



U.S. Industrial Fabrics Institute
Narrow Fabrics Institute / December 2017

2017 Washington Update

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NAFTA Textile Negotiations

Negotiators from the United States, Canada and Mexico met for intersessional discussions on textiles in Washington, DC on December 15, and the 6th official round of talks is slated for January 23-28 in Montreal, Canada.

With respect to textiles, the first two rounds focused on technical discussions and exchanging information versus substantive decision-making. In the 3rd round, the United States tabled text on rules of origin, including eliminating certain derogations from the

yarn forward rule. Although the USTR has not publicly released details, news outlets reported the United States tabled a full phase-out of the NAFTA TPL system.

NAFTA modernization negotiations kicked off in Washington, DC on August 16, the day after the U.S. statutorily-mandated comment and congressional consultation period expired. Indicative of the Trump administration's intention to move expeditiously in this effort, a second round followed less than three weeks later over Labor Day weekend in Mexico City. Round 3 took place September 23-27 in Ottawa, Round 4 in Arlington, VA October 11-17, and Round 5 in Mexico City November 17-21.

Viewed as ambitious given the normal pace of trade negotiations, the accelerated schedule is aimed at wrapping up talks by early 2018 to avoid political complications surrounding Mexico's presidential election next summer, U.S. midterm elections, and the expiration of trade promotion authority.

USIFI and NFI will continue to monitor negotiations closely and engage in efforts to achieve industry objectives. For more information, see [public comments](#) that USIFI/NFI submitted to the Trump administration outlining the U.S. textile industry's key objectives and [multi-association letter](#) to the leaders of the Senate Finance and House Ways and Means committees in support of removing harmful TPLs from NAFTA.

FY 2018 National Defense Authorization Act

The FY 2018 National Defense Authorization Act (NDAA), [H.R. 2810](#), was passed by Congress in mid-November and signed into law by President Trump on December 12. USIFI and NFI spent most of this year's cycle fighting to defeat attacks on the Berry Amendment, a law requiring the Department of Defense to buy U.S.-made textiles and clothing.

While successful in preempting attacks on Berry in the House, USIFI and NFI identified an unusually large number of measures in the Senate-passed version of the NDAA inserted by Senate Armed Services Committee (SASC) Chairman John McCain (R-AZ) that would have weakened Berry. Due to Senator McCain's health and congressionally imposed deadlines, the truncated amendment process on the Senate floor left USIFI and NFI with no ability to correct these issues in that body.

Troublesome items in the Senate bill included (1) substantially raising the simplified acquisition threshold (SAT) from its current level of \$150,000, (2) exempting "wearable electronics," like the innovative products being developed by the Advanced Functional Fabrics of America (AFFOA), from Berry, (3) granting the Secretary of Defense the ability to waive Berry sourcing requirements in cases where only one domestic source is available, and (4) opening Berry to procurement to select foreign countries.

In response to the Senate-passed bill, USIFI and NFI helped organize a broad industry and labor coalition that worked closely with allies in the Congress to oppose the Senate provisions in House-Senate conference negotiations. As part of a multi-week lobbying campaign to influence conferees, USIFI and NFI coordinated a [textiles/metals/labor letter](#) to the conference committee leadership opposing these provisions in detail. Both organizations also lobbied House members to sign a letter supporting the coalition's position, an effort that yielded [42 signatories](#).

The final FY 2018 NDAA [conference report](#), a privileged measure not amendable, modified or dropped all provisions that would have weakened Berry save one. The SAT was raised to \$250,000 for procurement government-wide, including contracts subject to Berry. This [spreadsheet](#) outlines the outcomes of all provisions flagged by the Berry coalition in both the House and Senate bills in the NDAA.

It should be noted that Senator McCain originally proposed an increase in the SAT to \$1 million as part of the initial Senate draft of the FY 2018 NDAA, and increasing the SAT with no carveouts was a top priority for him in conference. Because of the likelihood that Senator McCain was guiding his last NDAA as SASC chairman, he was in a strong position to secure his policy priorities without compromise.

