

U.S. Textile Industry Public Comments on the Operation of the Agreement Between the United States of America, the United Mexican States, and Canada

November 3, 2025

The National Council of Textile Organizations (NCTO), on behalf of its membership, submits these comments in response to the Office of the United States Trade Representative (USTR)'s request for comments on the operation of the United States-Mexico-Canada Agreement (USMCA), found at 90 FR 44869 and dated September 17, 2025 (Docket ID: USTR-2025-0004).

The USMCA has fostered a vibrant and prosperous textile production chain between the United States, Canada, and Mexico of critical importance to the U.S. textile industry. NCTO strongly supports an extension of the USMCA at next year's Joint Review of the agreement and continued exemption of USMCA qualifying trade from the International Emergency Economic Powers Act (IEEPA) tariffs imposed to curb the flow of illicit fentanyl and illegal migration. Additionally, NCTO proposes that the administration take the opportunity presented by the Joint Review to strengthen the rules of the agreement and to increase cooperation with Canada and Mexico to tackle customs fraud and unfair trade practices.

NCTO represents the entire spectrum of the United States textile sector, from fibers to yarns to fabrics to finished products, as well as suppliers of textile machinery, chemicals, information services, and other sectors that have a stake in the prosperity and survival of the U.S. textile industry. NCTO's headquarters are in Washington, DC and more information on this association of domestic textile manufacturers can be found at our website: www.ncto.org.

The Textile Industry: A Strategic Sector of the U.S. Economy

The multifaceted U.S. textile supply chain directly employed 471,000 workers across the United States and produced shipments of man-made fiber, yarns, fabrics, apparel and non-apparel sewn products valued at \$64 billion in 2024. The United States exported \$28 billion of textile-related products last year, making the U.S. the second largest exporter of textile and apparel products in the world.

Domestic textile manufacturers play an essential and strategic role in safeguarding U.S. national security by providing high-tech, functional components to the U.S. government, including more than \$1.8 billion worth of vital uniforms and equipment for our armed forces annually. The Department of Defense (DOD) estimates that the U.S. military routinely purchases over 8,000 different textile items from domestic manufacturers, or more than 30,000-line items when considering individual sizes. U.S. textile mills provide a secure supply chain for the highest quality defense materials on a timetable that our armed forces demand, so our military does not have to rely on offshore suppliers based in countries that often do not share U.S. geopolitical goals, like China.

The United States leads the world in textile innovation due to the unparalleled breadth and scope of the manufacturing capabilities of the U.S. textile industry. The U.S. textile industry invested \$22.3 billion in the latest innovations related to sustainability and production capabilities over the period of 2012 to 2022, based on the latest available U.S. Census Bureau data. This focus on innovation enables the industry to create tens of thousands of diverse products including apparel, industrial textiles, home furnishings, and personal protective equipment (PPE).

Further, U.S. textile producers ensure a stable domestic manufacturing chain for lifesaving medical PPE. The U.S. textile industry rapidly pivoted to the production of PPE at the height of the COVID-19 crisis when massive shortages of PPE resulted from America's almost total dependence on China and other countries in Asia to supply these essential products. The creation of a domestic PPE supply chain helped to avert an even greater catastrophe as U.S.-made PPE helped to slow the spread of the virus and to save the lives of countless frontline healthcare providers. The tragedy of the COVID-19 pandemic and the ensuing PPE shortages undoubtedly demonstrate the need to maintain and to expand a fully sustainable domestic textile supply chain that can meet the needs of the United States during any future military or healthcare crisis.

Unfortunately, the U.S. textile industry remains in the midst of a prolonged and historically severe economic downturn. Over the past two years, this critical sector has closed 36 U.S. factories. In 2024, unfair trade practices and market uncertainty contributed to 30,000 U.S. textile workers losing their jobs, leaving a devastating impact on numerous communities that depend on this industry as a main source of employment.

The USMCA provides an invaluable free trade area without which the U.S. textile industry would end up in an even more precarious economic condition. Without this agreement, China and Asia would continue to grow market share at the expense of American workers and jobs, undermining our ability to supply the U.S. military and lifesaving PPE, endangering U.S. national security. We believe by strengthening the USMCA and implementing the right America First Trade Policy approaches the domestic textile industry can grow jobs in the United States, onshore production, and increase investments.

