



International Affiliates

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USA-ITA Holds Seminar on First Sale Rule

2010 Education Series Continues To Offer Top-Rate Seminars

On July 27, USA-ITA held a seminar in New York City entitled **First Sale: Where We've Been and Where We're Going**. The seminar was presented by Alan Klestadt, of Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP, and was attended by representatives from apparel importers, customs brokers, and law firms.

Klestadt opened the seminar by describing what, exactly, the First Sale Rule is and what it hopes to accomplish. He then delved deeper into the intricacies surrounding it – how to maximize returns; where companies can go wrong with vendors; how to protect benefits; and how Customs and Border Protection (CBP) views First Sale. Finally, there was a lengthy discussion on the future of the First Sale Rule.

Much of the presentation, and interaction with the audience, focused on what is the future outlook for First Sale benefits. While CBP's attempt to terminate the rule in 2008 was effectively quashed (according to Klestadt, there should be a notice published in the Federal Register within the next 30 days to

“[The seminar] was very good. Alan is an excellent speaker and his knowledge of Customs matters is beyond reproach.”

formally withdraw the termination proposal), the European Union (EU) is the current battleground over First Sale.

Several sovereign states within the EU are in grave financial trouble, and view the termination of the First Sale Rule as an easy way to maximize income. There are only a handful of EU countries that wish to keep it. Regardless, action won't trickle down to the U.S. for a matter of years. Klestadt advised U.S. companies to continue working with vendors to use First Sale for the foreseeable future.

If you are interested in the topic of First Sale, DVD copies of the seminar are now available for purchase. Order forms are available at www.usaita.com.

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Join USA-ITA for Sourcing at MAGIC This Month!

USA-ITA, established in 1989, is the U.S. trade association for importers and retailers of textile and apparel products. Headquartered in Washington, DC, USA-ITA is the voice for the industry before Congress, the Administration, the business community and the public, as well as industry groups and governments around the world.

U.S. Apparel Imports Up in May By Double Digits

By International Data Systems



In the month of May 2010 – the latest month for which official U.S. import data is available – U.S. apparel imports are up dramatically. Retail orders are rebounding, even though consumer confidence remains uncertain. Economists begin to warn of a “double dip” recession, so it is unclear whether U.S. imports will continue to rise, or if they will falter later in the year. The discussion below offers a snapshot of the current status of U.S. apparel imports.

As shown in the table below, seventeen of the top twenty apparel suppliers shipped more apparel than during May 2009. And for almost all suppliers, the value of these imports also rose. Overall, U.S. imports are up by eighteen percent.

Top-ranked China grew by twenty-six percent (by quantity), and supplies forty percent of all U.S. apparel imports. The fastest-growing suppliers for the month of May are China, fourth-ranked Honduras, eighth-ranked El Salvador, and tenth-ranked Cambodia.

Monthly apparel imports have grown every month during 2010. Part of the explanation is the comparison to the dramatic declines in U.S. imports during 2009. However, overall shipments during May 2010 still are seven percent higher than two years ago, during May 2008.

More astonishing than the consistent growth is that most apparel producers grew by double digits. The same pattern holds for imports during the months of March and April 2010. Apparel manufacturers in Asia and the Western Hemisphere benefitted from higher U.S. demand for apparel.

U.S. Apparel Imports

Month of May 2010

(All Data in Millions)

Rnk	Country	Quantity		Value	
		Change	Share	Change	Share
	<i>World</i>	<i>18.45</i>	<i>100.00</i>	<i>13.02</i>	<i>100.00</i>
1	China (PRC)	26.26	40.08	20.60	36.18
2	Vietnam	17.20	7.53	16.97	8.33
3	Bangladesh	15.83	6.39	11.91	5.52
4	Honduras	24.77	6.06	21.51	4.07
5	India	12.73	5.00	12.62	5.43
6	Indonesia	14.84	4.84	11.33	6.39
7	Mexico	15.45	4.32	13.87	5.81
8	El Salvador	39.87	3.85	33.97	2.66
9	Pakistan	7.75	3.12	11.19	2.35
10	Cambodia	24.47	3.11	5.41	2.53
11	Thailand	5.99	1.78	-8.55	1.68
13	Philippines	-9.39	1.49	-9.35	1.42
14	Guatemala	18.41	1.42	10.33	1.85
15	Haiti	11.59	1.17	-2.10	0.86
16	Sri Lanka	16.68	1.14	4.77	1.53
17	Dominican Republic	-20.05	0.96	-12.13	0.96
18	Egypt	0.94	0.84	7.88	1.19
19	Taiwan	-20.90	0.64	-17.83	0.62
20	Jordan	17.15	0.62	2.85	0.94