Even though the original \$1 million SAT proposal was considerably pared back, an increase to the SAT is unacceptable because it will dilute the amount of defense contracts that are subject to the Berry Amendment. As such, USIFI and NFI will work with our coalition partners and congressional allies to explore options for a rollback or carveout for the Berry Amendment from the SAT increase next year.

Miscellaneous Tariff Bill (MTB) Closer to Passage

The Miscellaneous Tariff Bill (MTB), [H.R. 4318/S. 2108](#), is getting closer to the finish line, with congressional floor action expected after work on tax reform is completed, possibly before Christmas, but more likely in early 2018.

Traditionally, the MTB grants duty breaks for manufacturing inputs not available domestically. U.S. textile companies have utilized the MTB to receive much-needed tariff relief for inputs ranging from acrylic and rayon fibers to an array of chemicals. Having lapsed for five years, Congress initiated a new, modified MTB process last year, with a stated purpose to boost the competitiveness of domestic textile manufacturers.

While there is a great amount of good in the MTB, USIFI and NFI are concerned about the proliferation of MTBs on foreign-made finished textile products. Previously, end items were excluded from MTBs, although there have been exceptions to this custom in recent MTB cycles. Early in this process, USIFI and NFI identified and filed objections to 98 petitions for textile end-products. In August, the International Trade Commission (ITC) submitted a [final report](#) to Congress, making recommendations for which petitions to include in a final MTB package. The ITC recommended removing 43 of the 98 petitions to which USIFI and NFI objected from further consideration, while recommending 55 for approval.

Throughout the fall, USIFI and NFI worked with member companies who voiced concerns about specific petitions for end-products that incorporate inputs they manufacture, like coated polyester tent fabric. We await final word from the relevant congressional committees as to whether these specific provisions will be removed from the final bill.

Tax Reform Bill Passes

The House and Senate passed the conference report to H.R. 1, the Tax Cuts and Jobs Act, by votes of [224 to 201](#) and [51 to 48](#) on December 20. President Trump is expected to sign the bill into law

before the end of the year.

The largest and most far-reaching tax reform bill since 1986, the package makes the following changes to business taxes (analysis from the [Tax Foundation](#)):

- Lowers the corporate income tax rate permanently to 21 percent, starting in 2018.
- Establishes a 20 percent deduction of qualified business income from certain pass-through businesses. Specific service industries, such as health, law, and professional services, are excluded. However, joint filers with income below \$315,000 and other filers with income below \$157,500 can claim the deduction fully on income from service industries. This provision would expire December 31, 2025.
- Allows full and immediate expensing of short-lived capital investments for five years. Increases the section 179 expensing cap from \$500,000 to \$1 million.
- Limits the deductibility of net interest expense to 30 percent of earnings before interest, taxes, depreciation, and amortization (EBITDA) for four years, and 30 percent of earnings before interest and taxes (EBIT) thereafter.
- Eliminates net operating loss carrybacks and limits carryforwards to 80 percent of taxable income.
- Eliminates the domestic production activities deduction (section 199) and modifies other provisions, such as the orphan drug credit and the rehabilitation credit.
- Enacts deemed repatriation of currently deferred foreign profits, at a rate of 15.5 percent for cash and cash-equivalent profits and 8 percent for reinvested foreign earnings.
- Moves to a territorial system with base erosion rules.
- Eliminates the corporate alternative minimum tax.

GAO Releases Kissell Report

On November 21, the U.S. Government Accountability Office (GAO) released a [39-page report](#) analyzing the implementation of the Kissell Amendment, a law passed in 2009 requiring the Department of Homeland Security to buy U.S. textiles and clothing. Unfortunately, loopholes in the statute and implementation have limited its intended effectiveness.

USIFI/NFI government relations staff participated in a group textile industry interview with GAO investigators in April 2017 as they were undertaking their audit

Connecticut Senator Introduces 21st Century Buy American Act

Earlier this month, U.S. Senator Chris Murphy (D-CT) introduced [S. 2196](#), the 21st Century Buy American Act, legislation to ensure the U.S. government prioritizes the procurement

of American-made goods.

