



UNITED STATES
FASHION INDUSTRY ASSOCIATION

2023 Fashion Industry Benchmarking Study

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in collaboration with the

United States Fashion Industry Association

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Abbreviations

AGOA	African Growth and Opportunity Act
ASEAN	Association of Southeast Asian Nations
CAFTA-DR	Dominican Republic-Central America Free Trade Agreement
CBTPA	Caribbean Basin Trade Partnership Act
CBP	U.S. Customs and Border Protection
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
COVID-19	Coronavirus
CRS	Congressional Research Service
CTPTA	Customs Trade Partnership Against Terrorism
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
EU	European Union
FTA	Free trade agreement
HTS	Harmonized Tariff System
LDC	Least Developed Countries
MMF	Manmade fiber
NAFTA	North American Free Trade Agreement
OTEXA	Office of Textiles and Apparel
RCEP	Regional Comprehensive Economic Partnership
ROO	Rules of Origin
SSA	Sub-Saharan Africa
TPP	Trans-Pacific Partnership
UK	United Kingdom
UFLPA	Uyghur Forced Labor Prevention Act
USMCA	U.S.-Mexico-Canada Trade Agreement
USITC	U.S. International Trade Commission
USTR	Office of the U.S. Trade Representative
WRO	Withhold Release Order
WTO	World Trade Organization
XUAR	Xinjiang Uyghur Autonomous Region

Forward by Julia K. Hughes, President, U.S. Fashion Industry Association

The Changing Landscape of Sourcing: Challenges and Opportunities in 2023

This is the tenth USFIA Benchmarking Survey. During the past decade we have seen the fashion industry respond successfully to major disruptions and unpredictability. This year is definitely another very challenging time. In 2023 sourcing executives remain concerned about the economy and inflation. Only half of the survey respondents anticipate their sourcing volume will grow during 2023, while one year ago 90% of the sourcing executives predicted expanding business.

What is new in this Benchmarking Survey is the level of concern about the future of the U.S.-China business relationship. Lately it seems that one of the few issues that unites Republicans and Democrats in the U.S. Congress is their focus on the threat from China. At a recent Congressional hearing the theme was “Decouple, De-Risk, Diversify,” and diversification seems like an appropriate way to summarize how the fashion industry is responding to the new level of economic and diplomatic uncertainty. Nearly 80% of respondents plan to reduce their China sourcing over the next two years.

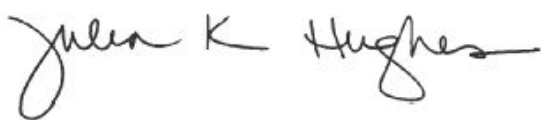
While not just a China issue, in 2023 concerns about forced labor allegations and potential risks in the fashion supply chain rank as the second most serious business concern. The Uyghur Forced Labor Prevention Act (UFLPA) is part of the impetus for this high level of concern. The fashion industry has not wavered in our commitment to eliminate all forced labor from the supply chain, but we know it is going to take time to achieve that goal. In the meantime, there is a very clear impact on cotton sourcing in China and Asia. This issue is a top priority for USFIA as we talk with the Biden Administration and the key officials at the Forced Labor Enforcement Task Force and U.S. Customs and Border Protection.

There are many positive findings in this year’s Survey. We celebrate the industry’s commitment to increase sourcing of apparel made from recycled and other sustainable textile fibers. This year the top recommendation for a trade policy initiative is to reduce or eliminate tariffs on imports of sustainable and recycled textile and apparel products. And we see a very clear trend to expand sourcing in the Western Hemisphere – especially from our FTA partners in CAFTA and USMCA.

There are a lot more insights in this year’s USFIA Benchmarking Survey and I encourage you to read the complete report. 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 by Global Trade**. We continue to work to show the benefits of trade, and fashion industry sustainability initiatives, to lawmakers and to the public.

Special recognition 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 their views and insights.

With best regards,



Julia K. Hughes
President, United States Fashion Industry Association (USFIA)

Executive Summary

The uncertain macroeconomic outlook poses significant business challenges to U.S. fashion companies in 2023.

- Respondents rated **“inflation and economic outlook in the U.S.”** as their top concern this year, moving up from third place in 2022.
- Affected by the weak import demand, only half of the respondents expect their apparel sourcing value or quantity to increase in 2023, **a substantial drop from 90 percent a year ago.**
- However, **most respondents (69 percent) still expressed optimism or cautious optimism about the U.S. fashion industry over the next five years.**
- Reflecting U.S. fashion companies’ overall confidence in their business outlook, **most respondents (85 percent) plan to increase hiring over the next five years.** The top three positions with the highest demands from 2023 through 2028 include “Supply chain specialists,” “Environmental sustainability-related specialists,” and “Data analysts.”

U.S. fashion companies are *deeply concerned* about the deteriorating U.S.-China bilateral relationship and plan to accelerate “reducing China exposure” to mitigate the risks.

- Respondents identified **“Finding a new sourcing base other than China”** as a more prominent challenge in 2023 than the previous year (i.e., 4th in 2023 vs. 11th in 2022).
- **This year, over 40 percent of respondents reported sourcing *less than 10 percent of their apparel products from China*, up from 30 percent of respondents a year ago and a notable surge from only 20 percent in 2019. Similarly, a new record high of 61 percent of respondents no longer use China as their top supplier in 2023, up from 50 percent of respondents in 2022 and much higher than only 25-30 percent before the pandemic.**
- U.S. fashion companies’ apparel sourcing model gradually shifts from **“China plus Vietnam plus Many” to “Asia plus Rest of the world.”** Almost **ALL respondents (97 percent)** say at least 40 percent of their total sourcing value or volume now comes from **Asian countries *other than China*.**
- Nearly **80 percent** of respondents plan to reduce apparel sourcing from China over the next two years, with a **record high of 15 percent planning to “strongly decrease” sourcing from the country.** This strong sentiment was not present in past studies. Notably, large-size U.S. fashion companies (with 1,000+ employees) that currently source more than 10 percent of their apparel products from China are among the most eager to de-risk.
- However, reducing “China exposure” will be more challenging regarding **textile raw materials** in the short to medium term, as more than 70 percent of respondents are currently sourcing various yarns, fabrics, and textile accessories from China with no practical alternatives.

Tackling forced labor risks in the supply chain remains a significant challenge confronting U.S. fashion companies in 2023, especially with the implementation of the Uyghur Forced Labor Prevention Act (UFLPA) in June 2022.

- **“Managing the forced labor risks in the supply chain”** ranks as the 2nd top business challenge in 2023, with 64 percent of respondents rating the issue as one of their top five concerns.
- Most surveyed U.S. fashion companies have taken a **comprehensive approach** to mitigating forced labor risks in the supply chain. Three practices, including **“asking vendors to provide more detailed social compliance information,” “attending workshops and other educational events to understand related regulations better,”** and **“intentionally reducing**

sourcing from high-risk countries,” are the most commonly adopted by respondents (over 80 percent) in response to forced labor risks and the UFLPA’s implementation.

- Since January 1, 2023, U.S. Customs and Border Protection (CBP)’s UFLPA enforcement has affected respondents’ importation of “Cotton apparel products from China,” “Cotton apparel products from Asian countries other than China,” and “Home textiles from China.”
- U.S. fashion companies are actively seeking to **diversify their sourcing beyond Asia to mitigate the forced labor risks**, particularly regarding cotton products.
- Respondents call for CBP to improve UFLPA enforcement transparency and clarity, and share more essential enforcement data with industry stakeholders.

There is robust excitement about increasing apparel sourcing from members of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR).

- CAFTA-DR members play a **more significant role as an apparel sourcing base** this year. **Over 80 percent of respondents** report sourcing from CAFTA-DR members in 2023, a notable increase from 60 percent in the past few years. Also, **nearly 30 percent of respondents placed more than 10 percent of their sourcing orders with CAFTA-DR members this year**, a substantial increase from only 19 percent of respondents in 2022 and 10 percent in 2021.
- **About 40 percent** of respondents plan to increase apparel sourcing from CAFTA-DR members over the next two years. Most respondents consider expanding sourcing from CAFTA-DR as part of their overall sourcing diversification strategy.
- With U.S. fashion companies actively seeking **immediate alternatives** to sourcing from China and Asia, respondents emphasize the increased urgency of **improving textile raw material access** to promote further U.S. apparel sourcing from CAFTA-DR members. **“Allowing more flexibility in sourcing fabrics and yarns from outside CAFTA-DR”** was regarded as the top improvement needed.

Respondents demonstrate a solid dedication to expanding their sourcing of clothing made from recycled or other sustainable textile fibers.

- **Nearly 60 percent** of respondents say **at least 10 percent** of their sourced apparel products already use recycled or other sustainable textile fibers. **Another 60 percent** of surveyed companies plan to **“substantially increase sourcing apparel made from sustainable or recycled textile materials over the next five years.”**
- Addressing the **higher sourcing costs** and the **low profit margins** are regarded as the top challenge for sourcing clothing using recycled or other sustainable fiber.
- About **60 percent of respondents** also **call for policy support** for sourcing clothing using recycled or other sustainable textile materials, such as **preferential tariff rates and guidance on sustainability and recycling standards.**

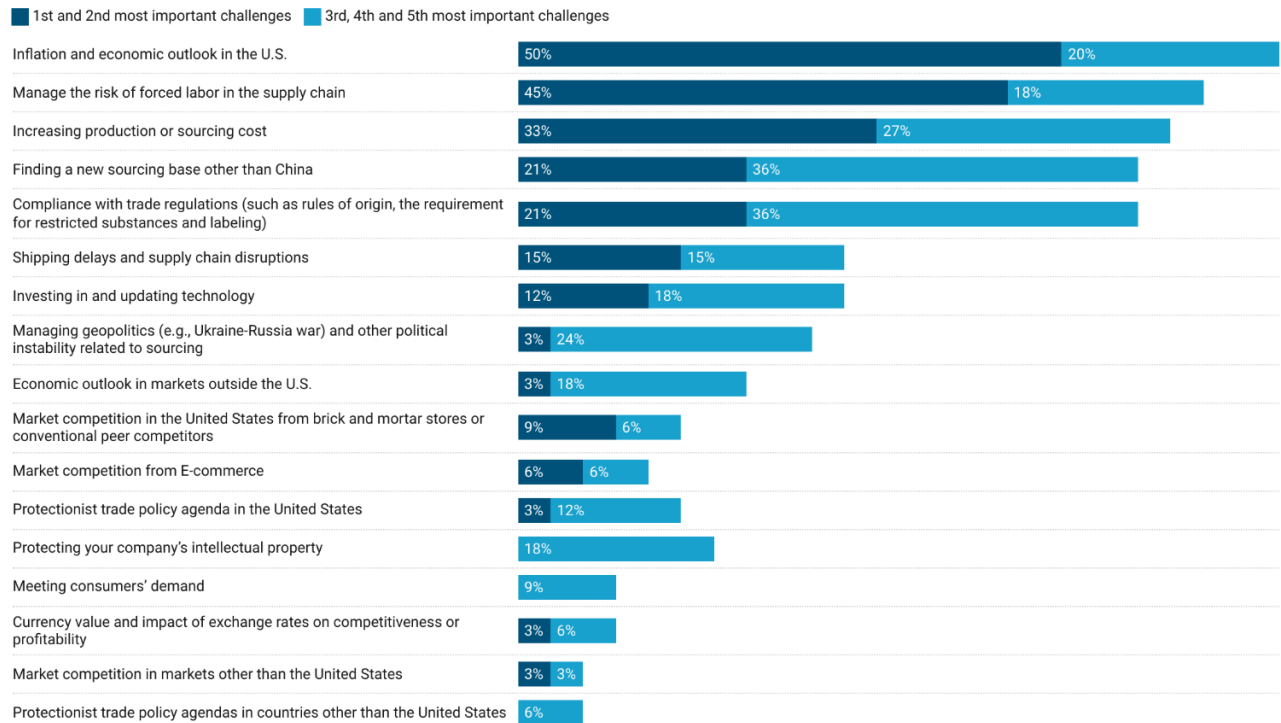
Respondents strongly support and emphasize the importance of the early renewal of the African Growth and Opportunity Act (AGOA) and extending the program for at least another ten years.

- About 40 percent of respondents view AGOA as **“essential for my company to source from AGOA members.”**
- About 60 percent of respondents say the temporary nature of AGOA “has discouraged them from making long-term investments and sourcing commitments in the region.” Many respondents expect to cut sourcing from AGOA members if the agreement is not renewed by June 2024.

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

1.1 Top Business Challenges in 2023

US Fashion Companies' Top Business Challenges in 2023



Note: This year, no respondent identified "Human resources (H.R.) issues, including talent recruitment and retention" as one of their top five business challenges.

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 1-1 Respondents are concerned the most about inflation and the U.S. economy, risks of forced labor, sourcing costs, and finding China's alternatives in 2023

Table 1-1: Top Business Challenges for the U.S. Fashion Industry: Rank in 2023 vs. 2022
US Fashion Companies' Top Business Challenges in 2023

Items	Rank in 2022	Rank in 2023 vs. in 2022
#1 Inflation and economic outlook in the U.S.	3	More important
#2 Manage the risk of forced labor in the supply chain	4	More important
#3 Increasing production or sourcing cost	1	Remain top challenge
#4 Finding a new sourcing base other than China	11	More important
#5 Compliance with trade regulations (e.g., rules of origin, the requirement for restricted substances and labeling)	7	More important
#6 Shipping delays and supply chain disruptions	2	Less important
#7 Investing in and updating technology	8	No major change
#8 Managing geopolitics (e.g., Ukraine-Russia war) and other political instability related to sourcing	6	No major change
#8 Economic outlook in markets outside the U.S.	11	More important
#10 Market competition in the United States from brick and mortar stores or conventional peer competitors	9	No major change
#11 Market competition from E-commerce	15	More important
#11 Protectionist trade policy agenda in the United States	13	No major change
#13 Protecting your company's intellectual property	17	More important
#14 Meeting consumers' demand	14	No major change
#15 Currency value and impact of exchange rates on competitiveness or profitability	16	No major change
#16 Market competition in markets other than the United States	17	No major change
#17 Protectionist trade policy agendas in countries other than the United States	19	No major change
#18 Human resources (H.R.) issues, including talent recruitment and retention	5	Less important

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.

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Each year, we survey respondents to identify their businesses' top five challenges. As shown in Figure 1-1 and Table 1-1, **the macroeconomic outlook, forced labor risks in the supply chain, persistent high sourcing costs, and finding China's alternatives** are among the top concerns in 2023.

First, the uncertain U.S. and world macroeconomic outlook poses significant business challenges to U.S. fashion companies in 2023. Notably, respondents rated **"inflation and economic outlook in the U.S."** as their top concern this year, moving up from third place in 2022. Consistent with respondents' sentiment, recent economic indicators also presented a mixed picture of the U.S. economy's growth trajectory. For example, the World Bank's latest economic forecast cut the U.S. economic growth from 2.1 percent in 2022 to 1.1 percent in 2023 and 0.8 percent in 2024.¹ Likewise, the U.S. consumer confidence index (CCI) has remained below 80 (January 2019=100) since February of 2022², suggesting U.S. households' confidence about their financial outlook remains weak and has not recovered to the pre-pandemic level (note: a CCI of less than 80 is the level associated with a recession within the next year).

With the ongoing inflation in the U.S. and world economy, respondents also rated **"increasing production or sourcing costs"** as one of their top three business concerns in 2023. Macroeconomic data indicates that in May 2023, the U.S. consumer price index (CPI) exceeded 120 (January 2019=100), and the price index of U.S. apparel imports reached 106.5 (January 2019=100), both the highest in the most recent 12 months.³ Therefore, inflation pressure from the macro economy will likely continue to affect U.S. fashion companies' sourcing costs for the rest of 2023.

Second, tackling forced labor risks in the supply chain remains a significant challenge confronting U.S. fashion companies in 2023. This year, **"Managing the forced labor risks in the supply chain"** ranks as the 2nd top business challenge, with 64 percent of respondents rating the issue as one of their top five concerns. As the Uyghur Forced Labor Prevention Act (UFLPA) was officially implemented on June 21, 2022, U.S. fashion companies are also adjusting their sourcing strategies and making efforts to fully comply with the law⁴ (note: Please see section II sourcing practices for details).

