



U.S. Industrial Fabrics Institute
Narrow Fabrics Institute

Summer 2019 D.C. Reporter

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2019 Lobby Day Recap

USIFI and NFI members joined forces in Washington, DC, June 18 and 19 to discuss textile issues with Congress and key executive branch policymakers. The date was chosen to give USIFI and NFI members a chance to impact ripening issues, such as the FY 2020 National Defense Authorization Act (NDAA) and key international trade matters.

Lobby Day is an opportunity for USIFI and 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 recently renegotiated North American Free Trade Agreement (NAFTA), known as the United States-Mexico-Canada Agreement (USMCA), and other pressing issues such as China 301 tariffs.

This annual advocacy event is also USIFI and NFI's best opportunity to showcase the dynamism of the U.S. technical textile sector. Policymakers are more receptive to input from industries that are forward-thinking and able to adapt to a changing marketplace. These officials want and need to hear how the U.S. textile industry is recapitalizing itself, innovating new commercial and military products, and exporting around the world.

Companies participating in the 2019 USIFI/NFI Lobby Day included:

- Aurora Specialty Textiles Group Inc.
- Dalco Nonwovens
- Engineered Polymer Technologies Inc.

- Glen Raven Inc.
- Graniteville Specialty Fabrics
- Herculite Products Inc.
- Highland Industries
- Seaman Corp.
- Trans-Tex Inc.

2019 Lobby Day kicked off with a briefing dinner held at The Old Ebbitt Grill. Special guests included:

- Bill Jackson, Assistant U.S. Trade Representative (USTR) for Textiles
- Janet Heinzen, Deputy Assistant U.S. Trade Representative for Textiles
- Maria D'Andrea-Yothers, Director, U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA)
- Rich Stetson, Industry & Analysis, U.S. Department of Commerce, OTEXA

Jackson made remarks analyzing the state of play with respect to USMCA, the current status of the China 301 case related to intellectual property theft, a possible U.S.-Japan free trade negotiation, and the potential expansion of the Generalized System of preferences (GSP) to include textile and apparel items.

Next, USIFI and NFI Washington representatives Sara Beatty and Augustine Tantillo helped to orient attendees as to the structure of Lobby Day meetings and the issues to be covered during the next day's visits to Capitol Hill. Issues covered included the Berry Amendment, USMCA, China 301 Tariffs, the Miscellaneous Tariff Bill, Section 321 De Minimis, and GSP Extension and Possible Expansion.

Highlighting the Capitol Hill portion of the 2019 Lobby Day was a group meeting with:

- Alexandra Whittaker, Counsel for the House Ways & Means Committee; and Kate Linton and John Catalfamo, House Ways & Means Trade Subcommittee staff

In total, USIFI and NFI representatives Sara Beatty and Augustine Tantillo organized 27 individual or group meetings for Lobby Day attendees with 13 House and 14 Senate offices. Member-level meetings are denoted below with an *.

Senate Office Visits by State

1. Sen. Tammy Duckworth (D-IL)
2. Sen. Dick Durbin (D-IL)
3. Sen. Cory Booker (D-NJ)
4. Sen. Robert Menendez (D-NJ)
5. Sen. Richard Burr (R-NC)
6. Sen. Thom Tillis (R-NC)
7. Sen. Rob Portman (R-OH)
8. Sen. Bob Casey (D-PA)
9. Sen. Pat Toomey (R-PA)
10. Sen. Jack Reed (D-RI) *
11. Sen. Sheldon Whitehouse (D-RI) *
12. Sen. Lindsey Graham (R-SC) *
13. Sen. Tim Scott (R-SC)
14. Sen. Marsha Blackburn (R-TN)

House Office Visits by State

1. Rep. Rick Allen (R-GA) *
2. Rep. Ted Budd (R-NC)
3. Rep. Patrick McHenry (R-NC)
4. Rep. Mark Meadows (R-NC)
5. Rep. Jeff Van Drew (D-NJ) *
6. Rep. Donald Payne (D-NJ) *
7. Rep. Anthony Gonzalez (R-OH) *
8. Rep. Scott Perry (R-PA) *
9. Rep. Jim Langevin (D-RI) *
10. Rep. Jeff Duncan (R-SC)
11. Rep. Tom Rice (R-SC)
12. Rep. Joe Wilson (R-SC) *
13. Rep. Phil Roe (R-TN)

Key takeaways from Hill visits include:

