



**3<sup>RD</sup> MEETING OF  
MERCHANTS COMMITTEE  
Thursday, 6<sup>th</sup> April 2023  
9 am Washington DC, time**

**Minutes**

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The ICAC Secretariat staff that attended the meeting:

- Parkhi Vats, Caroline Taco, Kanwar Usman

1. The Chair, Mr Cliff White, opened the meeting and welcomed everyone.
2. The Chair informed everyone about the change to the agenda: Mr Herman will make his presentation first because of time constraints.
3. Mr Herman introduced himself and moved to the presentation on the regulations impacting cotton in USA/Canada/Mexico.
4. The Chair thanked Mr Herman.

Discussion of the presentation:

Christian Barthel: How are the blends defined by documents, when there are 3-4-5 origins of the yarn?

Nate: The brand needs to prove that all the cotton sources in the blend are good to go and prepare documentation for all the origins.

Mark Messura: Just to clarify, when we talk about the need for traceability, what we are suggesting is a system comparable to the bale level identification in the US, the PBI that can be traced back to genes. Is that what you were talking about?

Nate: From the US regulatory standpoint, this is what is accepted. There is a decision by the US Customs that they are going to go back to the bale with the assumption that this is the closest point to the farm. This is not always the case, as you know, but the PBI is their preference.

Marc Lewkowitz: In regard to the PBI, how do you prove that the yarn is made from that bale? We can't assume that going forward the PBI is going to be the only acceptable platform because it won't be.

Nate: That's why Customs asks for additional documents. While it doesn't prove that cotton was being used in the fabric, the assumption is made that nobody would spend money to purchase this if they weren't planning to use it. But this is also where we have this wide opening when the US Customs comes back to our members and says that we haven't proven that this cotton had been used in the final product. Yes, while the PBI could be the base for traceability, we will need to do other things.



Ahmed Elbosaty: How is this being communicated? Was it just a sudden decision by US Customs or was it communicated to the industry ahead of time? The other question: Is it believed that the entire Xinjiang practices violate the regulations?

Nate: On the first point, there were indications that the US government is going to move in that direction in 2019. The question is not just about forced labour but about Uyghur oppression in China. The regulations are retrospective measures; they go into effect the day they are announced. Everything that's already moving in the supply chain is covered. So, there is not really an opportunity to prepare. We were warning our members that something was coming in 2019. Regrettably some members are still not prepared.

The last question: The assumption that everything is Xinjiang is tainted with forced labour – that it the assumption under the UFLPA. It is a rebuttable presumption. You can challenge this presumption and show proof, but nobody has tried that yet. It is very difficult to do because no one can go in and do an audit without government workers being there and workers being told what to say. This is a region-wide restriction.

5. Cliff: We will continue with objective 2 on the agenda. Based on the replies that we had from all the Permanent Committees, all have either already elected or indicated that they would like to work on traceability. It will be the subject of the PSAC session during the ICAC Plenary Meeting 2023. The title proposed I, 'Private sector guidelines for policymaking on traceability'.

Marc L: I guess from the collective position it should be fine. We just have to be very clear on what traceability is intended to be in this context because it is such a misused term.

Cliff: The difficulty is that true traceability is almost impossible. Anyway, the more ideas and guidelines we can come up with the better. We have to keep in mind that our audience includes governments, and we can provide feedback to all ICAC government members.

Marc L: How we focus on these proposals probably needs to be centred around simplification. We need to find some practical, simplified messaging strategy about the implementation of traceability. The supply chain intentionally ends up making things more complicated because they are trying to find opportunities to leverage value and provide what they think is the preferred solutions for brands and retailers. It does not help brands and retailers; we have to stop trying to outsmart ourselves to provide a solution for what we think will encourage brands to buy because it comes at a lower cost. Brands understand that they must pay, that there is a cost for traceability and transparency to be implemented in a meaningful way that supports them.

Cliff: The objective has several parts: current traceability regulations which we have to consider, and what the current traceability methods are in the cotton industry (PBI, BCI etc.)



Mark M: I would propose three things: 1) discussion about why everybody is talking about traceability — what are the drivers: a) government policies, b) safety issues, c) environment and labour: risks and social aspects. 2) When you apply traceability, there are some challenges and difficulties (cotton is not easily identifiable). We should acknowledge those things not from a tone of, 'No, we do not accept traceability', because it is already happening. But what are the special needs and applications and nuances when applying it to cotton? 3) The third point which I think needs to be made and the ICAC is the position to make it. If regulators and the industry require cotton farmers and the cotton supply chain to be transparent, visible, and traceable, then we need the same thing for other fibres. When we are talking about taking cotton back to a farm, we must be talking about polyester taken back to the oil. The ICAC needs to push this idea: If that is what the cotton industry is going to be held to then we need to apply this to all the fibres. This idea brings us back to difficulties and meaningful regulations.

La Rhea: There are examples of people implementing things on a smaller scale and it would be good to highlight and showcase where this is already happening, what is being done, lessons learned etc. I believe there is an opportunity for case studies, what's working, what are the opportunities, etc.

Ahmed: Do we have a unified definition for what is required for traceability throughout the supply chain? Movement of cotton and goods through the textile chain is already full of documentation that can be presented as a base for traceability. There is a common set of documents proving the origins but are they unified across the globe? Whether this traceability stays the same throughout the process?

Cliff: That is the problem and a hugely complex issue, and just providing documents is not the answer. But the more we discuss, the easier it will be to come up with a few more guidelines and ideas rather than provide a certificate of origin.

Peter: We can't design the program; different countries are looking for different things. Our point here is just to give guides: What should countries and organisations be looking for? We should differentiate between what is practical and what brands and retailers wish to see for their marketing and sales.

Marc L: Cotton is different and you cannot simply apply the same process in different regions and categories; local practices vary. There cannot be a singular global solution; that is just not practical. There must be a flexibility in the framework that allows creative solutions within regions.

Cliff: There won't be one-size-fits-all.

Christian S: Traceability is not only about forced labour, but also about sustainability and climate change. Traceability will also make it possible in the future for the producers and sellers to show calculations of what the climate indications are. So, it is important to emphasise that not only cotton needs to be traceable but other fibres as well, and the implications on climate change need to be transparent.



Cliff: It is inevitable that traceability is tied to sustainability. All the committee members should think about the current traceability methods and what we can do to bring it all together.

6. Cliff: Objective 1 and discussion with the EU.

Parkhi: Update on the discussion with the EU – PSAC will run its minutes and statements through the Standing Committee and discuss everything before presenting at the Plenary Meeting.

Parkhi: Update on the EU regulations and PEF not ready for use.

Peter: We have done something at the last Plenary Meeting; the discussion is ongoing, so we are waiting for the detailed answer from the EU.

7. Cliff: Objective 3, PSAC expansion: Each committee is looking for potential members to be invited; please put the names forward to Parkhi.

Peter: The Secretariat is also working on bringing some observers from NGOs.

8. Cliff: The next meeting is going to be held in June.

The Chair thanked everyone and closed the meeting.