



U.S. Industrial Fabrics Institute
Narrow Fabrics Institute

Winter 2019/2020 D.C. Reporter

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USMCA Deal Reached

On December 10, the administration reached a deal with House Democrats on a series of changes to USMCA, clearing the way for the accord to advance through Congress. USTR subsequently submitted the [implementing legislation](#) to Congress with the agreed to modifications, and a vote in the House could take place as early as this week.

Timing of Senate consideration is less certain as Senate Majority Leader Mitch McConnell has said that USMCA will be a 2020 priority, while the White House wants movement before the end of the year. Regardless, the deal announced last week represents a major breakthrough on future trade with the United States' two most important trading partners.

The changes agreed to are not directly related to textiles and focus on labor and environment, overall enforcement, and pharmaceuticals provisions. The text of the amendments to USCMA can be found on the USTR website [here](#).

In terms of entry into force, per the agreement text, USMCA will take effect on the first day of the third month once all three countries have ratified the agreement and made all necessary changes to their domestic laws. In addition to the United States, Canada still needs to vote on the agreement and has signaled that they will do so once the U.S. House votes. Mexico voted this summer but will need to make the updates agreed to last week.

USIFI and NFI remain 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. As a reminder of the key textile related provisions included in USMCA, please see our previous analysis of the agreement [here](#).

NDAA Also Moving Forward

After a nearly three-month delay due to a partisan dispute over border wall construction, the House and Senate have finally brokered a deal to adopt the FY 2020 National Defense Authorization Act (NDAA). The Senate Armed Services Committee (SASC) and House Armed Services Committee (HASC) filed an NDAA Conference Report on December 9th and both chambers are expected to approve the final version of the bill prior to the Christmas recess.

Unfortunately, the final NDAA Conference Report does not include Senate language designed to drop the Simplified Acquisition Threshold (SAT) for Berry purchases back to \$150,000. According to our sources, House Ranking Republican Mac Thornberry (R-TX) was instrumental in blocking inclusion of the SAT reduction for Berry. Thornberry has long been a supporter of procurement “reform” and was evidently intent on preserving the SAT increase that he recently helped to author. Failure on the part of the House to accede to the Senate SAT reduction language means that the status quo of \$250,000 will remain in place for at least another year.

On a positive note, a House provision that mandates a DOD report and briefing on current usage of the domestic non-availability determination (DNAD) process remains in-tact. The House language is intended to address longstanding concerns that the DNAD process is plagued with a lack of transparency. Hopefully, the DNAD review will lead to meaningful reforms that improve the DNAD system from the perspective of the domestic military industrial base.

U.S. and China Complete Phase 1 Deal

Just ahead of a new round of tariffs scheduled to take effect December 15, the Trump administration announced a “Phase One” deal on December 13 that will suspend indefinitely those tariffs and reduce the rate for the list that went into place on September 1 (List 4A). The text of the agreement has not yet been released; the U.S. and China are expected to sign it in early January.

Based on information available as of this writing, the deal includes new commitments covered by specific chapters on Intellectual Property; Technology Transfer; Agriculture; Financial Services; Currency; Expanding Trade; and Dispute Settlement. A fact sheet summarizing the agreement is available [here](#). As part of the Expanding Trade section, China has committed to purchasing over the next two years an additional \$200 billion of U.S. manufactured goods, agricultural products, energy products, and services, compared to a 2017 baseline.

In addition to canceling the December 15 tariffs, the United States agreed not to move forward with a previously discussed 5% increase to the tariff rate for Tranches 1-3, meaning that the tariff rate on the \$250 billion covered by the first three lists will remain at 25%. For Tranche 4A, the grouping that went into effect September 1 at a 15% rate, the U.S. will cut that rate in half to 7.5%. As a reminder, most apparel and home furnishing products are on Tranche 4A, while textile fibers, yarns and fabrics are part of Tranche 3. It is unclear when the decreased rate for 4A will take effect or what will be discussed in phase two of the talks.

Further, an exclusion process for the Tranche 4A list is currently underway and will extend through January 31. The online portal is available [here](#), with exclusion requests being

posted on a rolling basis. Included below are further details for engaging in this process should your company wish to submit an exclusion request and/or respond to requests submitted by others that may overlap with your production capabilities or that of your customers. Notably, there is an exclusion request currently pending for polyester recreational watercraft covers – see Exclusion Request [USTR-2019-0017-38487](#). Comments on this request are due December 17.

Submitting a Tranche 4A Exclusion Request

To submit an exclusion request, Requestors must first [create an account](#). See the [\\$300 Billion Trade Action \(List 4\)](#) webpage for more information on filing a request for an exclusion, submitting a response to a request, or replying to a response. Exclusion requests must be submitted by January 31, 2020.

Viewing and Responding to Tranche 4A Exclusion Requests

The list of Tranche 4A 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 response.

We strongly encourage members to review and continually monthly the [exclusion portal](#) through January 31, noting the 14-day window for any responses. Please let IFAI know if you file a response.

Other Issues USIFI and NFI are Tracking:

- **GSP:** The Generalized System of Preferences (GSP) is scheduled to expire at the end of 2020 unless Congress enacts legislation to renew it. As part of the renewal process, importers are seeking to expand this program to textile, apparel, and footwear products. 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, however, this remains a live issue that is expected to carry over into 2020.
- **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; however, we are pressing CBP for more information on de minimis shipments and their impact on the textile sector. CBP is currently processing a startling 2 million shipments a day under the de minimis threshold.

- **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 window for submitting MTB petitions this cycle recently closed on December 10. IFAI has been circulating tranches of petitions as they are being vetting by the Commerce Department to determine whether there is U.S. production or not, which is the next step in the process after a petition is filed. Please carefully review these lists promptly and thoroughly to ensure that there are no petitions that overlap with your production capabilities or that of your customers. A formal public comment window will also open in mid-January, and further details on that process will be circulated once available.

2020 Washington Advocacy Day Scheduled

March 3 - 4 have been scheduled for the 2020 Washington advocacy fly-in for USIFI and NFI members. Members are encouraged to mark their calendars in order to participate in policy meetings with congressional representatives and key Administration officials. The annual USIFI/NFI Advocacy Day serves as our best opportunity to interact directly with federal policy makers on the various matters that most directly impact our industry. To learn more about or to register for the 2020 Advocacy Day, please contact Janelle Buerkley at jwbuerkley@ifai.com.

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