

MINUTES OF THE EXPORTERS' TEXTILE ADVISORY COMMITTEE
Dec. 7, 2006

Minutes of the Exporters' Textile Advisory Committee
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Trade Information Center
Training Room C
Washington, D.C.

Industry and Trade Press Representatives

Dr. Richard Williams Williams Companies
Mr. Michael Harris Faribault Mills
Mr. Steve Lamar AAFA
Mr. Tim Voit ATD-American Company
Ms. C. Vaughn Jordan Cotton Council
Ms. Wanda Ellis AFA
Mr. Dennis Doran Pharr Yarns

U.S. Government Representatives

Mr. Lawrence J. Brill OTEXA
Ms. Laurie Mease OTEXA
Ms. Rachel Alarid OTEXA
Mr. Glen Jackman NC Dept. of Commerce
Ms. Kim-Bang Nguyen OTEXA
Ms. Linda Martinich OTEXA

Mr. Lawrence J. Brill, Director of the Market Expansion Division of the Office of Textiles and Apparel, convened the meeting at 1:00 pm. The meeting was held at the Trade Information Center of the Ronald Reagan Building in Washington, D.C. Mr. Brill welcomed all members and guests and asked all attendees to introduce themselves. He expressed his appreciation for the attendances. Mr. Brill proceeded to introduce Ms. Janet Heizen, Director of the Trade Data Division of the Office of Textiles and Apparel to give an update on the various free trade agreements:

FTA Status

Korea FTA

Ms. Heizen reported that little progress has been made in textiles during the last three rounds. Korea wants a single transformation rule of origin, and opposes separate textiles language on safeguards and customs cooperation. Korea has also rejected the U.S. tariff offer, demanding further improvements. Currently, Korea is not a part of the current negotiating round in Montana, and the next round has not been scheduled.

Malaysia FTA

Progress is slowly being made in Textiles. In principle Malaysia generally accepts the yarn-forward rule of origin, but expresses reservations about availability of inputs. Ms. Heizen stated that Malaysia has proposed cumulation with ASEAN and mutual FTA partners. The next round is scheduled for the week of January 8, 2007 in San Francisco, CA.

CAFTA-DR

An agreement was entered into force with El Salvador, Nicaragua, Honduras, and Guatemala. Costa Rica has not ratified, and may not until mid-2007. The Dominican Republic still must meet certain criteria for entry into force. There are problems due to staggered entry into force. The HR-4 (Pension Protection Act) has been approved, and the pocketing deals have been negotiated with El Salvador, Guatemala, Honduras, and Nicaragua.

An agreement with the Dominican Republic has been reached, and there are ongoing negotiations with Costa Rica. Any settlements with these two countries are subject to the consultation and layover provision of the Agreement before the President can implement.

Other FTA's

Ms. Heizen concluded her briefing by updating the members on other FTA's. The FTA's with Columbia and Peru are facing Congressional opposition, and the FTA with Panama maybe completed soon (textiles chapter is the same as CAFTA-DR). FTA negotiations with Thailand, SACU, and the UAE have been suspended. The FTA with Oman has been approved by Congress and could be implemented in early 2007. Finally NAFTA, Morocco, Bahrain, Chile, Australia, and Singapore are in force.

Mr. Voit asked about the progress of the FTA with Vietnam.

Ms. Heizen replied that the USTR would be accepting public comment soon, and that OTEXA would let the ETAC members know when public comments would be accepted by USTR.

Mr. Brill introduced Don Wright, Office of the European Union to next brief the members on REACH, which will be implemented by the EU in January 2007.

REACH Briefing

Additional labeling information on chemicals used in textile and apparel products (all the way down the supply chain) will be required for products to enter the EU – “cradle to grave”. REACH is a chemical management system that will determine if a chemical is safe. There are fundamental differences between the U.S. and Europe in regards to the classification of chemicals. The U.S. believes that every chemical is safe until proven otherwise- the EU is the opposite in that it believes that every chemical is dangerous until proven otherwise.

Textiles will be affected mainly via dyes. Mr. Wright explained that the USDOC has not seen as much of a response from the textile and apparel industry. USDOC is trying to keep end-use products in mind, and especially SMEs, and most textile and apparel products will not be affected because they do not meet quantity minimums (10 tons per year).

The EU has established a “candidate list”. A company can go to the EU and say that they have concerns about a specific chemical, and until further notice products containing that product will essentially be blacklisted. Certain products may require a substitution.

