

Several SEAMS' members urge swift passage of USMCA

By Devin Steele

As a made-in-the-USA-focused association whose mission is to “build a U.S. supply chain bridge,” SEAMS is not a lobbying or a political organization, as you know – but trade issues do affect many members.

As such, we have asked members for feedback to gain some insights into how NAFTA and the “new NAFTA” – the U.S.-Mexico-Canada Trade Agreement (USMCA) – and tariffs impact some members and, ultimately, affect their supply chain downstream and upstream. This may anecdotally provide a pulse of the role NAFTA/tariffs play in members’ success and also address how important the proposed USMCA may be to their future fortunes.

Opinions gathered represent individual companies and not SEAMS, which remains ambivalent as a non-political organization.

The USMCA favorably closed loopholes for U.S. textile/sewn products/apparel makers, but the pact is sitting idly in Congress awaiting a House vote – and it may be there for awhile, given the bitter contention between the parties. As the U.S. ran a \$3.8 billion trade surplus in textiles/apparel with its NAFTA partners, the National Council of Textile Organizations (NCTO) is diligently lobbying for its passage, but it looks like no movement on the pact is forthcoming any time soon.

The USMCA includes several textile provisions proposed by the NCTO, including: modest reductions in trade preference levels (TPLs) and more transparency in the process; new requirements to use NAFTA-origin sewing thread, pocketing, narrow elastics and coated fabrics; the Kissell Amendment loophole closed for TSA uniforms; and strengthened customs enforcement mechanisms included in new, standalone textile and apparel chapter text.

During a visit to manufacturing company Sargent Metals in Anderson, S.C., on Monday, August 26, Vice President Mike Pence touted the proposed North America trade deal in an America First Policies event dubbed “USMCA: A Better Deal for American Workers.”

“According to the International Trade Commission, the USMCA is going to add \$68 billion to our economy right out of the gate, and create about 175,000 new, good-paying jobs,” he said. “That includes nearly 50,000 manufacturing jobs that are estimated to be created after it’s approved. And again, we’re not just creating more jobs, but better jobs.”

Afterward, during a press gaggle that included this reporter, he said: “We think it’s absolutely essential, now that President Trump has done his job, Canada and Mexico are doing their job, that the Congress of the United States – when they come back in just a few short weeks – it’s absolutely essential that Congress do their job and put the USMCA on the floor of the House of Representatives and pass it.”

Hamrick Mills

One company that is deeply dependent on NAFTA and is anxiously awaiting passage of the USMCA is fabric maker Hamrick Mills, Gaffney, S.C. Many of its fabrics are cut and sewn in Mexico, and the 119-year-old family-owned company sells home furnishings in Mexico and various fabrics in Canada. It also buys some raw materials from Mexican companies.

“The passage of the USMCA is of utmost importance for our business and to the textile industry,” said company President Cameron Hamrick, a SEAMS board member. “This more up-to-date trade agreement would solidify certainty in the USMCA region, where in 2018 the U.S. exported \$11.7 billion to Mexico and Canada. This figure demonstrates the high level of integration in the North American textile/apparel supply chain and the critical importance of this trade relationship. The passage of USMCA will allow market opportunities that will create and protect jobs as well as spur investments. The USMCA will further a platform for the industry to continue to innovate ways to serve the North American region.”

And all of the loopholes closed in the USMCA are beneficial to Hamrick Mills, he added.

“The reductions in TPLs will give us the opportunity to provide fabrics into the region, as the reduced TPLs will decrease the fabrics from non-signatory countries that do not follow the same labor and environmental standards as North America,” he said. “The requirements to use North American-origin sewing thread, pocketing, narrow elastics and coated fabrics will greatly increase the market for our business.”

Hamrick Mills specializes in apparel components such as pocketing and interlining, and the current NAFTA allows non-signatory countries anywhere in the world to benefit by supplying these components into the NAFTA region, he added.