Affected by the enforcement of UFLPA, which directly targets textiles and apparel made in China's Xinjiang region, and amid the concerns about the deteriorating U.S.-China relations, respondents identified **"Finding a new sourcing base other than China"** as a more prominent challenge in 2023 compared to the previous year (i.e., 4th in 2023 vs. 11th in 2022). Respondents have expressed a heightened sense of urgency regarding **"reducing China exposure"** in sourcing and establishing a more diversified supply base beyond Asia to mitigate the risks (note: Please see section II sourcing practices for details).

¹ World Bank (2023). Global Economic Prospects. Retrieved from <https://www.worldbank.org/en/publication/global-economic-prospects>

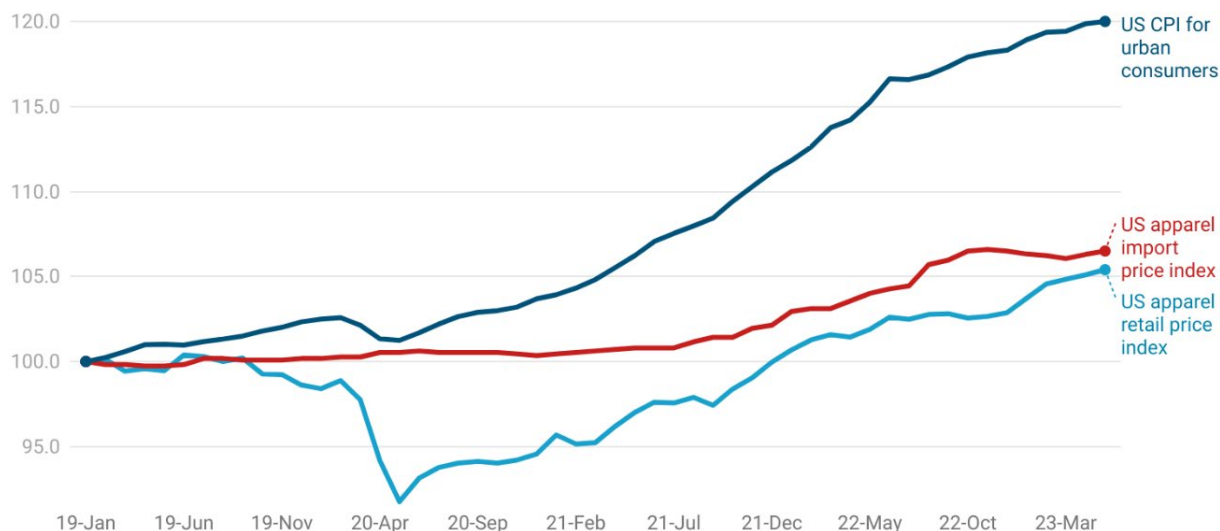
² The Confidence Board (2023). US Consumer Confidence Improved Substantially in June. Retrieved from <https://www.conference-board.org/topics/consumer-confidence/press/CCI-June-2023>

³ Federal Reserve Bank of St. Louis (2023). Consumer price index, retrieved from <https://fred.stlouisfed.org/series/CPIAUCSL#0>; Apparel import price index, retrieved from <https://fred.stlouisfed.org/series/IZ315> The CPI reaching 120 in May 2023 indicates a 20percent increase in prices compared to the benchmark level recorded in January 2019.

⁴ U.S. Customs and Border Protection, CBP (2023). Uyghur Forced Labor Prevention Act. Retrieved from <https://www.cbp.gov/trade/forced-labor/UFLPA>

Price Index (Jan 2019=100)

Up to May 2023



CPI refers to consumer price index

Chart: By Dr. Sheng Lu • Source: St Louis Fed (2023); Census (2023) • Created with Datawrapper

Figure 1-2 Due to inflation in the economy, apparel sourcing costs continue to rise in 2023

Third, respondents report several other economic and non-economic factors that continue to impact their business operations substantially in 2023. For example, **“Compliance with trade regulations (such as rules of origin, the requirement for restricted substances and labeling)”** moved from the 7th in 2022 to the 5th top challenge in 2023. Meanwhile, U.S. fashion companies are closely monitoring the **rising geopolitical disruption worldwide**, including the Russia-Ukraine war, which has directly affected the energy costs facing textile and apparel producers.⁵ Additionally, with the increasing digitalization of the fashion business, from designing products and managing merchandise to tracing suppliers, respondents again rated **“Investing in and updating technology”** as another top ten business priority in 2023.

In a promising sign for the industry, respondents report **“shipping delays and supply chain disruptions”** as a lesser business challenge in 2023. Multiple factors, such as the easing of COVID restrictions in most apparel-producing countries, reduced merchandise trade volume, and expanded service capacity, contributed to this year’s much-improved shipping and logistics landscape.⁶

⁵ Russell, Michelle (2023). Ukraine-Russia one year on: Apparel industry still feeling impact. *Just-Style*. Retrieved from <https://www.just-style.com/news/ukraine-russia-one-year-on-apparel-industry-still-feeling-impact/>

⁶ Friesen, Garth (July 9, 2023). The End Of The Supply Chain Crisis: A Relief From Inflationary Pressures. *Forbes*. Retrieved from <https://www.forbes.com/sites/garthfriesen/2023/07/09/the-end-of-the-supply-chain-crisis-a-relief-from-inflationary-pressures/?sh=6287f78b4422>

1.2 Outlook for 2023 and the Next Five Years

Due to the headwinds and uncertainties in the U.S. and world economy, respondents hold a more cautious view about their sourcing and business outlook in 2023 compared to the previous two years.

How do you anticipate the apparel sourcing value or volume of your company this year relative to last year?

	2022 vs. 2021	2023 vs. 2022
Increase by 20% or more	21.9%	6.9%
Increase by 10-19%	37.5%	10.3%
Increase by 1-9%	34.4%	31.0%
No increase	3.1%	24.1%
Decrease	3.1%	27.6%

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 1-3 Only half of the respondents expect their apparel sourcing value or quantity to grow in 2023, a substantial decline from 90 percent a year ago

First, affected by the weak import demand, U.S. fashion companies' apparel sourcing volume could shrink in 2023. For example, Figure 1-3 shows that **only half** of the respondents expect their apparel sourcing value or quantity to increase in 2023, a substantial drop from 90 percent a year ago. Also, less than 20 percent of respondents expect their sourcing volume to grow more than 10 percent in 2023, another significant drop from the nearly 60 percent in 2022.

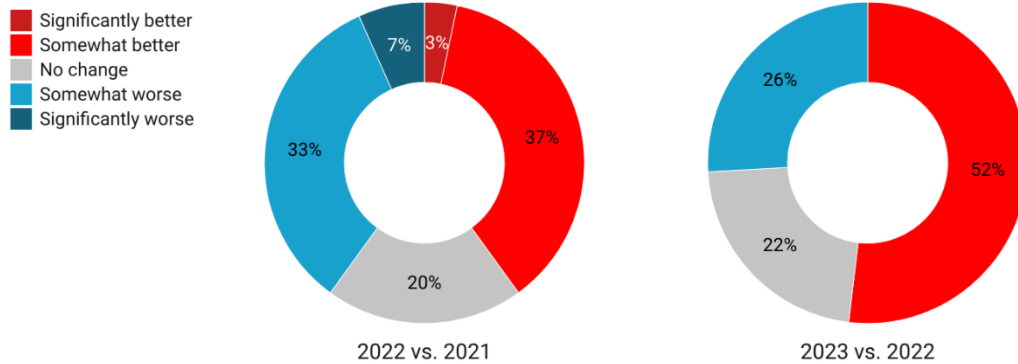
Highly consistent with the survey results, the latest trade statistics show that in the first five months of 2023, U.S. apparel imports fell by 30.5 percent in quantity and 22.9 percent in value year-over-year.⁷ Since summer is traditionally a robust season for clothing sales, followed by events such as back-to-school shopping and major holiday sales like Thanksgiving and Christmas, there is hope for a slight recovery in U.S. apparel imports during the year's second half.

Second, despite the challenging business environment, about half of the respondents expect their companies' financials (profit margins) to improve somewhat in 2023 (see Figure 1-4). In general, larger companies (i.e., those with 1,000+ employees) hold a more optimistic financial outlook than relatively smaller ones (i.e., companies with fewer than 1,000 employees). Other studies suggest that fashion companies that enhance operational efficiency, streamline supply chains, and optimize inventory levels are better positioned to improve their financials during the challenging economic time.⁸

⁷ Office of Textiles and Apparel, OTEXA (2023). Total U.S. textile and apparel imports. Retrieved from <https://www.trade.gov/otexa-import-data>

⁸ S&P (2023). Industry Surveys--Textiles, Apparel & Luxury Goods, June 2023.

How do you anticipate your company's financials (profit margin) this year relative to last year?



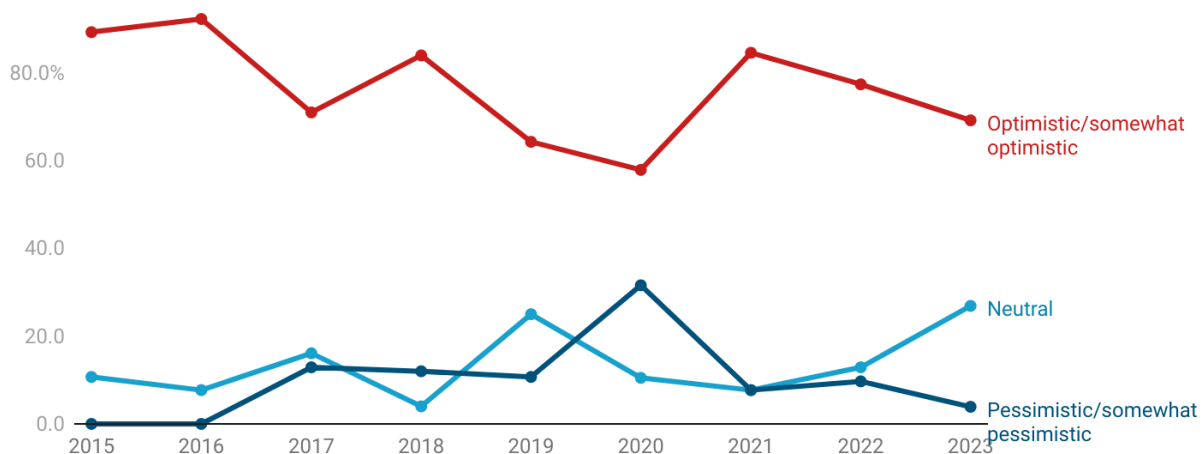
Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 1-4 Half of the respondents expect their financials to improve in 2023

Third, most respondents (69 percent) express optimism or cautious optimism about the U.S. fashion industry in the next five years. Figure 1-5 shows that a higher percentage of respondents (27 percent) hold a neutral view of the U.S. fashion industry's five-year outlook in 2023, up from 13 percent last year. **However, the overall market sentiment remains positive,** with 69 percent of respondents expressing optimism or cautious optimism. Additionally, few respondents (i.e., less than 4 percent) feel pessimistic about the next five years.

Respondents' Five-year Outlook for the US Fashion Industry

69% of respondents feel optimistic or somewhat optimistic about the next five years in 2023, a decrease from 77% last year. More respondents think neutral about the five-year outlook.



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 1-5 Despite economic headwinds, most respondents (69 percent) still feel optimistic or somewhat optimistic about the next five years in 2023

1.3 Demand for Human Talent in the Next Five Years

Your company's demand for human talents in the next five years

Positions	Increase	No change	Decrease
Supply chain specialists (including logistics)	68.0%	28.0%	0.0%
Environmental sustainability-related specialists or managers	68.0%	24.0%	0.0%
Data scientists	64.0%	24.0%	4.0%
Market analysts	56.0%	36.0%	0.0%
Social compliance-related specialists or managers	56.0%	36.0%	0.0%
Sourcing specialists	52.0%	44.0%	4.0%
Trade and customs compliance specialists	52.0%	44.0%	0.0%
Fashion designers	44.0%	36.0%	8.0%
Buyers and merchandisers	36.0%	52.0%	4.0%
Sewing machine operators	32.0%	12.0%	8.0%
Branding specialists	32.0%	56.0%	0.0%
General management administration	20.0%	52.0%	20.0%

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 1-6 Most respondents (85 percent) plan to increase hiring in the next five years to support companies' business expansion

Reflecting fashion companies' overall confidence in their business outlook, most respondents (85 percent) plan to increase hiring over the next five years. On average, each surveyed company plans to increase hiring for six different types of positions, suggesting the demand for human talent covers a broad range of functions.

Companies' hiring plans reflect their business priorities over the next five years. Notably, the top three positions with the highest demands from 2023 through 2028 include **"Supply chain specialists," "Environmental sustainability-related specialists,"** and **"Data analysts."** Many of these positions are closely associated with hot-button issues or top business challenges facing fashion companies, such as supply chain management, sustainability, and adopting data management tools to improve operational efficiency.⁹

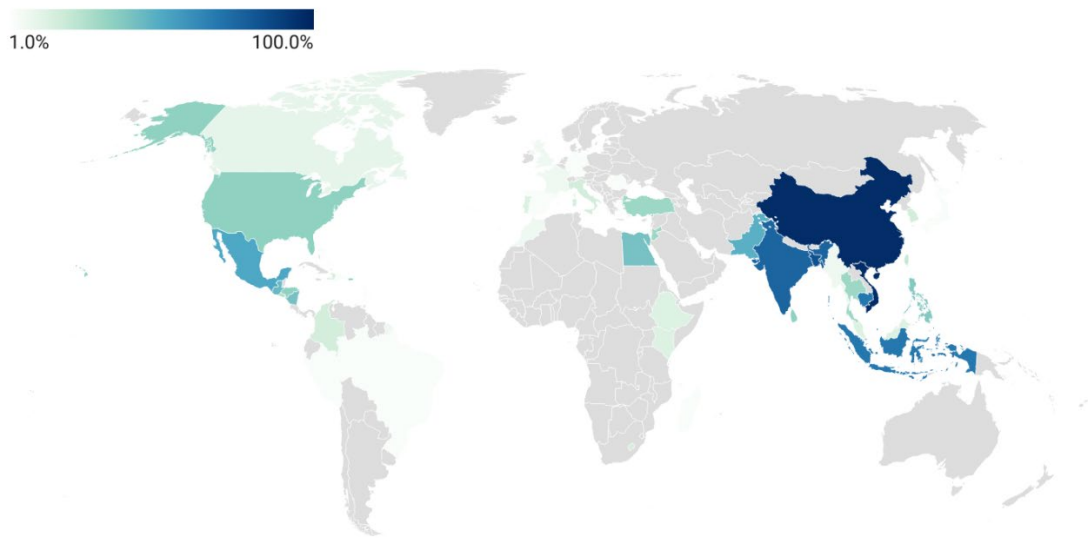
⁹ Business of Fashion (2022). The State of Fashion 2023: Resilience in the Face of Uncertainty. Retrieved from <https://www.businessoffashion.com/reports/news-analysis/the-state-of-fashion-2023-industry-report-bof-mckinsey/>

In contrast, and consistent with previous years' findings, respondents say they are least likely to increase hiring for "**General management**" related positions and "**Sewing machine operators**" over the next five years. In other words, there is no sign that U.S. fashion companies plan to significantly expand their domestic apparel production capacity or shift their business model back to manufacturing. Also, with more and more new digital and AI tools offering fashion companies exciting opportunities to fundamentally change the way they design, create, source, and sell products, respondents' demand for conventional roles such as "**Buyers and merchandisers**," "**Branding specialists**," and "**Fashion designers**" appears to be modest over the next five years.

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

2.1 Sourcing Base in 2023

Respondents' Apparel Sourcing Base in 2023

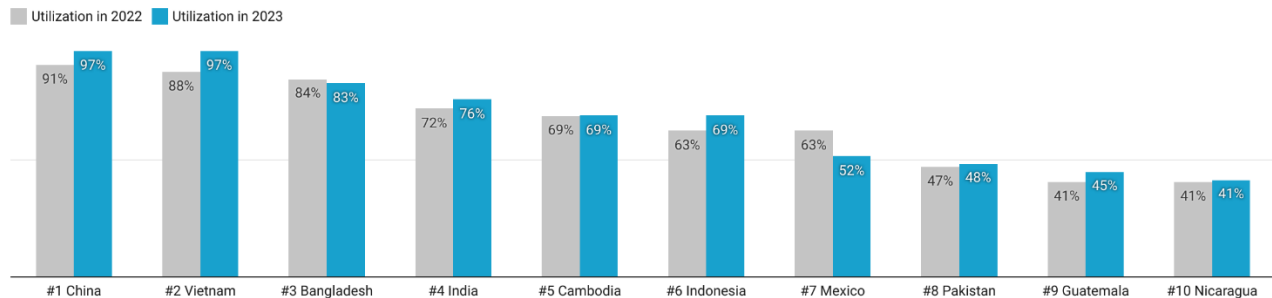


Respondents were asked to select all sourcing destinations they were currently using. The utilization rate in the above map was calculated by dividing the frequency of each country's utilization by the total number of respondents.