Operation of the USMCA

We appreciate the opportunity to comment on the operation of the USMCA in advance of the Joint Review to take place next year. NCTO supported modernization of the North American Free Trade Agreement (NAFTA) during the first Trump administration and proposed key improvements to the agreement to enhance U.S. textile production and employment, while expanding exports to our NAFTA, now USMCA partners.¹ The resulting USMCA incorporated many of these suggested enhancements, which our industry applauded. We encourage the administration to extend the term of the USMCA given its substantial benefits for our industry and the U.S. economy. We also propose that the administration take the opportunity presented by the Joint Review to strengthen

¹ NCTO, Public Comments of the U.S. Textile Industry Regarding Docket USTR-2017-0006, Negotiating Objectives Regarding Modernization of North American Free Trade Agreement with Canada and Mexico (NAFTA Negotiations), June 12, 2017, <https://ncto.org/wp-content/uploads/2017/06/2017-06-12-Final-NCTO-NAFTA-Public-Comments-USTR-2017-0006.pdf>.

the rules of the agreement and to increase cooperation with Canada and Mexico to combat customs fraud and unfair trade practices, as outlined in our below comments.

The USMCA Textile and Apparel Production Chain

The United States, Canada, and Mexico have built a vibrant and prosperous textile production chain over the 26-year life of the NAFTA that has continued under the USMCA. Textile and apparel trade between the U.S. and Mexico and the U.S. and Canada totaled \$20 billion in 2024. U.S. textile and apparel exports accounted for more than \$12.3 billion of this trade—or 53 percent of total U.S. textile and apparel exports—with Canada and Mexico serving as our industry’s two largest export markets worldwide. These figures compare to just \$7 billion in combined textile trade between the three countries in 1993, the year prior to NAFTA’s entry into force.

The current yarn-forward rule of origin embedded in the NAFTA and subsequently in the USMCA has provided significant benefit to U.S. textile manufacturers by promoting the use of Made in the USA fibers, yarns, and fabrics in the production of apparel and other sewn products. The yarn-forward rule has driven regional integration and the robust two-way trade that exists between USMCA countries today. We view the yarn-forward rule as the gold standard to drive investment and value-added production for our industry.

Preserve Duty-Free Treatment for USMCA Qualifying Trade

NCTO supports the Trump administration’s efforts to address unfair, nonreciprocal trade relationships for the benefit of American workers and manufacturers. We would like to underscore the utmost importance of preserving and strengthening existing partnerships with U.S. FTA countries in the Western Hemisphere that offer valuable markets for U.S.-made textiles and U.S. cotton as part of this initiative. Our industry commended the administration for exempting products of Canada or Mexico that qualify as originating under the USMCA from IEEPA tariffs imposed because of fentanyl and migration concerns. We urge the administration to maintain this exemption for Canada and Mexico and to provide a similar exception for products of countries party to the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), currently subject to IEEPA reciprocal tariffs. We also strongly support penalizing non-qualifying trade that utilizes foreign components and erodes the economic opportunities envisioned under the agreement for domestic manufacturers.

The Western Hemisphere textile and apparel production chain so vital to the U.S. textile industry serves as a bulwark against Asia’s dominance of the global textile market in general and the U.S. market in particular. Built on the strength of reciprocal, negotiated FTAs, the Western Hemisphere’s textile supply chain remains a central economic driver for the whole region. Fiber, yarn, and fabric products, and their various associated textile and apparel related end-products, support almost \$34 billion in annual two-way trade between the U.S. textile industry and our hemispheric trading partners. This two-way trade also supplies more than 2.6 million direct jobs throughout the hemisphere. In terms of exports, our hemispheric FTA partners purchased \$15.9 billion worth of U.S. textiles in 2024, accounting for nearly 70 percent of total U.S. textile and apparel exports last year. In return, the U.S. consumed \$17.7 billion in textile and apparel imports from the Western

Hemisphere in 2024. A shared commitment to strong trade agreement rules of origin, environmental sustainability, and advanced labor practices underpins these trade relationships.

