



Textile Policy Update

SPESA EXECUTIVE CONFERENCE


November 8, 2017



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National Council of Textile Organizations (NCTO)

Mobilizing Support for the U.S. Textile Industry in the 21st Century



The National Council of Textile Organizations (NCTO) is a unique association representing the entire spectrum of the textile industry. From fibers to finished products, machinery manufacturers to power suppliers, NCTO is the voice of the U.S. textile industry. There are four separate councils that comprise the NCTO leadership structure, and each council represents a segment of the textile industry and elects its own officers who make up NCTO's Board of Directors.



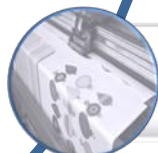
Fiber Council membership represents domestic textile denier fiber producers



Yarn Council membership represents domestic yarn manufacturers



Fabric & Home Furnishings membership represents domestic manufacturers of fabric, including woven, knitted, non-woven, tufted, braided or other, and home furnishings



Industry Support includes textile distributors; converters, dyers, printers and finishers of textiles; and suppliers of products and services to such fiber and textile entities

U.S. Textile Industry Snapshot

- The U.S. textile industry supply chain - from fibers to apparel and other sewn products - employed **565,000 workers** in 2016. One textile job supports three other jobs.
- In 2016 shipments from the U.S. textile sector were valued at **\$61.8 billion**; U.S. apparel shipments were valued at **\$12.7 billion**.
- The U.S. textile industry is the **fourth largest exporter** of textile products in the world. Total textile and apparel exports were **\$26.3 billion** in 2016.
- The U.S. textile industry invested **\$17.9 billion in new plants and equipment** from 2006 to 2015.



U.S. TRADE POLICY OUTLOOK

AMERICAN
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U.S. Economy – Warning Signs

2016 GDP Heavily Weighted Toward Consumption

- Personal Consumption - \$12.8 Trillion (69% of total GDP)
- Government Spending - \$3.3 Trillion (16% of total GDP)

U.S. Manufacturing Employment Down

- 12.4 million manufacturing workers
- Down 36% since 1980

Government Employment Up

- 22.3 million government workers
- Up 39% since 1980

U.S. Economy – Warning Signs

Wages are Stagnant

- Median wage rate has only increased 9% since 1979
- Adjusted for inflation, the average hourly wage has same purchasing power as 1979

Household Debt at Record Level - \$12.7 Trillion

- Doubled over the past 15 years
- Eclipsed record levels set during the recession (Q3 2008)

U.S. Economy – Warning Signs

Trade Deficit Continues to Undermine the U.S. Economy

- \$502 Billion deficit in 2016
- Cumulative U.S. trade deficit since 1980 - \$10.5 Trillion

NAFTA Trade Deficit

- \$80 Billion in 2016
- Cumulative U.S. NAFTA trade deficit - \$1 Trillion



Trump Trade Policy Review

Trump Administration has begun reviewing:

- Overall causes of U.S. trade deficit
- China trade relationship
- NAFTA
- KORUS
- U.S. Japan trade relationship

Trump Trade Deficit Review

- U.S. deficit in textiles & apparel was \$95 billion in 2016; 2nd largest contributor to merchandise deficit after electronics
- NCTO trade deficit comments recommending U.S. government:
 - Eliminate Unnecessary Exceptions in FTAs
 - Expand and Improve Buy-American Programs
 - Prioritize Customs Enforcement
 - Tackle Currency Manipulation
 - Enact Comprehensive Tax Reform
 - Address Regulatory Burdens

Trump and NAFTA

- Last year, Trump repeatedly blasted NAFTA as "the worst trade deal in history."
- Since the election, however, the President's position has moderated. He is now pledging to conduct a review and renegotiation of NAFTA.
- NCTO supports renegotiation but not cancellation due to the high level of integration in the supply chain.

NAFTA Status

- President formally notified Congress on May 18 of his intention to reopen NAFTA
- Four rounds of negotiations have taken place
- Fifth round scheduled for Mexico City this Nov. 17-21
- Expect uncertainty

NAFTA Textile & Apparel Trade Flows

In 2016:

- The U.S. ran a \$3.4 billion trade surplus in textile and apparel products with our NAFTA partners.
- The U.S. exported \$5.9 billion in textile and apparel products to Mexico and \$5.2 billion to Canada.
- U.S. textile and apparel imports from Mexico were \$5.7 billion and \$2.0 billion from Canada.

NAFTA Textile Origin Exceptions

- NAFTA includes a number of exceptions to yarn-forward:
 - Four tariff preference levels (TPLs) on various Apparel items, Made-Ups, Fabrics, and Yarns
 - Components beyond the “essential character” fabric are not required to originate (e.g. sewing thread, pocketing, narrow elastics)
 - Single transformation for apparel made from non-NAFTA yarns and fabrics: men’s dress shirts, nightwear, women’s underwear, brassieres, and silk and linen apparel.

TPL Details

1. **Cotton & MMF Apparel** - Excludes apparel of blue denim and oxford cloth; mmf sweaters; t-shirts & underwear of circular knit fabric <100 metric yarn #.
 - 88.3 million square meters equivalent (SME) limit for Canada. 2016 fill rate was 23%.
 - 45 million SME limit for Mexico. 2016 fill rate was 95%.
2. **Wool Apparel**
 - 5.3 million SME limit for Canada. 2016 fill rate was 31%.
 - 1.5 million SME limit for Mexico. 2016 fill rate was 80%.

TPL Details

3. Cotton & MMF Fabrics & Made-Ups

- 71.8 million SME limit for Canada. 2016 fill rate was 31%.
- 24 million SME limit for Mexico. 2016 fill rate was 83%.

4. Cotton & MMF Yarns

- 11.8 million kilogram limit for Canada. 2016 fill rate was 35%.
- 1 million kilogram limit for Mexico. 2016 fill rate was 0%.

TPL Impact

- \$726 million in duty-free NAFTA TPL exports to the U.S. in 2015
- Cumulative over the life of NAFTA - \$16.7 billion in duty-free TPL exports to the U.S.

TPLs Sunset in Other Agreements

The U.S. properly set term limits on TPLs in other FTAs:

- Singapore TPL – expired after 8 years
- Morocco TPL – expired after 10 years
- Nicaragua TPL – expired after 10 years
- Bahrain TPL – expired after 10 years
- Oman TPL – scheduled to expire Dec. 31, 2018
- Costa Rica TPL – scheduled to expire Dec. 31, 2018

TPLs Undermine NAFTA's Purpose

- TPLs are described as a flexibility but are in reality a blanket exception to origin rules
- TPLs shift benefits away from NAFTA parties to China and other non-NAFTA countries
- TPLs damage upstream producers – textile manufacturers

Coalition Opposing TPLs

NCTO

NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS

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FIBER MANUFACTURERS
ASSOCIATION, INC.**

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★



**National
Cotton
Council** 
OF AMERICA

SOUTH CAROLINA


MANUFACTURERS
ALLIANCE

 **Narrow Fabrics
Institute**

 **U.S. Industrial
Fabrics Institute**



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