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

(Click the picture above for detailed data)

Respondents' top ten apparel sourcing base in 2023



Respondents were asked to select all sourcing destinations they were currently using. The utilization rate in the above figure was calculated by dividing the frequency of each country's utilization by the total number of respondents.

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figures 2-1 and 2-2 Asia remains the most utilized sourcing base for U.S. fashion companies, followed by the Western Hemisphere

Global sourcing is central to U.S. fashion companies' business operations today.¹⁰ This year, respondents report sourcing apparel products from **44 countries**, similar to 48 in 2022 and 43 in 2021. Highly consistent with macro trade statistics, Asia remains the dominant sourcing base for respondents. Notably, seven out of the top ten most-utilized sourcing destinations in 2023 are Asia-based, led by China (97 percent utilization rate), Vietnam (97 percent utilization rate), Bangladesh (83 percent utilization rate), and India (76 percent utilization rate).

¹⁰ Joint Economic Committee Democrats (2019). The economic impact of the fashion industry. Retrieved from <https://www.jec.senate.gov/public/index.cfm/democrats/2019/2/the-economic-impact-of-the-fashion-industry>

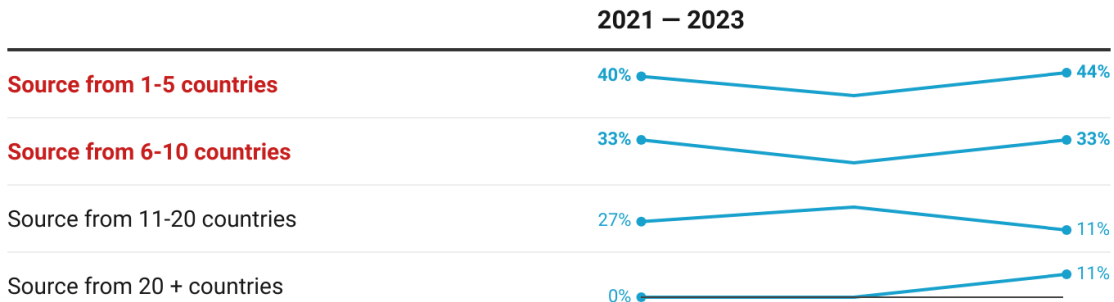
Meanwhile, for the first time since we began the benchmarking survey in 2014, as many as three Western Hemisphere countries made it to the top ten supplier list this year, including Mexico (63 percent utilization rate), Guatemala (45 percent utilization rate), and Nicaragua (41 percent utilization rate). These results reflect the growing popularity of near-shoring among U.S. fashion companies, a key trend also suggested by other recent studies.¹¹

However, respondents rank the United States as the 13th most-used apparel sourcing base in 2023 (utilization rate of 34 percent), a decrease from the 10th place in 2022 (utilization rate of 44 percent). There is no sign that U.S. fashion companies are switching from global to domestic sourcing in the current business environment.

2.2 Sourcing Diversification and Sourcing Portfolio

How diversified is your company's current apparel sourcing base?

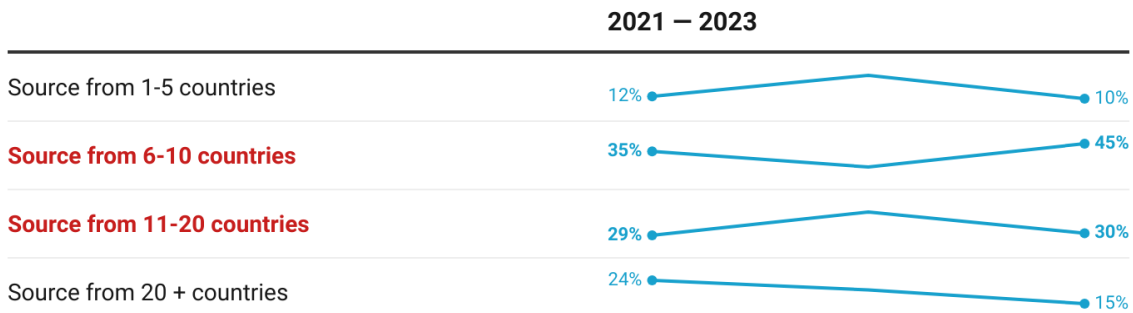
Respondents with <1,000 employees



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

How diversified is your company's current apparel sourcing base?

Respondents with 1,000+ employees



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figures 2-3 and 2-4 Respondents strike to balance diversifying their sourcing base and working closely with key suppliers in 2023

¹¹ Lu, Sheng. (2023). U.S. Apparel Sourcing from CAFTA-DR and U.S. Textile Exports: Myth vs. Reality. Coalition for Economic Partnerships in the Americas (CEPA). Washington, D.C. Retrieved from <https://cepacoalition.com/resources>

In response to the shifting market environment, especially the economic uncertainties and the urgency of managing various sourcing risks, U.S. fashion companies strive to **balance diversifying their sourcing base and working closely with key suppliers**. Specifically, Figures 2-3 and 2-4 show that:

- **Most surveyed U.S. fashion companies maintain a relatively diverse sourcing base in 2023.** For example, large companies (i.e., with 1,000+ employees) typically source apparel from 10+ countries, and relatively smaller companies (i.e., with <1,000 employees) commonly source apparel from 6 or more countries.
- **Respondents are also proactively adjusting the diversity of their apparel sourcing base to align with their company’s priorities.** For instance, irrespective of company size, more respondents now prioritize sourcing from 6 to 10 countries compared to the previous year. Conversely, fewer respondents report sourcing from 20+ countries or fewer than 6. In other words, while trying to build a relatively diverse sourcing base, **U.S. fashion companies are not mindlessly expanding to more countries.** Also, with the much-eased supply chain headache this year, U.S. fashion brands and retailers have significantly reduced the urgency to hastily seek sourcing and production capacities worldwide, as they did in 2022.¹²

Respondents' Apparel Sourcing Portfolio on 2023

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 from There
USA	0.0%	0.0%	9.0%	50.0%	41.0%
China	19.0%	11.0%	30.0%	41.0%	0.0%
Vietnam	7.0%	15.0%	67.0%	11.0%	0.0%
Bangladesh	7.0%	15.0%	30.0%	44.0%	4.0%
Elsewhere in Asia	0.0%	8.0%	71.0%	21.0%	0.0%
Europe	0.0%	0.0%	0.0%	38.0%	63.0%
Turkey	0.0%	0.0%	6.0%	47.0%	47.0%
USMCA (NAFTA) members	5.0%	0.0%	10.0%	55.0%	30.0%
CAFTA-DR members	5.0%	0.0%	24.0%	52.0%	19.0%
Africa	0.0%	0.0%	16.0%	47.0%	37.0%
Middle East	13.0%	8.0%	2.0%	0.0%	0.0%

Elsewhere in Asia included Asian countries other than China, Vietnam and Bangladesh
Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-5 Respondents’ sourcing model is shifting from “China plus Vietnam plus many” to “Asia plus Rest of the World”

¹² Berger, Paul and Young, Liz. (2023). Supply-Chain Headaches Ease for Many Companies. *Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/supply-chain-headaches-ease-for-many-companies-42f3de8b>

This year’s results also show that with the mounting concerns about the risks involved in sourcing from China, U.S. fashion companies’ apparel sourcing model **is gradually shifting from “China plus Vietnam plus Many” to “Asia plus Rest of the world.”** Figure 2-5 shows:

- While China remains the most-utilized apparel sourcing base, respondents have significantly reduced their “China exposure.” **This year, more than 40 percent of respondents report sourcing less than 10 percent of their apparel products from China**, up from 30 percent of respondents a year ago and a notable surge from only 20 percent right before the pandemic.
- **A new record high of 61 percent of respondents no longer treat China as their top apparel supplier in 2023**, up from 50 percent in 2022 and much higher than only 25-30 percent before the pandemic.
- Almost **ALL respondents (97 percent)** say at least 40 percent of their total sourcing value or volume now comes from **Asian countries other than China**. Approximately one-third of respondents indicate **Vietnam** as their largest source of imports. It is also common for fashion companies to distribute their sourcing orders evenly among Vietnam, Bangladesh, and other countries in Asia.
- According to respondents, **member countries of the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) have played a more significant role as an apparel sourcing base in 2023. Over 80 percent of respondents** report sourcing from CAFTA-DR members in 2023, a notable increase from 60 percent in the past few years. Also, **nearly 30 percent of respondents placed more than 10 percent of their sourcing orders with CAFTA-DR members this year**, a substantial increase from only 19 percent of respondents in 2022 and 10 percent in 2021.

CAFTA-DR as Percentage of Total Sourcing Value/Quantity

Year	>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
2023	4.8%	0.0%	23.8%	52.4%	19.0%
2022	3.8%	3.8%	11.5%	61.5%	19.2%
2021	3.3%	0.0%	6.7%	53.3%	36.7%

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-6 Over 80 percent of respondents report sourcing apparel from CAFTA-DR members in 2023, a notable increase from 60 percent in the past few years

Respondents’ sourcing trends are highly consistent with the latest trade statistics released by the Office of Textiles and Apparel (OTEXA) under the U.S. Department of Commerce¹³.

¹³ Office of Textiles and Apparel, OTEXA (2023). Total U.S. textile and apparel imports. Retrieved from <https://www.trade.gov/otexa-import-data>

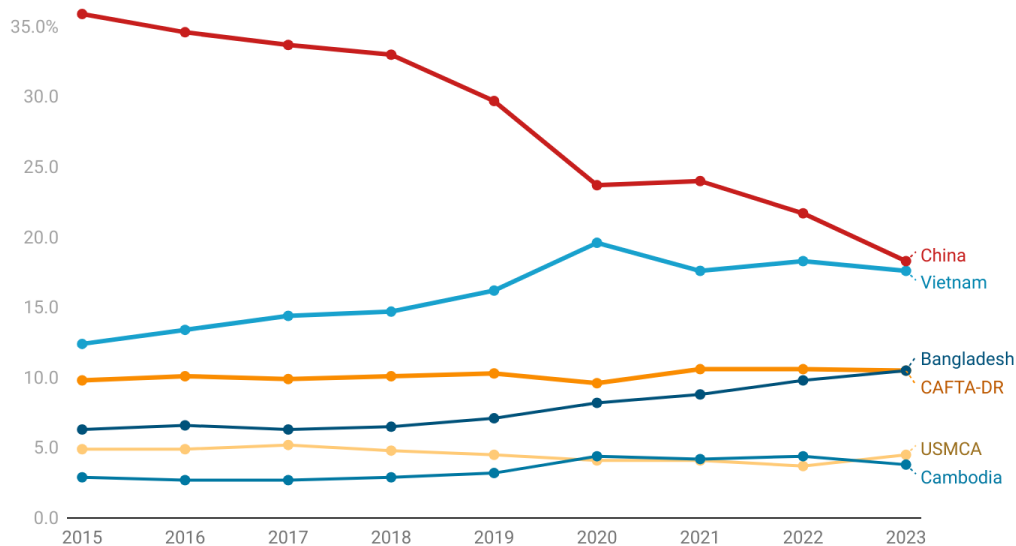
First, U.S. apparel imports have come from more diverse sources in 2023 than in previous years. For example, the Herfindahl–Hirschman Index (HHI), a commonly-used measurement of market diversification, fell to 0.092 in the first five months of 2023, the lowest level since 2018 (note: was 0.11 from 2021 to 2022). A smaller value of the Herfindahl–Hirschman index means a higher degree of sourcing diversification and less concentration in the U.S. apparel import market.¹⁴

Second, U.S. fashion companies are seriously reducing their “China exposure” and moving sourcing orders to China’s competitors in Asia. For example, measured in value, U.S. apparel imports from China fell to 18.3 percent in the first five months of 2023, much lower than nearly 30 percent in 2019. Meanwhile, U.S. apparel imports from the five largest Asian suppliers other than China (namely Vietnam, Bangladesh, Indonesia, India, and Cambodia) reached a new high of 44.3 percent, compared with 37.1 percent in 2019 before the pandemic.

Third, trade data suggests U.S. fashion companies are actively exploring new near-shoring opportunities from the Western Hemisphere. For example, measured in value, about 17.6 percent of US apparel imports came from Western Hemisphere countries in the first five months of 2023, up from 15.8 percent in 2022. CAFTA-DR members, in particular, accounted for 10.5 percent of U.S. apparel imports measured in value in the first five months of 2023, up from 9.7 percent in the same period a year ago.

Sources of US Apparel Imports (By value)

Up to May 2023



2023 covered Jan to May

Chart: by Dr. Sheng Lu • Source: OTEXA (2023) • Created with Datawrapper

(Click the figure above for detailed data)

Figure 2-7 U.S. fashion companies are serious about reducing “China exposure,” finding China’s alternatives, and expanding near-shoring from the Western Hemisphere

¹⁴ Rhoades, S. A. (1993). The Herfindahl-Hirschman index. Fed. Res. Bull., 79, 188.

This year, we also asked respondents to share their textile raw material sourcing portfolio. Compared to finished garments, **U.S. fashion companies' textile raw materials sourcing base seems less diversified.** Asia, particularly China, remains dominant. Specifically, Figure 2-8 shows that:

On the one hand, China is the most-utilized textile sourcing base, with a 70 percent+ utilization rate for various textile raw materials, from yarns and fabrics to textile accessories (e.g., buttons, zippers, trims, and labels). This result implies that **reducing “China exposure” may present more significant challenges** for U.S. fashion companies regarding textile raw materials in the short to medium term, particularly as China assumes an increasingly important role as a leading textile supplier for many prominent apparel exporting countries in Asia.¹⁵

On the other hand, the supply of textile materials from the Western Hemisphere remains limited. For example, only about **one-third** of respondents indicate that their sourced garments contain U.S.-made yarns. Similarly, **less than 40 percent** of respondents report sourcing fabrics and textile accessories from Western Hemisphere countries, which includes the United States, CAFTA-DR members, and USMCA members (i.e., Mexico and Canada).

Interestingly, all the companies that source textile materials from the Western Hemisphere ALSO source their yarns, fabrics, and textile accessories from Asian countries. Furthermore, **nearly half of the respondents solely rely on sourcing fabrics and textile accessories from Asia.**

Overall, the results align with the findings of other recent studies, indicating that the inadequate supply of textile raw materials, particularly fabrics and textile accessories, constitutes a critical bottleneck hindering increased U.S. apparel sourcing from the Western Hemisphere.¹⁶

¹⁵ Lu, Sheng. (2022). World textile and apparel trade in 2021: A statistical review. *Just Style*. <https://www.just-style.com/analysis/world-textiles-and-clothing-trade-in-2021-a-statistical-review/>

¹⁶ Lu, Sheng. (2023). Impact of textile raw material access on CAFTA-DR members' apparel exports to the United States: A quantitative evaluation. *Journal of the Textile Institute*. ahead of print. <https://doi.org/10.1080/00405000.2023.2191235>

Where are your company's sources of textile raw materials in 2023?

Suppliers	Fabrics ▼	Yarns and threads	Accessories (buttons, zippers, trims and labels)
China	93.1%	72.4%	78.6%
Other Asian countries	65.5%	48.3%	50.0%
South Korea, Taiwan or Japan	55.2%	34.5%	39.3%
CAFTA-DR	34.5%	37.9%	35.7%
USA	24.1%	31.0%	17.9%
Europe	24.1%	3.4%	7.1%
USMCA	13.8%	17.2%	17.9%

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-8 Asian countries, particularly China, continue to be the primary suppliers of textile raw materials for U.S. fashion companies in 2023

2.3 Sourcing Cost

In 2023, rising sourcing costs remain one of the top three business challenges for U.S. fashion companies. However, **the overall pressure of sourcing costs has decreased compared to the previous year.**

Figure 2-9 shows that approximately 60 percent of respondents anticipate an increase in their company's sourcing costs in 2023, marking a significant decline from the 100 percent reported in 2022. Furthermore, no respondents expect a "substantial increase" in sourcing costs this year, compared to nearly 40 percent in 2022. Additionally, about one-third of the respondents estimate a slight decrease in sourcing costs for 2023, which was none last year.