Within this broader hemispheric construct, an extremely valuable textile coproduction relationship has evolved between the U.S. and USMCA and CAFTA-DR countries. Last year, two-way textile and apparel trade between the U.S. and these FTA countries totaled \$31.2 billion. U.S. textile exports to these specific countries made up \$15.3 billion of this amount.

Disruptions to trade with extremely lucrative export markets in the Western Hemisphere for U.S.-made textiles hurt the U.S. textile and U.S. cotton industries, lead to U.S. job losses, exacerbate offshoring, and reward China and Asian producers at the expense of American industries and workers. U.S. textile and apparel imports by quantity from CAFTA-DR countries have declined 8 percent year-to-date in 2025 through July with the imposition of the reciprocal tariffs, while U.S. imports from top Asian suppliers for textiles and apparel have increased by double digits. Specifically, U.S. imports in our sector have grown by 19 percent from Vietnam, 18 percent from Bangladesh, and 32 percent from India and Cambodia.

We estimate 987,000 total lost U.S. jobs (direct and indirect) if the administration continues to penalize CAFTA-DR qualified trade with tariffs and does not maintain stacked tariffs on products of China and countries in Asia that flood the U.S. market with cheap apparel. Such an approach would only enhance the ability of China and Asia to continue to gain U.S. market share and put the Western Hemisphere at a catastrophic tariff disadvantage. Lost American jobs in the textile sector would mean significantly diminished capacity for the U.S. military at a time when a recent DOD-commissioned wargame report noted that fragility in certain aspects of the textile industrial base already exists, jeopardizing our nation's defense. Job displacement in hemispheric trading partner countries would result in intense waves of migration from those countries which employ over 2 million workers in the textile and apparel sector.

By and large, our Western Hemisphere FTAs have fostered reciprocal textile trade. As a result, we now have an extremely vibrant, balanced and economically crucial relationship with our trading partners in the region. Any major disruptions to this carefully balanced trading relationship, such as the levying of penalty tariffs on FTA qualifying imports from our hemispheric neighbors would be devastating in terms of billions in lost U.S. sales and massive job layoffs in America and throughout the hemisphere. If imposed, tariffs on USMCA qualifying goods of Mexico or Canada would threaten this textile and apparel coproduction chain, which sustains nearly 500,000 American jobs and a total of 1.6 million jobs across North America.

In contrast, the administration could finally promote a shift in textile and apparel sourcing from Asia back to the United States and to our Western Hemisphere coproduction partners by maintaining the USMCA qualifying trade tariff exemption, removing tariffs on CAFTA-DR qualifying trade, and stacking tariffs on imports from Asian producer countries. We estimate this approach would double U.S. textile industry output—currently \$64 billion annually—and drive an accelerated wave of investment in domestic production. U.S. plants could go from running at 60 to 85 percent capacity to 100 percent capacity. Shuttered textile operations that closed over the past two years could easily

open with new demand. U.S. cotton bale utilization in the U.S. and the Western Hemisphere could increase from 4 billion bales a year to 8 billion, helping American cotton farmers in 17 states. The U.S. Treasury would also gain an estimated \$28 billion in additional revenue.

We ask the Trump administration to prioritize to the highest degree preserving duty-free treatment for USMCA qualifying trade and reinstating duty-free treatment for CAFTA-DR qualifying imports to allow the U.S. textile industry to stay viable and to grow its domestic operations. Industry production already has declined by 30 percent on average from the previous year, which puts many textile operations at risk. We strongly urge the administration to ensure qualified trade under both agreements receives duty-free treatment because of the significance of these export markets to the vitality of the U.S. industry.

Limit Exceptions to the Yarn-Forward Rule of Origin

Most U.S. FTAs include the yarn-forward rule of origin because it reserves key benefits for manufacturers within the signatory countries. However, exceptions to yarn forward exist in many agreements as well, including the USMCA. Such exceptions include tariff preference levels (TPLs) and single transformation, assembly only rules for specified products that allow for textile inputs from outside the region.