Updates from the International Trade Commission

ITC Releases “The Year in Trade” 2009 Report

On 21 July, the U.S. International Trade Commission (ITC) released the Year in Trade Report for 2009. The report, required by the Trade Act of 1974, provides an overview of U.S. trade during 2009. In the report, the ITC explains the administration of U.S. trade laws, and reviews selected developments in the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), the Asia-Pacific Economic Cooperation (APEC), and the Anti-Counterfeiting Trade Agreement (ACTA). The ITC report also summarizes U.S. apparel trade during 2009 under the African Growth and Opportunity Act (AGOA), the Andean Trade Partnership and Drug Eradication Act (ATPDEA), the Caribbean Basin Trade Partnership Act (CBTPA), and the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act.

The Year in Trade report describes the trade trends under the eleven U.S. Free Trade Agreements (FTAs) the U.S. was party to effective December 31, 2009, as well as new developments -- including the U.S.-Trans-Pacific Strategic Economic Partnership (TPP) agreement. Following is the excerpt from the report that summarizes the FTA developments during 2009:

On January 1, 2009, the U.S.-Oman FTA entered into force, allowing immediate duty-free access to Oman for virtually all U.S. exports of originating industrial and consumer products. Likewise, on January 1, 2009, a Presidential proclamation implementing CAFTA-DR for Costa Rica became effective. Costa Rica was the last of the signatory countries

to implement the CAFTA-DR. The U.S.-Peru TPA was implemented on February 1, 2009, allowing 80 percent of U.S. industrial and consumer goods and more than two-thirds of U.S. farm exports to enter Peru free of duty. On November 14, 2009, President Obama affirmed that the United States would join in negotiations on a regional trade agreement with the Trans-Pacific Partnership (TPP) countries, which include Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore, and Vietnam. USTR notified Congress on December 14, 2009, of the administration's intent to enter into negotiations with the TPP countries.

Finally, the report summarizes U.S. relations with major trading partners, including Brazil, China, India, Korea, Mexico, and Taiwan, and lists the U.S. government trade remedy cases active during 2009.

ITC Finds Injury in Electric Blankets Case

On 28 July, the ITC unanimously determined that U.S. industry is materially injured through imports of woven electric blankets from China. The Commerce Department previously determined there had been dumping and government subsidies of these imports. As a result of the ruling, Commerce will issue an antidumping duty order on imports of these products from China.

From the report: The blankets at issue are finished, semi-finished, and unassembled woven electric blankets (WEBs), including woven electric blankets commonly referred to as throws, of all sizes and fabric types, whether made of man-made fiber, natural fiber, or a blend of both. Semi-finished woven electric blankets and

throws consist of shells of woven fabric containing wire. Unassembled woven electric blankets and throws consist of a shell of woven fabric and one or more of the following components when packaged together or in a kit: (1) Wire; (2) controller(s). The shell of woven fabric consists of two sheets of fabric joined together forming a “shell.” The shell of woven fabric is manufactured to accommodate either the electric blanket's wiring or a subassembly containing the electric blanket's wiring (e.g., wiring mounted on a substrate).

The Commission's public report Woven Electric Blankets from China (Investigation No. 731- TA-1163 (Final), USITC Publication 4177, August 2010) will contain the views of the Commission and information developed during the investigation.

ITC Reports That Earned Income Allowance Program Benefits US and DR Textile & Apparel Industries

On 28 July, the U.S. International Trade Commission (ITC) released a report on the Earned Import Allowance Program (EIAP), which allows apparel manufacturers in the Dominican Republic who use U.S. fabric to produce certain apparel to earn a credit that can be used to ship eligible apparel made with non-U.S.-produced fabric into the U.S. duty free.

