U.S. Industrial Fabrics Institute

Narrow Fabrics Institute

TEXTILE TRADE POLICY ISSUES

Included below is a list of trade policy issues that directly impact the U.S. textile sector and are likely to be considered by Congress in the coming months.

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.

The MTB is critical to many U.S. manufacturers of technical textiles and narrow fabrics, since they often use components, such as acrylic and rayon, that are unavailable from domestic sources. These materials are then processed in domestic manufacturing facilities, helping to support U.S. jobs, output, and investment. The current lapse in the MTB has significantly increased production costs for U.S. producers at an inopportune time when industry is trying to recover from the COVID-19-induced downturn.

USIFI and NFI staunchly support the adoption of MTB benefits for inputs that are not available from a domestic manufacturing source. However, USIFI and NFI are opposed to duty suspensions or reductions on finished products. Finished products are fully processed and ready for sale 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 and NFI support renewal of MTB benefits for duty relief on inputs not available domestically that undergo further processing by U.S. manufacturers. Goods that fall under this definition help to mitigate costs on manufacturing components that are not available form a U.S. supplier.

GSP Expansion to Textile Products

The Generalized System of Preferences (GSP), which expired at the end of 2020, provides duty-free access to the U.S. market for developing countries on a range of designated products. GSP has historically included an extremely narrow grouping of textile and apparel products; however, 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 partners in FTA countries from U.S. textile inputs. This approach 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 and NFI oppose any expansion of GSP eligibility to include textile and apparel products and instead believe GSP should be approved only as a straight extension, without change in its existing terms.

CAFTA-DR Yarn Forward

As the Biden administration and Congress seek mechanisms to stem the current immigration crisis along the U.S. southern border, certain importers, retailers, and brands are pressing for a significant liberalization of CAFTA-DR as a potential solution to the problem. Specifically, these groups are requesting a dismantling of the yarn forward rule of origin to allow non-CAFTA-DR yarns and fabrics from countries like China to be eligible for use in textile and apparel products that qualify for duty-free benefits under the agreement.

Rules of origin are the fundamental building blocks of any preference arrangement as they determine the basic qualifications for receipt of benefits prescribed under the agreement. Weak origin rules that convey benefits for minimal or final step processing transfer lucrative tariff preferences to parties outside the countries that are actually signatories to the agreement. This transferring of benefits to players outside of the FTA region often comes at the direct expense of manufacturers and workers within the U.S. and other signatory countries.

The yarn forward rule ensures that the benefits of the FTA are primarily reserved for manufacturers who actually produce textiles and apparel in the FTA region. Otherwise, free riders, such as China, would be able to ship billions of dollars' worth of textile components to FTA countries that are then assembled and exported to the United States duty-free. This enormous backdoor benefit would exist despite the fact that China and other free riders would not be required to grant reciprocal access to their markets, nor undertake critical environmental and labor rights obligations, as is the case with the CAFTA-DR signatory countries.

USIFI and NFI strongly oppose any attempt to weaken the current yarn forward rule of origin under the CAFTA-DR or any other U.S. free trade agreement.

China Trade Enforcement

U.S. industrial textile manufacturers have been enormously impacted by China's rampant intellectual property theft and myriad other predatory trade and labor practices. Long overdue and important China enforcement actions in recent years have included the imposition of Section 301 penalty tariffs and a ban on cotton and cotton containing products produced by slave labor in the Xinjiang Uyghur Autonomous Region (XUAR). Further, some of the 301 tariff exclusions on finished PPE have been discontinued in an effort to support domestic PPE producers and not reward China for its unscrupulous behavior, including withholding vital PPE during the height of the pandemic to now dumping low-priced and often substandard PPE tainted with slave labor to crowd out competitors.

USIFI and NFI appreciate the focus in Washington on China competitiveness issues and commend efforts to hold China accountable. We specifically support the continuance of Section 301 penalty tariffs on finished textile and apparel products, while allowing for exclusions on manufacturing inputs and machinery not available elsewhere. We also favor letting the remaining PPE finished product exclusions expire given U.S. and nearshore PPE capacity.

Section 321 De Minimis

Importers, retailers, and mass distributors are circumventing the U.S. tariff schedule through the abuse of section 321 "de minimis" tariff waivers for vast volumes of consumer products. This provision was never intended as a major avenue for international commerce but as an administrative provision to ensure efficient use of government resources. However, with surging e-commerce orders that go direct to consumers, paired with the increase in the U.S. de minimis level to $800 in 2016, now over 2 million packages per day are entering under this provision. Further, China, whose own de minimis level is 50 yuan (approximately $7-$8 USD), is the primary beneficiary, using Sec. 321 to skirt not only tariffs but to enter products under the radar that are made from slave labor as well as unsafe and counterfeit products.

USIFI and NFI strongly support legislation recently introduced as the Import Security and Fairness Act (HR 6412) and included in the House-passed America COMPETES Act (Division K, Title III) that would disqualify China from de minimis benefits as well as products that are subject to penalty duties and those that originate in cross-border warehouses.