U.S. INDUSTRIAL AND 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 that are used in manufacturing and 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 extended lapse in the MTB unfortunately mirrors three-plus years of historic inflation that has significantly increased production costs for U.S. producers and hampered competitiveness.

USINFI supports the renewal of MTB benefits, including with full retroactivity, for duty relief on inputs not available domestically that undergo further processing by U.S. manufacturers. Adoption of the MTB will help to mitigate costs on manufacturing components that are not available from a U.S. supplier and spur growth and onshoring.

Should the MTB be considered in conjunction with the renewal of the Generalized System of Preferences (GSP), USINFI would oppose any expansion of GSP eligibility to include textile and apparel products and instead recommend GSP to be approved only as a straight extension, without any change to its existing product scope.

Section 321 De Minimis

Importers, retailers, and mass distributors are circumventing the U.S. tariff schedule through the exploitation of Section 321 "de minimis" tariff waivers for vast volumes of consumer products. The exponential growth of de minimis entries is damaging U.S. manufacturers, displacing qualifying imports from Free Trade Agreement (FTA) partners, and overwhelming the ability of Customs & Border Protection (CBP) to detect and seize deadly drugs and hazardous materials. With surging e-commerce orders that go directly to consumers, paired with the increase in the U.S. de minimis level to $800 in 2016, now 3 million packages per day are entering under this provision. Further, China, whose own de minimis level is 50 yuan (approximately $7 USD), is the primary beneficiary, using Section 321 to skirt not only tariffs but to send shipments under the radar that contain illicit drugs, dangerous counterfeits, or violate the Uyghur Forced Labor Prevention Act (UFLPA).

Other governments, such as the EU, are instituting guardrails in their systems in addition to having more rational de minimis threshold levels. Meanwhile, the safety of American citizens and the integrity of our trade laws are being severely undermined by a runaway de minimis system in the U.S. that has gifted China one-way FTA access at the expense of U.S. manufacturers and our actual FTA partners.

USINFI strongly supports the Import Security and Fairness Act (H.R. 4148/S. 2004) 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. Furthermore, the Executive Branch also has the authority to fix this problem today. The current statute says that CBP *can* provide de minimis treatment of imports under $800, not that it *must* do so. This clear language fully authorizes the administration to limit de minimis for any reason to protect revenue collection or to block illegal imports.

<u>China Trade Enforcement</u>

U.S. industrial textile and narrow fabric manufacturers have been enormously impacted by China's rampant intellectual property theft and numerous 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 the ban on products produced by slave labor in the Xinjiang Uyghur Autonomous Region (XUAR), which produces one-fifth of the world's cotton.

USINFI appreciates the focus in Washington on China competitiveness issues and commends efforts to hold China accountable. We specifically support the continuance and ramping up of Section 301 penalty tariffs on finished textile and apparel products, while allowing for reasonable exclusions on manufacturing inputs and machinery not available elsewhere. We also favor letting the remaining personal protective equipment (PPE) finished product exclusions expire given U.S. and nearshore PPE capacity. We support significantly increased UFLPA enforcement activities by CBP to target textile and apparel imports given the prevalence of Xinjiang cotton in China and supply chains throughout Asia.

<u>The Americas Act</u>

Introduction is expected soon of legislation, known as the "Americas Act," that would stimulate textile and apparel sector investment as well as co-production partnerships between the United States and the various FTA countries within the Western Hemisphere.

A key aspect of this proposed legislation would be the establishment of various tax deductions that would incentivize U.S. textile manufacturing, encourage the export of textile components to Western Hemisphere FTA countries, and boost the purchase of finished products manufactured in Western Hemisphere FTA regions.

These tax benefits would be intended to drive greater investment into the U.S./Western Hemisphere textile production chain and improve its pricing capabilities as compared to counterparts in China/Asia. For this bill to achieve these important goals, it is critical that the bill:

- Only provides tax benefits for inputs and finished goods that meet rule-of-origin requirements and are deemed to be a "qualifying good" under an existing Western Hemisphere FTA
- Preserves the integrity of our existing FTA origin rules for qualifying goods
- Preserves the integrity of the short supply systems in place under our various FTAs and prevents any statutory expansion of current short supply listings with our FTA partners

We look forward to working with the sponsors of any such legislation to ensure that it meets the well-intended goals listed above, while preserving the current FTA system that is the main driver for nearly $40 billion in two-way textile trade between the U.S. and our Western Hemisphere partners.