Tariff Preference Levels

TPLs permit duty-free treatment for products that contain components sourced from countries outside the free trade area. For example, a cotton top, made from Chinese yarn and fabric, can be cut and sewn in Mexico and shipped duty-free to the United States under a TPL. TPLs have annual limits, though they still result in hundreds of millions of dollars of textile and apparel product excepted from the fundamental USMCA rule of origin for textiles that can enter the U.S. market duty-free each year. Overall, Mexico and Canada combined can ship over 185 million square meter equivalents (SME) of apparel, made-ups, and fabric and 6.7 million kilograms of yarn containing third-party components. While the last step of production must occur in a USMCA country, upstream inputs can come from anywhere despite the availability of these fiber, yarn, and fabric inputs throughout the USMCA region.

NCTO would like to work with the Trump administration to reform the USMCA TPLs to ensure that domestic manufacturers reap the benefits of these arrangements. Certain limited exceptions may permit U.S. producers to source inputs not readily available within the bloc, such as acrylic, duty-free, which would enhance their competitiveness. We would like to fine-tune these exceptions, so they advantage U.S. textile manufacturers and other USMCA producers and do not undermine regional textile and apparel production and supply chains.

The below tables outline U.S. imports by volume from Mexico and Canada under their respective TPLs. TPLs also exist for U.S. exports to Canada and Mexico. Canada publishes USMCA TPL utilization data, including U.S. TPL exports to Canada online.²

² Government of Canada, Textiles and Clothing, FTA Tariff Preference Level Utilization, accessed on October 31, 2025, <https://www.international.gc.ca/controls-controles/textiles/index.aspx?lang=eng>.

<u>MEXICO TPL Fill Rates</u>	USMCA Negotiated Level	2024 Year- End Utilization	2025 YTD September 29 Utilization
1) Cotton/MMF Apparel	45,000,000 SME	40,112,860.36 89.14%	315,931,70.47 70.21%
2) Wool Apparel	1,500,000 SME	511,903.49 34.13%	406,142.32 27.08%
3) Cotton/MMF Fabrics & Made-Ups	22,800,000 SME		
4)Woven Sub-Level	4,800,000 SME	4,197,962.15 87.46%	3,020,853.43 62.93%
5)Knit Sub-Level	18,000,000 SME	10,987,322.08 61.04%	17,379,014.05 96.55%
6) Cotton/MMF Spun Yarns	700,000 KG	0 0%	183,145 26.16%

<u>CANADA TPL Fill Rates</u>	USMCA Negotiated Level	2024 Utilization	2025 YTD September 29 Utilization
1) Cotton/MMF Apparel	40,000,000 SME	8,899,712.99 22.25%	52,95,436.69 13.24%
2) Wool Apparel	4,000,000 SME	1,444,692.8 36.12%	951,865.36 23.80%
(3)Wool Suit Sub-Level	3,800,000 SME	649,952.9 17.10%	628,858.07 16.55%
4) Cotton/MMF Fabrics & Made-Ups	71,765,252 SME		
5)Woven Sub-Level	38,642,828 SME	23,338,996.76 60.40%	11,218,603.41 29.03%
6)Knit Sub-Level	38,642,828 SME	11,951,415.56 30.93%	5,770,887.54 14.93%
7) Acrylic Spun Yarns	3,000,000 KG	57,005.6 1.90%	103,531.87 3.45%
8) Other Cotton/MMF Spun Yarns	3,000,000 KG	966,839.13 32.23%	673,603.51 22.45%

Single Transformation

We also encourage the administration to review the agreement’s “single transformation” provisions, which allow certain apparel items to undergo cutting and sewing in the region only and to qualify for duty-free treatment. These provisions encompass negotiated concessions on the part of the U.S. government that trace back to the original NAFTA. They are unnecessary and continue to cost U.S. jobs and exports since they allow the use of non-USMCA inputs from countries like China.

The USMCA single transformation rule applies to specific apparel items, including certain men’s dress shirts, cotton nightwear and underwear made from fine count knit fabric greater than 100 metric, brassieres, and silk and linen apparel. Single transformation grants these garments duty-free treatment based on the assembly stage only. The justification for giving these items cut and sew

status was based on a determination that key yarns or fabrics for these products were not “commercially available” in the NAFTA region at the time the agreement was negotiated. Despite the low NAFTA value-add, single transformation items receive the same duty-free treatment as products that fully comply with the yarn-forward rule of origin.