Some of the conclusions in the report include:

- The EIAP has helped slow job losses and production declines in the Dominican industry that makes woven cotton trousers

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and other bottoms. Dominican trouser manufacturers and U.S. apparel companies that import trousers from the Dominican Republic indicated that the EIAP has helped them to be more cost-competitive.

- Most of the benefits to U.S. textile firms under the EIAP to date appear to have accrued to U.S. firms that have dyed and finished third-country unfinished fabrics. As of May 2010, no U.S. firms reported increased sales or exports of domestically woven fabrics as a result of the EIAP.
- Reports on planned use of the program going forward have been mixed, as some Dominican trouser manufacturers and U.S. firms that import woven cotton trousers from the Dominican Republic indicate the program may become less cost-effective in the future. A few of the firms indicated that they may move production out of the Dominican Republic if it is no longer economical to produce there.
- The USITC received several recommendations from industry and other sources concerning possible improvements to the program. The recommendations focused on the legislation establishing the program (e.g., changing the ratio of U.S. fabric to foreign fabrics required under the program), as well as on implementation of the program (e.g., changing how Commerce interprets the definition of “wholly formed” fabrics). Sources also suggested expanding the program to other Central American Free Trade Agreement countries and allowing for the use of additional types of fabrics.

Updates from the Consumer Products Safety Commission

CPSC to Publish Acceptance Requirements for Third Party Assessment Bodies to Test Flammability of Children’s Clothing Textiles and Children’s Mattresses, Mattress Pads and Mattress Sets

The U.S. Consumer Product Safety Commission (CPSC) is set to vote on separate Notices of Requirements that would establish the criteria for CPSC acceptance of accreditation of “third party conformity assessment bodies” to test flammability of children’s clothing textiles and children’s mattresses, mattress pads and mattress sets. Once the CPSC approves the Notices of Requirements, manufacturers (including importers) and private labelers of these products will be required to test and certify compliance of all such products manufactured 90 days after the notices are published in the *Federal Register*.

The draft notice contains the reminder that “[s]ome clothing textiles are exempt from part 1610 testing. Manufacturers do not need to submit exempt clothing textiles designed or intended primarily for children 12 years of age or younger to a third party conformity assessment body to confirm that the exemption applies. For clothing textiles designed or intended primarily for children 12 years of age or younger that are subject to 16 CFR part 1610, manufacturers may submit a product for third party testing at either the pre-or post-garment stage of production.”

The 25 page CPSC staff memorandum that accompanies the draft Federal Register notice on youth clothing textile states that “most clothing and textile fabric intended for use in children’s wearing apparel (excluding

children’s sleepwear) will not require third party testing under the CPSIA.”

The Consumer Product Safety Improvements Act of 2008 (CPSIA) mandates that third party testing be conducted for children’s products. Under Section 102 of the Act, before importing for consumption or warehousing or distributing in commerce any children’s product subject to a children’s product safety rule, manufacturers, importers or private labeler of such products must: (i) submit samples of the product, or samples that are identical in all material respects to the product, to accredited third party conformity assessment bodies to be tested for compliance with applicable children’s product safety rules, and (ii) certify compliance based on the results of such testing.

The CPSC has determined that regulations issued under the Flammable Fabrics Act qualify for product testing requirements under the CPSIA when applied to children’s products. This includes the Standard for the Flammability of Clothing Textiles (at 16 C.F.R. part 1610), the Standard for the Flammability of Mattresses and Mattress Pads (at 16 C.F.R. Part 1632), and the Standard for the Flammability (Open Flame) of Mattress Sets (at 16 CFR Part 1633). The CPSC will thus require product testing for clothing textiles designed or intended for children 12 years of age or younger (except certain exempt textiles), and mattresses, mattress pads and mattress sets designed or intended for children 12 years of age or younger (including, for example, toddler bed and crib-size mattresses).

The Notices of Requirements specify the criteria for acceptance of third party conformity assessment bodies.

