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## *AS SEEN IN California Apparel News*

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### ***European Tariff Hike Leads LA Manufacturers to Look for Alternative Markets and New Marketing Strategies***

By Deborah Belgum

Premium-denim manufacturers in Los Angeles are sorting out new ways to boost their global markets and enhance their marketing programs now that Europe has tripled the duty on women's jeans made in the United States.

The duty, which went from 12 percent to 38 percent on May 1, is expected to crimp denim sales for the next two years unless the Obama administration can convince Europe to revoke the tax.

A group of industry leaders and manufacturers gathered at the **Los Angeles Chamber of Commerce** June 27 to listen to a panel talk about the importance of "Made in USA" and strategies to help LA factories find new markets to make up for lost business in Europe.

The panel, moderated by Kevin Burke, chief executive of the **American Apparel & Footwear Association**, included Ilse Metchek, president of the **California Fashion Association**; Marty Bailey, chief merchandising officer of **American Apparel**; Deborah Greaves, secretary and general counsel for **True Religion**; André Raghu, chief strategy officer of **TradeGood**, an online community for buyers and suppliers; Tracy Gray, senior adviser to Mayor Antonio Villaraigosa's office; and Carlos Valderama, senior vice president of global initiatives for the Los Angeles Chamber of Commerce.

The quickly enacted duty took many blue-jeans manufacturers by surprise because even the U.S. government didn't get wind of the new duty until April 27. "We informed the 23 premium-denim makers in Los Angeles about the duty, and most were shocked. There were varying degrees of reaction," Metchek said.

True Religion decided to take its existing European orders for women's jeans and transfer production from Los Angeles to Italy because the company gets its denim from Italy and Turkey and had a relationship with an Italian factory. Whether that business comes back to Los Angeles depends on what happens with the EU duty. "True Religion is very proud to be a 'Made in USA' company. It is part of our core culture. So it is distressing for us to have to respond to this duty in such a drastic way," Greaves said. "We will try to have a manufacturing presence in Los Angeles as long as we can. But you have to understand this is not the friendliest environment for a manufacturing or a textile organization."

Metchek cautioned that once production of women's blue jeans leaves Los Angeles, other categories can follow. "A manufacturer cannot move just one section of their production. It all moves—men's, women's, children's, tops. ... And it is not the companies that will suffer. Their profits will go up, and they will blossom. The jobs that are lost will be with the wash houses, the contractors, the yarn providers, the fabric providers and people who sell zippers in Los Angeles."

With business in Europe threatened, Los Angeles denim manufacturers were urged to seek other markets. Carlos Valderama suggested manufacturers explore exporting to countries that have a free-trade agreement with the United States. "It is easier to do business with a country that has a free-trade agreement with the United States," he said, noting there are no duties on clothing that follow the trade-agreement regulations. Along the Pacific Rim and Latin America, the United States has 22 free-trade agreements with countries such as Colombia, Panama, Peru, Chile, Central America and South Korea.

## "Made in LA" message

Everyone agreed that the apparel manufacturing industry in Los Angeles and the United States has to do a better job of marketing itself to foreign buyers as well as to U.S. consumers. "We really do need the industry to come together to figure out solutions for marketing itself," Gray said.

She noted that the mayor's office identified the apparel industry as one of the top 12 industries in the region to promote. With the help of federal grant money, the city was able to organize the first-ever "Made in LA" pavilion last year at **MAGIC**, the country's largest apparel trade show, held in Las Vegas.

The city also helped form the **Los Angeles Regional Export Council** with private industry to promote exports of several LA products. "We have been trying to partner with the private sector and leverage the limited resources we have," she said. "We really need this industry to come together to figure out solutions."

Another marketing idea was to promote the value of making apparel in the United States. "I always ask people about what they look for when they go into a store. I would say about 5 percent of them will say they are looking for 'Made in USA' goods," Burke said. "We need to ramp up and support that 'Made in the USA' is good."

The panel mentioned immigration and how garment workers would be affected by congressional legislation being proposed to legalize many of the illegal workers in the country. Bailey noted that American Apparel had to lay off 1,800 employees who did not have appropriate U.S. working documents but found it was hard to replace them with legally documented workers who had the same skills. Los Angeles needs technical programs to train garment workers.