TEXTILE TRADE POLICY ISSUES

ISSUE:

With passage of legislation to implement the United States-Mexico-Canada Agreement (USMCA) accomplished, Congress will likely turn its attention to a slate of trade policy matters that directly impact the U.S. textile sector. Below is a list of issues that may be considered prior to the adjournment of the 116th Congress, along with USIFI/NFI positioning.

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 grouping 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.

Section 321 De Minimis for Foreign Trade Zones

Importers, retailers and mass distributors propose fundamentally changing the current construct of Foreign Trade Zones (FTZs) as manufacturing hubs by turning them into direct order distribution centers for imported goods. All products shipped directly 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 Intellectual Property Rights (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 systematic set of separate penalty tariff tranches on Chinese imported products, valued at more than $500 billion.

Phase One Deal

On January 15th, the United States and China signed a "Phase One" deal to begin the process of deescalating the intellectual property dispute between the two countries. The agreement mandates a number of commitments on the part of China in regard IPR protections, technology transfer, currency manipulation, dispute settlement mechanisms and expanded trade. In regard to expanded trade, China has committed to purchasing over the next two years an additional $200 billion in U.S. agriculture products, manufactured goods, energy and services. In return, the United States has agreed to suspend penalty duties on $160 billon of Chinese product and reduce by half, penalty duties on an additional $120 of Chinese imports.

Next Steps

The United States and China have announced their intention to begin a "Phase Two" negotiation process. Other than a general goal of improving the overall bilateral trading relationship between the two countries, details on the precise scope of issues to be covered in the second stage of talks are unclear.

As these talks progress, it is critical to note that the U.S. textile sector has suffered immense damage at the hands of China's predatory trade practices for three-plus decades. Consequently, it is important that the Trump administration enact maximum penalties on finished textile items and sewn products as it continues to work through the current 301 case against China. 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 from China as part of any future tariff actions. Also critical to domestic textile manufacturers is the need for a transparent mechanism to exclude products from the list. An exclusion process allows for the removal input products that are not available from a domestic source.

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 continued inclusion of finished products in our sector coupled with an effective exclusion process.