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Briefly, third party conformity assessment bodies must not be owned, managed or controlled by the manufacturer or private labeler of the product tested, unless they meet certain “firewall” criteria; and, in some cases, they can be government owned or controlled. In addition, the conformity assessment body must be accredited by an accreditation body that is a signatory to the International Laboratory Accreditation Cooperation-Mutual Recognition Arrangement (ILAC-MRA), and such accreditation must be registered with and accepted by the CPSC. The CPSC will maintain on its website a listing of all approved, registered testing bodies for each children’s product safety rule.

The CPSC will accept comments on the Notices of Requirements for 30 days following their publication in the *Federal Register*. Drafts of the Notices of Requirements are available for download on the CPSC’s website.

CPSC Votes on Accreditation for Mattel and Hanesbrands Laboratories

On 2 August, the CPSC is scheduled to vote on the accreditations of three conformity assessment bodies as third party laboratories. CPSC staff has recommended that the laboratories be accredited for the requirements and test methods indicated below:

- Foshan Nanhai Mattel Diecast Co., Ltd. PI (Product Integrity) Laboratory (for: Lead Paint Regulation, 16 CFR part 1303, and Small Parts Regulation, 16 CFR part 1501).
- Foshan Nanhai Mattel Consultancy Service Co., Ltd. Laboratory (for: Small Parts Regulation, 16 CFR. part 1501).
- Hanesbrands Inc. (HBI) Corporate Testing Laboratory

(for: Lead Content in Children’s Non-Metal Products, CPSC-CH-E1002-08 section II, part B).

If the Commission does accredit any of these laboratories as firewalled, the CPSC staff has requested that, if the laboratory asks for changes in the requirements and test methods that they are allowed to test, the CPSC has the ability to make those decisions without needing a vote by the Commission.

CPSC Publishes Notice of Third-Party Testing Requirements for Children’s Rugs & Carpets; Third-Party Testing & Certification Required After 90 Days

In a Federal Register notice published on 21 July, the Consumer Product Safety Commission (CPSC) releases the Notice of Requirements, Third Party Testing for Certain Children’s Products; Carpets and Rugs: Requirements for Accreditation of Third Party Conformity Assessment Bodies. The notice spells out the criteria and process for the CPSC to accredit third-party testing facilities for “youth carpets and rugs” (carpets and rugs intended for children twelve years old or younger). The notice enters into effect on July 21, 2010. The CPSC will accept comments until August 20, 2010. The provisions in the published Federal Register notice are substantively the same as those in the draft Federal Register notice, released by the CPSC on June 17, 2010.

As reported earlier, in December 2009 the CPSC announced a stay of enforcement for independent third party testing and certification on a range of children’s products, including carpets and rugs. [The stay of enforcement did not extend to guarantees -- a good faith statement that a product conforms with flammability standards -- under the Flammable Fabrics Act.] For these

products, independent third party testing and certification will only be required 90 days after CPSC publishes the applicable lab accreditation requirements the Federal Register. The Federal Register notice published on July 21st lifts the stay with regards to testing and certifications of carpets and rugs. Therefore, 90 days after the notice is published, or on October 19, 2010, manufacturers, importers, and private labelers of youth carpets and rugs must have the products tested by an accredited third-party laboratory, and must issue a certificate of compliance based on that testing.

Third party conformity assessment bodies must be accredited by an International Laboratory Accreditation Cooperation-Mutual Recognition Arrangement (ILAC-MRA) accrediting body, and the accreditation must be registered with the CPSC. The accreditation must be to International Organization for Standardization (ISO) Standard ISO/IEC 17025:2005 (IEC = International Electrotechnical Commission). Additional information, including the scope of the accreditation and additional requirements for firewalled and governmental bodies, are available in the notice.

Also on 21 July, the CPSC published the notice, *Third Party Testing for Certain Children’s Products; Vinyl Plastic Film: Requirements for Accreditation of Third Party Conformity Assessment Bodies*. The notice spells out the criteria and process for the CPSC to accredit third-party testing facilities for vinyl plastic film. The provisions in the published Federal Register notice are substantively the same as those in the draft Federal Register notice, released by the CPSC on June 17, 2010. The CPSC says some vinyl plastic film wearing apparel or fabric can be considered children’s products, or “youth vinyl plastic film products.”