“We thank the NCTO and the USTR for strengthening the rules of origin so many textile companies in the trade region have the opportunity to benefit and participate in the trade region,” Hamrick said. “The closure of the Kissell Amendment loophole for TSA uniforms will benefit the entire USA-based textile industry. The industry will be excited to provide made-in-the-USA uniforms for our great TSA agents as we do for our men and women in our Armed Forces through the Berry Amendment. The U.S. textile industry needs stronger customs enforcement, and we applaud the standalone textile and apparel chapter text that is included in the USMCA.”

Hamrick added that he thinks Congress should swiftly ratify the USMCA in order to put in place a more modern free trade agreement that will “clearly be better for the American textile worker.”

Regarding proposed tariffs on China, Hamrick said his company would like to see tariffs imposed on finished textile and apparel products.

Champion Thread Co.

Another company that has used NAFTA to its betterment is Champion Thread Co. (CTC), Gastonia, N.C. Founded in 1979, Champion is a family-owned developer, manufacturer and marketer of premium industrial sewing threads, yarns, brand identification products, elastic and narrow fabrics, labels, decorative ribbons and other soft goods components serving numerous markets.

CTC is both directly and indirectly involved in serving NAFTA partners, according to company President Matt Poovey, who also is currently serving as SEAMS president. The agreement has served as an important link for CTC to its supply chain and customer base, he added.

“NAFTA has positively impacted business for CTC, our customers and suppliers,” Poovey said. “Most importantly, it has opened new markets for cut-and-sew manufacturers and their suppliers. In my opinion, an anti-NAFTA position is equivalent to a pro-Asia position.”

Poovey added that he is pleased that the proposed USMCA includes several textile provisions.

“The USMCA provisions will strengthen our and our customers’ businesses,” he said. “For example, CTC will benefit directly from the new sewing thread origin requirements, while some of our customers will benefit from the pocketing and narrow elastic items. It will support continued high-intensity investment in U.S.-based textile industry. It will help every sewn products manufacturer in the USA increase its global competitiveness.”

Poovey added that he sees immediate passage of USMCA as important to Champion’s business, primarily because it enables its customers to be more competitive against Asian imports. By closing existing loopholes, it will strengthen North American supply chains, he pointed out.

The imposition of tariffs on China would affect CTC’s business, and that of its suppliers and customers, he noted.

“We see these as overdue as our textile and sewn product manufacturing customers have had a distinct disadvantage in competing with China,” Poovey said.

“We urge our elected officials to end the political delays and pass USMCA today,” he added. “Also, move forward with tariffs on Chinese-made end products. The current trade war is not helpful to the U.S. economy. The resulting uncertainty is hurting our industry both up and down the supply chain.”

Minnesota Knitting Mills

NAFTA has had an impact on Minnesota Knitting Mills (MKM), Mendota Heights, Minn., according to Britt Moore, the company’s Director of Customer Services.

“Many of the products we manufacture qualify for NAFTA and is a major niche of our company,” he said. “Many products we manufacture can be made offshore for a lower price; however, the companies we work with demand that their products meet NAFTA standards due to quality and safety standards.

“Likewise, many of our customers require NAFTA certified products, which affects raw material sourcing as well as where the product can be manufactured,” he added. “Some of the requirement is based on marketing reasons; however, a portion is also based on requirements for certain industries – medical, governmental, safety, etc.”

MKM is a custom manufacturer of circular and tubular knit, flat knit, jacquard knit, jersey knit, fleece knit, trim knit, knit hats, braid and filters. Its products are made in the USA and shipped to customers worldwide for military, athletic, safety, outerwear and medical industries.

Changes in the original NAFTA agreement, the USMCA, do have some impact on MKM's current business and customer base, mostly in the area of narrow apparel changes, Moore added.

"Keeping much of the NAFTA structure in place was critical, as it provides a designation for materials that create a niche market for us and many of our partners," he said.

In Round 3 of the China 301 tariff case, the U.S. removed 36 textile-related lines valued at \$885 million, including \$280 in HTS Chapters 50-60 (rayon fiber, certain dyes and chemicals, some greige goods and one fiberglass line), which does affect Minnesota Knitting, Moore noted.

