



**4<sup>TH</sup> MEETING OF THE TEXTILES COMMITTEE**

**Wednesday, 13<sup>th</sup> September 2023**

**8:00 a.m. Washington DC time**

**Meeting Minutes**

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The ICAC Secretariat staff who attended the meeting:

Parkhi Vats

The PSAC members who attended the meeting: Anees Khawaja, Mohamed Bashir, Nate Herman, Peter Wakefield, La Rhea Pepper, Mark Sussman, Ilona Frydrych, Jerzy Kotwas, Hama Kwajaffa, Lisa Ventura, Sergio Benevides,

Observers/presenters: Jacky Broomhead

Meeting recording: [https://youtu.be/GH7ZOHIgu\\_s](https://youtu.be/GH7ZOHIgu_s)

Presentation by Nate Herman on US/Canada/Mexico regulations: <https://youtu.be/I4R8G1C5o38>

Presentation by La Rhea Pepper, Textile Exchange: <https://youtu.be/u543W4f9zic>

Presentation by Alia Malik, Better Cotton Initiative: <https://youtu.be/j-Fq553OUJc>

1. Parkhi reminded attendees about the preparation of the PSAC statement for the ICAC Plenary Meeting.
2. **Presentation by Nate Herman, American Apparel and Footwear Association.**
3. **Q&A with Nate Herman.**

Mark Sussman: Do you know how many of \$128 million worth goods shipped from China were textiles or textiles-related products?

Nate: We don't have this information because US Custom and Border Protection doesn't share that data. However, I know that many of those detained shipments were coming through a courier service like FedEx or UPS. They are looking at the smaller shipments, as well as at large containers.

Mark: Did this include detained shipments?

Nate: The number is a bit dated; it is about \$67 million now. But yes, it does include detained shipments.

Parkhi: Do you have an update on Mexican law? Any update on the Canada law being reinforced? Are we seeing an impact on stopped shipments from these countries?

Nate: Mexico did implement the law but there was very little guidance provided. We don't know of any detained shipments because of this new law. Same for Canada; the law was approved but it goes into effect on 1 January 2024, and this includes child labour on top of forced labour statute. However, it does not specify the age for child labour. Again, no rules or guidelines were announced. We also have not seen any detained shipments.



Parkhi: Is the Canada Modern Slavery Act region-specific?

Nate: No, it applies to all imports from all over the world. The Canadian government also proposes certain due diligence regulations similar to European laws.

Peter: Are there checks taking place on goods that are imported from Canada and Mexico to the USA and vice versa?

Nate: They are being screened. So far, the USA has not detained any shipments from Canada or Mexico, but every country is subject to checks; we have seen shipments detained from a lot of countries besides China. There is a concern because under the law because if an importer has its shipment detained, the importer can either challenge this detention or choose to re-export or destroy the shipment. And there is a concern that Canada or Mexico could become 'dumping grounds' for re-exported products containing forced labour. To conclude, the US, Canadian, and Mexican customs authorities have a very close relationship. And we were informed that they share information about detentions.

Parkhi: Do you know how US Customs tracks consignments by origin? Which traceability solution do they use?

Nate: They have contracts with at least three technology solution providers to date: 1) isotope testing by Oritain, and they have tested a number of shipments; 2) relationship risk mapping solutions from Sayari and Kharon. We believe that those two are used for targeting. The way these solutions work is that you give the name of a supplier, and based on available information, they reply about which problematic entities this supplier has connection to. They do not explain what type of connection it is; it could be finance or human resources.

Parkhi: Who is paying for that? The US government?

Nate: Yes, it is a direct contract with US Customs.

Mohomed Bashir: What happens if people are using recycled materials? In this case, it is very difficult to track the origin.

Nate: We have been asking US Customs authorities this question multiple times for almost two years and we have not received any clear information. What we know is that they are not specifically targeting recycled cotton, although it falls under the UFLPA; however, there were no detained shipments containing recycled cotton. It appears that all the stopped products to date were containing virgin cotton. This can change, and it is a major concern for our members because there is no way to trace recycled cotton.

Mohomed Bashir: How do you protect yourself in case you buy yarn from a country, and they provide a certificate of origin, but it is not enough?

Nate: It is the question which all our members are trying to answer. Most of our members have issues getting past the yarn spinner. Even getting to the spinner can be troublesome, but deeper down it is very difficult. Some people try to solve it by using organic cotton or requiring using US or Indian or Brazilian or Australian cotton, but again it is all based on documentation, so there is no guarantee. And US Customs has rejected a lot of release requests, saying that no proofs were submitted that this cotton was not mixed with Xinjiang cotton. The evidentiary threshold for customs is extremely high.



Mohomed Bashir: It is very complicated for the garment manufacturer to go all the way back. How can all that be done so quickly, especially for SMBs? Do we need special agencies to manage this, with labs working quickly, for reasonable prices? We need a solution because it is not that pressing now, but when it is enforced fully – how can we handle that?

