



**The Fashion Jewelry  
& Accessories  
Trade Association**

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## **FJATA NEWSLETTER**

### **August 2022 Edition**



Edwin Keh, CEO of The Hong Kong Research Institute of Textiles and Apparel, meets with the McKinsey Global Institute to discuss innovative ways to bring sustainable practices to the fashion industry.

### **INNOVATIVE SUSTAINABILITY IN THE FASHION INDUSTRY**

In a recent podcast with the McKinsey Global Institute, CEO of The Hong Kong Research Institute of Textile and Apparel Edwin Keh discusses his team's innovative approach to reinventing the fashion industry by developing sustainable and efficient practices at every stage of the supply chain. Edwin Keh grew up in Hong Kong where he later obtained an undergraduate degree in urban design. While working for the United Nations High Commissioner for Refugees (UNHCR), Keh watched countless people die in refugee camps due to an inefficient supply chain resulting in a lack of resources. Determined to make a difference and solve a seemingly reparable, yet neglected, problem, Keh dedicated his career to improving supply chain productivity at every level across every industry. What sets Edwin Keh apart from many innovators in his field is his concentration on developing both efficient and sustainable supply chain operations.

In the podcast, Keh criticizes the fashion industry's unacceptable contributions to climate change due to its excessive carbon footprint at various stages of production. He explains that the primary level of the fashion supply chain that can be improved upon to decrease the industry's carbon footprint is its manufacturing sector. The material components, the production process, the manufacturing process, and the transportation method all constitute the bulk of the industry's footprint. However, he also highlights the burden of the immense waste created by the fashion industry, claiming that chemical waste, solid waste, water pollution, and atmospheric emissions are all factors that the industry can improve upon.

Keh goes on to explain an experiment he has been conducting in India, where his team has recently been successful in improving the root health of cotton plants in order to grow cotton without irrigation. Keh is hopeful that his findings will allow cotton to be grown in a range of climates, in much larger quantities, and in a much shorter time. Another study Keh has been working on to further develop his mission of integrating biodiversity and carbon neutrality into the fashion industry is the production of a cotton material that can absorb carbon dioxide. The next step of this study includes the development of a laundry detergent that will remove the absorbed carbon dioxide from the t-shirts. In another experiment known as the Garment-to-Garment Recycle System, Keh is asking consumers to bring in their old clothing to be broken down into fibers, turned into yarn, and remade into brand new clothing.

Keh explains that the best opportunities for industry breakthroughs are at the most extreme sides of the supply chain. If we can alter the raw materials at the first stages of production, then all the remaining levels of the supply chain will have to follow suit. If we appeal to business on a consumer level then there arises opportunities to adjust entire business models. He also emphasizes the importance of multi-level communication among the various stakeholders in the supply chain in order to establish the most efficient operation possible. With innovators like Keh constantly bringing sustainable and efficient breakthroughs to the fashion world, we are optimistic that the industry is heading in the right direction and urge members to remain informed of any developments that may be implemented into their own business models.

## **“SIGNET JEWELERS ACQUIRES BLUE NILE**

On August 9, Signet Jewelers revealed that it will purchase Blue Nile for \$360 million in its ongoing efforts to grow its bridal sector and expand its consumer audience to reach younger ages. This acquisition comes after the company recently cut its financial forecast for the second quarter through fiscal 2023 year due to “heightened pressure on consumers’ discretionary spending”. Alongside the nation's skyrocketing interest rates, the company began noticing decreased sales as consumers continue to hold back spending in this unstable economy. Signet expects the second quarter to bring in approximately \$1.75 billion and estimates that the 2023 fiscal year will amount to \$7.65 billion, a nearly \$600 million decrease from its previous estimate. Although Signet expects a significant cutback in revenue in the upcoming year, the company has not yet considered other potentially diminishing factors such as various macroeconomic elements or its Blue Nile acquisition. The online jewelry retailer, Blue Nile, earned over \$500 million in revenue last year and Signet is hopeful this acquisition will grow the company's market share to help counter the impact of the current down market.

