



D.C. REPORTER



U.S. Industrial Fabrics Institute
Narrow Fabrics Institute / July 2018

Washington Update

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Legislative Campfire Session Scheduled for IFAI Expo

The [2018 IFAI Expo](#) will include a legislative campfire session hosted by U.S. Industrial Fabrics Institute (USIFI) and Narrow Fabrics Institute (NFI) Washington representatives Sara Beatty and Lloyd Wood.

Co-located with CAMX, 2018 IFAI Expo is scheduled for October 15-18 at the Kay Bailey Hutchison Convention Center, Dallas, TX.

USIFI & NFI Call for China 301 Tariffs on Textile & Apparel End Products

On June 15, the Office of the U.S. Trade Representative (USTR) issued a list of products that will be subject to an additional duty of 25 percent as a part of the U.S. response to China's unfair trade practices related to intellectual property abuses. The list covers 1,102 separate 8-digit U.S. tariff lines valued at approximately \$50 billion in 2018 trade values and is broken into two sections.

The first set includes 818 lines of the original 1,333 lines that were included on the proposed list first published in early April. **The additional duties on these products went into effect on July 6.** This subset equates to approximately \$34 billion worth of imports from China and was settled on after factoring in views from the public and trade advisory committees. **As part of the public comment process, USIFI, NFI, and the National Council of Textile Organizations submitted an extensive joint statement for the record.** We expressed strong support for the 301 case and recommended that advanced textiles and textile/apparel end items be added to the list, while textile machinery be removed.

USIFI and NFI are pleased that USTR largely took our feedback regarding textile machinery and removed nearly all lines in this category from the finalized list. The April list included nearly 50 tariff lines covering textile machinery and parts thereof equating to nearly \$63 million in U.S. imports from China in 2017. The revised list includes two lines equating to just under \$5 million in 2017 imports from China. The two remaining lines are:

- 8420.91.10 - Cylinders for textile calendering or rolling machines
- 8444.00.00 - Machines for extruding, drawing, texturing or cutting man-made textile materials

The second set of products released in June includes 284 newly proposed tariff lines "identified by the interagency Section 301 Committee as benefiting from Chinese industrial policies, including the "Made in China 2025" industrial policy." These 284 lines equate to approximately \$16 billion of imports from China and are currently undergoing further review in a public notice and comment process.

In terms of textile products, the second list includes twelve lines in Chapter 39 that cover textiles coated with plastics as well as one additional machinery-related line (8420.99.10 - parts of calendering or rolling machines for processing textiles). **Because certain resins and other goods have also been proposed, companies should review carefully the list of products found in Annex C in the Federal Register request for public comments to flag any other tariff lines for support or opposition.**

Although the small grouping of Chapter 39 coated textiles were included, we are disappointed that our input regarding adding textile and apparel products was not reflected to a larger degree in this second set of products. Notably, USTR stressed in their [press release](#) that they avoided goods "commonly purchased by U.S. consumers." Their purposeful exclusion of consumer goods presumably factored into the fact that finished textile and apparel products were not proposed. Nonetheless, USIFI and NFI will continue to press for inclusion of these items in any subsequent list.

As part of the latest public comment period, USIFI and NFI will file a submission by the July 23 deadline on the new list and is seeking member input as we prepare our comments. Further, companies may wish to comment in their individual capacities as to how this new list impacts them as well. For information on filing comments, including the process for submitting business confidential information, see "[F. Procedures for Written Submissions](#)."

NAFTA Update

While technical teams from Mexico and Canada spent much of April and May negotiating NAFTA 2.0 in Washington, DC, a final agreement remains elusive. Although textiles were discussed, major aspects of the textile chapter, such as tariff preference levels (TPLs) and secondary components, are still unresolved.

News reports indicated that hardline differences over the U.S. proposal for a 5-year sunset clause led Canadian Prime Minister Justin Trudeau to cancel a trip to meet with President Trump to hammer out final details. Furthermore, the U.S. imposition of steel and aluminum tariffs on imports from Mexico and Canada in the Section 232 case and fallout from the June G7 summit appear to have further distanced the three parties in the near term.

This spring marked an informal deadline to finish renegotiations ahead of Mexico's presidential election and to leave enough time under the prescriptive timetables in Trade Promotion Authority for a vote by Congress before the end of the year. Even under the most optimistic of calculations, this window has closed.