Strengthen USMCA Customs Enforcement Cooperation

Beyond limiting harmful yarn-forward rule of origin exceptions, we encourage the administration to deepen customs enforcement cooperation with Canada and Mexico to address persistent customs fraud in the textiles and apparel sector and to prevent the siphoning off of USMCA benefits to third-party countries and bad actors that circumvent U.S. trade laws.

Textile and apparel goods have some of the highest duty rates of all commodities imported into the United States—16 percent on average—making them extremely susceptible to fraud. In Fiscal Year (FY) 2024, textile and apparel imports generated \$13.2 billion in duties, or nearly 17 percent of all duties collected by U.S. Customs and Border Protection (CBP). CBP collected approximately \$2.48 billion in additional duties on textile and apparel goods from Section 301 trade remedies.³

Common methods of duty evasion include misclassification (false product identification), transshipment (false country of origin identification), and undervaluation, all of which often go unrecognized and result in access to the U.S. market for import sensitive products at lower duty rates than legally permissible. Unscrupulous shippers and importers rob the U.S. Treasury of billions of dollars of textile-related tariff revenue through such fraudulent activities. The Trump administration’s reciprocal tariff regime further incentivizes malign actors to cheat the system to avoid paying higher duties.

Accordingly, the Trump administration should take steps to strengthen USMCA customs enforcement to maximize the benefits of the agreement for manufacturers, workers, and consumers in the region. We encourage increased cooperation between the USMCA parties to address false rule of origin claims and other instances of customs fraud that dilute the value of the agreement for USMCA producers. Such efforts should include reviews of trade data to detect potentially fraudulent activities. We suggest public reporting by all three parties of reconciled import and export data, including FTA claims, and regular meetings between government and industry to review enforcement activities and to aid efforts to detect and to crack down on fraud. We urge USTR to require Canada and Mexico to punish customs offenders to the highest degree, in compliance with their applicable laws, and to encourage Canada and Mexico to out non-compliant actors publicly to deter fraud.

Additionally, we ask USTR in conjunction with CBP to take further action to deter fraud under U.S. FTAs. We propose the following specific actions to deter customs fraud:

- Create a public blacklist of importers who repeatedly violate U.S. trade laws.
- Revoke trade privileges, such as preferential access to the U.S. market for repeat customs offenders.

³ CBP, Textiles Fact Sheet, <https://www.cbp.gov/document/fact-sheets/textiles-fact-sheet>, accessed on October 22, 2025.

- Apply maximum fines and penalties (civil and criminal) without mitigation or waivers for violators of U.S. customs and trade laws through fraud or gross negligence.
- Advocate to Congress for substantially higher penalties to encourage effective customs enforcement.

Further, we request CBP to publish textile customs enforcement data at least quarterly as it has done in the past. CBP provided its last update to this data at the end of FY 2023. CBP should make public data on FTA enforcement activities, including the results of verifications as well to increase transparency and accountability. Stronger customs enforcement will not only pay for itself but will also generate more revenue for the U.S. Treasury.

Confront China/Asia Predatory Trade Practices

We strongly believe that penalty tariffs should hold bad actors accountable for systemic unfair trade practices that have hurt domestic manufacturers for years. The administration must calibrate these tariffs to address the economic harm resulting from production overcapacity, state-sponsored subsidies, unethical labor and environmental practices (including forced labor and depressed wages), currency manipulation, artificial pricing and dumping, and other predatory trade practices. These tariffs should target countries that primarily depend on China and other Asian inputs to hypercharge their supply chain, undercutting the Western Hemisphere FTA textile and apparel coproduction chain by combining ultra low-cost labor in final cut and sew operations with subsidized and/or forced labor inputs. **Accordingly, NCTO advises the administration to maintain higher, stacked reciprocal tariffs on imports of finished textiles and apparel (Harmonized Tariff Schedule Chapters 61-63) from China and South and Southeast Asian major finished textile and apparel exporting countries, such as Vietnam, Bangladesh, and India.** We suggest that the administration ask Canada and Mexico to impose similar penalty tariffs on Chinese goods to help stop the flooding of these products into the USMCA region.

