TEXTILE TRADE POLICY ISSUES

ISSUE:

If the Trump administration submits legislation to implement the United States-Mexico-Canada Agreement (USMCA) later this year, Congress will be slated to vote on a free trade agreement for the first time since 2012. Noting the "must-pass" nature of USMCA, various importing entities will be seeking to leverage the USMCA process to extract additional trade concessions from Congress and the administration. Below is a list of issues that may be considered either in conjunction with USMCA, or separately, along with USIFI/NFI positioning:

Section 321 De Minimis for Foreign Trade Zones

Importers, retailers, and mass distributors propose fundamentally changing the concept of Foreign Trade Zones (FTZs) as manufacturing hubs by turning them into direct order distribution centers for imported goods. All products shipped direct to consumers from these distribution centers would receive duty-free treatment so long as the value of each shipment falls under the current tariff de minimis level of $800.

This proposal would greatly benefit textile suppliers in countries like China, while severely undermining U.S. manufacturers and partners in free trade agreement (FTA) regions where duty-free treatment is tied to logical yarn-forward origin rules. Further, it would undoubtedly have an immense effect on U.S. duty collections by essentially rendering the Harmonized Tariff Schedule moot for consumer goods that routinely sell for less than $800 per item, while also portending a dramatic shift in U.S. manufacturing and retailing.

USIFI & NFI oppose any effort to expand Section 321 De Minimis tariff waivers including schemes intended to use the existing FTZ structure for this purpose.

Section 301 – China IPR Retaliatory Tariffs

In early 2018, the United States concluded that the Chinese government employs a multi-faceted strategy of theft and forced transfer of U.S. intellectual property. Utilizing remedies afforded under Section 301 of the Trade Act of 1974, the Trump administration has instituted a series of penalty duties against approximately $250 billion in imports from China. Penalty tariffs on three tranches of targeted Chinese products are now at 25%. Further, due to limited progress in bilateral negotiations between the U.S and China to resolve the pending 301 case, the Trump administration is now threatening to place penalty duties on approximately $300 billion in additional imports from China.

Critical to the interest of domestic textile manufacturers is the need for a transparent mechanism to exclude products from the list. An exclusion process allows for the removal inputs that are not available from a domestic source. Further, it is important that finished items be included on any future China retaliation list. Finished Chinese textiles normally contain no U.S. components, while competing directly with U.S.-made products and products made by FTA partners from U.S. textile inputs. As such, a priority should be placed on covering advanced technical textiles, textile-based home furnishings and finished apparel on the Chinese retaliation lists.

USIFI & NFI support the administration's efforts to address China's unfair trade practices through the use of its Section 301 powers, while calling for the inclusion of finished products in our sector coupled with an effective exclusion process.

GSP Expansion to Textile Products

The Generalized System of Preferences (GSP) provides duty-free access to the U.S. market for least developed countries on a range of designated products. GSP currently includes an extremely narrow number of textile and apparel products. Importers, brands and retailers propose expanding GSP eligibility to include all textile and apparel products. Doing so will afford duty-free treatment for products that compete directly with goods made domestically and by our partners in FTA countries from U.S. textile inputs. This would severely damage U.S. and FTA-regional manufacturing and hamper the U.S. government's ability to negotiate improved market access for U.S. made products in future FTAs.

USIFI & NFI oppose any expansion of GSP eligibility to include textile and apparel products.

Miscellaneous Tariff Bill

The Miscellaneous Tariff Bill (MTB) temporarily reduces or eliminates import duties on specified raw materials and intermediate products used in manufacturing that are not produced domestically. The MTB ensures that U.S. manufacturers are not unnecessarily disadvantaged compared to foreign competitors when sourcing vital manufacturing components.

After a four-year lull, Congress revived the MTB process through passage of the American Manufacturing Competitiveness Act (AMCA) in 2016. AMCA cleared the way for passage of H.R. 1662 in 2018 providing duty relief on over 1,600 items.

The process for vetting the next round MTB candidates will begin in October of this year. The MTB is critical to many U.S. manufacturers of technical textiles and narrow fabrics, since we often use components, such as acrylic and rayon that are unavailable from domestic sources. The revamped process is also considering for the first time, the possibility of permanent duty elimination for products that have been repeatedly approved for MTB suspensions.

While strongly supportive of the MTB's foundational premise of providing duty relief on inputs that undergo further processing by U.S. manufacturers, USIFI and NFI are staunchly opposed to duty suspensions or reductions on finished products. Finished products are fully processed and ready to go directly to consumers with no need for further value enhancement through domestic manufacturing. Granting reduced or suspended duty status to finished goods directly undermines U.S. manufacturers of that or a competitive product's upstream component parts and works at cross purposes with the stated intent of the MTB.

USIFI & NFI support a seamless continuation of the MTB in order to mitigate costs on manufacturing components that are not available from a U.S. supplier. We also support permanent duty elimination on textile related inputs that have consistently received duty relief through the MTB process. We oppose including finished products in any MTB package.