world.

For many years, Latin America has played a vital role in VF's "balanced" sourcing and global supply chain strategy. In response to the direction of U.S. trade policy over the past decade and in a direct effort to leverage these benefits and advantages of sourcing apparel from Latin America we opened a new "Americas" sourcing office in Plantation, Florida almost 3 years ago, one month after CAFTA-DR was passed in congress. Currently, the VF Americas office employs 57 associates who are actively engaged with sourcing of apparel products from 11 countries in Latin America and Caribbean basin. Three of these countries; Peru, Columbia and Bolivia are located in the Andean Region of South America.

Due to the close proximity to U.S. markets, Latin America has a built-in advantage regarding "speed-to-market." However, we must also ensure that we are price competitive. This price competitiveness is directly linked to duty-free status into the U.S. market. As a result, our "western" sourcing efforts have closely paralleled the Western Hemisphere trade agreements and preference programs; namely: NAFTA, CAFTA-DR, CBI, HOPE and ATPA.

We are pleased with the efforts of the U.S. government to secure the current duty advantages we receive for goods sourced from these countries through the negotiation of fully reciprocal free trade agreements. However, the free trade agreements with two of the Andean countries are not yet implemented and we cannot allow the ATPA to expire before the full implementation of those agreements. In addition, because one of our sourcing partners is not a free trade partner, Bolivia, we cannot allow ATPA to expire for them at the end of 2008.

If ATPA is allowed to expire, loss of duty-free status will cause the Andean Region to lose their ability to compete globally on price -- apparel production will quickly shift to Asia and other duty-free regions such as QIZ in the Middle East and AGOA in Africa – resulting in loss of textile related jobs here in USA and apparel jobs in the Andean Region.

In fact, as a result of the last two short-term ATPA extensions, a significant amount of apparel production has already shifted out of the Andean region. The long-term uncertainty regarding duty-free status has caused apparel brand and retail managers to move production to geographic regions where cost structures are more stable and more predictable. Most VF apparel categories would be subject to a double-digit duty rate if ATPA were to expire. However, a single-digit duty tariff, would in itself, be enough to swing the cost equation in favor of QIZ, AGOA, India, Asia or China.

Why does the short-term extension cause this uncertainty? In the apparel industry, we must plan our manufacturing at least nine months in advance. At that time, we are locking in prices with our suppliers and customers. If we are contractually locked in at prices based on duty-free access to the U.S. market, but upon delivery, the duty-free status has been revoked, someone has to pay the duty. The supply side will be faced with paying duties that will erode profitability.

We are fortunate to have several key suppliers in Peru, and we are tremendously pleased that a USA - PERU FTA has been approved, however, further delays in implementation may cause a duty-free lapse and subsequent financial loss in our Peru programs. Thus, we need to see the ATPA extended to bridge the gap between unilateral preference and a fully reciprocal free trade agreement.

We view the implementation of the Peru FTA as imminent. However, I want to discuss our other suppliers in the Andean region. I would like to highlight the relationship we have with three valuable apparel suppliers in Colombia and one in Bolivia.

In Colombia: VF brands such as Nautica have been sourced in this apparel-rich country for a period of 10 continuous years. Other VF brands sourced in Colombia are Vans, The North Face and VF Imagewear licensed sports apparel. Our business volume in Colombia has generated, and supports some 1,900 direct and indirect jobs. Our Colombian suppliers annually spend in excess of $32,000,000 buying U.S. inputs. These suppliers purchase U.S. cotton, yarns, dyes, chemicals, trims, and packaging materials. Goods that are made in Asia and India do NOT have this U.S. content.

Our Colombian suppliers employ primarily women in their sewing factories who are the primary wage earners in their households. One supplier has a kindergarten program for 150 children of employees, providing education, food, and medical care. As one long-term supplier told us, "We are providing jobs for adults and care centers for children to provide a future for people and a choice so they don't have to produce drugs simply because they are hungry."

Clearly, our legitimate jobs in Colombia are providing meaningful employment alternatives for Colombians. The loss of duty-free access and the delay in making it permanent through the FTA seriously jeopardize these jobs.

In Bolivia: We currently have one supplier. This supplier has been producing for the US market since 1985. U.S. apparel business supports 14,000 direct and indirect Bolivian jobs. Of these, 700 jobs are supported by the VF branded business we started 15 months ago.

Our supplier spends in excess of $10,000,000 per year to purchase U.S. inputs such as fiber, yarn dyes/chemicals, fabrics, trims, and packaging. This same supplier, over the years, has also invested $10,000,000 in U.S. machinery. 70% of this company's production is exported to the United States. Loss of ATPA will devastate this company, which is located in one of the poorest areas in Bolivia , a region where almost 10,000 jobs are supported by U.S. exports. Again, meaningful, legal employment will be lost if the ATPA is not extended for Bolivia.

Chairwoman Aranoff, in closing, I would like to thank you for the opportunity to express to you and this committee how important it is to VF and our U.S. apparel industry to extend this critical program without any lapse in benefits. We whole heartedly support transitioning from the uneven unilateral preference program to a fully reciprocal bilateral agreement. We need to operate our business based on certainty and this pattern of uncertainty is jeopardizing our ability to remain competitive in the region. However, as you can tell from my testimony, our company alone is responsible for thousands of jobs in the region and directly and indirectly responsible for many more in the U.S. We need to keep this dynamic relationship viable so we must provide a bridge for transitioning to the FTAs. We believe that the ATPDEA has accomplished significant gains over the past few years that can not be put at risk by the failure of the United States to extend the ATPA to all the Andean countries. I remain available for any questions that you may have.

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