China and other Asian countries employ a highly destructive textile production platform diametrically opposed to the Western Hemisphere model. This production platform dominates global textile markets through a combination of massive overcapacity, much of which is state-owned, and virtually limitless access to cheap labor. Companies operating in these markets take advantage of non-market, predatory trade practices that include subsidized production, dumped exports, intellectual property theft, and in some cases purposely undervalued currencies, abhorrent labor abuses, and the use of unsustainable environmental practices. For the most part, certain Asian markets remain largely unopen to U.S. textile exports allowing their manufacturers the luxury of operating behind closed domestic markets.

Production overcapacity, substantially closed markets, and rampant use of unfair trade practices drive the massive U.S. trade deficits in the textile and apparel sector. The U.S. ran a total textile and apparel trade deficit of \$95.1 billion in 2023.⁴ The U.S. deficit in this sector grew to \$99.7 billion in 2024.⁵

⁴ U.S. DOC; OTEXA Trade Balance Report: 2023, <https://www.trade.gov/data-visualization/otexa-trade-balance-annual>, accessed on October 24, 2025.

⁵ U.S. DOC; OTEXA Trade Balance Report: 2024.

Unfortunately, these massive annual trade deficits are not a recent anomaly. Instead, they have persisted for decades and are tied directly to the aggressive entry into the U.S. textile market of China and other major Asian suppliers over thirty years ago. As a result, since the late 1990s the domestic textile and apparel industry has witnessed a 60 percent decline in annual output, a loss of \$100 billion a year in sales. Over this same period, this great U.S. industry lost nearly 900,000 jobs nationwide—a decline of 65 percent.

South and Southeast Asian countries, such as Vietnam, Bangladesh and India, primarily depend on China and other Asian feedstock to power their supply chains, undercutting the Western Hemisphere FTA coproduction chain by combining ultra low-cost labor in final cut and sew operations with subsidized and forced labor inputs. A garment may be labeled “Made in Bangladesh,” but the bulk of its value—an estimated 70 percent—is attributable to its components, which are most likely “Made in China.” The U.S. government should take immediate action to address these subsidized finished products coming from Asia into the U.S. marketplace and putting our industry and Western Hemisphere partners out of business.

The trade agreements that the U.S. has negotiated outside of our hemisphere, with the U.S.-Korea FTA (KORUS) as a prime example, do not offer meaningful export opportunities for U.S. textile components due to their proximity to China. Even with a yarn-forward rule, these agreements function as transshipment portals for Chinese goods. The U.S. should reconsider these FTAs and special arrangements that do not benefit domestic manufacturers. The African Growth and Opportunity Act (AGOA) trade preference program, for example, has evolved into a transshipment gateway for cotton and other textile inputs and finished goods made in China.

Uyghur Forced Labor

Both Canada and Mexico have implemented forced labor import bans, similar to the U.S. forced labor import ban authorized by Section 307 of the Tariff Act of 1930, in accordance with the USMCA. However, we believe both Canada and Mexico should take further steps to prohibit imports made with Uyghur forced labor specifically, as the United States has done.

China’s Xinjiang Uyghur Autonomous Region (XUAR) remains a major cotton, textile, and apparel production center, accounting for over 90 percent of China’s total annual cotton production and 20 percent of the entire world’s yearly cotton crop. The U.S. government has determined that the region’s state-controlled industries systematically employ forced labor to manufacture the majority of all goods grown or manufactured in the XUAR, tainting China’s cotton-based textile production with human rights abuses.

China also remains the top supplier of cotton fiber, yarn, and fabrics to numerous major textile and apparel producing countries in Asia. An estimated 52 percent of China’s textile exports totaling \$52 billion go to Southeast Asia. Thus, a significant amount of textile and apparel exports from countries like Vietnam, Cambodia, and Indonesia likely contain Chinese cotton inputs produced with slave labor. Manufacturers in countries such as Vietnam source large volumes of cotton and cotton blended fabrics containing Xinjiang-origin cotton to produce finished garments. In 2021, Vietnam imported 70 percent of its cotton-containing textiles from China, valued at \$2.6 billion.

China and its Southeast Asia country partners account for 78 percent of U.S. apparel and home furnishings imports, totaling \$87 billion in 2024. Further downstream products of Xinjiang-origin cotton, such as garments, textiles, and other cotton-based products likely include inputs produced with forced labor, underscoring the need for CBP to review shipments from these countries for UFLPA compliance as well.

