

Mongolian Duty-Free Cashmere Act Could Pose “Serious Concerns”

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The National Council of Textile Organizations ([NCTO](#)) said it has “serious concerns” about the [Mongolia](#) Third Neighbor Trade Act, a tariff preference program that would provide duty-free access to imports of all types of [cashmere products](#) from Mongolia to the U.S. for five years.

Among the issues the organization has with the proposed legislation is that it allows for 50 percent of the value of the finished textile or apparel item to be produced outside of Mongolia.

“Due to proximity and well-established relationships with Chinese manufacturers, China will certainly partner with Mongolia in the production of garments that receive duty-free treatment under this proposal,” [NCTO](#) said in a statement to Sourcing Journal. “This fact contradicts a key motivation for the legislation, which is to drive textile and apparel related jobs and investment from China.”

Some organizations, however, view the legislation more positively.

“China is really the only game in town when it comes to [cashmere](#) and what this does is try to recognize that Mongolia can be competitive,” Stephen Lamar, executive vice president of the American Apparel & Footwear Association (AAFA), said. “It will take some time because the industry there has been decimated, but this would create a reason to invest.”

While the Senate and House bills differ on various particulars, NCTO said Friday that neither precludes Chinese co-production with Mongolia, which it said “would only serve to boost China’s already outsized presence in the U.S. textile market. Further, these benefits will flow to Mongolia and China without any reciprocal benefit for U.S. manufacturers and exporters.”

NCTO stressed that cashmere fiber, yarn, fabric and apparel are all produced in the U.S., and many American manufacturing jobs depend on the supply chain. The organization, which represents the domestic textile industry, noted that manufacturers in states like Connecticut and South Carolina, would see an undermining of their U.S. jobs and investment.

Mongolian President Khaltmaa Battulga was in Washington for meetings with President Trump and U.S. representatives last week, and during the visit, he discussed the Mongolia Third Neighbor Trade Act, which AAFA said would support jobs in Mongolia and promote U.S. trade priorities by emphasizing strong environmental standards, market access, intellectual property rights and workers’ rights.

NCTO's view is that as currently written, "this legislation would open a significant backdoor to apparel that is made with Chinese content and labor, bypassing the high standards we require of our FTA and strategic preference partners at the expense of U.S. industry."

The bill, according to NCTO, would be a "first of its kind single-country unilateral preference giveaway for unlimited quantities of apparel." Continuing, NCTO said, "extending this generous, non-reciprocal treatment to Mongolia would require a waiver from the World Trade Organization (WTO). As such, a highly negative precedent would be established leading to other countries demanding similar preferences."

Speaking at hearing on the bill at the Senate Finance Committee in March, U.S. Trade Representative Robert Lighthizer said, "Securing approval for a WTO waiver would be challenging, as it requires consensus from the full WTO membership (164 economies). Following passage of the Nepal program, an increasing number of countries have approached USTR requesting their own single-country preference programs, based on arguments that their countries also face unique circumstances and are strategic partners of the United States."