By Richard Woodard | 13 February 2013

US input accounts for more than 70% of the value-added in foreign countries

Conventional supply chain definitions that divide apparel into “imported” or “made in the US” are usually outdated and inaccurate, according to a new report.

The study by Moongate Associates, “Analyzing the Value Chain for Apparel Designed in the United States and Manufactured Overseas”, was commissioned by the TPP Apparel Coalition, comprised of US retailers, apparel brands, manufacturers and importers.

It finds that US input adds more than 70% in value terms for 20 product-company garments studied – from a figure of 65.8% for women's man-made fibre outerwear, up to 75.4% for women's cotton knit shirts.

Unlike many similar studies, which rely on publicly available data, the report is based on proprietary company data for the year 2011, using a questionnaire designed to obtain information from every stage of the global value chain.

The data was gathered on five specific products: men's and women's cotton knit shirts, men's and women's woven cotton trousers (including denim and non-denim), and women's man-made fibre outerwear (including water-resistant and non-water-resistant).

Comparing the garment industry to electronics, the report's authors point out that apparel also involves manufacture in overseas countries from components sourced from various parts of the world – but they add that US companies play a crucial role in adding value.

“It is clear across all companies that the activities carried on in the

United States in support of manufacturing abroad dwarf the value-added in foreign countries,” the report suggests.

“These 'commercial' components (ie excluding material inputs, manufacturing and shipping), all necessary to design and sell garments manufactured abroad, include US activities in design and product development, marketing, retail sales and customer service, management and profit.

“These commercial components were as high as three times the value-added abroad, but in all cases, these components were far greater than the value of manufacturing and associated material input costs and other small amounts of foreign value-added activities.”

The impact on the US jobs market is direct, the report adds, creating primarily skilled positions at often professional and managerial levels.

But, it says, import tariffs (ranging, for the products studied, from 7.1% to 27.7%, with an average of 16.8%) result in higher prices for the end consumer.

If these tariffs were removed – for instance, under a trade agreement – prices would drop and demand would increase, creating more jobs and higher profits throughout the apparel global value chain, including in the US.

“Efforts to support these global strategies by American apparel companies will contribute to their success and growth, and these will in turn lead to a more competitive marketplace for apparel consumers and new, high-quality jobs throughout the global value chain,” the report concludes.

However, the study does not take into account the added impact of many apparel companies being major exporters of their brands, as well as the value captured in the US for products when they are both manufactured and ultimately sold overseas.

“Considering both the survey data received and public reports, this value-added is substantial,” says the report, echoing comments made by Ambassador Ron Kirk in 2010 to the Annual Executive Summit of the American Apparel & Footwear Association.