Nate: I agree; we are hoping that as people better understand the law further up the supply chain, they will ask specific questions for future yarn orders. It is difficult to modify something for things that already happened, but we are trying to change future processes.

Peter: The only thing at the moment that we have is full audits — there is no way to audit every shipment and every movement virtually. And there obviously come certain difficulties: First it is the cost, and secondly audit fatigue.

Mark Sussman: The manufacturers in Asian countries are not ready for this governance issue. Is there a list of documents or steps that companies could follow before they start the process so they can protect themselves when they go through the process of getting to a finished product? How can people prepare for audits in advance?

Nate: We have some guidance from US Customs. We have a list of documents that I can share — this will be production records, inventory records, bills, and other shipping documents — invoices, purchase orders.

Mohomed Bashir: Large retailers are already working on it but audit fatigue will still be there. There is also a brain drain from textile industry; all of this is having effect on people already.

#### **4. Presentation by La Rhea Pepper, Textile Exchange**

#### **5. Q&A with La Rhea Pepper**

Mohomed Bashir: What is the cost? This is a very comprehensive system. What will be the cost and who will be paying?

La Rhea: There is no cost of using the system if you are certified. We have made sure that there is an incremental cost for all the stages of supply chain.

Mohomed Bashir: What is the cost of certification for spinners, for example?

La Rhea: The certification costs can be anywhere from \$125 to \$350 per year for Textile Exchange fees. The cost of certification ranges from \$1,000 to \$3,500, depending on travelling costs and other things. I am a certified organic farmer and my fees run from \$1,500 per year for my farm and about \$200 for the chain of custody. And the figures will be similar for the smaller farms.

Mohomed Bashir: Where are your HQ offices in the countries?

La Rhea: We are all virtual. We do not have offices but we have a network of people there. I can connect you with them if you would like. I would also add that we need to start looking at the principles of what we are trying to achieve and have a mechanism for giving guidelines and criteria for what success looks like in this area.

#### **6. Presentation by Alia Malik, Better Cotton Initiative**

#### **7. Q&A with BCI team**



Iłona Frydrych: Does the traceability system mean that we don't have to make tests for raw materials and half-products because we trust the certificate of the supplier? Or we still have to do the same?

Jacky: The way the platform works is that you can see one-up and one-down of a transaction; you can see all the information about who sold that bale to you, information about the quality of cotton. As of now, we are not requesting quality testing information. The thing we are focusing on in this platform is: Is it Better Cotton? And who has had this cotton prior to your having it? We do not gather data on the quality of cotton. If there is a need for this data, that is a requirement we can look at. We are launching the platform in November. It will be minimal functionality to be able to deliver traceability information, but we are going to develop it further.

Parkhi: As far as I understand, everybody in the cotton value chain needs to volunteer to provide the information; does that mean that everyone needs to be a member of BCI? How do you plan to distribute the cost? Which section of the cotton value chain will ultimately pay for traceability? Is one sector more vulnerable than others?

Jacky: This solution can be used by anyone who is a BCI member or a BCI supplier. You have to be using the BCI platform to be tracing Better Cotton. There are more risks associated with traceable BCI than mass balance BCI, so we are performing additional screens and checks for suppliers. Regarding costs, the system is designed to be as cost-effective and as easy as possible for the suppliers. We are currently working on a commercial model of traceability, but the idea is that the cost will be spread across the membership, with retailers and brands paying more than suppliers. The reason for this is that the demand for traceability comes from retailers and brands. The current price structure is tiered based on size. One of the reasons BCI launched its own traceability platform — instead of just launching standards that could be used by any system — is that we wanted to make it more accessible and inclusive. And if BCI is running the platform, we can keep costs lower for the participants.

Peter: In addition to providing data to the system, do you upload documents like invoices, purchase orders, etc.?

Jacky: Yes, it is a requirement for suppliers to provide evidence for any physical transaction. This data can also be shared with other stakeholders in the supply chain, but only with explicit consent.

Mark Sussman: There is a client launching a new brand and wanting to purchase a 20-foot container of traceable cotton that has gone through a platform like this. What would be price to enter the system?

Jacky: The costs are being defined right now, so there is not a straightforward answer at the moment. When the suppliers enter the system, they may pay for third-party audit depending on their risk level, country, and other factors.

Parkhi: Is the BCI traceability solution only for BCI producers?

Jacky: Yes. From the gin, we are only tracing the movement of physical BCI through the platform. However, one of the things that came through our chain of custody is the need for



what's called 'controlled blending'. We are aware that spinners need to blend cotton of different qualities and that may include blending BCI with conventional cotton. In this case, we ask for certain documentation around the share of BCI in that yarn. We won't trace the conventional cotton part prior to that point, though. But you can then trace this blended yarn through the supply chain. We are interested in partnering with other organisations to trace other types of cotton including recycled.

8. Parkhi reminded attendees about the next steps regarding the statement from the Textile Committee and about the Plenary Meeting schedule.
9. The Chair thanked everyone and closed the meeting.