DLA-Troop Support Commander Promoted to Brigadier General

In a [ceremony](#) officiated by Defense Logistics Agency (DLA) Director Lt. Gen. Darrell Williams, the commander of DLA Troop Support Mark Simerly, was promoted to the Army rank of brigadier general on November 22 in Philadelphia.

2017 USIFI/NFI Initiatives & Government Relations Accomplishments

2017 was a busy year for USIFI and NFI:

Held Productive Joint DC Lobby Day

USIFI and NFI members joined forces in Washington, DC, February 7-8, 2017, to discuss textile issues with Congress and key executive branch policymakers. Lobby Day is an opportunity for USIFI & NFI members to nurture stronger working relationships with officials responsible for crafting, implementing, and administering policies that directly affect domestic manufacturers. These matters include the Berry Amendment, a law requiring the Department of Defense to buy textiles and clothing made only with U.S. content and labor, the potential renegotiation of the North American Free Trade Agreement (NAFTA), and many other issues in between.

Eight companies participated in the 2017 event. In total, USIFI and NFI representatives Sara Beatty and Lloyd Wood organized individual or group meetings for Lobby Day attendees with 16 House and 10 Senate offices. Member-level meetings are denoted with an *.

SENATE OFFICE VISITS BY STATE

1. Sen. Cory Booker (D-NJ)
2. Sen. Robert Menendez (D-NJ)
3. Sen. Richard Burr (R-NC)
4. Sen. Thom Tillis (R-NC)
5. Sen. Jack Reed (D-RI) *
6. Sen. Sheldon Whitehouse (D-RI) *
7. Sen. Lindsey Graham (R-SC)
8. Sen. Tim Scott (R-SC)
9. Sen. Tim Kaine (D-VA)
10. Sen. Mark Warner (D-VA)

HOUSE OFFICE VISITS BY STATE

1. Rep. Bill Pascrell (D-NJ)
2. Rep. Ted Budd (R-NC) *
3. Rep. G.K. Butterfield (D-NC)
4. Rep. Virginia Foxx (R-NC)

5. Rep. George Holding (R-NC) *
6. Rep. Patrick McHenry (R-NC)
7. Rep. Mark Meadows (R-NC) *
8. Rep. Mark Walker (R-NC) *
9. Rep. Matt Cartwright (D-PA)
10. Rep. Tom Marino (R-PA) *
11. Rep. David Cicilline (D-RI)
12. Rep. Jim Langevin (D-RI)
13. Rep. Jeff Duncan (R-SC) *
14. Rep. Tom Rice (R-SC)
15. Rep. Joe Wilson (R-SC) *
16. Rep. Morgan Griffith (R-VA)

Successful Government Procurement Lobbying Efforts

- Continues to lead Berry Amendment Textile Coalition (BATC).
- Coordinated response to DuraFiber closure including conducting an industry survey designed to avoid a DNAD (Domestic Non-Availability Determination).
- Fought to preserve the Berry Amendment in the FY 2018 National Defense Authorization Act:
 - USIFI/NFI issued multiple action alerts during course of consideration of the bill .
 - Defeated all efforts to weaken Berry save one
 - Senator McCain, Chairman of the Senate Armed Services Committee (SASC) tried to raise the simplified acquisition threshold triggering Berry from \$150,000 to \$1 million.
 - Fierce opposition from USIFI and NFI was key in limiting the rise to only \$250,000 despite this being one of Chairman McCain's top priorities in conference.
 - BATC coordinated [textile/metals/labor letter](#) to FY 2018 House-Senate conferees opposing Berry attacks.
 - USIFI/NFI grassroots instrumental in helping to obtain the signatures from 42 U.S. representatives on a pro-Berry [House letter](#) to NDAA conferees.
 - USIFI and NFI also sent their own joint action alerts to Capitol Hill supporting Berry in the NDAA fight.
- Worked with the Commerce Dept. Bureau of Industry and Security (BIS) to provide information and publicize their efforts to complete a study of "the health, competitiveness, and the contribution of the U.S. textile, apparel, and footwear industry to the U.S. economy."
- Answered questions from the U.S. Government Accountability Office (GAO) as part of the watchdog agency's [investigation](#) into the implementation of the Kissell Amendment.

