



**Joint Statement Submitted by
American Apparel & Footwear Association (AAFA)
National Cotton Council (NCC)
National Council of Textile Organizations (NCTO)**

**Before the
Senate Banking, Housing and Urban Affairs Committee**

On

Export-Import Bank Reauthorization: Saving American Jobs and Supporting American Exporters

April 17, 2012

Thank you for providing the above organizations the opportunity to submit testimony regarding today's hearing, "Export-Import Bank Reauthorization: Saving American Jobs and Supporting American Exporters." Our organizations strongly believe that today's hearing will help Members of Congress, the business community at-large, and think tank organizations better understand how the Export-Import Bank (Ex-Im Bank) can serve as an important export tool for U.S. companies in a globally competitive environment while at the same time creating U.S. jobs.

The Ex-Im Bank could and should play a critical role in supporting and expanding U.S. jobs in the U.S. textile industry and, in turn, anchor a strong Western Hemisphere textile and apparel supply chain. Regrettably, the Ex-Im Bank has failed to fulfill this role because the structure of Ex-Im Bank (the Bank) loans and guarantees do not reflect either the realities of the apparel and textile supply chain, U.S. trade policy, or today's global supply chains in general.

As you know the Bank is operating under a short term authorization that is set to expire on May 31, 2012. What is more concerning is that the Bank expects to reach its funding cap sometime this month.

Congressional in-action is causing our U.S. exporters to fall behind foreign competition at a time when the U.S. economy is experiencing glimmers of recovery. We were encouraged when Senate Majority Leader Reid filed Amendment #1836, the Ex-Im Reauthorization, to the Jumpstart Our Businesses Act the week of March 12th. This Amendment filed by Senators Cantwell (D-WA), Johnson (D-SD), Graham (R-SC), and Shelby (R-AL) would have reauthorized the Bank and its programs for four-years and increased the Bank's funding capabilities to \$140 billion. In addition, the amendment contained important language that would allow the Bank to better support the textile and apparel global supply chain.

The Senate language in Section 7 of the Ex-Im Reauthorization bill adds representation for the textile industry on the Bank's Advisory Committee. This role will allow for the industry to provide suggestions to the Bank's Board and President on how Bank policies and products are affecting the textile and apparel global supply chain. Additionally, the reauthorization requires the Bank to report to Congress on an annual basis on the Bank's efforts to provide financing to the U.S. textile and apparel global supply chain. We believe that this language will take important steps in assisting the Bank in better understanding how the textile and apparel supply chain has changed over time and continues to be an important engine of the U.S. economy. The following sections of our written remarks outline the justification and need for inclusion of this language.

At the direction of U.S. trade policy, the textile and apparel supply chain has developed across the Western Hemisphere and has evolved into a mutually beneficial relationship for both U.S. cotton growers and U.S. textile manufacturers as well as U.S. apparel importers. The Free Trade Agreements and preference program areas in this Hemisphere for the most part grant duty-free access to the U.S. market for apparel assembled in the region as long as the apparel is made, either entirely or in part, from U.S.-grown cotton and U.S.-made yarn and fabric. As a result, all parties in the supply chain benefit – from U.S. cotton growers, U.S. yarn and fabric manufacturers, to apparel manufacturers in the region and ultimately the U.S. apparel brands and retailers. All parties are positioned to reap the benefits of U.S. trade policy. However, the supply chain is missing the necessary ingredient – reliable supply chain financing.

Prior to this reauthorization, the Ex-Im Bank did very little to support supply chain financing, which, in turn, has had the practical effect of suffocating domestic capital investment and job creation. Traditionally, the Bank has only considered the creditworthiness of the producer receiving U.S. textile industry exports and has failed to acknowledge that these components, once exported to central and South America, return to major U.S. brands and retailers as finished goods. This policy has limited the financing opportunities at the Bank for the U.S. textile industry.

Ex-Im Bank financing would facilitate and grow the Western Hemisphere apparel and textile supply chain by increasing the incentives for U.S. apparel brands and retailers to increase their sourcing from the region because such financing would make access to the U.S. cotton and textiles necessary to obtain the benefits under the various free trade agreements and preference programs easier, faster and more

reliable. As a result, Ex-Im Bank financing would lead to increase exports of U.S. cotton, yarn, and fabric to the region. Those increased exports would support and grow U.S. jobs.

U.S. Government – “You Should Export to the Region, but We Won’t Help You”

The Ex-Im Bank bases much of its financing decisions on country risk. In the case of the Western Hemisphere apparel and textile supply chain, this “Country Limitation” policy outright eliminates the possibility of financing for some countries and severely restricts financing and/or significantly increases the interest rates for many others that are integral to this supply chain.

As a result, the U.S. government strongly encourages U.S. textile manufacturers to export their products to Central America and the Dominican Republic through the incentives it negotiated through CAFTA-DR while at the same time saying that financing U.S. exports to half of the CAFTA-DR countries is too high of a risk to provide anything but the most limited loans and loan guarantees, at high interest rates to boot. For Haiti, a country that the U.S. Congress has deemed a priority through passage of the HOPE and HELP trade preference programs, the Ex-Im Bank basically says the country is off limits.

Improving Products to Better Provide “Supply Chain Financing”

While the amount of paperwork and the timeline for approval remain major barriers preventing any small business from utilizing Export-Import Bank programs, for the Western Hemisphere apparel and textile supply chain we believe that the Export-Import Bank must adapt to today’s global supply chain. As in textiles and apparel, the United States doesn’t just export final manufactured products anymore. Exports of U.S.-made goods today are just one part of a global supply chain. In our industry, U.S. exports of cotton, yarn, or fabric, return to the United States as finished apparel or home goods. The programs offered by the Export-Import Bank should reflect these realities.

It is our belief that the legislative text as outlined would be a great first step towards bringing much needed liquidity to the Western Hemisphere supply chain at a time when major brands and retailers are considering shifting sourcing back to this region of the world.

Conclusion

Thank you again for holding a hearing on this important issue. We believe that a combination of changes in both Export-Import Bank policies and programs will position the Export-Import Bank to truly assist U.S. companies, particularly small businesses, and the hundreds of thousands of U.S. workers they employ, that play a critical role in today’s global supply chains. We would be happy to discuss any of the above points in more detail with the Committee.