What is your company's expectation about sourcing cost?

Items	2021	2022	2023
Substantial cost increase	36.7%	38.7%	0.0%
Modest cost increase	33.3%	54.8%	37.9%
Slight cost increase	26.7%	6.5%	20.7%
No change	0.0%	0.0%	10.3%
Decline in sourcing cost	3.3%	0.0%	31.0%

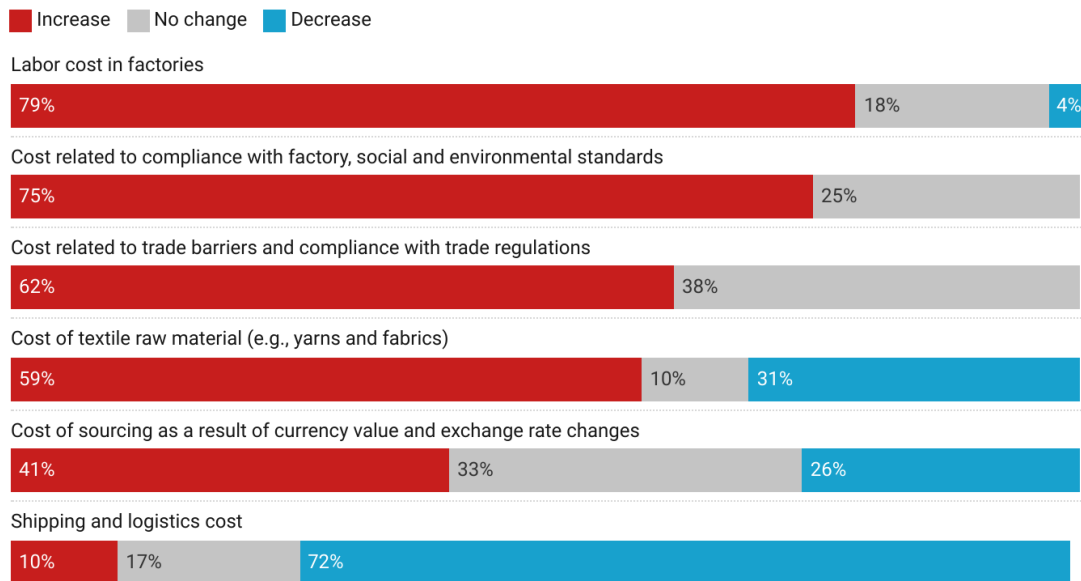
Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-9 The sourcing cost pressure continues to persist in 2023, albeit to a lesser extent compared to a year ago

Figure 2-10 also shows that the specific factors affecting sourcing costs changed substantially in 2023 from last year. For example, because of inflation in the world economy and wage increases in many primary apparel-supplying countries¹⁷, nearly 80 percent of respondents expect “**Labor cost**” will go up in 2023. Meanwhile, affected by the implementation of the UFLPA and other labor and environmental regulations, both domestic and foreign, 75 percent of respondents expect the “**Cost related to compliance with factory, social and environmental regulations**” to increase this year. Another 62 percent of respondents say the “**Cost associated with trade barriers and compliance with trade regulations**” (such as rules of origin and tariffs) will increase in 2023.

In contrast, 72 percent of respondents expect their **shipping costs** to drop in 2023, thanks to the much-improved shipping operations and logistics situation.

How do you expect the following factors impacting sourcing cost to change in 2023?



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-10 While shipping cost is down, labor and compliance costs go up in 2023

¹⁷ For example, see Loh, Dylan (2022). Asia's wage hikes to accelerate in 2023. *Nikkei Asia Review*. Retrieved from <https://asia.nikkei.com/Economy/Inflation/Asia-s-wage-hikes-to-accelerate-in-2023>

2.4 Strengths and Weaknesses of Primary Sourcing Destinations

Table 2-1 Strengths and weaknesses of primary sourcing bases in 2023—by country

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

Note: The figures in the table reflect 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 assess the strengths and weaknesses of each primary sourcing destination, we once again surveyed respondents this year and asked them to evaluate these destinations based on six criteria that have the most significant impact on sourcing decisions. Table 2-1 shows that the rating scores are stable and highly consistent with the results over the past few years. However, there are also a few notable changes this year:

First, thanks to geographic proximity, **the United States, Mexico, and CAFTA-DR members exhibit significant competitive advantages over suppliers from other regions in terms of speed to market.** Meanwhile, because of the improved shipping and logistics situation this year and the lifting of COVID restrictions, respondents note that several supplying countries, particularly **China** (increased from 3.0 to 3.5), **Egypt** (increased from 2.6 to 3.0), and **Vietnam** (increased from 2.7 to 3.0), have enhanced their speed to market performance.

Secondly, like the results in previous years, respondents indicate that most supplying countries can offer relatively competitive prices for apparel products. Due to higher wages, respondents say sourcing from **the United States and European countries** will incur higher costs. Further, compared to the previous year, respondents rate **Vietnam** (decreased from 3.8 to 3.5) as less price-competitive as an apparel sourcing base in 2023. Some studies observed similar trends, citing inflation and wage increases as critical contributing factors.¹⁸

¹⁸ For example, Tatarski, Michael (2023). Inflation hits Vietnam's apparel, footwear sectors as China reopens. *Just-Style*. Retrieved from <https://www.just-style.com/features/inflation-hits-vietnams-apparel-footwear-sectors-as-china-reopens/>

Third, respondents again rate China and Vietnam as the most competitive regarding sourcing flexibility and agility this year (i.e., quickly adjusting the delivery, volume, and product of the sourcing order upon customers' requests). The lifting of COVID restrictions in these two countries has significantly reduced supply chain disruptions and facilitated the smooth movement of goods.¹⁹ Also this year, several suppliers, including **Vietnam, Bangladesh, India, Sri Lanka, and CAFTA-DR members**, received improved ratings regarding their sourcing flexibility and agility performance. Over the past few years, many garment suppliers in Asia have notably taken proactive measures to enhance their adaptability and responsiveness to stay competitive and resilient during the pandemic.²⁰

Fourth, respondents highlight growing social and labor compliance risks associated with sourcing from China, Vietnam, and Cambodia. Unsurprisingly, the concerns regarding China and Vietnam arise from worries about the potential links of their products to forced labor in China's Xinjiang Uyghur Autonomous Region (XUAR).²¹ For example, one respondent says they have "*concerns about nexus to XUAR, particularly for China and Vietnam.*" Another adds, "*Social compliance out of China due to no transparency and Xinjiang forced labor/general practices of the China Communist Party (CCP).*" As Vietnam's garment industry relies heavily on using imported textile raw materials from China, almost the same amount of Vietnam's textile and apparel products were subject to CBP's UFLPA investigations as China in FY2023.²² Meanwhile, the political instability in Cambodia negatively affects the country's perceived social and labor compliance risks this year.²³

On the other hand, **respondents note decreased social and labor compliance risks associated with sourcing from Bangladesh**, although concerns remain. The improved rating (i.e., 2.5 in 2023 vs. 2.0 on average between 2019 and 2022) acknowledges the collaborative efforts of various stakeholders to enhance social responsibility practices in the Bangladeshi garment industry since the Rana Plaza tragedy.²⁴

Furthermore, in line with the survey results from previous years, respondents rate sourcing from developed countries as generally posing lower environmental compliance risks when compared to developing countries. Apart from the legal framework and enforcement factors, developing countries shoulder greater responsibility for managing and mitigating the fashion industry's environmental impact, given that most apparel production occurs there.

¹⁹ Textile Outlook International (2023). Prospects for the textile and clothing industry in Vietnam. No. 219, June 2023.

²⁰ McKinsey & Co. (2023). Redesigning apparel manufacturing in Asia: A pattern for resilience. Retrieved from <https://www.mckinsey.com/industries/retail/our-insights/redesigning-apparel-manufacturing-in-asia-a-pattern-for-resilience>

²¹ U.S. Department of State (2022). Xinjiang Supply Chain Business Advisory. Retrieved from <https://www.state.gov/xinjiang-supply-chain-business-advisory/>

²² According to CBP, as of May 29, 2023, in FY2023, approximately \$13 million worth of textile, apparel, and footwear imports from Vietnam were investigated under UFLPA, while imports from China amounted to nearly \$14.03 million. See <https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>

²³ For example, see United Nations. (2023). Cambodia: UN experts condemn verdict against opposition leader Kem Sokha. Retrieved from <https://www.ohchr.org/en/press-releases/2023/03/cambodia-un-experts-condemn-verdict-against-opposition-leader-kem-sokha>

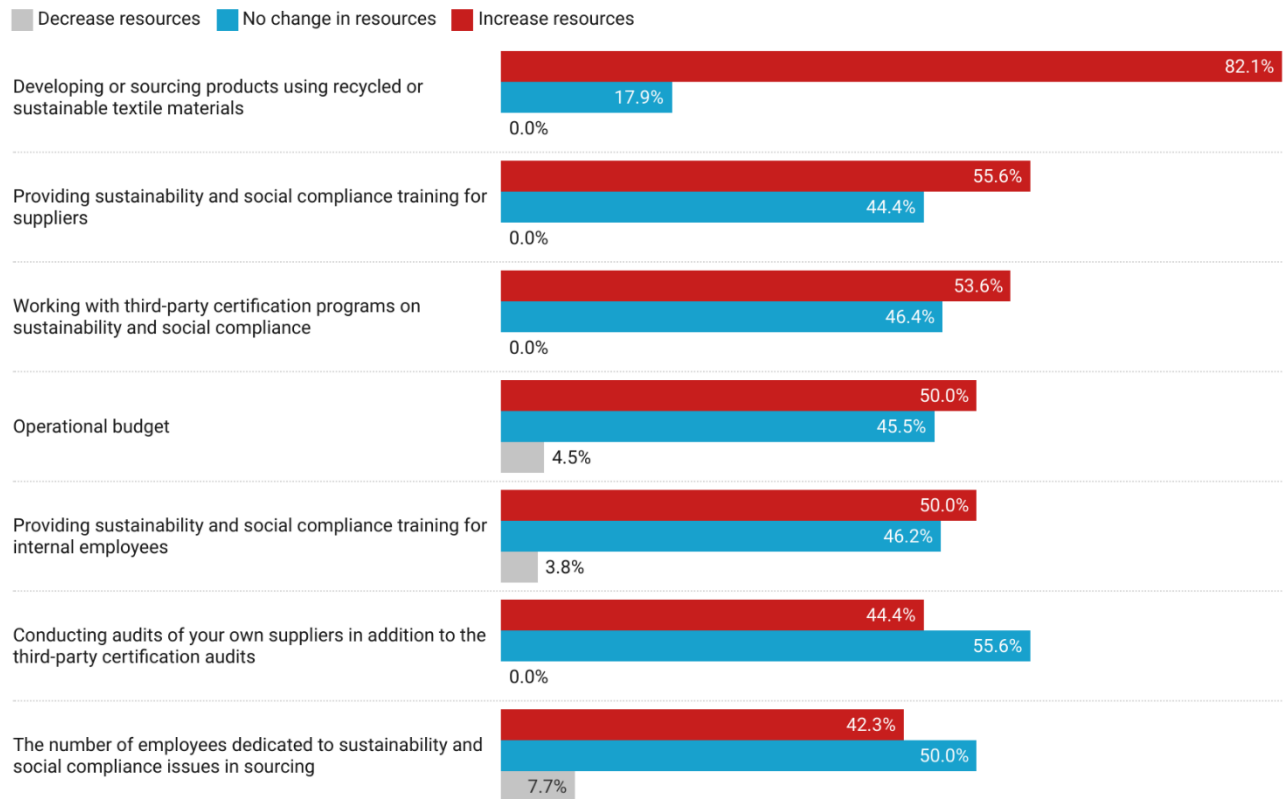
²⁴ International Labor Organization, ILO (2023). The Rana Plaza disaster ten years on: What has changed?. Retrieved from <https://www.ilo.org/infostories/en-GB/Stories/Country-Focus/rana-plaza#intro>

2.5 Social Responsibility and Sustainability Issues in Sourcing

Despite the prevailing market uncertainties and persistent business challenges experienced this year, U.S. fashion companies stay **highly committed to making apparel sourcing more sustainable, ethical, and socially responsible**. According to Figure 2-11:

- Consistent with last year’s results, **around 90 percent of respondents plan to allocate MORE resources towards sustainability and compliance over the next two years**, notably higher than approximately 60 percent reported before the pandemic.
- On average, each surveyed company plans to allocate more resources to **four different areas** to improve sustainability, social responsibility, and compliance, such as offering training and increasing budget, as Figure 2-11 illustrates.
- Respondents displayed significant enthusiasm for carrying more sustainable textile and apparel products. For instance, **more than 80 percent of respondents plan to allocate more resources to “develop or source products using recycled or sustainable textile materials”** over the next two years.
- With the emergence of social and environmental regulations, whether domestic or foreign, coming into force or under development, over half of the respondents plan to strengthen **“Sustainability and social compliance training for suppliers,” “Sustainability and social compliance training for internal employees,”** and **“Working with third-party certification programs on sustainability and social compliance”** over the next two years.
- Finally, approximately half of the respondents plan to **increase their budget for sustainability or social responsibility practices over the next two years**. In contrast, less than 5 percent of respondents plan to reduce their budget for this area, primarily citing financial reasons.

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



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-11 Respondents plan to continue to allocate more resources in support of their companies' sustainability and compliance efforts

2.6 Sourcing Clothing Using Recycled or Other Sustainable Textile Materials

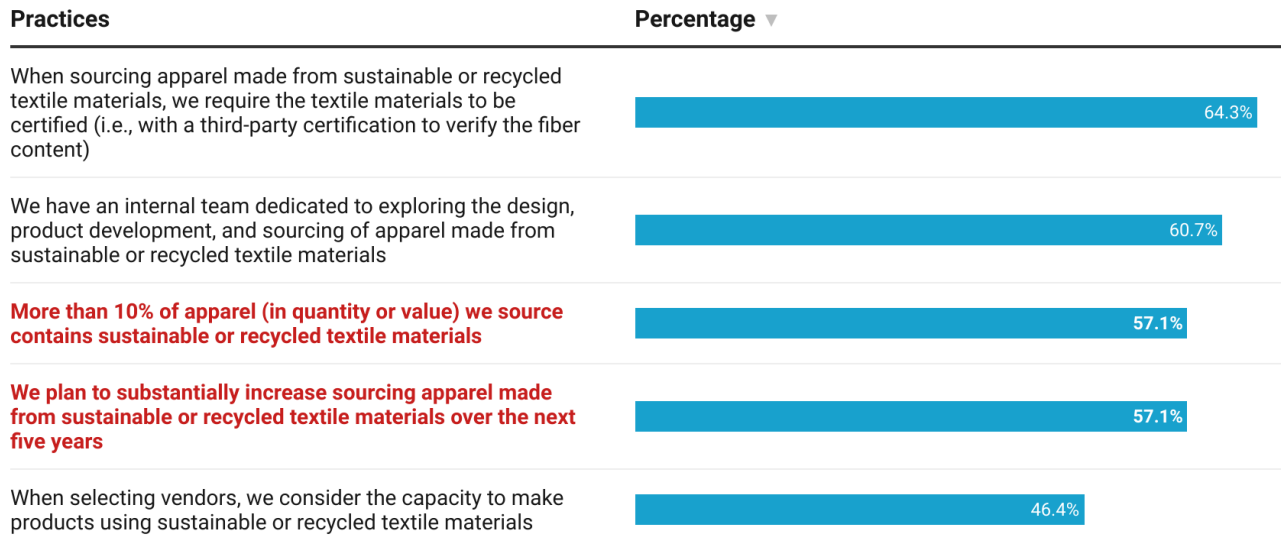
As consumers become increasingly aware of the magnitude of the textile waste problem, a growing number of U.S. fashion companies, ranging from fast fashion retailers to luxury brands, are now offering clothing made from recycled or other sustainable textile materials.²⁵ This year's survey asked respondents about their specific sourcing practices for such products. Several trends are worth watching:

First, respondents demonstrate a solid dedication to expanding their sourcing of clothing made from recycled or other sustainable textile fibers. For example, Figure 2-12 shows that **nearly 60 percent** of respondents say **at least 10 percent** of their sourced apparel products already use recycled or other sustainable textile materials. **Another 60 percent** of surveyed companies plan to **“substantially increase sourcing apparel made from sustainable or recycled textile materials over the next five years.”**

²⁵ Botwinick, Ally., & Lu, Sheng. (2023). Explore U.S. retailers' merchandising strategies for clothing made from recycled textile materials. *International Journal of Fashion Design, Technology and Education*, 16 (2), 131-140.