## **CHINA CONFERENCE NEGOTIATIONS EXTENDED**

On July 27th, just two days before the passing of the CHIPS bill, Senate Majority Leader Chuck Schumer announced his motion for the House and Senate conference committee to extend its negotiations regarding the China packages through the month of September.

Schumer explained that “while this bill contains many critical investments in chips and scientific research, there are other major proposals from both sides that are still in the works within the conference committee”. He emphasizes the importance of this bipartisan legislative process and insists that there are far too many aspects of the Conference Committee bill that have not yet been adequately deliberated and no proper compromise has been made. Some issues that still need to be addressed by the committee include the renewal of the Generalized System of Preferences (GPS) benefits program; the Miscellaneous Tariff Bill; adjustments to the trade remedies law; removing Chinese packages from de minimis eligibility; restoring Trade Adjustment Assistance; and establishing Section 301 exclusions.

Despite Schumer’s hopes of a committee decision by September, House Ways and Means Committee member Kevin Brady expressed his doubts with that timeline due to a variety of legislative hurdles. Brady reported that “[his] goal is to have these issues solved by the end of the year, and that tax and healthcare, and hopefully, trade packages, sooner would be better, no doubt about it. But with the China bill essentially dead, the conference bill dead, it really will be our responsibility to try to piece together those elements that can be adopted by Congress and hopefully by the end of the year”. When asked about the impact this delay may have on the MTB retroactivity, Brady responded that despite the benefits it would bring to the economy, no agreement regarding retroactivity has yet been drafted. Congress Members are not certain of the exact timeline, but many do not expect an agreement to be reached on the trade titles until Congress adjourns in December.

## **TRANSNATIONAL ALLIANCE TO COMBAT ILLICIT TRADE**

The Transnational Alliance to Combat Illicit Trade, or TACIT, has released their response to the USTR’s recent request for public comment on the best trade policy to combat Forced Labor. In 2021, TACIT conducted extensive research regarding the use of forced labor in a range of illicit market activities. During their investigation, TACIT studied eight different sectors where wrongful market practices are commonly found: counterfeiting of apparel, footwear, and luxury goods; counterfeiting of electronics, machinery, and equipment; substandard and falsified medical products; illegal mining; illegal, unregulated, and unreported fishing; illicit tobacco products; illegal pesticides; and illegal timber. Their findings were released in a December report titled “The Human Cost of Illicit Trade: Exposing demand for forced labor in the dark corners of the economy” where the evidence affirms the use of forceful and abusive labor by organized criminals for personal profit in the market of illegal trade. Their analysis suggests an interdependency between forced labor and illegal trade, “the worst crimes associated with illicit trade is the demand it creates for forced and child labor to carry out the tasks of making counterfeits, sewing fake logos on luxury apparel, or harvesting illegal fish”. Thus, their conclusion states that the only effective way to eliminate the use of forced labor is to first completely eradicate the trade of all illegal goods. Essentially, without a supply of illegal goods, there is no demand for forced labor.

TACIT also suggests that the most effective way to internationally implement and enforce any new trade policies regarding forced labor include, focusing law enforcement on

policing illegal trade; strengthening criminal deterrence by increasing the violation penalties; enhancing border protections; targeting money laundering and corruption; and increase Intellectual Property Rights enforcement to better detect counterfeit goods. They advise that the US government seek advice from an assortment of resources including civil society, academia, and private sector partners to get a comprehensive understanding of the relationship between forced labor and the illicit trade market. The final recommendation of the TACIT response to the USTR survey suggests that the US government increase their collection of data in this sector in order to provide stronger evidence in their policy-making initiatives.

