U.S. INDUSTRIAL AND NARROW FABRICS INSTITUTE

TEXTILE TRADE POLICY ISSUES

The U.S. textile industry has seen over 27 plants close in the past 20 months due to misguided U.S. trade policies and trade abuses by foreign competitors to gain an unfair advantage in the marketplace. A policy course correction is urgently needed, and included below is a list of trade issues under active consideration that will have direct bearing on the future of this essential domestic manufacturing sector.

Trade & Customs Enforcement

U.S. industrial textile and narrow fabric manufacturers have been enormously impacted by foreign predatory trade and labor practices, including by China's rampant intellectual property theft and dumping of subsidized products on the world market. 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. The Department of Homeland Security (DHS) also released a textile-specific, multi-pronged customs enforcement plan last spring and has ramped up initiatives to catch more violative goods before they enter the U.S. and levy more penalties.

USINFI appreciates the focus in Washington on competitiveness issues and commends efforts to hold China and other unscrupulous trade actors accountable. We specifically support:

- **Significantly increasing penalty tariff rates on finished textile and apparel products from China**
- **Expanding the scope of penalty tariffs to include other Asian suppliers, such as Vietnam, that source components predominantly from China**
- **Providing reasonable exclusions for manufacturing inputs and machinery not available elsewhere**
- **Preserving duty-free status for Western Hemisphere FTA-qualifying trade, which often incorporates U.S. components**
- **Holding DHS/CBP accountable to continue and intensify textile enforcement activities around upholding UFLPA, ensuring compliance with FTA rules of origin, and addressing undervaluation, transshipment, and misclassification schemes that defraud the Treasury and undercut domestic manufacturers**

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. De minimis allows imports shipped directly to an individual consumer and valued at less than $800 to enter the U.S. duty-free. This loophole has been severely exploited in the textile and apparel sector as Customs & Border Protection (CBP) estimates that over 50% of all these entries are textile and apparel goods.

The exponential growth of de minimis entries is damaging U.S. manufacturers, displacing qualifying imports from Free Trade Agreement (FTA) partners, and overwhelming CBP's ability 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 4 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 Congress taking assertive action to close this dangerous loophole in a comprehensive manner that either decouples e-commerce from de minimis entirely or institutes a ban on import sensitive products like textile and apparel products from all countries. 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. Both tracks should be pursued on an expedited basis.

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 that are not made in the U.S.

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 four-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, 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 be taken up only as a straight extension, without any change to its existing product scope.