



December 3, 2010

The Honorable Ron Kirk
United States Trade Representative (USTR)
600 17th Street, N.W.
Washington, DC 20508

The Honorable Robert Gates
Secretary of Defense
1400 Defense Pentagon
Washington, DC 20301

The Honorable Gary Locke
Secretary of Commerce
U.S. Department of Commerce
Washington, DC 20230

The Honorable Thomas Vilsack
Secretary of Agriculture
U.S. Department of Agriculture
Washington, DC 20250

The Honorable Hillary Clinton
Secretary of State
U.S. Department of State
Washington, DC 20520

RE: Soaring Cotton Prices & India's Cotton Export Ban

Ambassador Kirk/Secretary Gates/Secretary Locke/Secretary Vilsack/Secretary Clinton:

On behalf of the U.S. apparel industry, including the critical U.S. domestic manufacturing base that equips our servicemen and women for battle, I am writing to you to strongly urge the United States to take immediate action to stop the government of India from continuing its export ban on cotton or from extending the ban to cotton yarn and other products using cotton.

As you may know, India has restricted or banned the export of cotton since April 2010. As a result of the Indian government's actions, worldwide cotton prices have reached 150-year highs, more than doubling in price in just the last eight months alone – from an average of 62 cents per pound in April 2010 to around \$1.40 per pound today.

Prior to the Indian government's action, India was the second largest exporter of cotton in the world. By imposing the export ban, the Indian government has created turmoil and panic in the world market. On their face, the Indian government's actions are blatantly discriminatory, clearly violating Article XI of the GATT agreement which prohibits export bans that benefit domestic industries. Specifically, India imposed the export ban for the sole purpose of artificially lowering prices on an integral input used by India's apparel and textile industries, industries which were already major competitors in the global market.

With cotton prices soaring, the U.S. apparel industry faces a Hobbesian choice:

1. try to absorb the rising costs, putting in peril the fragile economic recovery of the U.S. apparel industry and the hundreds of thousands of U.S. workers they support; OR
2. pass on those rising costs in the form of higher prices for hardworking American families on clothing, one of life's necessities, at a time when families can least afford it.

The skyrocketing price of cotton has sent the domestic U.S. apparel, footwear, and textile manufacturing base that supplies the U.S. Military into disarray as companies are trying to determine the price of cotton in order to bid on military uniform and other clothing and textile contracts. At the same time, manufacturers are desperately trying to secure enough cotton, at any

price to meet their obligations under existing contracts." Already, the bidding deadlines for some contracts have had to be extended because no domestic cotton producer can guarantee the price, or supply, of the cotton for the next month, much less for five years (typical length of a contract). These contracts fulfill critical needs of our soldiers in battle. Bidders on numerous other military clothing and textile contracts will soon face the same dilemma.

What if a global crisis emerges and we must surge our production of uniforms and other military textile items? Due to the Indian government's action, there is literally no cotton available in the U.S. market, or in the global market, at any price. Combined with the fact that the U.S. strategic cotton reserve is at or near zero, the current situation could cripple our response to the crisis.

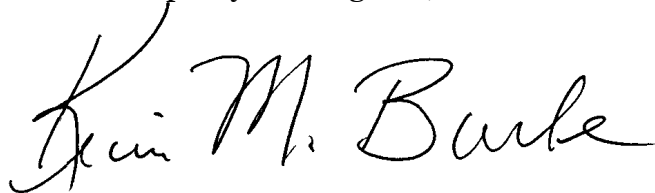
This situation must be addressed immediately. Speculators have taken advantage of India's action by driving up cotton prices even further.

Therefore, I again urge the U.S. government to send the strongest message possible to India to immediately end its restrictions on the export of its cotton to world market and ensure that the restrictions are not extended to cotton yarn and other products utilizing cotton.

The Indian government must follow international trade rules.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 703-797-9062 or nherman@apparelandfootwear.org if you have any questions or would like additional information.

Please accept my best regards,



Kevin M. Burke
President & CEO

CC:

- Francisco Sanchez, Under Secretary for International Trade, U.S. Department of Commerce (DOC)
- James Miller, Under Secretary for Farm and Foreign Agricultural Service, U.S. Department of Agriculture
- Robert D. Hormats, Under Secretary for Economic, Energy and Agricultural Affairs, U.S. Department of State
- Demetrios Marantis, Deputy U.S. Trade Representative, Office of the U.S. Trade Representative (USTR)
- Vice Admiral Alan S. Thompson, Director, Defense Logistics Agency (DLA), U.S. Department of Defense
- Scott Chambers, Commander, DLA Troop Support, U.S. Department of Defense
- Ambassador Isi Siddiqui, Chief Agricultural Negotiator, USTR
- Michael Delaney, Assistant U.S. Trade Representative for South Asia, USTR
- Gail Strickler, Assistant U.S. Trade Representative for Textiles, USTR
- Kim Glas, Deputy Assistant Secretary for Textiles and Apparel, DOC