The results unveil a promising growth prospect for sourcing clothing using sustainable textile fibers, which will gradually become a critical component of U.S. fashion companies' apparel assortment.

Regarding sourcing apparel made from sustainable or recycled textile materials, which of the following apply to your company?



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-12 U.S. fashion companies commit to sourcing more clothing made from recycled or other sustainable textile materials

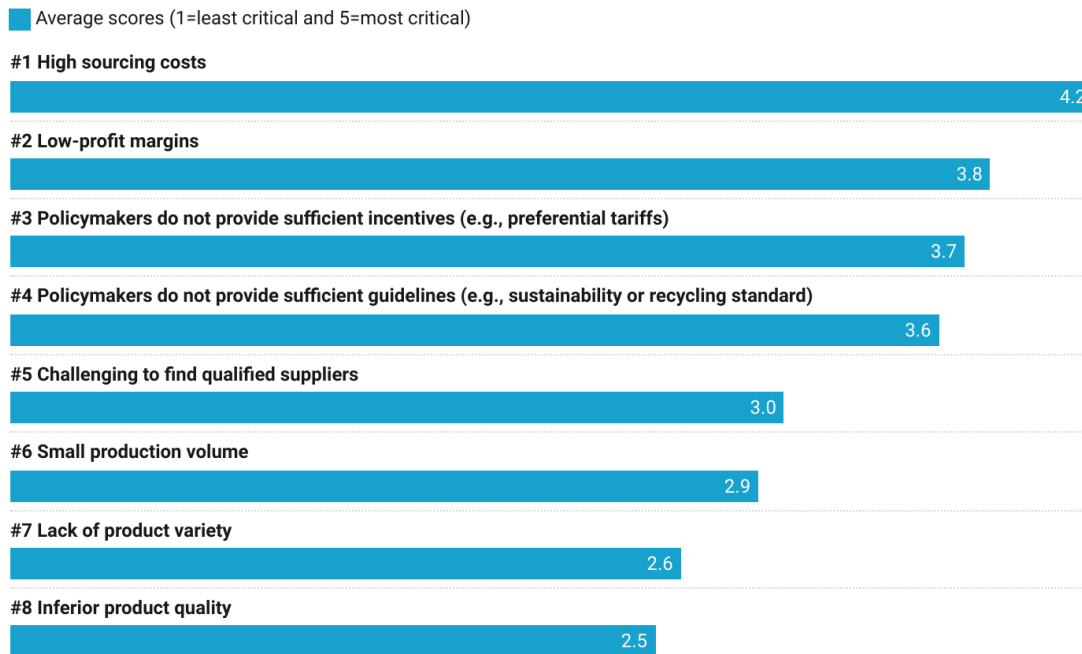
Second, the results reveal the complexity of sourcing clothing made from recycled or other sustainable textile materials. For example, Figure 2-12 indicates that over 60 percent of respondents have established “**an internal team dedicated to exploring the design, product development, and sourcing of apparel made from sustainable or recycled textile materials.**” Likewise, another 65 percent of respondents say that when sourcing clothing made from recycled or other sustainable textile materials, they “**require the textile materials to be certified (i.e., with a third-party certification to verify the fiber content).**” Other studies also suggest that sourcing clothing made from recycled textiles requires substantial financial and human resources due to factors such as a very different supply chain and vendor base, the additional complexity of traceability, and meeting unique legal requirements.²⁶

²⁶ Lu, Sheng. (2023). Explore U.S. retailers' sourcing strategies for clothing made from recycled textile materials. Sustainability, 15(1), 38. <https://www.mdpi.com/2071-1050/15/1/38> and European Commission (2022). EU strategy for sustainable and circular textiles. Retrieved from https://environment.ec.europa.eu/publications/textiles-strategy_en

Third, respondents identify several critical bottlenecks regarding expanding sourcing clothing using recycled or other sustainable textile materials. As Figure 2-13 shows:

- Addressing the **higher sourcing costs** and the **low profit margins** are regarded as the top challenges, with 70 percent of respondents rating the two issues as the most critical. In comparison, U.S. fashion companies consider technical challenges like “lack of product variety,” “inferior product quality,” and “small production volume” to be of moderate impact on sourcing decisions.
- About **60 percent of respondents** also **call for policy support** for sourcing clothing using recycled or other sustainable textile materials, such as **preferential tariff rates and guidance on sustainability and recycling standards**.
- In 2022, CBP launched a “**Green trade strategy**” to lead the Biden Administration’s efforts to “combat climate change in the context of the trade mission.”²⁷ The green trade strategy provides excellent opportunities and great potential for policymakers to work with U.S. fashion companies to develop effective policies that promote more sustainable clothing sourcing and use recycled textile materials in apparel products.

What are the key bottlenecks for sourcing apparel using sustainable or recycled textile materials?



The respondents were asked to rate each bottleneck on a 5-point scale, with 5 = the most critical and 1 = the least critical.
Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

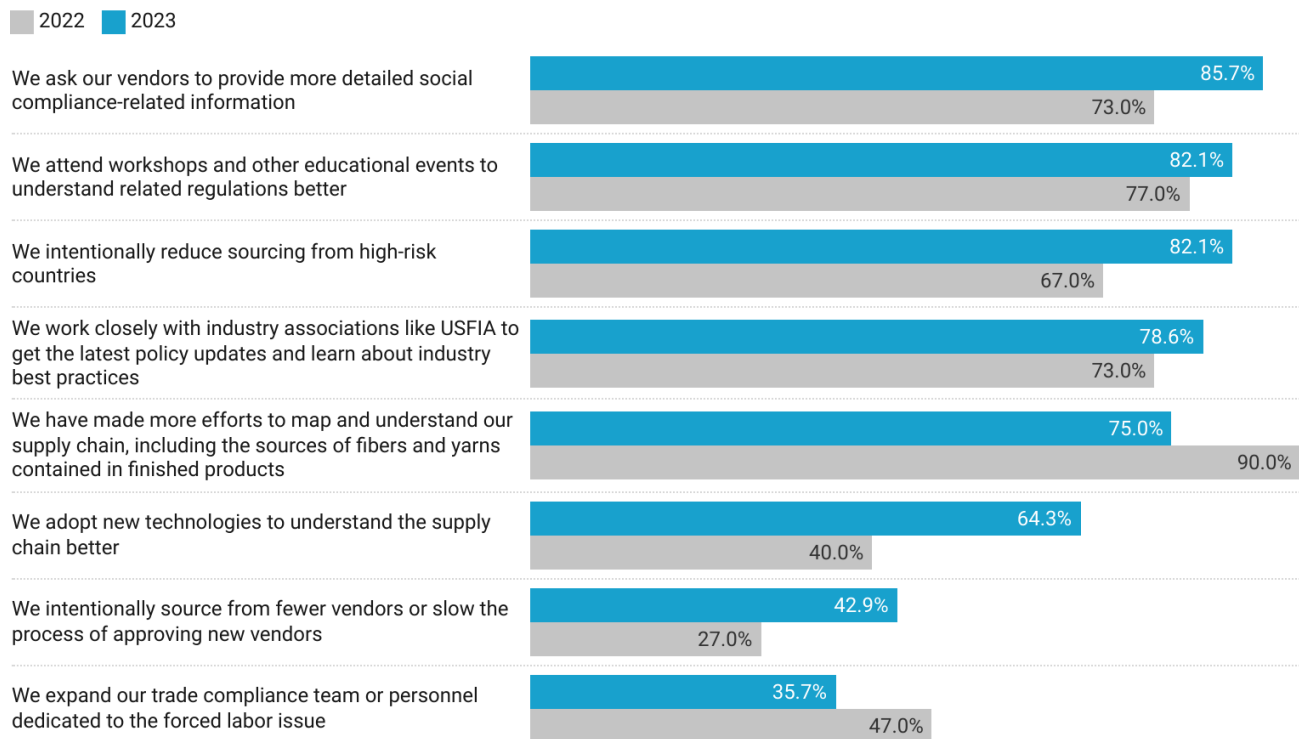
Figure 2-13 Lowering sourcing costs and providing more policy incentives and guidelines are essential to encourage sourcing more clothing using recycled or sustainable textiles

²⁷ Customs and Border Protection, CBP (2022). Green trade strategy. Retrieved from <https://www.cbp.gov/trade/cbp-green-trade-strategy>

2.7 Managing the Risk of Forced Labor in Sourcing

Managing the risk of forced labor in the supply chain continues to be a top priority for U.S. fashion companies in 2023, particularly with the implementation of the UFLPA on June 21, 2022.²⁸ The law prohibits imports of all goods (including textiles and apparel) wholly or partly made in China's XUAR or by entities on the UFLPA entity list.²⁹

What measures has your company taken or plan to take to manage the forced labor risks in the supply chain?



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-14 U.S. fashion companies have adopted a comprehensive approach to address the forced labor risks in 2023

U.S. fashion companies have adopted multiple strategies to address the forced labor risks and fully comply with the new law. According to Figure 2-14:

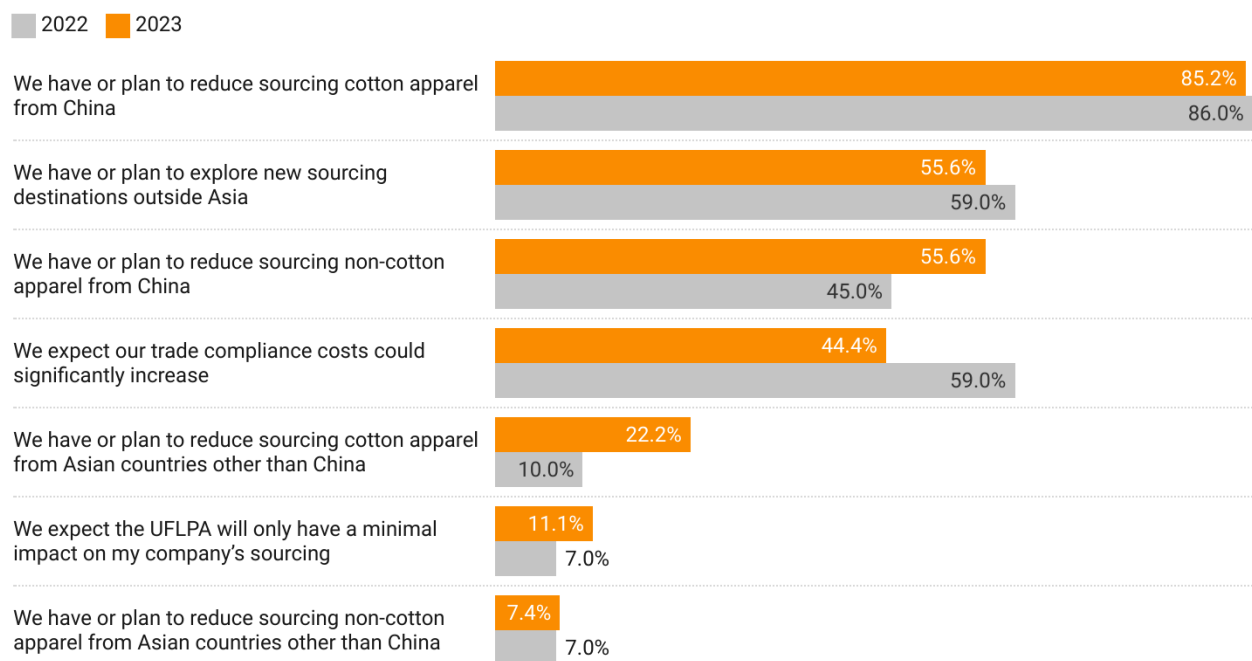
- Given the issue's complexity, most surveyed U.S. fashion companies have taken a comprehensive approach to mitigate forced labor risks in the supply chain. On average, each company has implemented approximately **4-5 distinct practices** across various aspects of their business operations.

²⁸ Customs and Border Protection, CBP (2023). UFLPA. Retrieved from <https://www.cbp.gov/trade/forced-labor/UFLPA>

²⁹ Customs and Border Protection, CBP (2023). Uyghur Forced Labor Prevention Act (UFLPA) entity list. Retrieved from <https://www.dhs.gov/uflpa-entity-list>

- Three practices, including “**asking vendors to provide more detailed social compliance information,**” “**attending workshops and other educational events to understand related regulations better,**” and “**intentionally reducing sourcing from high-risk countries,**” are the mostly commonly adopted by respondents (over 80 percent) in response to forced labor risks and the UFLPA’s implementation.
- Highly consistent with last year’s results, nearly 80 percent of respondents continue to “**work closely with industry associations like USFIA to get the latest policy updates and learn about industry best practices**” in 2023.
- Additionally, in 2023, there has been a significant increase in the number of respondents who “**adopt new technologies to gain better insights into the supply chain**” (rising from 40 percent to 64 percent) and “**intentionally reduce the number of vendors or slow down the process of approving new vendors**” (increasing from 27 percent to 40 percent) compared to the previous year.

How has the Uyghur Forced Labor Prevention Act (UFLPA) affected your company’s sourcing?



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-15 UFLPA’s enforcement has increased U.S. fashion companies’ eagerness to reduce “China exposure” in textile and apparel sourcing

The UFLPA enforcement since June 2022 has also significantly impacted U.S. fashion companies' sourcing practices. According to Figure 2-15:

First, UFLPA's implementation has affected U.S. textile and apparel imports from sources beyond China. Figure 2-15 shows that since January 1, 2023, CBP's UFLPA enforcement has affected respondents' importation of "Cotton apparel products from China," "Cotton apparel products from Asian countries other than China," and "Non-apparel textile products (i.e., home textiles) from China." The findings align with CBP's statistics, which indicate that shipments from China and other Asian countries have been subject to investigation or detention under UFLPA enforcement.³⁰

Second, UFLPA's enforcement has increased U.S. fashion companies' eagerness to reduce textile and apparel sourcing from China to mitigate the associated risks. For example, Figure 2-15 shows that nearly 86 percent of respondents "have or plan to **reduce sourcing cotton apparel from China.**" Another 55 percent of respondents "have or plan to **reduce sourcing non-cotton apparel from China.**" Highly consistent with the findings, trade statistics reveal that in the first five months of 2023, China accounted for only 10 percent of U.S. cotton apparel imports when measured in value, a new low since 2017 (i.e., 27.6 percent). Over the same period, China accounted for about 24 percent of U.S. imports of non-cotton apparel, a significant decrease from nearly 40 percent in 2017.³¹

Third, U.S. fashion companies are actively seeking to diversify their sourcing beyond Asia to mitigate the forced labor risks, particularly regarding cotton products. U.S. apparel imports from Asian countries other than China are NOT immune to UFLPA as they often use textile inputs made in China through a highly-integrated regional supply chain.³² Because of the potential forced labor risks in the supply chain, about 55 percent of surveyed companies indicate they "**have or plan to explore sourcing destinations outside Asia.**" Another 22 percent of respondents explicitly say they "**have or plan to reduce sourcing cotton apparel from Asian countries other than China**" because of UFLPA, a notable increase from only 10 percent in 2022.

Additionally, respondents suggest several areas where CBP could improve its UFLPA enforcement. As summarized in Table 2-2, these suggestions concentrate on three main themes:

- Improve transparency and clarity of UFLPA enforcement and share more essential enforcement data with U.S. fashion companies.
- Continue to engage with industry stakeholders to better understand how the apparel supply chain and sourcing work.
- Leverage existing programs, such as a company's "trusted trader importer status," and provide more tools supporting companies' supply chain mapping and traceability efforts.

