



UNITED STATES FASHION INDUSTRY ASSOCIATION



April 23, 2018

The Honorable Kevin Brady
Chairman
U.S. House Ways and Means Committee
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
U.S. House Ways and Means Committee
Washington, D.C. 20515

The Honorable Orrin Hatch
Chairman
U.S. Senate Finance Committee
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
U.S. Senate Finance Committee
Washington, D.C. 20510

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

We are writing to you to urge your support for an initiative that will support and create U.S. jobs and promote exports of U.S. materials on a global basis.

We are seeking your support for a program that would promote the use of U.S. origin materials incorporated into finished products abroad and returned to the U.S. Specifically, the program would only assess duties on the foreign value added abroad and not on the U.S. origin materials. This would deduct the value of U.S. origin materials from the dutiable value of a finished good when that good is imported into the United States.

Under current U.S. law, the value of U.S. components is not assessed the U.S. tariff when an article that incorporates those components is imported. This provision is a long-standing

feature of U.S. trade policy that heavily incentivizes the export of U.S. components for assembly abroad.

Unfortunately, this policy does not broadly allow exemptions for U.S. exports that are further processed abroad before being assembled into a product. This means significant U.S. value that is included in articles made abroad is charged the full U.S. tariff when imported. This practice acts as a significant disincentive for the use of U.S. textiles and leather in articles made abroad, undermining the opportunities for U.S. exports of those materials and the jobs associated with those exports. Knowing there is no duty reduction benefit for the use of U.S. materials results in foreign producers using less expensive foreign substitutes.

Congressional action is needed now. Not only would swift action incentivize the use of U.S. exported materials, but it would also undo a *status quo* that is largely inconsistent. For example, U.S. Customs and Border Protection (CBP) has interpreted yarns and fabrics as not being “components” and therefore are not eligible for current provisions for duty exemption. At the same time, CBP does consider U.S. sewing thread and U.S. narrow elastic fabric (which are yarns and fabrics, respectively) to be U.S. components and therefore eligible for deduction.

U.S. law already envisions such an approach. For example, Harmonized Tariff Schedule (HTS) 9802.00.60 already allows importers to deduct the cost of U.S. metal materials, even if those materials were further processed abroad, from the value of the imported article. The proposal we are advancing would build on the 9802.00.60 provision to provide similar exemptions for U.S. exports of textiles and leather.

We seek your support in expanding the existing provision to allow U.S. origin textiles and leather, in addition to U.S. components, to be deducted from the dutiable value of a finished good when that good is imported into the United States. Such a program would firmly root U.S. inputs into the global production supply chains by signaling that U.S. content—whether that content comes in the form of a recognized stand-alone component or is otherwise incorporated into a finished article—is exempt from applicable duty.

Please find attached a draft proposed amendment to the HTS to accomplish this concept.

We look forward to working with you to support such an endeavor and the many U.S. manufacturing jobs it will support and create.

Sincerely,

American Apparel & Footwear Association (AAFA)
American Association of Exporters and Importers (AAEI)
Fashion Accessories Shippers Association (FASA)
Footwear Distributors and Retailers of America (FDRA)
Fur Industries of North America (FINA)
Gemini Shippers Association

Halloween Industry Association (HIA)
Juvenile Products Manufacturers Association (JPMA)
Leather Industries of America (LIA)
National Foreign Trade Council
National Retail Federation (NRF)
North American Association of Uniform Manufacturers and Distributors (NAUMD)
Promotion Products Association International (PPAI)
Retail Industry Leaders Association (RILA)
Sports and Fitness Industry Association (SFIA)
Travel Goods Association (TGA)
United States Council for International Business (USCIB)
United States Fashion Industry Association (USFIA)
United States Hide, Skin and Leather Association (USHSLA)

Attachment: Draft Language

DRAFT Language

SECTION 1. ARTICLES EXPORTED AND RETURNED.

(a) ARTICLES EXPORTED AND RETURNED, ADVANCED, IMPROVED, MANUFACTURED OR PROCESSED ABROAD.—Subchapter II of chapter 98, specifically 9802.00.80 of the Harmonized Tariff Schedule of the United States is amended—

- (1) By inserting “incorporating in whole or in part a qualifying textile material or qualifying leather material; or” after “...provision of subchapter XX,” and inserting “; or any combination thereof” after “..or improved in condition” in the Description column.
- (2) By deleting “such products” and inserting “fabricated components” after “less the cost or value of”.
- (3) By inserting “, a qualifying textile material, or qualifying leather material” after “...products of the United States” in the General, Special and column 2 duty rates.
- (4) By renumbering U.S. Notes 4, 5 and 6 as U.S. Notes 5, 6 and 7.
- (5) By adding a new U.S. Note 4 as follows:

“4. Articles assembled abroad with components produced in the United States. -- The following provisions apply only to subheading 9802.00.80:

(a) The term “qualifying textile material” means a material produced in accordance with the applicable production requirements of subparagraph (a)(1), (2) or (3) that is –

(i) provided for in headings 5106 through 5113, 5204 through 5212, 5306 through 5307, subheading 5308.20.00 through 5308.90.90, heading 5309 through 5311, 5508 through 5516, or in chapters 54, 56, 58, 59 or 60; or

(ii) a knit-to-shape component; and:

- (1) With respect to a yarn or thread, the constituent staple fibers of the yarn or thread are spun in the United States or the continuous filament is extruded in the United States; or
- (2) With respect to a fabric, the fabric is woven, knitted, needled, tufted, felted, entangled, or transformed by any other fabric-making process in the United States; or

(3) With respect to a knit-to-shape component, the component is knitted or crocheted in the United States from a yarn directly to a specific shape, that is, the shape or form of the component as it is used in the apparel article, containing at least one self-start edge. Knit-to-shape components include blankets or blanks knitted with lines of demarcation for components. Minor cutting or trimming will not affect the determination of whether a component is knit-to-shape.

(b) The term “qualifying leather material” means a material of headings 4101-4114 that is a product of the United States, whether or not further prepared abroad.

Below is a visual of HTS of the changes as proposed above.

Heading/Sub heading	Suffix	Description	UOM	General	Special	2
9802.00.80	00	Articles, except goods of heading 9802.00.90 and goods imported under provisions of subchapter XIX of this chapter and goods imported under provisions of subchapter XX, incorporating in whole or in part a qualifying textile material or qualifying leather material ; or assembled abroad in whole or in part of fabricated components, the product of the United States, which (a) were exported in condition ready for assembly without further fabrication, (b) have not lost their physical identity in such articles by change in form, shape or otherwise, and (c) have not been advanced in value or improved in condition; or any combination thereof		A duty upon the full value of the imported article, less the cost or value of fabricated components of the United States, a qualifying textile material, or qualifying leather material (see U.S. note 4 of this subchapter)	Free (BH,CL, IL,JO, MA,OM, P, SG) A duty upon the full value of the imported article, less the cost or value of fabricated components of the United States, a qualifying textile material, or qualifying leather material (see U.S. note 4 of this subchapter) (AU,B,C,CA, KR,MA, MX,PA,PE,S G)	A duty upon the full value of the imported article, less the cost or value of fabricated components of the United States, a qualifying textile material, or qualifying leather material (see U.S. note 4 of this subchapter)