

EU Slaps Big Duty on Women's Jeans Made in the USA

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Starting May 1, the European Union will be collecting an additional 26 percent import duty on all women's jeans made in the United States, on top of the jeans' current 12 percent duty.

The increased duty will be a big slap in the face to the Southern California apparel industry, known for its high-end premium denim jeans made primarily in and around the Los Angeles area.

"This will not only affect the brands that make jeans but all the wash houses and sources that support the industry," said Ilse Metchek, president of the **California Fashion Association**. "When you do the numbers, it is not just about dollars but about jobs."

Metchek fears that many blue jeans brands will shift their production from Southern California to Mexico to get around the added duty. "They won't be just shifting production of women's jeans to Mexico, but all the entire collection," she said.

Calls made to various Los Angeles jeans manufacturers left them stunned. Many had not heard about the new duty. "Certainly it will affect our business. Our products are expensive," said Sam Ku, vice president and creative director for the high-end blue jeans label **AG Adriano Goldschmied**, made at the **Koos Manufacturing** factory in Los Angeles.

Ku said the company has distributors in Great Britain, Germany and Italy for its European sales of AG Adriano Goldschmied jeans that retail for 200 euros, or \$260. "This is definitely something we have to look into and discuss," Ku said.

Deborah Greaves, the in-house attorney for **True Religion**, said she had just found out about it and was shocked. "Obviously it is not good news. It is not something you ever want to hear. We haven't had an opportunity to assess how it is going to impact our business and what we can do to mitigate it."

The CFA's Metchek was telling people to write their congressional representatives and California's two U.S. senators, Barbara Boxer and Dianne Feinstein, asking them to pressure the Obama administration to get the duty repealed.

The duty was announced by the European Union on April 24 after the European Commission issued a regulation on April 17.

Three U.S. goods currently subject to a 15 percent EU duty—sweet corn, eyewear frames and mountings and crane trucks—will have their duties increased to 26 percent.

But the big hit came to U.S. made women's jeans, overalls and shorts. Those categories will see their 12 percent duty rise to 38 percent.

The increased duties come from the EU's **World Trade Organization** dispute with the United States over the Continued Dumping and Subsidy Offset Act, also known as the Byrd Amendment.

The U.S. Congress approved legislation in 2006 repealing the Byrd Amendment. However, Congress added transitional provisions that allowed U.S. customs to continue collecting duties for distribution until Oct. 1, 2007. The payments continue to be disbursed on antidumping duties collected before that date.

According to the U.S. Customs and Border Protection's annual report, issued on Nov. 27, nearly \$120 million was paid out to U.S. firms in the 2012 fiscal year, up from \$95 million in 2011.

Tom Travis, a customs attorney with **Sandler, Travis & Rosenberg** in Miami, said the Byrd Amendment was found to be in violation of WTO rules and despite a repeal of the law, its effects were allowed to continue.

As a result, the WTO allows other countries to raise tariffs on goods imported from the United States up to a certain amount, which varies every year.

"What this [new duty] does is eliminates the most promising growth export market for these California products," Travis said. "It represents a setback for the resurgence of U.S. manufacturers."

Travis said his law firm is working with its European and U.S. offices to formulate some strategic options.

Many find it odd that the new duties were being added to apparel when most U.S. anti-dumping disputes have been about food products and steel. "In trade wars, you punch people where it hurts," said Brenda Jacobs, an international trade attorney with **Sidley Austin** in Washington, D.C. "We have some brands in Los Angeles that are really competitive in Europe."

Another question is why the European Union is taking this action as it starts free-trade agreement negotiations with the United States. "I think this has taken everyone by surprise," said Nate Herman, vice president of international trade at the **American Apparel & Footwear Association** in Arlington, Va.