³⁰ See Customs and Border Protection, CBP (2023). Uyghur Forced Labor Prevention Act Statistics. Retrieved from <https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>

³¹ Office of Textiles and Apparel, OTEXA (2023). Total U.S. textile and apparel imports. Retrieved from <https://www.trade.gov/otexa-import-data>

³² Lu, Sheng (2022). World textiles and clothing trade in 2021. Retrieved from <https://shenglufashion.com/2022/12/02/world-textiles-and-clothing-trade-in-2021-a-statistical-review/>. Also see Nguyen, Giang & Gia Hoang, Thinh (2023). Impact of US anti-forced labor laws on Vietnam's textile industry. Hinrich Foundation. Retrieved from <https://www.hinrichfoundation.com/research/wp/sustainable/impact-of-us-anti-forced-labor-laws-on-vietnam-textile-industry/>

Table 2-2 Respondents suggest several areas where CBP could improve its UFLPA enforcement

Themes	Comments from respondents
Improve enforcement transparency and clarity and share more essential enforcement data.	<p><i>Suggest US customs provide more visibility on detained shipments and release more clarity on the information required to release a detained shipment</i></p> <p><i>(Clarify) documents for production and what should be acceptable</i></p> <p><i>Improve clarity on needed documentation</i></p> <p><i>Better guidance on what they are looking for in detained shipments and better guidance on why a particular shipment was not released</i></p> <p><i>Issues of transparency, still flying the plane while building it, and lack of understanding of the scope and impact on the business</i></p>
More engagement with industry stakeholders	<p><i>(Build) the partnership between CBP and importers</i></p> <p><i>(Provide opportunities) to engage with CBP's Office of Field Operations</i></p> <p><i>There needs to be a better understanding of how garments are procured/sourced and methods to deter forced labor vs. blank statements with no guidance</i></p>
Better use existing programs and provide more supply chain traceability tools	<p><i>Recognize company's trusted trader importer status</i></p> <p><i>Have more approved agencies to validate cotton traceability</i></p>

2.8 Emerging Sourcing Trends

When looking ahead to U.S. fashion companies' apparel sourcing strategies over the next two years, several emerging trends are noteworthy:

Your company's apparel sourcing strategy through 2025?

	Source from the same number of countries, but work with fewer suppliers	Source from more countries and work with more suppliers	Source from the same number of countries, but work with more suppliers	Source from fewer countries and work with fewer suppliers	No change	Source from fewer countries, but work with more suppliers in these countries
2019	40.0%	25.7%	17.1%	11.4%	5.7%	0.0%
2021	43.3%	16.7%	20.0%	13.3%	3.3%	3.3%
2022	28.1%	37.5%	15.6%	0.0%	15.6%	3.1%
2023	20.7%	37.9%	20.7%	6.9%	3.4%	6.9%

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-16 Sourcing diversification and strengthening relationships with key vendors will remain key sourcing trends among U.S. fashion companies

First, sourcing diversification and strengthening the relationships with key vendors will continue to be prominent trends among U.S. fashion companies. Figure 2-16 shows that the most popular strategy among respondents regarding their apparel sourcing base over the next two years is to “**Source from MORE countries and work with MORE suppliers.**” (38 percent). Another 20 percent of respondents plan to “**Source from the same number of countries but work with MORE suppliers.**”

Meanwhile, about 20 percent of respondents plan to “**Source from the same number of countries but work with FEWER suppliers,**” but it was a notable decrease from 30-40 percent from the previous few years.

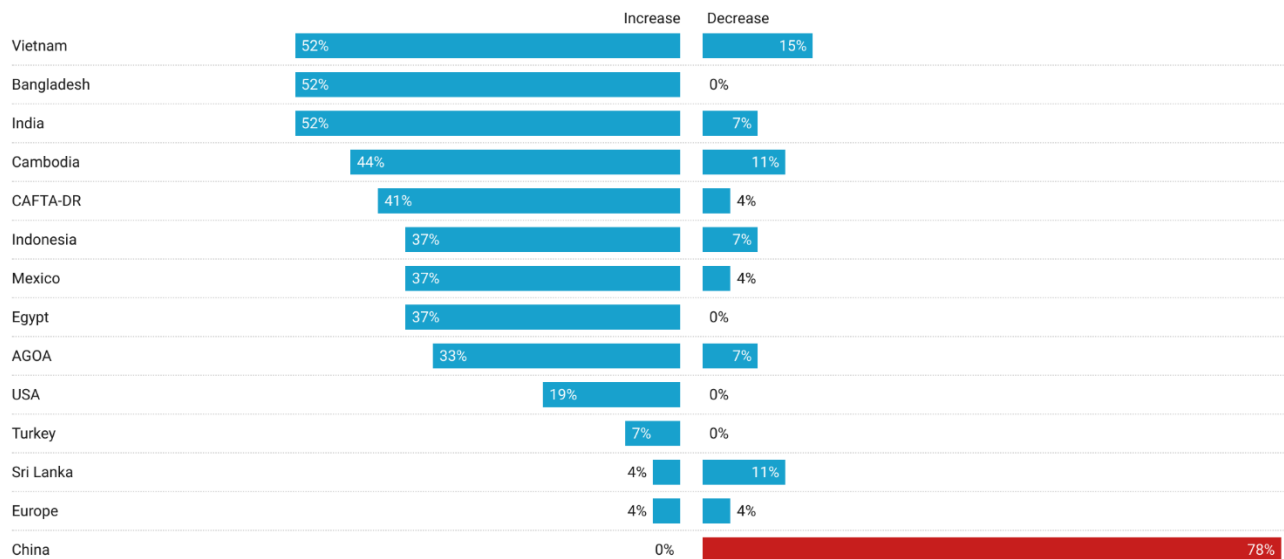
Respondents’ qualitative comments further show that **the choice between sourcing diversification and concentration reflects an individual company’s business priorities.** For example, companies opting for sourcing diversification prioritize risk reduction, market expansion, and capacity building, while companies that choose sourcing consolidation focus on enhancing operational efficiency and strengthening relationships with key vendors (see Table 2-3).

Table 2-3 The choice between sourcing diversification and concentration reflects an individual company’s business priorities

Why source from MORE countries and work with MORE vendors?—Respondents’ comments	
Reduce sourcing risks	<p><i>Risk avoidance</i></p> <p><i>Near-shoring, diversifying to mitigate risk</i></p> <p><i>Spreading risk</i></p> <p><i>Considering the risk of labor compliance</i></p>
Support market expansion	<p><i>Diversification and expand local for local markets</i></p> <p><i>Expand to new countries with new and existing suppliers</i></p>
Add new production and sourcing capacity	<p><i>Diversification as product lines develop</i></p> <p><i>Cost and factory capacity</i></p> <p><i>Adjusting strategy to work more vendor-direct vs. through agencies</i></p> <p><i>We have very large orders and are very selective on who we place orders with. We have long-term relationships. that said we may add one or two new suppliers for test orders.</i></p>
Reduce “China exposure”	<p><i>Need to find replacement to China. Both on garment vendors and mills</i></p> <p><i>Concerns over the viability of China’s as a reliable source due to geopolitical tensions.</i></p> <p><i>Moving out of China to India, Pakistan, and Bangladesh, which may increase the number of suppliers</i></p> <p><i>Getting out of China</i></p>

Why source from the SAME countries and work with FEWER vendors?—Respondents’ comments	
Improve operational efficiency	<i>Consolidation of vendor base to leverage across businesses and increase speed.</i>
Leverage relationships with key vendors	<i>We are relying more on a smaller group of core vendors Focus on key players and ensure they can provide all the additional add on services.</i>

How will your company's apparel sourcing value or volume from the following countries change in the next two years?



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 2-17 Respondents plan to reduce China exposure further and explore sourcing diversification opportunities in the rest of Asia and the Western Hemisphere

Second, U.S. fashion companies are *deeply concerned* about the deteriorating U.S.-China bilateral relationship and plan to accelerate “reducing China exposure” to mitigate the risks.

- Figures 2-17 show that nearly **80 percent** of respondents plan to reduce apparel sourcing from China over the next two years, with a **record high of 15 percent planning to “strongly decrease” sourcing from China**. Such a strong sentiment is unique to this year’s study. Notably, large-size U.S. fashion companies (with 1,000+ employees) currently sourcing more than 10 percent of their apparel products from China are among the most eager to de-risk.
- Respondents’ qualitative responses in Table 2-4 indicate that **non-economic factors**, such as forced labor, U.S.-China relations, and Taiwan are the most-cited reasons why U.S. fashion companies plan to reduce sourcing from China. In fact, according to Table 2-1, **respondents rate China as more economically competitive** compared to many of its Asian competitors in terms of sourcing flexibility and agility, sourcing costs, and speed to market.

Nevertheless, the debate on the outlook of China as an apparel sourcing base for U.S. fashion companies is likely to continue. While some respondents acknowledge the challenges in finding practical alternatives to “Made in China” in the short to medium terms or consider

China as a promising consumer market,³³ others emphasize the urgent need to “de-risk” their sourcing in light of the rapidly evolving and volatile market landscape associated with conducting business with China.

Table 2-4 What is your outlook on China’s role as a textile and apparel sourcing base for U.S. fashion companies?

Trends	Comments from respondents
<p>Reduce “China exposure” but not “de-coupling”</p>	<p><i>China remains a very important market, there needs to be greater focus on transparency. We would like to reduce dependency on China for Products, particularly non-apparel, and raw materials; however, there are limited viable alternatives.</i></p> <p><i>We are trying to move as much sourcing as possible out of China as we do not believe things will improve. We believe China will remain a critical sourcing destination for Home goods, especially hard home, footwear, accessories, novelty sweaters and for yarn/fabric especially synthetic/non cotton</i></p> <p><i>Our sourcing will decrease from China. Main goal is to limit sourcing from China and explore growth in other regions. Our China suppliers, however, are initiating manufacturing outside of China also - so new factories maybe China owned but not in China.</i></p> <p><i>China will always be in the mix but certainly will drop as a percent overall. Too much risk there.</i></p>
<p>China will remain a key sourcing base, at least in the near term</p>	<p><i>(China will) continue to be a major producer of apparel in the near term due to capacity and price competitiveness</i></p> <p><i>I don’t think China’s role as a textile and apparel-sourcing will change much for fashion companies in the next 2 years. We are too heavily reliant on China, and China has the infrastructure and labor resources</i></p> <p><i>China will continue to be important to trade because of the number of factories and production quality</i></p>
<p>Prepare for the “worst”</p>	<p><i>It will begin to decline as US companies source, first, finished goods, then fabric, then yarn from other countries.</i></p> <p><i>(Sourcing from China) is continuing to diminish</i></p> <p><i>If the government continues to push for an exit from China, it will likely be inevitable</i></p> <p><i>De-risking China has been a top priority in our sourcing strategy</i></p> <p><i>Great reduction due to UFLPA etc.</i></p> <p><i>Mitigate risk and move away as needed. Categories of business that can move should move</i></p> <p><i>We will reduce sourcing in China. China-US relations are volatile and not set to stabilize in the next few years, and China’s policies are not being set to increase ease of working in China for US companies</i></p> <p><i>Steady decline with a close eye on Taiwan. If China attempts a military takeover of Taiwan sourcing from both countries will cease.</i></p>

³³ Lu, S. (2023). Is China a business opportunity or liability for fashion companies in 2023? *Just Style*. Retrieved from <https://www.just-style.com/features/is-china-a-business-opportunity-or-liability-for-fashion-companies>

Third, U.S. fashion companies are actively exploring new sourcing capacities and opportunities outside China. As Figure 2-17 shows:

- With resumed interest in sourcing diversification, every company surveyed plans to increase sourcing from 4-5 countries over the next two years.
- Regarding Asia-based suppliers, **Vietnam, Bangladesh, and India** are among the most popular destinations where respondents plan to increase sourcing over the next two years. These countries generally have a relatively large-scale production capacity and stable economic and political situation.
- **There is also considerable excitement about increasing apparel sourcing from CAFTA-DR over the next two years (40 percent of respondents).** However, it is important to note that most respondents treat expanding sourcing from CAFTA-DR as part of their overall sourcing diversification strategy. For example, consistent with last year's results, **nearly ALL companies that plan to increase sourcing from CAFTA-DR over the next two years also plan to increase sourcing from Asia.** Likewise, about 95 percent of companies plan to increase sourcing from CAFTA-DR already source from there.

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

3.1 Utilization of Enacted U.S. Free Trade Agreements and Preference Programs

Utilization rate of US free trade agreements/trade preference programs by respondents: 2021-2023

Trade programs	2021 utilization rate	2022 utilization rate	2023 utilization rate
CAFTA-DR	50.0%	67.7%	58.1%
USMCA (NAFTA)	38.5%	51.6%	48.4%
Egypt QIZ	38.5%	48.4%	29.0%
AGOA	42.3%	25.8%	22.6%
Haiti (HOPE, HOPEII or HELP)	30.8%	29.0%	16.1%
U.S.-Korea FTA	23.1%	22.6%	12.9%
CBTPA	15.4%	9.7%	12.9%
U.S.-Israel FTA	7.7%	9.7%	12.9%
U.S.-Peru FTA	7.7%	19.4%	9.7%
U.S.-Morocco FTA	7.7%	6.5%	6.5%
U.S.-Colombia FTA	23.1%	0.0%	6.5%
U.S.-Bahrain FTA	7.7%	3.2%	3.2%
U.S.-Oman FTA	7.7%	3.2%	3.2%
U.S.-Australia FTA	3.8%	0.0%	3.2%
U.S.-Jordan FTA	7.7%	3.2%	0.0%
U.S.-Panama FTA	0.0%	3.2%	0.0%
U.S.-Singapore FTA	3.8%	0.0%	0.0%
U.S.-Chile FTA	0.0%	0.0%	0.0%

Utilization rate = number of respondents using the agreement/total number of respondents

Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-1 U.S. free trade agreements remain under-utilized by fashion companies

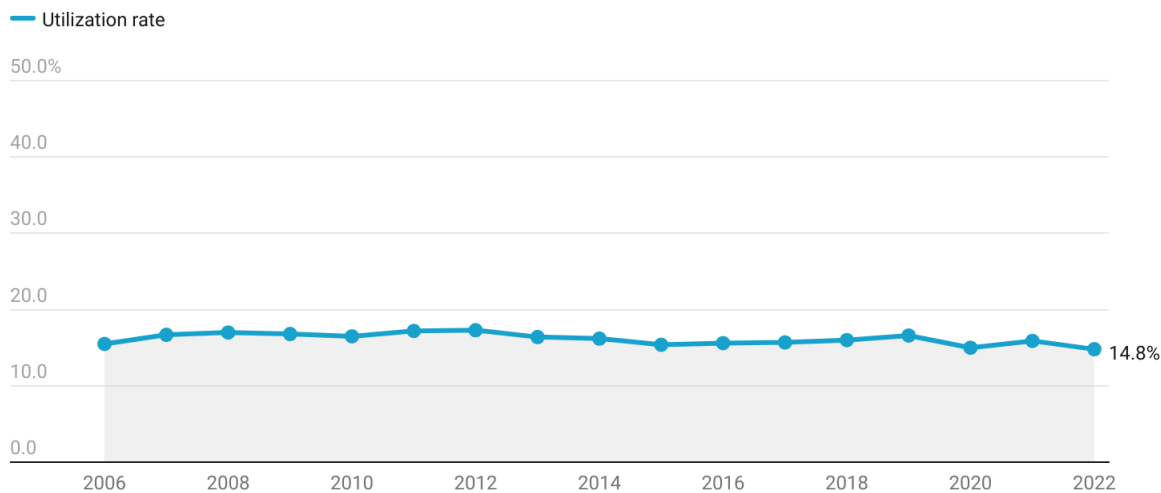
As of June 30, 2023, 14 free trade agreements (FTAs) and three major trade preference programs were in force in the U.S.³⁴ These trade programs allow U.S. companies to save money on import tariffs for qualified products.

³⁴ Office of the U.S. Trade Representative, USTR (2023). *Trade agreements*. Retrieved from <https://ustr.gov/trade-agreements>

However the trade statistics continue to show a long-time problem highlighted in our previous benchmarking surveys, **U.S. trade programs remain under-utilized by fashion companies in 2023**. For example, Figure 3-1 shows that this year, **only five U.S. free trade agreements and trade preference programs are utilized by more than 15 percent of respondents**, including the Dominican Republic-Central America Free Trade Agreement, CAFTA-DR (58 percent), U.S.-Mexico-Canada Trade Agreement, USMCA (48 percent)³⁵, Egypt Qualified Industrial Zones, QIZ (29 percent), African Growth and Opportunity Act, AGOA (22.6 percent) and the trade preference programs for Haiti (16.1 percent).