- Timing was excellent for discussions related to the Berry Amendment and the FY 2020 NDAA, as both Houses are currently working on passing their respective bills.
- Support was expressed for Senate language that lowers the current Simplified Acquisition Threshold (SAT) from \$250,000 to \$150,000.
- Support was expressed for House language requiring a DOD report on the utilization of the domestic non-availability determination (DNAD) process.
- A USMCA vote is still expected in 2019, but not likely until the fall. USMCA appears to be headed for a close vote in the House, while broader support for the new agreement is evident in the Senate.
- Most offices agreed with the President's efforts to rebalance trade with China, but a number expressed concern with the execution of the 301 case. USIFI/NFI members explained why leaving finished textile and apparel products off the 301 list was detrimental to domestic textile manufacturers.
- USIFI/NFI members laid down a strong marker, especially with Ways & Means and Finance Committee offices, that finished consumer products were bad candidates for MTB treatment. The next MTB review cycle begins in October of this year.
- USIFI/NFI members communicated that any effort to add textile and apparel items to GSP would result in aggressive opposition to the GSP renewal process.

Thank you to all who participated and to Linden Wicklund, IFAI Director of Events and Member Programs, and Janelle Buerkley, IFAI Division Supervisor, for their indispensable oversight and logistical assistance in organizing 2019 Lobby Day.

Possible USMCA Vote This Fall

While Congress did not take up the implementing legislation for the U.S.-Mexico-Canada Agreement (USMCA) prior to the August recess, the agreement remains the Trump administration's top legislative priority. USTR and the broader business community have

been engaged in a major lobbying push over the summer, and the administration is now targeting the fall for a ratification vote.

However, control over when and if USMCA is brought up for a vote rests with House Speaker Nancy Pelosi. The agreement does not enjoy widespread support among the Democratic caucus due to concerns over labor, environment, and pharmaceutical provisions along with overall enforcement.

U.S. Trade Representative Robert Lighthizer has been working to garner more support for the deal among Democrats, negotiating with a task force appointed by Pelosi and led by Ways and Means Chairman Richard Neal (D-MA) to try to resolve concerns. This work is expected to continue during the remainder of August between congressional staff and USTR on the Democrats' four main issues.

With the U.S. election season ramping up, this fall poses the best opportunity for ratification until after 2020. Pushing the vote into 2020 would likely delay implementation to early 2021 or longer depending on the outcome of the election.

USIFI and NFI remain heavily engaged in the push to bring USMCA to a vote given the improvements negotiated in the textile and apparel chapter of the agreement over the original NAFTA. [Attached](#) is our letter expressing support for USMCA and concerns with certain legislative trade sidecar proposals.

Additional China 301 Tariffs to Take Effect in September

At a meeting on the sidelines of the G20 meeting at the end of June, President Trump and China's President Xi Jinping agreed to resume talks on China's IPR abuses and halt additional tariffs from being imposed for an undefined period of time while the two countries tried again to strike a broader deal. The U.S. and China reportedly had been close to a deal in May, but things unraveled when Beijing made changes to a draft outline for the agreement perceived as backtracking from earlier commitments.

After the G20 summit, Treasury Secretary Steven Mnuchin and Trade Representative Robert Lighthizer traveled to Shanghai in late July to continue the talks. They reported modest progress and pledged to meet again in September; although there are now doubts as to whether a September meeting will take place. President Trump then announced via tweet on August 1 that the U.S. would impose a 10% tariff on Tranche 4 beginning September 1, quickly ending the hiatus on additional tariffs.

Tranche 4 Details

USTR has since announced that it will delay the imposition on tariffs on certain goods within Tranche 4 until December 15. Products impacted by the delay are those where 75% or more of 2018 U.S. imports in the tariff line were from China. The list of products for which the 10% additional tariff will go into effect on September 1 is available [here](#), and the December 15 effective date list is available [here](#).

The Federal Register Notice announcing the Tranche 4 tariffs is available [here](#). Notably, there will be no "on the water exemption" as there was for Tranche 3 products already in transit when tariffs were announced. Further, USTR has indicated that there will be an exclusion process for Tranche 4, with the details to be published at a later date.

Nearly all textile and apparel products classified in Chapters 61-63 are included in Tranche 4, with the vast majority captured on the September 1 list. This is a welcome development as USIFI and NFI have long pressed the administration to focus their 301 efforts on finished products. Our most recent submission to the administration is available [here](#).

While the inclusion of end items is a positive development, products removed from previous lists such as certain dyes, chemicals, machinery, and some hard to source fibers such as rayon, remain on the Tranche 4 lists. Companies impacted by these tariffs should prepare to engage in the exclusion process for Tranche 4. USIFI and NFI will circulate the details on the Tranche 4 exclusion process once available.