## **UFLPA OPERATIONAL GUIDANCE**

On June 13, the CBP released Operational Guidelines for importers to better understand the logistics of the Uyghur Forced Labor Prevention Act (UFLPA). In accordance with the UFLPA enforcement regulations, the CBP will identify prohibited imports under the scope of the act's rebuttable presumption clause. The CBP will then notify importers of one of the following enforcement actions being used on the imported goods: detention, release, seizure/forfeiture, or exclusion. In order to request an out-of-scope determination, importers must provide evidence of one program requirement, supply chain tracing, and documentation clearly proving the goods at hand were not produced in any way in the Xinjiang region. To request an exception to the rebuttable presumption clause, importers must fulfill all program requirements, show proof of due diligence, provide documentation of supply chain tracing and management, and prove "by clear and convincing evidence" that the goods were in no way produced using forced labor. The guidance then outlines the two ways in which importers can request an exception from the CBP's rebuttable presumption – Programmatic and Import Scientific – with step-by-step processes to each. Click [here](#) for the CBP's fully detailed operation guidance to gain a better understanding on how to utilize these exemptions.

The UFLPA is just one of many steps being taken over the past decade on the international stage to combat the use of forced labor in trade markets. In just the past seven years, the UK, the US, France, Australia, the Netherlands, Germany, and the EU have all enacted legislation specifically targeting the forced labor market. These new regulations are intended to increase the expectations of the private sector regarding their due diligence and supply chain tracing of imported goods. With the US leading the fight against forced labor, the Department of Homeland Security's guidance will likely set the global standard of trade practices and government enforcement. Here are 5 steps your company can take right now to stay ahead of the game:

1. Assess and identify risk of goods by establishing accurate supply chain tracing
2. Determine UFLPA compliance using the CBP's operational guidance
3. Enhance your company's compliance program by directing policies and procedures in accordance with UFLPA
4. Prepare alternate sourcing and routing
5. Utilize available resources to ensure adequate compliance. Some resources include:
  - US government standards and resources
    - The US departments of State's responsible sourcing tool - [link](#)
    - The updated Xinjiang Supply Chains Business Advisory - [link](#)
    - The US Customs and Border Protections' Reasonable Care: An Informed Compliance - [link](#)
  - International Standards and resources



- The United Nations Guiding principles on Business and Human Rights - [link](#)
- The organization for Economic cooperation and development guidelines for multinational enterprises - [link](#)
- ILO guidelines concerning the measurement of forced labor - [link](#)

## **CBP SEIZES FAKE MERCHANDISE FROM THREE HONG KONG SHIPMENTS**



The CBP recently seized three large shipments of fake watches and assorted jewelry, totaling \$6.88 million in counterfeit merchandise. The first of the three ships arrived from Hong Kong and was headed to a private residence located in Richmond, Virginia before it was intercepted by the CBP. It contained 275 fake Cartier Love bracelets which would have amounted to \$3.27 million if they were authentic. The second counterfeit shipment also originated from Hong Kong with a similar load of fake Cartier bracelets. Had the merchandise been real, the 385 yellow gold bracelets and the 115 white gold bracelets seized by the CBP would have been a total of \$3.2 million. The final shipment heading toward a private business in Mesquite, Texas contained 13 fake Rolex watches totaling \$405,000. Following the apprehension of the three counterfeit shipments, CBP Director of Field Operations at the Chicago Field Office reassured the public of the agency's proficiency in the matter and expressed that "Our officers are dedicated to preventing counterfeiters from defrauding consumers and legitimate businesses". Though the CBP has around 500 trade laws to enforce along the border to ensure US business and consumers are protected from the dangers of counterfeit products, they are aware that the growing ecommerce market is becoming increasingly difficult to monitor. In efforts to increase consumer protection from online scammers, the agency has begun an initiative to better educate the public on safe shopping practices. For more information on the dangers of counterfeit merchandise along with a range of CBP advice for safe shopping, visit this [webpage](#).