Trade statistics from the Office of Textiles and Apparel (OTEXA) also unveiled a decline in the utilization of U.S. trade agreements for apparel imports. For example, measured in value, **only 14.8 percent of U.S. apparel imports qualify for duty-free benefits under free trade agreements, down from 15.9 percent in 2021 and a new record low since 2011 (17.1 percent)**.³⁶ Notably, studies consistently find two factors primarily contribute to fashion companies’ underutilization of U.S. trade programs. One is the limited volume of U.S. apparel sourcing from trade program partners, and the other is the restrictive apparel-specific rules of origin associated with these trade agreements.³⁷

Percentage of U.S. apparel imports came under free trade agreements (by value)



The utilization rate is calculated by dividing the value of U.S. apparel imports under free trade agreements by the total U.S. apparel imports in a given year.

Source: OTEXA (2023) • Created with Datawrapper

(Click the figure above for detailed data)

Figure 3-2 Only 14.8 percent of U.S. apparel imports came under free trade agreements, a new record low since 2011

³⁵ USMCA replaced the North America Free Trade Agreement on July 1, 2020. See <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>

³⁶ Office of Textiles and Apparel, OTEXA. U.S. Imports under Free Trade Agreements. Retrieved from <https://www.trade.gov/data-visualization/otexa-fta-trade-data>

³⁷ Robertson, R., & Abreha, K. (2023). Heterogeneous Trade Agreements and Adverse Implications of Restrictive Rules of Origin: Evidence from Apparel Trade. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4376016; and Lu, Sheng (2017). Why is the Utilization of U.S. Free Trade Agreements Falling for Apparel Imports?, International Textile and Apparel Association Annual Conference Proceedings 74(1). Retrieved from <https://www.iastatedigitalpress.com/itaa/article/id/1506/>

3.2 Dominican Republic-Central America Free Trade Agreement (CAFTA-DR)

Enacted in 2006, the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) is a trade deal among the United States, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic (joined in 2007), and Costa Rica (joined in 2009).³⁸

With growing concerns about U.S.-China trade tensions and geopolitical risks in Asia, U.S. apparel companies are actively exploring sourcing diversification and bringing the supply chain closer to home.³⁹ Studies also find that sourcing apparel from CAFTA-DR members helps sustain American textile and apparel jobs and fosters economic development and employment opportunities in Central America. For example, between 2015 and 2022, apparel products consistently accounted for nearly one-fourth of CAFTA-DR members' total merchandise exports to the world, contributing around \$6 billion in value⁴⁰ and supporting over half a million jobs in the sector.⁴¹ As estimated, an additional billion dollars of apparel exports to the U.S. could create about 75,000-84,000 more sewing jobs in CAFTA-DR countries.⁴²

Despite a common aspiration to increase trade and investment to bolster the growing U.S.-CAFTA-DR textile and apparel partnership, there remains a heated debate on the best approach to achieve it.⁴³ Therefore, this year we asked respondents to provide additional insights about their latest CAFTA-DR apparel sourcing practices and related suggestions. Below are the key findings:

First, the import duty-free benefits under CAFTA-DR matter to U.S. fashion companies' apparel sourcing from the region. For example, Figure 3-3 shows that over **80 percent** of respondents say they **"Only source apparel from CAFTA-DR that qualify for the duty-free benefits."** Related, Table 2-1 illustrates that CAFTA-DR apparel lacks price competitiveness compared to low-cost Asian supplying countries like Bangladesh. Thus, leveraging the import duty-free benefits under the trade agreement is critical to enhancing the competitiveness of CAFTA-DR as a favored apparel sourcing base for U.S. fashion companies.

³⁸ Congressional Research Service (2022). Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). Retrieved from <https://crsreports.congress.gov/product/pdf/IF/IF10394>

³⁹ Nishimura, Kate (2023). Investment, Policy Hold Key to Sourcing Shift. *Sourcing Journal Global Outlook Report 2023*. Retrieved from <https://sourcingjournal.com/report/global-outlook-report-2023/>

⁴⁰ FOB value. Data source: UNComtrade (2023). *International trade database*. Retrieved from <https://comtrade.un.org/>

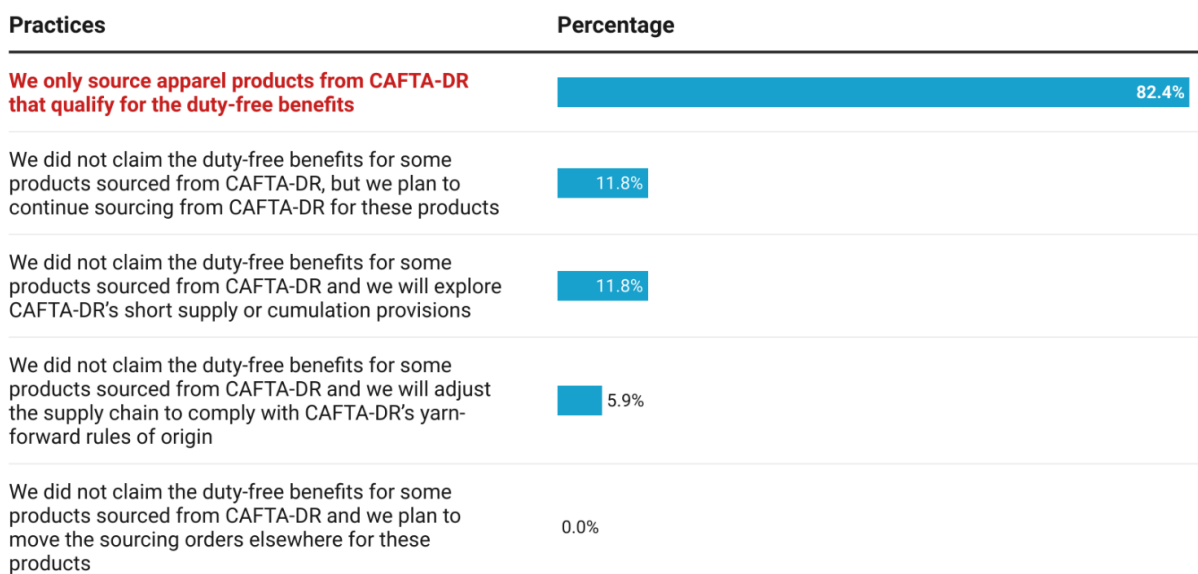
⁴¹ INDSTAT, 2022. Retrieved from <https://stat.unido.org/>

⁴² Lu, Sheng (2023). U.S. Apparel Sourcing from CAFTA-DR and U.S. Textile Exports: Myth vs. Reality. Coalition for Economic Partnerships in the Americas (CEPA). Washington, D.C. Retrieved from <https://cepacoalition.com/resources>

⁴³ Heidi Colby-Oizumi, Kimberlie Freund, Marinos Tsigas and Laura Rodriguez (2022). The Impact of Apparel Specific Rules of Origin on U.S. Textile and Apparel Trade: Case Study on CAFTA-DR Countries. U.S. International Trade Commission. Retrieved from https://www.usitc.gov/publications/332/working_papers/roo_paper_081922.pdf

Second, the “short-supply” and “cumulation provisions” support U.S. fashion companies’ apparel sourcing from CAFTA-DR. However, their usage has been limited. Like all “yarn-forward” style free trade agreements⁴⁴ negotiated by the United States, CAFTA-DR includes a short supply mechanism that permits using textile inputs unavailable in commercial quantity. Specifically, the short supply mechanism (or commercial availability) in CAFTA-DR allows “*fibers, yarns, and fabrics determined not to be available in commercial quantities in a timely manner from CAFTA-DR members*” to be sourced from outside the region in qualifying textile and apparel products.⁴⁵ Meanwhile, the “cumulation provisions” allow specific woven apparel, cut-and-sewn in the CAFTA-DR region, to use Mexican yarns and fabric, up to 100 million square meter equivalent units (SME) of imported apparel annually.⁴⁶

How does your company use CAFTA-DR for apparel sourcing



The numbers only covered companies that sourced from CAFTA-DR.
 Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-3 The duty-free benefits under CAFTA-DR matter to U.S. fashion companies’ apparel sourcing from the region

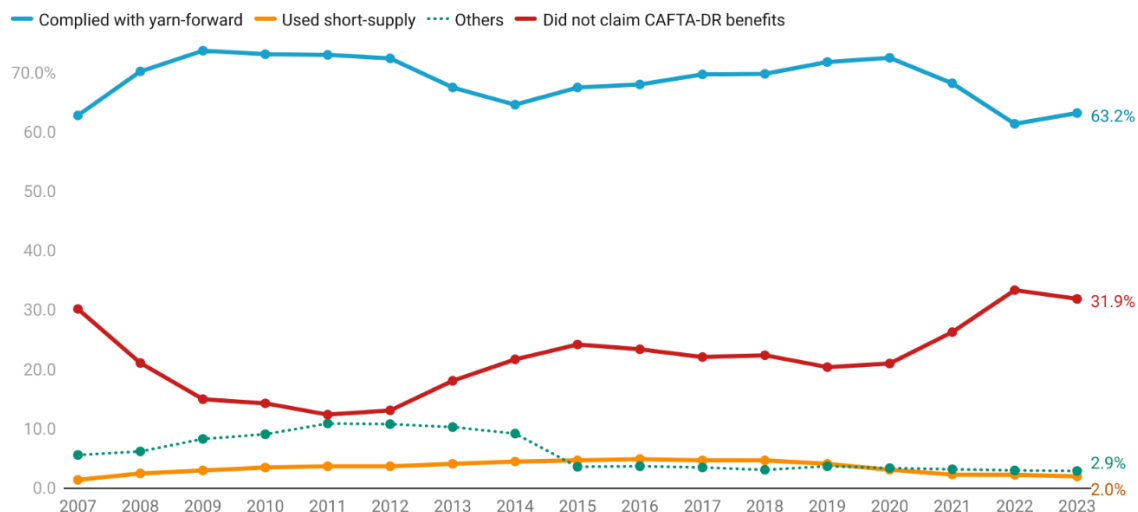
⁴⁴ The so-called “yarn-forward” rules refer to the rules of origin criteria, wherein apparel must meet specific requirements to qualify for preferential duty benefits under a trade agreement. Generally, these requirements dictate that the clothing should incorporate yarns and fabrics produced by the member countries of the agreement and undergo cutting and sewing processes within those member countries. See Customs and Border Protection, CBP (2014). Textile and Apparel Products—Rules of origin. Retrieved from <https://www.cbp.gov/trade/nafta/guide-customs-procedures/provisions-specific-sectors/textiles>

⁴⁵ Office of Textiles and Apparel, OTEXA (2023). CAFTA-DR Commercial Availability (Short Supply). Retrieved from <https://www.trade.gov/fta-commercial-availability-cafta>

⁴⁶ The same as note 44.

Figure 3-3 shows that from 2021 to 2023, **only about 2 percent** of U.S. apparel imports from CAFTA-DR members **were under the “short-supply mechanism” or “cumulation provisions.”** However, over the same period, **as much as one-third of U.S. apparel imports from CAFTA-DR members did NOT claim the duty-free benefits.** Further, Figure 3-4 indicates that fewer than 12 percent of respondents plan to “explore the short supply or cumulation provisions when their products sourced from CAFTA-DR members do not qualify for the duty-free benefits.” Aligned with these results, other studies found that the limited scope of products approved for the short-supply list and cumulation provisions discouraged U.S. fashion companies from using them.⁴⁷

U.S. apparel imports from CAFTA-DR and utilization of the agreement (by value)



“Others” mainly include woven apparel cumulation using textile input from Mexico and apparel assembled from U.S. fabric using US thread. 2023 covered data from January to May
Source: OTEXA (2023)

(Click the figure above for detailed data)

Figure 3-4 More than 30 percent of U.S. apparel imports from CAFTA-DR members did NOT claim the duty-free benefits from 2022 to 2023

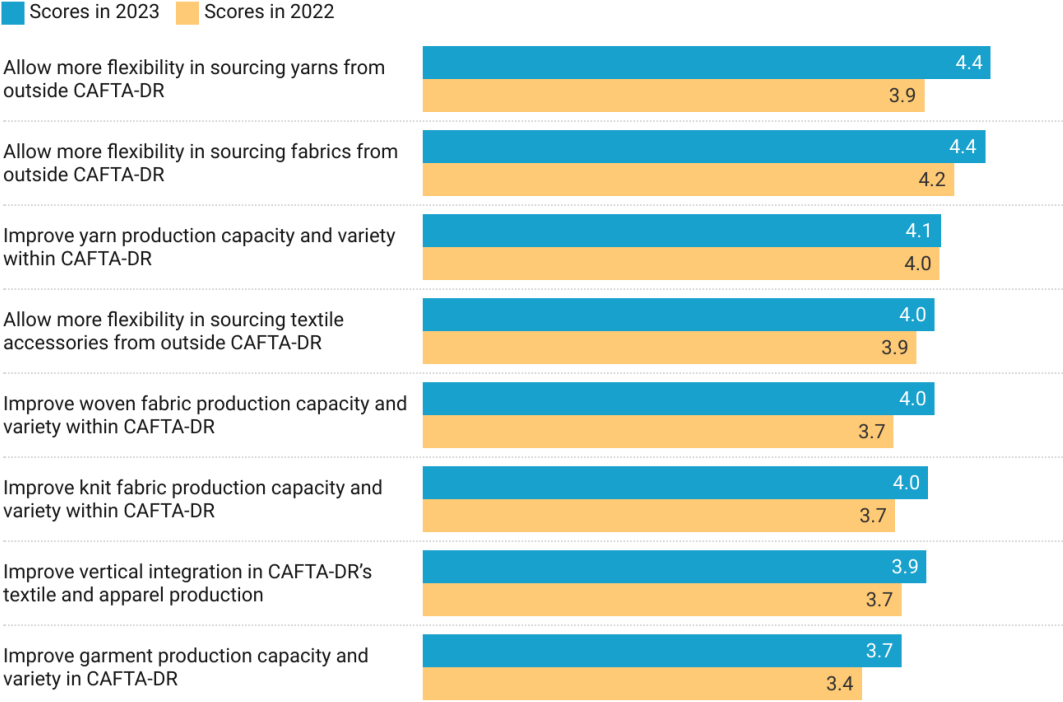
Third, with U.S. fashion companies actively seeking immediate alternatives to sourcing from China and Asia, respondents emphasize the increased urgency of improving textile raw material access to promote further U.S. apparel sourcing from CAFTA-DR members. Specifically, Figure 3-5 shows that respondents rate “**allow more flexibility in sourcing fabrics and yarns from outside CAFTA-DR**” as the top improvement needed for expanding CAFTA-DR apparel sourcing. Respondents also call for **improving the production capacity and variety of yarn, fabric, and accessories within CAFTA-DR.** Recent studies also found that improving access to textile materials could effectively expand U.S. apparel sourcing from CAFTA-DR members.⁴⁸

⁴⁷ See Lu, Sheng (2022). Expand U.S. Apparel Sourcing from CAFTA-DR Members and Solve the Root Causes of Migration: Perspectives from U.S. Apparel Companies. Coalition for Economic Partnerships in the Americas (CEPA). Washington, D.C. Retrieved from <https://cepacoalition.com/resources> and Husband, Laura (2023). The shape of US apparel sourcing in 2023. *Just-Style*. Retrieved from <https://www.just-style.com/interviews/the-shape-of-us-apparel-sourcing-in-2023/>

⁴⁸ Lu, Sheng. (2023). Impact of textile raw material access on CAFTA-DR members’ apparel exports to the United States: A quantitative evaluation. *Journal of the Textile Institute*. ahead of print. <https://doi.org/10.1080/00405000.2023.2191235>

On the other hand, respondents view improving “vertical integration” and “garment production capacity” as a relatively lesser priority or would have a less immediate impact on expanding apparel sourcing from the CAFTA-DR region, similar to last year’s survey results.

What areas need improvement to encourage more U.S. apparel sourcing from CAFTA-DR?