"Tariffs on the raw materials (fibers and dyes) caused increased prices," he said. "We would like to see additional raw materials excluded from the tariffs, while keeping the tariffs focused on the finished and greige goods being imported. This would allow U.S. textile producers to compete more equally on finished goods."

Imposing tariffs on China also affect MKM's business, its suppliers and customers?

"Many of the dyes and chemicals we use are from China," Moore said. "Tariffs on these products raise prices from our vendors and in turn our pricing to our customers."

He also offered advice on the best tack for the U.S. to take related to the USMCA and/or tariffs at this critical juncture in global economic trading patterns?

"Limit the exceptions for the USMCA in order to make it an agreement that has some practical force behind it," he said. "For tariffs, enforce tariffs on finished items so that the U.S. can continue to build the manufacturing sector. Intellectual right protection is also key, and penalties in this area should be severe for offending companies and countries.

"For the foreseeable future, it is assumed that manufacturing of certain products will be cheaper outside of the U.S. due to labor costs and safety standards," he added. "However, the tariffs and trade agreements should be geared to protect U.S. manufacturers from unfair trade and manufacturing processes while at the same time protecting the intellectual rights of the products being made in the U.S."

Bierrebi

A supplier, Bierrebi, an Italy-based firm with U.S. operations in Doral, Fla., has seen its business affected by NAFTA to a certain extent, in that many of its customers who are apparel manufacturers moved some of their operations to Mexico, according to a company representative who wished to remain anonymous. Similarly, much of the same happened with CAFTA-DR, as many moved operations to Central America and Dominican Republic, too.

"Such moves, however, have not been negative for our business," said the spokesperson. "Overall, it has probably been neutral, considering all the implications. We have kept selling our equipment to our customers, but into different countries."

The company, which designs and manufactures automatic machines that cut fabric into the required patterns for the apparel industry, sells equipment to some apparel manufacturers who use NAFTA and CAFTA-DR for their business. They export raw material from the U.S. to Mexico or CAFTA countries and the D.R., complete the manufacturing process there, then

import the finished goods to the U.S.

As such, Bierrebi mostly remains neutral on the USMCA's passage, he added.

"Some of our customers may see portions of their product mix more or less affected by the USMCA's changes with respect to NAFTA, but not yet clear how and how much," he said.

That said, however, as various trade issues hang in the balance, the Bierrebi representative urged lawmakers to settle these matters for the good of the country and the hemisphere.

"Reassess and revise the entire set of trade policies and relations with a wide-ranging, far-sighted vision and a geopolitically strategic approach," he said. "Try to get USMCA passed and operational, since it has been agreed and it contains U.S. favorable points."

Hemingway Apparel

SEAMS' board member Chris Marsh, president of Hemingway Apparel, Hemingway, S.C., said he doesn't get involved in trade laws much.

"But what I can say is that with the current state of global trade, as a domestic contractor, we have seen an increase in calls for development, pricing and production in the U.S." he said.

"Some of those calls have in fact materialized as a direct result of the trade wars. I will be the first to admit that the domestic supply chain was very limited in what it could offer companies onshoring, but I do believe there have been great strides in the last two years to expand their ability to service our industry within the U.S."

Marsh added that NAFTA nearly destroyed his company, as it did so many others.

"And while the renegotiations and trade wars are directly impacting many companies and ultimately the end consumer, it is past time for our country to quit selling itself out," he said.

Prime Medical

As the founder and executive vice president of Prime Medical LLC, Largo, Fla., Wayne Wilson said his interest in NAFTA and the USMCA centers mostly around its suppliers.

"I manufacture in Mexico but all fabric and trims come from SEAMS' members," he said, with all of those suppliers based in the U.S., of course.

Prime Medical is the exclusive manufacturer of Clorox Healthcare™ Privacy Curtains and CloroxPro™ Scrubs and Lab Coats. The products are designed with a Chlorine-Shield™ fabric technology called BioSmart®.

The company's Mexico-based manufacturer has a U.S. corporate office, and it moves Prime Medical's fabric to the port, consolidates it, sends it south, brings it back and clears customs. "It's a nice service on their part," he said. "I avoid a lot of red tape."