Tranche 3 Exclusion Process

As a reminder, a 25% penalty rate remains in place for Tranches 1-3. An exclusion process for Tranche 3, which captured products in Chapters 50-60 of the tariff schedule covering nearly all fibers, yarns, and fabrics, was launched in late June and extends through the end of September. Included below are further details for engaging in this process.

- **Submitting an Exclusion Request**
 - To submit an exclusion request, Requestors must first [create an account](#). Guidance on filing a request for an exclusion, submitting a response to a request, or replying to a response is available on the home page of the USTR Exclusions Portal, as well as on the [200 Billion Trade Action \(List 3\)](#) webpage on the USTR website. Exclusion requests must be submitted by **September 30, 2019**.
- **Viewing and Responding to Exclusion Requests**
 - **The list of Tranche 3 exclusion requests posted to the public portal is available [here](#)** and can be sorted by HTS number to better identify products of interest. Interested parties do not need to register for an account to view a request or file a response to a request. Responses and replies will be publicly viewable and should not contain Business Confidential Information.
 - After a request for exclusion of a particular product is posted to the portal, **interested persons have 14 days to respond to the request to express support or opposition**. To file a response, first click on the associated “Exclusion Request ID” to view the public details of the request, then click the “Submit a New Response” button
 - **Requestors then have 7 days** after a response is posted to file a reply. If a response is filed, USTR indicates that the original Requestor will receive a notification email. Requestors may file a reply by following the link in the notification email or by logging into their account and viewing the relevant responses
It is important that companies continue to monitor the portal on a regular basis through September 30 noting the time constraints for responses.

Progress on 2020 NDAA

The House and Senate continue to press forward with their respective versions of the FY 2020 National Defense Authorization Act (NDAA). The Senate version, [S. 1790](#), was passed just prior to the 4th of July congressional recess, while House bill [H.R. 2500](#) was adopted by the full House of Representatives prior to the August congressional recess.

We are also pleased to report that substantial progress has been made to date on the critical issue of lowering the Simplified Acquisition Threshold (SAT) for Berry purchases. As

noted in our previous [member report](#), the Senate included language that drops the SAT for Berry back to \$150,000 from the current threshold of \$250,000. The House bill does not contain the SAT reduction. Consequently, our goal is to get the House to accept the lower threshold level when the House and Senate convene a conference committee to reconcile differences in their respective versions of the NDAA.

To that end, USIFI/NFI joined a broader industry effort at the end of July to secure a House letter expressing support for the Senate language lowering the SAT to \$150,000. The letter, which can be reviewed [here](#), was circulated by Representatives Patrick McHenry (R-NC) and Bill Pascrell (D-NJ) and accumulated 25 total cosigners. Many thanks to the various USIFI/NFI members that asked their congressional Representatives to sign the SAT letter.

While the House bill was silent on the SAT issue, it does mandate a DOD report on current usage of the domestic non-availability determination (DNAD) process. Under Berry, a DNAD may be granted if the DoD determines that the input or item in question cannot be acquired when needed in a satisfactory quality and sufficient quantity at U.S. market prices. The House language is a result of textile industry concerns that the DNAD process is plagued with a lack of transparency. Since this language does not bind the Senate, it does not need to be agreed to in conference by the Senate Armed Services Committee.

The House and Senate have already begun working to resolve differences in their respective bills through a conference committee. While an exact timeline for completing the conference process is not available, we expect a reconciled version of the 2020 NDAA will be finalized in September or early October.

Other Issues USIFI and NFI are Tracking:

- **GSP:** The Generalized System of Preferences (GSP) currently expires at the end of 2020. Importers are seeking to expand this program to textile, apparel, and footwear products. Currently, the GSP program provides preferences for 119 countries but statutorily excludes most textile and apparel products from consideration. USIFI and NFI oppose any expansion effort. Currently, no legislation has been introduced.
- **Section 321 De Minimis:** Importers are proposing to fundamentally change the concept of Foreign Trade Zones (FTZs) as manufacturing hubs by turning them into direct order distribution centers for imported goods. Products shipped direct to consumers from these distribution centers would receive duty-free treatment as long as the value of each shipment falls under \$800. Legislation has not yet been introduced around this concept.
- **MTBs:** 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 process for vetting the next round MTB candidates will begin in October of this year.

Government Affairs Campfires Scheduled for IFAI Expo

To hear the latest on the issues covered above and more, please plan to attend Expo Campfire Sessions on October 2 at 2:30 (Government Relations Update: Trade, Tariffs, and Military Procurement) and October 3 at 11:00 (Textile Tariff Update – China 301).

If you have any questions on this issue of the D.C. Reporter please reach out to [Janelle Buerkley](#).

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