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Senators Hagan and Graham Introduce Legislation to Combat Textile Fraud, Save Textile Jobs

Senate companion version of House Textile Enforcement and Security Act

Washington, DC – Earlier this week, Senator Kay Hagan (D-NC) and Senator Lindsey (R-SC) reintroduced the Textile Enforcement and Security Act (TESA), S.1683, in the Senate. The TESA legislation seeks to increase U.S. Customs and Border Protection enforcement activities as well as trade facilitation through improved targeting, increased resources, and enhanced authority.

“We greatly appreciate Senator Hagan and Senator Graham for reintroducing this important piece of legislation,” said Cass Johnson, President, and National Council of Textile Organizations. “The integrity and enforcement of our trade preference programs, including free trade agreements, is a pivotal issue for our industry which has seen illegal activity increase dramatically over the last five years,” added Johnson.

“Over the last year, our industry has been opening plants and adding jobs throughout the Southeast. However, the increasing levels of trade fraud occurring puts those jobs at risk and our businesses in jeopardy. We applaud Senators Hagan and Graham for taking the first step and we call on the Senate to address this issue which dramatically impacts our manufacturing base in the United States,” said Bill Jasper, Chairman & CEO, Unifi, Inc. (Chairman, NCTO).

NCTO reports that the schemes that illegal exporters use to commit textile fraud are exactly the same as those use to evade countervailing duties and dumping orders. These schemes have also been the focus of House and Senate hearings during the last year. Goods are illegally transshipped, undervalued or mislabeled. Often times phony companies will reinvent themselves as ‘new’ companies to avoid being caught by U.S. Customs and Border Protection.

Customs efforts on textile fraud have been plagued by a lack of resources, declining staffing and increasing sophistication of fraudulent schemes. While Customs finds an average non-compliance rate of 40 percent in overseas factories it visits, Customs issued only 43 penalties for textile fraud last year out of five million shipments. According to some estimates, up to one billion dollars in federal revenue is lost through the fraudulent schemes used to evade textile duties.

The TESA legislation addresses many of the industry’s key concerns by providing U.S. Customs with expanded authority to better target these goods, while also giving them additional tools and resources to increase their commercial enforcement efforts and reduce the prevalence of fraud that is occurring and damaging the U.S. textile industry sector.

The House version, H.R. 2754, was introduced in August 2011 by Congressmen Larry Kissell (D-NC), Howard Coble (R-NC), and Walter Jones (R-NC). The House version currently has 19 co-sponsors.

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Key Facts about the U.S. Textile Industry

- The U.S. textile industry is one of the largest manufacturing employers in the United States. In 2010, the overall textile sector, from fibers to final garments and other textile products, employed nearly 600,000 workers. Textile companies alone employed 255,000 workers.
- The U.S. textile sector is the third largest exporter of textile and apparel products in the world with exports growing 19 percent in 2010 to more than \$20 billion.
 - U.S. textile exports support a textile and apparel platform created by the NAFTA/CAFTA/Andean free trade areas that now employs nearly two million workers.
- The U.S. textile industry supplies more than 8,000 different textile products each year to the U.S. military.
- The U.S. textile industry has a long history of creating innovative, hi-tech products, from heart valve prosthesis and nanotube body armor to non-iron apparel and moisture wicking athletic wear.
- The U.S. textile industry invested more than \$15 billion in new plants and equipment from 2001 to 2009. U.S. textile shipments totaled \$51 billion in 2010.
- The U.S. textile industry increased productivity by 45 percent over the last 10 years, making textiles one of the top industries among all industrial sectors in productivity increases.
- In 2010, textile workers on average earned 155% more than clothing store workers (\$559 per week vs. \$219) and received health care and pension benefits.

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