Although technical-level discussions are ongoing, there are no major talks scheduled in the short term. It remains unclear what the impact of the Mexican election will be, and Mexico's new president-elect Lopez Obrador will need time to define his government's NAFTA positioning before talks can resume in earnest. With U.S. midterm congressional elections following in November, there is a high likelihood that the talks will carry into late 2018 or early 2019 before a deal is struck. However, this dynamic could quickly

change should a heightened political will to conclude emerge among the three countries and drive a faster resolution.

USIFI and NFI will continue to closely monitor the negotiations and work to achieve industry objectives including (1) ending TPL handouts to China, (2) bringing NAFTA in line with CAFTA-DR rules for sewing thread, pocketing and narrow elastics, (3) closing the loophole that allows Mexico and Canada to qualify as "Buy American" in certain instances, and (4) taking concrete steps to tighten up customs enforcement.

Defense Bill Goes to Conference Committee

The FY 2019 National Defense Authorization Act (NDAA), H.R. 5515, is now in a House/Senate conference committee after differing bills passed each chamber. Reports indicate the conference committee aims to finish by the end of July to pave the way for final passage votes in September.

The U.S. House of Representatives passed its version of the NDAA by a vote of 351-66 on May 24, followed by the Senate in an 85-10 vote on June 18.

The House Armed Services Committee's (HASC) NDAA report is H. Rept. 115-676 Part I and Part II, while the Senate Armed Services Committee's (SASC) version is S. Rept. 115-262.

USIFI and NFI helped to coordinate a multi-industry coalition effort to defeat to a pair of anti-Berry Amendment provisions in this year's NDAA process. The Berry Amendment (10 USC 2533a) prohibits the Department of Defense from procuring certain products, including textiles and clothing, unless those products are made with 100 percent U.S. content and labor.

USIFI and NFI successfully opposed a proposal to exclude commercial goods, civilian items used by the military with little or no modification, from Berry Amendment coverage in the HASC mark up.

Another measure defeated at the behest of USIFI and NFI in the HASC and SASC respective mark ups would have carved out zippers and other textile-related components from Berry's ambit.

Miscellaneous Tariff Bill

After passing the House by a 402-0 vote in January, the Miscellaneous Tariff Bill (MTB), H.R. 4318, has yet to move in the Senate. The MTB temporarily reduces or eliminates import duties on specified raw materials and intermediate products used in manufacturing that are not produced or available domestically, including different kinds of acrylic and rayon fibers, and various chemical compounds.

An amended version of H.R. 4318 was "hotlined" in the Senate in late June, but it is USIFI and NFI's understanding that objections were registered. "Hotlining" is a check whether any senators would object to a unanimous consent request to bring up a bill, nomination or other matter. If no objection is registered, the request hotlined is ready for floor action; if an objection is registered, however, the matter is sidelined until the objection is resolved.

USIFI and NFI and other MTB supporters are working to push the MTB through the upper chamber expeditiously, but having failed a hotline, it is unclear when or if the MTB may move in the Senate in the 115th Congress.

USIFI and NFI are monitoring the MTB closely and will alert members if any movement is imminent.

Infrastructure Package Stalled

The Trump administration released a massive infrastructure proposal in February, but so far it hasn't seen any movement in Congress. The proposal calls for \$1.5 trillion in infrastructure spending, with the federal government providing \$200 billion in funding, leaving states and localities responsible for the rest. USIFI and NFI will continue to monitor the infrastructure legislation, especially with respect to Buy America provisions, and will update members as new developments occur.

JAPBI Scheduled for November

The Defense Logistics Agency Troop Support (DLA-TS) Clothing & Textiles (C&T) will host the 2018 Joint Advanced Planning Brief for Industry (JAPBI) on November 28-29 at the Crowne Plaza Philadelphia-Cherry Hill in Cherry Hill, NJ.

DLA-TS C&T and its military service partners jointly brief the U.S. industrial base on future requirements and business opportunities for clothing and individual equipment at this annual event.

DLA-TS Executive Receives Presidential Award

William J. Kenny, executive director of Contracting and Acquisition Management, the senior acquisition executive for Defense Logistics Agency – Troop Support, received the Meritorious Presidential Rank Award during a ceremony at the Pentagon June 20

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

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