The U.S.’s main problem with REACH is that it is not supported by sound science. There are concerns even within the EU (Germany and UK especially) that REACH could be disruptive to the market place. The U.S. has also had discussion with Japan and continues to lobby the EU and member states.

USDOC started tracking the REACH legislation, not because of the affect it could have on the chemical companies, but for the potential implications of the end users. USDOC is concerned with follow up, because it is the response has come mainly from the chemical industry and not the end users. USDOC does not want any of the SMEs to be systematically run out of business, because they could not handle the problems produced resulting from REACH.

Members expressed concerns that proprietary chemical formulas could be stolen and used in counterfeit products. The EU office (Commerce) has a website and will provide a link to OTEXA for posting.

NAFTA/CAFTA-DR Briefing

Mr. Brill introduced Mr. Richard Stetson of the Trade Data Division of the Office of Textiles and Apparel for a briefing on both CAFTA-DR and NAFTA. Mr. Stetson reported that CAFTA-DR has been implemented in four countries; Dominican Republic is expected to enter into force in January, and Costa Rica perhaps in March.

Columbia and Peru FTAs have been signed, and will likely come up for a vote in early 2007.

The pocketing fabric provision that all material must come from the region is on hold until mid-late 2007.

Exports of yarn to the regions are up over 40% from last year.

Trade in textile and apparel products to Canada and Mexico is up over last year (7-9%).

The USTR website will have information that lists how duty rates will change to DR after CAFTA-DR enters into force. If a product meets the rule of origin, it will be duty free immediately (may also be retroactive to January 1, 2004).

CE Mark Briefing

Mr. Brill asked Ms. Wanda Ellis of the American Floorcovering Alliance (AFA) to brief the members on the CE Mark.

Ms. Ellis reported that the AFA feels that the CE mark will be a barrier to trade due to the burden that will be placed on SMEs. No U.S. lab has been certified to do the testing under the CE mark. AFA is trying to get at least a six-month delay while U.S. labs try to get up to speed. If the delay is not implemented, the CE Mark will go into affect on January 1, 2007.

Bob Straetz of the Office of the EU (USDOC) added that the CE Mark requirement is not a trade barrier since it will be applied to the EU countries as well.

Ms. Ellis reported that the AFA found it extremely difficult to find someone who could definitely explain the requirements and process off the CE Mark standard.

Mr. Straetz indicated that the lab structure has not been set up yet. Labs are private enterprises and it is difficult to convince them to invest in technology if demand for these services is low. Mr. Straetz called some labs to see if an operation can be set up here or if services can be subcontracted.

Ms. Ellis asked whether we could convince the EU to certify a U.S. lab. Mr. Straetz responded that we do not have any influence with the EU.

Ms. Ellis also noted that the industry could be prohibited from exporting their products to the EU after 1/1/2007.

Mr. Brill asked Mr. Straetz if there are no competitors could NIST develop a process and then teach other labs as they come on line? Would we need to get the EU to certify the NIST/process? What is the mechanism for the EU to notify the U.S. of a new regulation?

Mr. Straetz said that he did not know.

Mr. Harris asked which products the CE marking will affect?

Mr. Straetz replied that under the Construction Products Directive, anything that is considered part of a building. Which would include carpeting and wall coverings.

For any additional question you can feel free to call Bob Straetz at (202) 482-4496.

OTEXA Promotions

Mr. Brill handed out the FY 2007 promotional calendar, and asked whether there were any questions or comments.

Ms. Jordan asked why there was not a USDOC presence in trade shows in this hemisphere?

Ms. Mease replied that we have proposed US pavilions in the past to Columbia and Mexico but the Commercial Service in those countries did not accepted our proposals. Ms. Mease also said that OTEXA would continue to try to propose U.S. pavilions when we find appropriate venues.

Ms. Jordan stated that she was not talking about a Pavilion, but rather just a BIO. Maybe we need to look at new models, especially in this hemisphere. Because if OTEXA or the Commercial Service does not attend these shows, there is no one to service the American exhibitors that are there, and if not the international shows at least the domestic shows.

Ms. Mease replied that the U.S. Commercial Service if resources allow for it will have a presence at most local shows.

Mr. Brill stated that we are all working under the new reality that our budgets do not allow for a U.S. presence at every show, but we do try to have a presence at most shows. If budgets do allow for it, OTEXA would like to have a BIO at Material World.

