Fix the textile trade problem that helps China, keeps Central America unstable

by Hugo Meridad

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For yet another year, China has remained the dominant country for apparel imports into the United States, making up over 40% in terms of sheer quantity. Meanwhile, producers in the Western Hemisphere, and specifically in Central America, have struggled to grow their market share by more than a percent in the last year.

As a result, hopes of increased economic stability and enhanced trade relations in the region have yet to be fully realized. Instead, the U.S. has witnessed an unprecedented surge of migrants from Central America, in part because of this lack of job creation. Rather than working to address the root causes of migration as promised, President Joe Biden and Vice President Kamala Harris appear to be sticking with failed policies that could easily be fixed.

In her recent announcement in support of private-sector investments in the Central American region, Harris nonetheless refused to support updating provisions in the Central American Free Trade Agreement, known as CAFTA-DR, that hinder economic development and job growth. This trade agreement was intended to boost trade and increase economic prosperity in the region, but it has been limited in its ability to achieve this objective, particularly when it comes to the apparel industry. An update to the agreement would provide a long-term solution to job creation in Central America, as opposed to the administration’s Band-Aid approach.

Apparel producers are a tremendous driver of jobs and economic development in the world’s poorest countries. It is estimated that 1 in 8 of the world’s workers are employed in the fashion and textile industry and around 75% of those workers are female. Without these opportunities, these workers struggle to provide for their families and often have no choice but to risk the dangerous trek to America in search of a better life and more opportunities.

Despite its expectations and its design, CAFTA-DR has not effectively increased imports of apparel between member countries. In fact, since the agreement was put in place, apparel exports have actually decreased by over $1.5 billion, while imports from China spiked 25% in September alone. This is due to the onerous “rules of origin” requirement in the agreement. which requires apparel products, unlike other products, to be wholly sourced and produced by member countries in order to qualify for duty-free trade.

This rule of origin policy was put in place to protect a handful of major textile producers that also have plants and supply chains in China — at the expense of Central American jobs and stability. This is why it was disappointing to see the Biden administration stand by these same monopolistic textile producers as they spend millions of dollars to expand their control over the market in Central America.

Meanwhile, China continues to outperform the competition despite geographical challenges and diplomatic tensions. This is largely because Central American producers are incapable of seeking out fairly priced materials, which would allow them to scale up operations, hire a larger and more constant staff, produce more fashion apparel, and better insulate themselves from supply chain disruptions.

If the rules were updated to expand the diversity of apparel that could be produced in the region and qualify for duty-free trade, it would drive capital investment in fabric production and create thousands of jobs in apparel production. This small change would have a positive impact on economic development in Central America, without requiring a full renegotiation of the agreement.

Until revisions are made, Central America will continue to experience instability in the apparel sector, the public will continue to witness migrants at the border and higher prices for clothing, and China's dominance over the market will continue.

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