## **FMC SEEKING PUBLIC COMMENT ON SUPPLY CHAIN CONGESTION**

In ongoing efforts to meet the standards of OSRA 2022, the FMC is consulting with the public to determine whether the nation's current supply chain congestion has reached a magnitude in which an emergency order is needed to restore order at ports across the country. According to OSRA, the FMC is authorized to establish an emergency order after seeking public comment on the following three inquiries:

1. Has the congestion caused substantially detrimental impacts on the competitiveness and reliability of the international ocean transportation supply system?
2. Would an emergency order alleviate the effects of the congestion?
3. What regulations should be established under the emergency order to best combat the supply chain disruptions?

If the Commission decides to issue an emergency order following their review of public discussion, common carriers and MTOs will be mandated to share any relevant cargo information with all shippers, rail carriers, and motor carriers. The order would be effective for no longer than 60 days, but will be eligible to be renewed if it is unanimously agreed upon by the FMC.

To submit your comment on the inquiries listed above click [here](#). Submissions will be accepted through September 14. The Commission is open to all opinions but asks that all comments be specific to the matter of supply chain congestion and the potential emergency order.

## **CASE CONCLUSION - FTC vs. LIONS NOT SHEEP PRODUCTS**

The Federal Trade Commission has reached a conclusion in its case against Lions Not Sheep Products, LLC, who is being accused of falsely labeling its products with "Made in the USA" tags despite their Chinese origin. The allegations were made in May of this year when an FTC complaint "alleged that the company added phony Made in USA labels to clothing imported from China and other countries. The FTC has decided that the company must pay a fine of \$211,335 for its failure to abide by Made in USA labeling regulations. In addition to the hefty penalty fee, the FTC has ordered Lions Not Sheep to stop making fraudulent Made in USA claims unless they can provide irrefutable evidence that the product's materials, final assembly, and significant processings are all of US origin. The order also requires the company to fully disclose their means of foreign production to all consumers. For further details on FTC guidance of Made in USA regulations please see the following [link](#).



### **AB 2406 UPDATE**

On August 24, the California State Senate officially passed AB [2406](#) with a unanimous vote of 40-0. FJATA has been in full support of this bill since it was initially introduced to legislators and we are excited about the progress it is making through the legislative process. AB 2406 is intended to extend the protections of Section 22928 of the Business and Professions Code to include exceptions for the following circumstances:

- The intermodal equipment provider alters the shipping route without providing a warning
- Ocean carrier negligence
- An accidentally overbooked vessel cancels an appointment
- Shipments are delayed due to circumstances beyond their control
- Early return dates are changes following the equipment's shipping departure

With unanimous approval from the California Senate, the bill will now return to the Assembly for a “concurrence” vote before it can be passed onto the Governor to be signed into law. We are optimistic that the bill will continue to harness legislative support and will keep our members updated as it continues to progress.

### **SENATE PANEL ADVANCES TWO BILLS TO ENHANCE CHILDREN'S SAFETY**

It's no secret that social media and various digital platforms have impacted this generation of children in the most unforeseen ways. While some of its benefits are valuable, concerns over the exacerbated mental health issues have led to increased scrutiny of online safety. This issue was pushed to the forefront of congressional discussions after a Facebook whistleblower recently disclosed classified company research that revealed evidence of social media's contribution to heightened mental health rates in the younger generations. As a result,

the Senate Commerce Committee has advanced two new bills after they were introduced with high bipartisan support. The Kids Online Safety Act was introduced primarily to increase parental control over children's online activities and to require social media platforms to establish a setting that accommodates children who want to opt out of algorithmic recommendations and various features that may be deemed harmful. This Act also requires these platforms to undergo internal reviews of their products' impacts on mental health and provide evidence that they are taking steps toward fixing them. Another bill, The Children and Teens' Online Privacy Protection Act, aims to increase online protections for children by prohibiting companies from collecting online data of users aged 13-16 without their consent. The bill also requires companies to establish an "erase all data" option for children to remove any and all data that may have been collected by digital services. While both of the bills were approved by the Senate, it is unclear whether or not they will make it through the House due to various bipartisan disagreements within Congress. House legislatures recently approved a bill that would increase online safety for children and improve data privacy protections for all. Although Congress is struggling to reach an agreement on this issue, it is evident that both sides have clear interests in increasing online privacy and overall safety. Any businesses operating online platforms should continue to monitor the progress of these bills and remain vigilant of their data collection systems as new regulations arise.