Ms. Jordan asked about Guatemala. She stated that we need an extensive education program in regards to trade in that area.

Mr. Brill replied that funding is an issue.

Mr. Harris asked whether there were outside resources that we could apply for?

Mr. Brill replied that he did not know, but that he is willing to look for new ideas that will help us help our industry.

Mr. Lamar asked whether it would be possible to have a seminar at Material World focused on how to trade under CAFTA-DR. Mr. Lamar opined that most exporters are overwhelmed with just the sheer number of Free Trade Agreements out there.

Mr. Brill replied that he would look into this possibility and would have a recommendation by the next meeting.

Mr. Brill said that we will be talking more in-depth about Heimtextil at our next scheduled meeting, and how we will be participating in Heimtextil in 2008. Our Pavilion in the finished products pavilion is growing, while our fabrics pavilion is shrinking. We are trying to decide what our future at Heimtextil.

In addition to Heimtextil we will also probably have Sebastian Wright on our agenda for the next meeting in regards to the IPR initiative here at the Department of Commerce. Starting January 1, 2007 the Trade Show IPR initiative will go into affect.

Heimtextil was named as the show to start this initiative. We are essentially putting our money where our mouth is, in regards to policing our own when it comes to IPR infringement. We are not considered a problem country. Mr. Brill said that in all of his experience (over 30 years) at USDDOC there has only been two times that a U.S. company was accused of copyright infringement at an OTEXA sponsored event.

2010 Olympics

Mr. Brill said that the 2010 Olympics would be in Vancouver, British Columbia. OTEXA will be looking at how the Olympics can bring export opportunities over the next several months.

Mr. Voit interjected that is something we would be interested in, because already you noted the increased construction going on in Vancouver.

Ms. Alarid asked whether there was a possible way that we can encourage the U.S. Olympic Committee to dress their athletes in American labels.

Mr. Lamar replied that the clothing much like everything else is a sponsorship. It is not about whether or not the athletes did not like the clothing from previous suppliers; it is that the current company has paid for the privilege.

Round Table

Mr. Voit asked in regards to anti-dumping duties, if there is a list? (i.e. Mexico against China)

Mr. Brill replied that there may be and that we would include anti-dumping at our next meeting, but, most of that information is found on our website.

Mr. Doran said that there still wasn't any resolution to Annex 18. The Guatemalan Embassy has been very helpful re: piracy. However, he still felt as though we did not make any progress on CE Mark.

Mr. Brill replied that the CE Mark took all of us by surprise. It was not on anyone's radar. Mr. Brill stated that he was not aware about the issue until Rachel brought to him as an agenda item. Mr. Brill opined that Commerce is a large organization, and as such there are times when we fail to communicate with each other. Unfortunately by AFA not coming to OTEXA we were also two weeks behind in follow up with the Office of Europe.

Ms. Ellis asked if there was a way to disseminate information more quickly. If that a newsletter could be distributed, that way the important information is in front of them and they are not searching for it on the web.

Ms. Alarid replied that there was a newsletter, The Common Thread, but that it was discontinued for technical reasons involving Department Communication Policy.

Mr. Harris asked if there was a way to improve the research side of OTEXA?

Ms. Mease replied that OTEXA has been working on making our website more user friendly, and posting our research on-line.

Mr. Harris asked about "actionable info". He stated that he would like to see a newsbyte or export alert button available on the OTEXA website.

Ms. Mease replied that as part of the redesign under a new section called: "Inside OTEXA".

Mr. Brill stated that after the holidays the members will be receiving a questionnaire in regards to a possible newsletter, and that he would like to get their thoughts on how we can get information to the industry more quickly.

Mr. Harris asked that he would like to get more information on shippers. Who are the good shippers?

Mr. Brill replied that OTEXA does not have any information on shippers. Mr. Brill stated that your colleagues in the industry or your best resources. They will be able to assist you in ways that we cannot.

Mr. Brill concluded the meeting by thanking all for their attendance, and that we would be sending out information on our next ETAC meeting scheduled to be held Washington, D.C. in April 2007. He concluded the meeting of the Exporters' Textile Advisory Committee at 4:00 p.m.

"I, Lawrence J. Brill, certify that I was present at the above meeting and that the summary minutes for the meeting are accurate."

Lawrence J. Brill
Director, Market Expansion Division

Rachel Anne Alarid
Commerce Recorder