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Chairman Inez Tenenbaum, Commissioner Nancy Nord, and Commissioner Anne Meagher Northup made statements regarding these two Federal Register notices. Tenenbaum supports the notices of accreditation for third party testing of youth carpets and rugs and youth vinyl plastic film products. In their statements, Nord and Northup oppose both of the notices.

CPSC Releases Draft Notice Requesting Comments on Feasibility of 100 PPM Lead Limit for Children's Products

The Consumer Product Safety Commission (CPSC) recently released a draft Federal Register notice, Children's Products Containing Lead; Technological Feasibility of 100 ppm for Lead Content; Request for Comments and Information. Under the provision of the Consumer Product Safety Improvement Act, children's products may not contain more than 100 parts per million (ppm) of lead effective August 11, 2011 -- unless the CPSC determines that it is not technologically feasible to achieve this goal. The Federal Register notice clarifies that if a lead content limit of 100 ppm is not feasible for a product or product category, the CPSC will establish the lowest amount below 300 ppm that is feasible.

In order to determine whether the 100 ppm limit is feasible, the CPSC is requesting written comments and submissions within thirty days of the publication of the Federal Register. [The notice has not yet been approved for publication.] According to the draft Federal Register notice, the comments should "address products or materials that currently comply with [the] 300 ppm lead content limit which are required to meet the 100 ppm lead content limit effective August 14, 2011." The CPSC says they also will hold a hearing on this issue, but a date is not provided. The CPSC approved the notice on July 20, 2010. The final version is expected to be published in the Federal Register next week.

OTEXA Posts Online MTB Database

The Department of Commerce Office of Textiles and Apparel (OTEXA) recently established a Miscellaneous Tariff Bill (MTB) Database, at <http://otexa.ita.doc.gov>, that will provide information on MTBs related to Man-Made Fibers, Textiles, Apparel, Footwear, and Travel Goods. The MTB, passed by the U.S. House of Representatives on 21 July, suspends or reduces tariffs for hundreds of U.S. imports, including textile and footwear products.

SOURCING atMAGIC

Join USA-ITA for Sourcing at MAGIC

August 16-19, 2010 at the Las Vegas Convention Center

Sourcing at MAGIC continues to be the largest and most comprehensive sourcing event in North America, representing the entire fashion supply chain. This August, the show will feature more than 700 exhibitors from 40 countries, including China, India, Mexico, Vietnam, Taiwan and Romania. New sourcing environments include Design Elements, a juried section showcasing original design manufacturers (ODM).

USA-ITA will host two sessions at MAGIC, and both will be moderated by USA-ITA President Julie Hughes.

If you are attending MAGIC, make plans to visit the USA-ITA desk at the Sourcing Resource Center!

Managing Your Sourcing Risks: From Cotton to Compliance in Your Global Strategy

Tuesday, August 17, 11:30 AM

How to handle risks that can disrupt your sourcing options. Speakers examine topics ranging from planning for fluctuations in cotton prices, building partnerships with key vendors and managing global compliance.

Speakers: Peter Gabbe, EVP & COO - Carole Hochman Design Group; Mark Messura, Sr. V.P. Global Supply Chain Marketing - Cotton Incorporated; Richard Coyle, Consultant, Kreab Gavin Anderson

Sourcing from Emerging Locations

Wednesday, August 18, 11:30 AM

While China remains the largest producer of apparel, key sourcing and policy executives will talk about their experience developing successful sourcing strategies from emerging locations.

Speakers: Mark D'Sa, Senior Director - The Gap Inc; Ruth Sommers, Founder/Owner - NOI Solutions LLC; Katherine Stein, International Business Development/Softlines Sales Manager, SGS Consumer Testing Service; Roger Mayerson, Sr. Account Executive - New Generation Computing

Sourcing at MAGIC opens at noon on August 16th, one day before MAGIC starts.

To register for Sourcing at MAGIC, please go to www.sourcingatmagic.com