## **FLOW MEETING**

Josh Gretschmann, a Director at FJATA's parent company Gemini Shippers Association, recently attended a meeting hosted by the Department of Transportation and led by Secretary Pete Buttigieg and Port Envoy General Stephen Lyons. Partners of the Freight Logistics Optimizations Works (FLOW) joined the DOT to further develop the organization's mission to combat supply chain inefficiencies and reduce the overall cost on the nation's consumers. This meeting marked a new milestone for the organization as its participation rate has doubled and members have officially begun securely sharing their innovative data with the DOT. FLOW was established by the Biden administration in March to design a digital platform "that gives companies information on the condition of a node or region in the supply chain so that goods can be moved more quickly and cheaply". The FLOW initiative is aiming to integrate all levels of the supply chain network in order to increase industry transparency and ultimately strengthen the resilience of operations in the face of future disruptions. Through the online platform developed by FLOW, the DOT will act as an independent administrator of supply chain data to be shared by and spread across a variety of shipping lines, ports, terminal operators, truckers, railroads, warehouses, and notable cargo owners. This strategic coordination of information across various levels of the supply chain is intended to optimize the industry's resource utility in order to decrease the cost of shipping on consumers. While there are other factors that must be addressed, this initiative by the Biden administration is a promising step toward repairing the nation's supply chain issues. Representatives of our FJATA team are working closely with the FLOW initiative and will keep our members promptly informed of any developments.



## **BUSINESS GROUPS URGING MAINE DEP TO DELAY ENFORCEMENT OF PFAS REGULATIONS**

A number of businesses and trade groups in Maine are pleading with the state's Department of Environmental Protection to delay the effective date of its most recent PFAS regulations. The Maine Legislature has recently passed several laws limiting the production and distribution of forever chemicals in a variety of goods. One of the new regulations requires manufacturers to report any products containing "intentionally added" PFAS chemicals. This new law is set to go into effect on January 1, 2023, but numerous businesses are insisting that this date is far too soon and should be pushed back at least a year to accommodate the operational adjustments every company needs time to make. For example, IDEXX, an international veterinary diagnostics firm, argued that it would need to gather PFAS information from 1,000 suppliers of more than 9,000 components, which they estimate would take several years at minimum. Other companies are arguing that despite their personal plans to eliminate PFAS chemicals from their products, various intellectual property rights are making it difficult for them to obtain necessary information from suppliers and manufacturers. There is also a widespread misunderstanding of the new PFAS regulations across various industries preventing many companies. These business and trade groups are demanding more time to educate themselves in order to develop safe and effective manners of production to ensure consumer safety does not get caught in the crossfire of bureaucratic haste. Legislators supporting the new PFAS bill acknowledge the difficulty in adjusting to these new regulations, but reiterate that businesses have had more than enough time to prepare and warn that there is no time left to waste.

## **CBP ACE UPDATE**

With back to school shopping just around the corner, the CBP has acted to protect both parents and students from falling prey to the sale of counterfeit goods. Often luring consumers with extremely low prices under deceitful "back-to-school sale" advertisements, scammers are busier than ever taking advantage of this season to make an extra quick buck. The CBP is asking consumers to be wary of their online purchases of items such as backpacks, electronics, clothing, and school supplies, reminding the public that these fake products often lack both safety and longevity. A number of large companies have invested toward combating counterfeit sales in growing efforts to protect their consumers. Nike, a company whose products are notoriously sold in second-hand markets, has donated a proprietary technology to the CBP to help the agency determine the authenticity of the products being sold under their brand. Despite the various laws and additional steps being taken to regulate these illegal sales, the CBP is urging the public to take a few extra precautions to protect themselves from anything that may mistakenly bypass the agency's oversight.