Xinjiang forced labor cotton also makes its way into the United States through imports from U.S. FTA partners in the Western Hemisphere. The United States should push for Canada and Mexico to adopt legislation similar to the Uyghur Forced Labor Prevention Act (UFLPA) that includes a rebuttable presumption of forced labor for goods from Xinjiang, China. Such a measure, along with enhanced customs cooperation among USMCA countries would help to prevent imports made with slave labor from entering the region and the United States.

CPTPP

Both Canada and Mexico have joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a free trade agreement in effect since 2018, which includes the non-market economy of Vietnam and other low-cost apparel and PPE producing countries like Malaysia. China has applied to join the CPTPP as well.

Imports of cheap finished textile and apparel products, including goods made with Xinjiang forced labor have flooded Canada and Mexico as a result of their participation in the CPTPP. These products can also make their way into the United States under the guise of the USMCA. The United States should raise the threat posed to U.S. and regional textile and apparel manufacturers by imports from CPTPP countries and consider asking Canada and Mexico to leave the CPTPP through the USMCA Joint Review.

Chinese Investment

Chinese foreign direct investment (FDI) in Mexico has grown rapidly over the past decade, according to data from Mexico's Secretariat of the Economy. China's FDI in Mexico accelerated following the 2018 to 2019 U.S.-China trade war and entry into force of the USMCA on July 1, 2020. Cumulatively, Mexico received \$2.3 billion in net FDI from China from 2017 to 2024, according to official Mexican statistics. The net amount rises to \$3.2 billion when including Hong Kong, a special administrative region of China.⁶ Private sources that track individual company announcements and disclosures estimate Chinese FDI in Mexico to be several times larger than official figures show.

China's FDI presence remains relatively modest to that of the United States and other advanced economies, but it has increased dramatically in recent years. Chinese companies can invest in Mexico or Canada and export their product, made in Mexico or Canada, to the United States without paying tariffs, if the good complies with the terms of the USMCA. This backdoor access to the U.S. market threatens American industries and jobs, undermines supply chain resilience, and may pose serious national security risks. NCTO encourages USTR to explore ways to persuade Mexico to

⁶ Federal Reserve Bank of Dallas, "China expands Mexico investment but notably lags U.S., other G7 economies," September 26, 2025, <https://www.dallasfed.org/research/pubs/25trade/a2>.

implement foreign investment screening measures similar to those in the United States and to consider joint screening if appropriate to deal with the challenges presented by growing Chinese investment in Mexico.

Conclusion

Like the NAFTA before it, the USMCA has fostered deep economic and trade ties between the United States, Canada, and Mexico of great importance to U.S. textile manufacturers and jobs in our sector. The geopolitical and trade relationships developed with our North American partners bolster the domestic industry and offer a crucial counterpoint to the China-dominated Asia textile and apparel supply chain.

We welcome the Trump administration's efforts to combat the highly aggressive predatory trade practices facing our industry to offset decades-long inequities and to establish a more balanced trade environment for U.S. textile and apparel manufacturers. We ask the administration not to lose sight of the valuable trade partnerships we have with countries in the Western Hemisphere, on which the U.S. textile industry depends. We also hope the administration will take advantage of the USMCA Joint Review to address issues of consequence to our industry, including harmful exceptions to yarn forward and increased customs cooperation among the USMCA parties to confront unfair trade practices.

We firmly believe that with the right trade policies, the United States could help stabilize domestic textile production and employment, encourage additional investment and reshoring of textile manufacturing, and help to preserve the industrial base needed to provide the U.S. military and front-line medical personnel with essential uniforms, materials, and PPE. A combination of preserving duty-free treatment for USMCA qualifying imports and reinstating duty-free treatment for CAFTA-DR qualifying trade, maintaining aggressive tariffs on finished textile and apparel imports from China and certain countries in Asia, and significantly stepping up customs enforcement, would add billions to the U.S. Treasury, onshore more critical production, and help address migration issues in the Western Hemisphere.

Thank you for the opportunity to provide these comments and for the Trump administration's commitment to revitalizing American manufacturing. We stand ready to provide any additional information the administration may require about our industry in preparation for the USMCA Joint Review.