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

Before the
House Financial Services Committee
Subcommittee on International Monetary Policy and Trade

On

The Role of the Export-Import Bank in U.S. Competitiveness and Job Creation

May 11, 2011

We are providing this written statement in lieu of written testimony that would have been submitted as part of the indefinitely postponed April 13, 2011 follow-up hearing on "The Role of the Export-Import Bank in U.S. Competitiveness and Job Creation."

Thank you for your interest in exploring how the Export-Import Bank (Ex-Im Bank) can better address the needs of U.S. companies so that they can be globally competitive while creating U.S. jobs.

Our organizations represent the entire textile and apparel supply chain – from bale to retail.

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 anchoring a strong Western Hemisphere textile and apparel supply chain. Regrettably, the Ex-Im Bank has failed to fulfill this role because of: 1) legacy constraints regarding apparel and textiles that no longer exist and 2) the structure of Ex-Im 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.

Background on U.S. Textile & Apparel Western Hemisphere Supply Chain
The textile and apparel supply chain in the Western Hemisphere, at the direction of U.S. trade policy, has developed into a mutually beneficial relationship.

The rules in the North American Free Trade Agreement (NAFTA), the U.S./Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), the U.S./Peru Trade Promotion Agreement (USPTPA), the Andean Trade Promotion & Drug Eradication Act (ATPDEA), and the Haiti HELP and HOPE programs provide, for the most part, duty-free access to the U.S. market for apparel assembled in the region as long as they are made from, either entirely or in part, U.S.-grown cotton and U.S.-made yarn and fabric. As a result, everyone in the supply chain benefits – from U.S. cotton growers and U.S. yarn and fabric manufacturers to apparel manufacturers in the region and U.S. apparel brands and retailers.

The Ex-Im Bank should be in an ideal position to support this mutually beneficial supply chain and the hundreds of U.S. companies, and thousands of U.S. jobs, supported by this supply chain. In short, however, the Ex-Im Bank does nothing to support this supply chain, a supply chain created and promoted by U.S. trade policy.

Export-Import Bank's De Facto Ban on Textile & Apparel Financing
To start, based on a legacy policy developed in the 1950s, one that no longer exists, the Ex-Im Bank avoids providing any credit or financing for the apparel or textile industries because they are so-called "import-sensitive" industries.

This policy simply does not reflect the realities of today's Western Hemisphere textile and apparel supply chain. Yes, Ex-Im Bank financing would support an increase in U.S. imports of apparel from the region. However, those apparel imports would contain U.S.-grown cotton and U.S.-made yarn and fabric.

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"
In addition to this a priori exclusion for textiles and apparel, the Ex-Im Bank also 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 even the possibility of financing for some countries and severely restricts financing and/or significantly increases the interest rates for many other countries 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 for the U.S. government, or U.S. banks, 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.

Therefore, we propose that the Export-Import Bank consider the development of so-called "Supply Chain Financing" programs.

Some possible options the Export-Import Bank should consider as part of its "Supply Chain Financing" are:

a. bank to bank financing – "earmarked" for a specific producer
b. direct financing to company/U.S. customer "in-country"
c. financing of the P.O. (Purchase Order)

Conclusion

Thank you again for exploring 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 apparel and textile supply chains. We would be happy to discuss any of the above points in more detail with the Subcommittee.