The agency has released 10 tips for consumers to "Shop Smart" and combat the dangers of counterfeit sales:

1. Trust your instincts
2. Insists on secure transactions
3. Watch for missing charges

4. Seek quality assurance in the secondary market
5. Be careful purchasing medicine online
6. Be vigilant when buying abroad
7. Guard your personal information
8. Scrutinize labels, packaging and contents
9. Report fake products
10. Spread the word

Click [here](#) for more details behind the agency's advice.

## **NEW FMC BUREAU**

The FMC has established a new committee that will be jointly responsible for administering the investigative and enforcement duties of the commission. The Bureau of Enforcement, Investigations and Compliance (BEIC) will be split into three offices – the Office of Enforcement, the Office of Investigations, and the Office of Compliance – each of which will be led by an appointed Office Director. These three offices will be overseen by the BEIC Director who will report all significant findings to the Commission's Managing Director for further proceedings. This new bureau will reposition the previously titled Area Representatives to an Investigator position within the Office of Investigations while also recruiting additional external personnel to the task force. These investigators will be responsible for a range of enforcement activities with an emphasis on public outreach for guidance on shipping regulations and inquiries.

This Commission has organized this new bureau in an effort to meet the increasingly demanding standards of the 2022 Shipping Act which requires better enforcement of a wide range of new regulations. Following an internal review of the commission's enforcement structure, the FMC concluded that "a restructuring and merging of enforcement and compliance programs would result in a more efficient, coordinated, and responsive operation from initiation to conclusion of an investigation". This reorganization hopes to expand the commission's ability to regulate the operations of ocean carriers in order to uphold American shipping standards.

## **FMC'S OSRA IMPLEMENTATION WEBSITE**

The FMC has established a [webpage](#) to display any and all actions related to the Commission's ongoing implementations of OSRA 2022 in its continuous efforts to expand its public outreach. The Commission is hopeful that this online platform will be a great resource for the public to remain informed of the progress being made by the FMC under new OSRA standards. The webpage contains links to important OSRA documents, such as rulemakings, Industry Advisories, and press releases, and will continue to be updated as new information arises and further developments are made.

## NEW CPSC EXECUTIVE DIRECTOR



The CPSC has formally announced Jason K. Levine as its newest Executive Director. Levine has been serving as acting Executive Director since Mary T. Boyle was appointed CPSC Commissioner on June 30, 2022. Levine is extremely qualified for this position with six previous years of experience at the CPSC, in which he served as both Chief of Staff and Director of Legislative Affairs from 2014 to 2015. In addition to his time at the CPSC, Levine has experience at four different federal agencies, including his positions as Director of the Office of Congressional, Legislative, and Intergovernmental Affairs at the US Office of Personnel Management, Assistant Secretary for Aging at the US Department of Health and Human Services, and Chief Counsel to a Commissioner of the Federal Election Commission. Prior to his return to the agency, he has spent the last four years working as the Executive Director for the Center of Auto Safety, a non-profit safety organization. CPSC Chair Hoehn-Saric has reported that Levine's "passion for consumer safety, knowledge of the CPSC, and successful leadership skills have been an asset to me since his return to the agency earlier this year and will serve him and the CPSC well in his new role".

## LEGISLATIVE STATUS

Click [here](#) to view a list of bills affecting our industry and any action that has occurred.



**Our Mission** - We continue our leadership role in legislative issues and advancing internationally recognized, sensible standards for the jewelry and accessories industries on behalf of our members.

*Thanks for reading.* Have any questions? Email us at [executive\\_director@fjata.org](mailto:executive_director@fjata.org).

**The Executive Committee**

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