- Continued to support the Advanced Functional Fabrics of America (AFFOA) as part of the National Network of Manufacturing Innovation.

Outreach to Trump administration and Congress on Trade Agenda

- USIFI and NFI jointly submitted public [comments](#) to the Trump administration regarding NAFTA Renegotiations.
- USIFI and NFI jointly submitted public [comments](#) to the Trump administration regarding the U.S. Trade Deficit.
- USIFI is represented on the Industry Trade Advisory Committee (ITAC) 13 for Textiles by USIFI Board Member Patti Bates with Glen Raven. The ITACs advise the U.S. Secretary of Commerce and U.S. Trade Representative on trade policy.
- USIFI submitted comments through the ITAC process on the shortcomings of the U.S.-South Korea Free Trade Agreement.
- USIFI/NFI Washington representatives stay in frequent contact with the U.S. negotiating team (USTR and Commerce) and policymakers to closely track trade policy developments, keeping member companies informed and providing advice on the industry segment's objectives.
- USIFI and NFI, as members of the Manufacturers for Trade Enforcement (MTE) coalition, were successful in convincing the Trump administration to reject China's claims that it should be granted market economy status under U.S. trade remedy law.

Strong Engagement in Foreign Trade Zone Requests

- Based on USIFI Member concerns, the FTZ Board placed a restriction on MTD Consumer Products' FTZ production authority that precluded duty savings for textile grass catcher bags for lawn equipment entering U.S. commerce. (FTZ Board decision was issued 1/11/17).
- Based on USIFI Member concerns, the FTZ Board placed a restriction on Airbus' FTZ production authority that precluded duty savings for Pre-Preg NOMEX rigid flight accessory cases; textile pouches for storing equipment; twill tape; synthetic sewing yarn; water absorbent felt; synthetic braided cordage; synthetic emergency escape rope and retaining cords; synthetic fireproof gloves; finished aircraft curtain and class divider assemblies; and, life vests in aircraft entering U.S. commerce. (FTZ Board decision was issued 2/2/17).
- There have been ongoing efforts since 2014 to oppose FTZ tariff savings applied for by Coleman Company for imports of nylon and polyester fabrics used to produce personal flotation devices. USIFI and member companies have engaged in three separate public comment periods on the case to date and participated in a Feb 2016 hearing before the FTZ Board in Washington, DC. The FTZ Board staff recently issued a preliminary recommendation not to approve Coleman's application, and USIFI and NFI

continue to press the FTZ Board to reach a final decision fully rejecting this application.

Active Participant in Miscellaneous Tariff Bill Process

- Informed membership of key deadlines for submitting petitions for duty reductions or suspensions on manufacturing inputs like rayon and acrylic fibers not available in the United States.
- Informed membership of key deadlines and points of contact in the Commerce Department and International Trade Commission throughout the petition vetting process to identify and object to petitions covering products made domestically by USIFI and NFI member companies.
- Submitted letters of public opposition to 19 petitions that covered products made by USIFI and NFI members.
- Strongly argued against all petitions covering textile end items like tents and pet leashes that undergo no further processing in the United States and therefor provide no benefit to domestic manufacturing.

Communications

USIFI and NFI Representatives Lloyd Wood and Sara Beatty:

- Produced the DC Reporter Newsletter and Action Alerts on breaking issues
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- Made presentations at Expo and Outlook on Divisions' efforts regarding trade and procurement policy
- Prepared a detailed set of policy recommendations for the Trump administration
- Conducted a conference call to prepare attendees for Lobby Day
- Conducted webinars on Berry and Trade
- Published an article on USIFI/NFI government affairs activities in the April 2017 Specialty Fabrics Review Magazine
- Have an article pending publication in Advanced Textiles Source on the NAFTA renegotiation effort
- Serve on an ongoing basis as an informational resource to help members answer questions and solve individualized problems such as clarifying trade agreement rules of origin, government procurement statute, and customs enforcement concerns.

Thank you for reading this edition of the D.C. Reporter!

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