



May 28, 2019

The Honorable Richard Neal
Chairman
House Ways and Means Committee

The Honorable Kevin Brady
Ranking Member
House Ways and Means Committee

The Honorable Charles Grassley
Chairman
Senate Finance Committee

The Honorable Ron Wyden
Ranking Member
Senate Finance Committee

Dear Chairmen Neal and Grassley and Ranking Members Brady and Wyden:

As the Trump administration prepares to submit a bill to Congress to implement the United States-Mexico-Canada Agreement (USMCA), we urge you to ensure that Congress does not threaten final passage of this important trade agreement by weighing down its consideration with controversial, unrelated trade measures either as part of USMCA or as a separate “sidecar” trade bill. USMCA makes some important improvements over the North America Free Trade Agreement (NAFTA) for domestic textile manufacturers and workers, including a stronger rule of origin for certain regional textile products. However, if various proposed trade concepts that would negatively impact the domestic textile sector are included as part of consideration of USMCA, this would insert unavoidable controversy into the process and threaten passage of the agreement as a whole.

While not an exhaustive list of problematic proposals, some of the more troubling initiatives that we oppose include:

GSP Expansion to Apparel

The Generalized System of Preferences (GSP) currently includes only an extremely narrow number of textile and apparel products. Apparel brands and retailers propose expanding GSP beyond this limited scale to include apparel products that will directly compete against apparel made domestically and by our free trade agreement (FTA) partners from U.S. textile inputs, and undermine existing preferences available to Haiti and CBTPA and AGOA beneficiaries. 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.

Section 321 De Minimis for Foreign Trade Zones

Mass distributors, brands and retailers propose fundamentally changing the concept of Free Trade Zones (FTZs) as manufacturing hubs by turning them into e-commerce distribution centers for foreign-made apparel and other products. 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 and apparel suppliers in China and Vietnam, while severely undermining our current free trade structure 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.

9802

Under the 9802 proposal, U.S.-spun yarn could be shipped to China for further processing and comingled with third-party textile inputs for apparel production with the finished garments receiving tariff relief for the percentage of U.S. content used. The 9802 concept breaks with the U.S.'s longstanding yarn forward rule of origin for textiles and apparel and would have a detrimental impact on U.S. fabric manufacturers and others in the domestic textile supply chain. In addition, the proposal allows qualifying yarns to be constructed from foreign fiber. Further, the benefits afforded to China and Vietnam under this proposal would likely come at the direct expense of our free trade partners in the NAFTA and CAFTA regions.

The U.S. OUTDOOR Act

The U.S. OUTDOOR Act would permanently eliminate tariffs on a range of recreational performance outerwear from China and other non-FTA countries. As originally proposed, the OUTDOOR Act would also create a fund to support R&D and education in eco-friendly textile and apparel design and manufacturing, known as the Sustainable Textile and Apparel Research (STAR) Fund. Recent efforts to pass the OUTDOOR Act have dropped the STAR Fund, seeking only unilateral tariff breaks for foreign-made outerwear at the expense of domestic textile and apparel manufacturers.

Unilateral Tariff Preferences for Chinese Cashmere Apparel

H.R. 2219 and S. 1188 would give unilateral tariff breaks to the Mongolian cashmere sector. Under this proposal, Chinese cashmere and cashmere-blend apparel made from Mongolian yarn and fabric would be afforded blanket duty-free treatment to the U.S., displacing domestic textile production and jobs. Like the 9802 concept, this would be a rejection of longstanding U.S. trade policy, while also creating a disconcerting precedent of unilateral tariff giveaways for foreign-made apparel — one that would be replicated at the expense of U.S. textile jobs and exports.

We stand ready to assist you in passing a clean USMCA implementing bill swiftly and look forward to taking advantage of the benefits a final agreement would provide to domestic manufacturers and workers. We strongly oppose any effort to complicate the passage of USMCA by adding various controversial, unrelated trade proposals to the process either attached to the USMCA implementing bill, as a trade bill that runs parallel to it, or in any other fashion.

Sincerely,

American Flock Association
Narrow Fabrics Institute
National Cotton Council
National Council of Textile Organizations
South Carolina Textile Council
U.S. Industrial Fabrics Institute