The scores are the weighted average of respondents' ratings. 1=least important and 5=most important.
 Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-5 U.S. fashion companies call for easier access to textile materials to support expanding apparel sourcing from CAFTA-DR

3.3 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 countries (SSA). 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 June 2023, 35 of the 49 potential beneficiaries were currently eligible for the preference benefits and 22 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.⁴⁹ AGOA was last authorized in 2015 and will expire in 2025 (including the “third-country fabric” provision).⁵⁰ **There is strong support for another ten-year renewal of AGOA among U.S. fashion companies.**⁵¹

This year, respondents report sourcing from four AGOA members, including Lesotho, Ethiopia*, Kenya, and Madagascar, fewer than the six AGOA members in 2022 (Figure 2-1). Most of these four AGOA members were utilized by around 3 to 12 percent of respondents, except Lesotho, which is more popular (17 percent utilization rate). Due to the loss of AGOA benefits, only 12 percent of respondents reported sourcing from Ethiopia* this year, much lower than 20 percent in 2021. (*Note: Ethiopia lost its AGOA beneficiary status effective January 1, 2022)

Similar to last year’s survey results, respondents sourcing from AGOA are typically large-scale U.S. fashion brands or retailers (with 1,000+ employees). Generally, these companies treat AGOA as part of their extensive global sourcing network and typically source less than 10 percent of the total sourcing value or volume from the region. Further, it is not rare that U.S. fashion companies concurrently source from 2-3 different AGOA members, with combinations like “Kenya, Lesotho, and Ethiopia.”

Respondents also share insights on the importance of the early renewal of AGOA and extending the program for at least another ten years, highlighting that these measures are crucial to bolstering U.S. apparel sourcing from the region. According to Figures 3-6 and 3-7:

- About 40 percent of respondents view AGOA as “essential for my company to source from AGOA members.”
- As many as 60 percent of respondents say that the temporary nature of AGOA “discourages them from making long-term investments and sourcing commitments in the region.”
- More than 45 percent of respondents warn that they “have reduced sourcing from AGOA members given the uncertainty of renewal.” Another 45 percent of respondents expect to cut sourcing from AGOA members if the trade program is not renewed by June 2024.

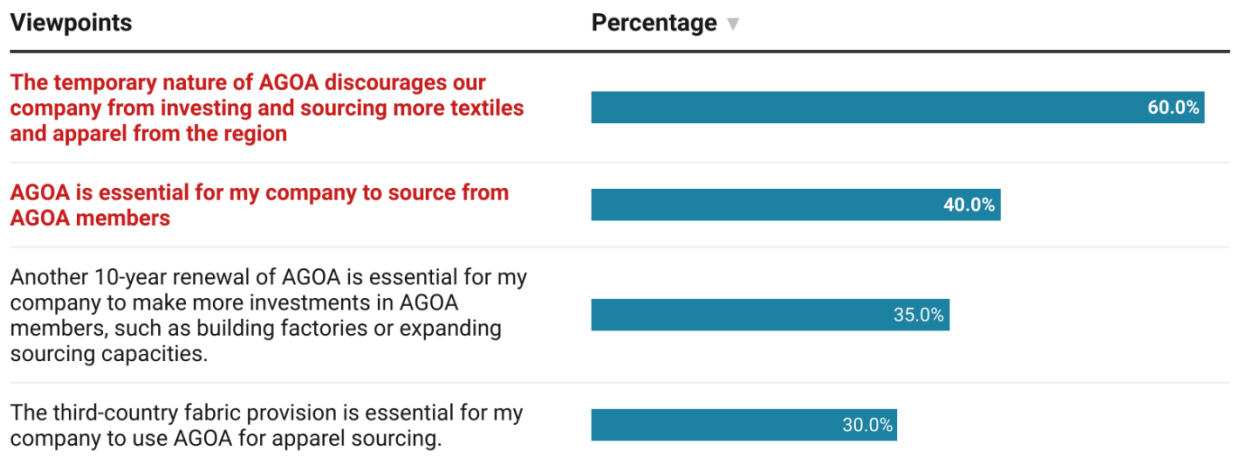
⁴⁹ Office of Textiles and Apparel, OTEXA. (2023). *AGOA preferences: Country eligibility, apparel eligibility, and textile eligibility*. Retrieved from <https://www.trade.gov/agoa-trade-preference>

⁵⁰ Congressional Research Service (2023). African Growth and Opportunity Act (AGOA). Retrieved from <https://crsreports.congress.gov/product/pdf/IF/IF10149>

⁵¹ Abdulla, Hannah (2023). Calls for AGOA renewal following ‘success’ for US apparel, footwear brands. *Just-Style*. Retrieved from <https://www.just-style.com/news/calls-for-agoa-renewal-following-success-for-us-apparel-footwear-brands/>

- Supporting the survey results, a recent study by the U.S. International Trade Commission (USITC) found that the uncertainty of AGOA renewals could hurt US apparel imports from the region. The report noted, “Apparel companies typically make sourcing decisions 12–18 months in advance. This practice underscores the importance of renewing AGOA early rather than granting extensions only within two to nine months of expiration, as in the past.” The USITC study also found that without the assurance of the “third country fabric” provision, many U.S. apparel companies sourcing from AGOA beneficiaries reported holding back orders from the region.⁵²

How important is African Growth & Opportunity Act (AGOA) to your company’s apparel sourcing from the region?

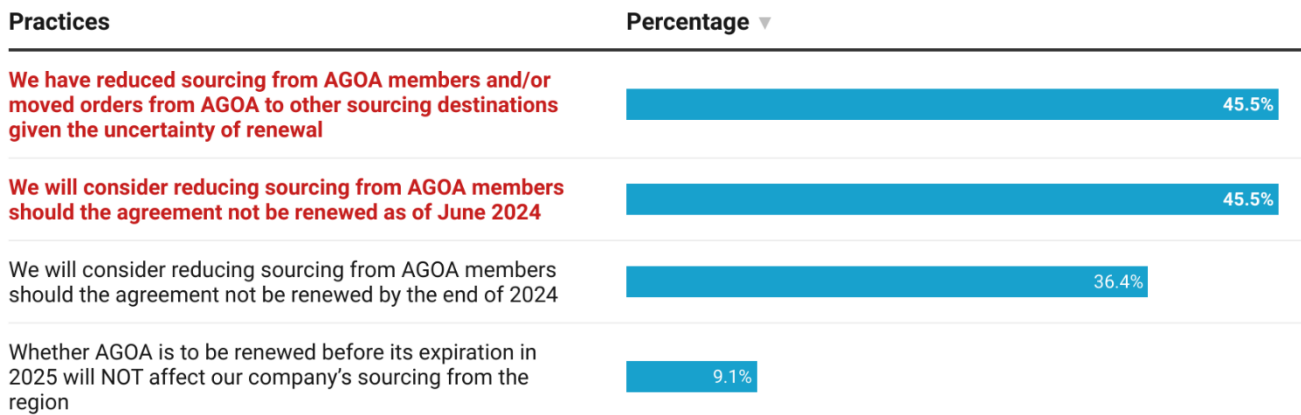


Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-6 AGOA plays a critical role in supporting U.S. apparel sourcing from the region

⁵² U.S. International Trade Commission, USITC (2023). African Growth and Opportunity Act (AGOA): Program Usage, Trends, and Sectoral Highlights. Publication Number: 5419. Retrieved from <https://www.usitc.gov/publications/332/pub5419.pdf>

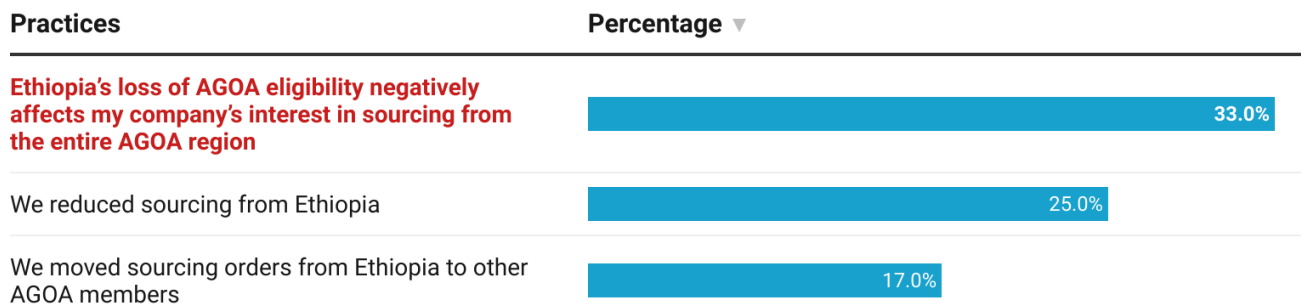
As African Growth & Opportunity Act (AGOA) is set to expire in 2025, which of the following apply to your company’s apparel sourcing from the region?*



*The numbers covered respondents currently sourcing from AGOA members.
 Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-7 Not renewing AGOA early hurt U.S. apparel imports from the region

Ethiopia lost its eligibility for AGOA in 2022. How has the incident affected your company’s apparel sourcing from Ethiopia and the AGOA region? *



*The numbers covered respondents currently sourcing from AGOA members.
 Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-8 Ethiopia’s loss of AGOA eligibility could have adverse implications for U.S. apparel sourcing across the entire AGOA region

On the other hand, as one of the key beneficiaries of AGOA, **Ethiopia’s exclusion from the program could have adverse implications for U.S. apparel sourcing across the entire AGOA region.** For example, according to Figure 3-8, about one-third of respondents currently sourcing from AGOA explicitly indicate, **“Ethiopia’s loss of AGOA eligibility negatively affects my company’s interest in sourcing from the entire AGOA region.”** In comparison, only about 17 percent of respondents say they “have moved sourcing orders from Ethiopia to other AGOA members.”

3.4 Other Trade Policy Priorities

Respondents suggest several other trade policy priorities for 2023:

First, respondents strongly agree on the need for direct policy support for sourcing more sustainable and recycled textile and apparel products, specifically in reducing tariff rates. As highlighted in Section II of the report, most surveyed U.S. fashion companies consider incorporating clothing made from recycled and other sustainable textile materials as a strategic priority for their businesses down the road.

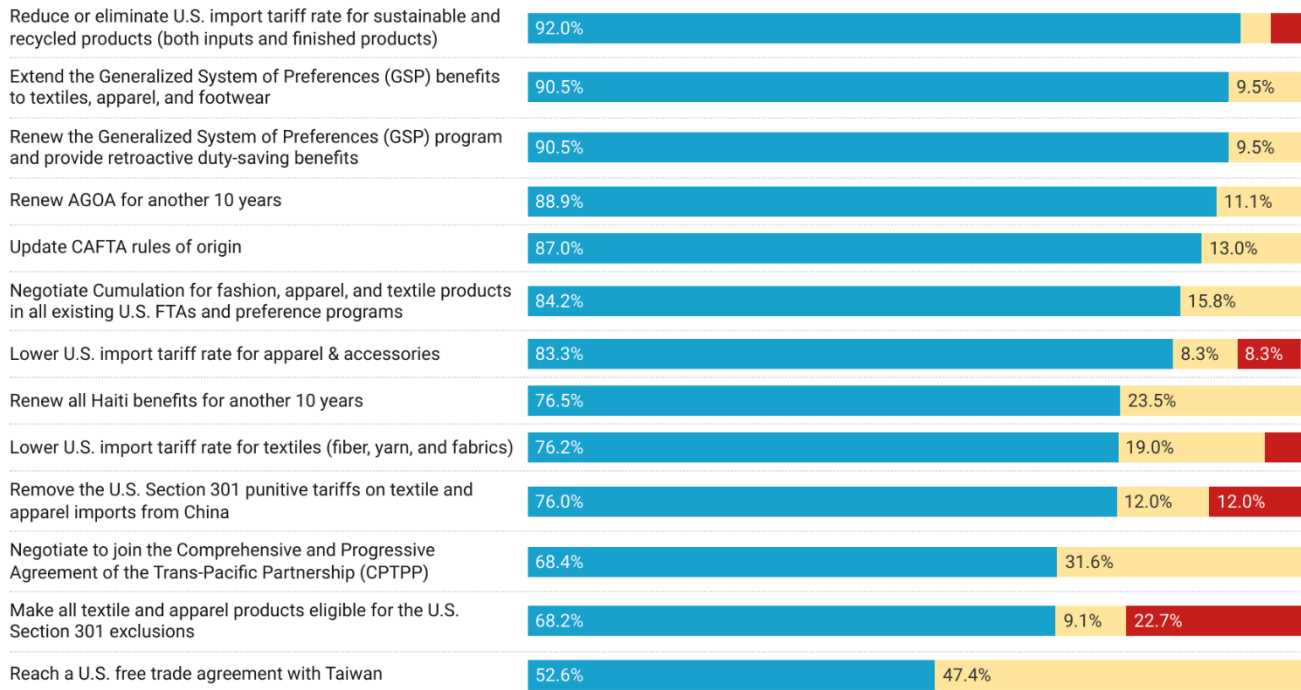
Second, respondents generally support renewing, expanding, and updating U.S. trade programs that can build new sourcing capacity beyond Asia and create a predictable sourcing environment. For example, Figure 3-9 shows that over 90 percent of respondents call for **renewing the U.S. Generalized System of Preferences (GSP) program.**⁵³ The same percent of respondents also support extending the GSP benefits to textiles, apparel, and footwear products. Likewise, nearly 90 percent of respondents support **renewing AGOA for another ten years**, and 76 percent support **renewing the Haiti trade preference program for another ten years.** Additionally, 87 percent of respondents support **“updating CAFTA-DR’s rules of origin”** to facilitate more U.S. apparel sourcing from the region.

Further, while respondents generally support cutting tariffs and other non-tariff trade barriers for textiles and apparel products, **how to deal with Section 301 punitive tariffs on imports from China raises debates.** For example, 76 percent of respondents support removing the punitive tariffs, but about 12 percent of respondents are against it. Likewise, about 68 percent of respondents call for making all textile and apparel products eligible for Section 301 exclusions, while about 23 percent hold the opposite view. The results reflect the complex economic and non-economic considerations behind the issue.

⁵³ The Generalized System of Preferences (GSP) is a trade program established in the 1970s. It allows eligible developing countries to export certain products to the United States duty-free, hoping to encourage economic development in these countries. The GSP program expired on December 31, 2020 and U.S. Congress has yet to renew the program. See Congressional Research Service (2022). Generalized System of Preferences (GSP): Overview and Issues for Congress. Retrieved from <https://crsreports.congress.gov/product/pdf/RL/RL33663>

Respondents' trade policy priorities in 2023

■ % of support ■ Hard to say ■ % of oppose



Source: 2023 USFIA Benchmarking Survey • Created with Datawrapper

Figure 3-9 Respondents' trade policy priorities in 2023

VI. Respondents' Profiles

This year's benchmarking study was based on a survey of **executives from 30 leading U.S. fashion companies from April to June 2023**. The study incorporated a balanced mix of respondents representing various businesses in the U.S. fashion industry. Approximately 73 percent of respondents were self-identified retailers, 60 percent self-identified brands, and 65 percent self-identified importers/wholesalers.

The respondents to the survey included both large U.S. fashion corporations and medium to small companies. Around **77 percent of respondents reported having more than 1,000 employees**. And the rest (23 percent) represented medium to small-sized companies with 100-999 employees.

Additionally, 100 percent of respondents represented companies with headquarters or major management offices in the United States. This year, around 70 percent of respondents also had headquarters or management offices outside the United States, including China (46 percent), Asia other than China (42 percent), Western Europe (15 percent), Eastern and Central America (12 percent) and Mexico (11 percent) among others.

In addition to 100 percent selling products in the United States, over half of the respondents also sold products in Canada, Western Europe, Mexico, and Asia. These patterns reflect the global nature of the fashion business today and the ever-closer connection of the U.S. fashion industry with markets and supply chain partners worldwide.

About Dr. Sheng Lu

Dr. Sheng Lu is an Associate Professor in the Department of Fashion and Apparel Studies at the University of Delaware. He served as a consultant for the International Trade Centre (ITC) co-run by the World Trade Organization (WTO) and the United Nations (UN). With over 70 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) to recognize his research and teaching excellence. He is also the multiple-time recipient of the Paper of Distinction Award at the ITAA annual conferences 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, National Public Radio (NPR), CNN, Reuters, BBC World News (UK), Nikkei Asian Review (Japan), Associated Press, South China Morning Post (Hong Kong), Los Angeles Times, Voice of America, and Forbes.

More Information: <https://www.udel.edu/faculty-staff/experts/sheng-lu/> 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