

Statement of
G. Stephen Felker
Avondale Mills, Inc.
on
Trade Preferences for Haiti

Hearing of the Ways & Means Subcommittee on Trade

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Chairman Crane, Congressman Levin, members of the Subcommittee.

Thank you for this opportunity to appear before you today.

My name is Stephen Felker. I am chairman, president and CEO of Avondale Mills, Inc., a privately held, diversified textile manufacturer with headquarters in Monroe, Georgia. We employ some 5,000 workers in facilities in North Carolina, South Carolina, Georgia and Alabama, where we spin, weave, dye and finish textiles made primarily from cotton raw materials. Our products are used in apparel, home furnishings and industrial end manufacturing. I am also a member of the board of directors of the National Council of Textile Organizations and a vice president with the National Cotton Council.

Since the late 1990s, the United States textile industry has experienced an unprecedented wave of plant closings and job losses. In the last six years, we have lost some 220,000 textile jobs, fully 33 percent of our entire workforce. We lost 50,000 jobs in 2003 alone. With this in mind, our industry is fearful that the Senate-passed S. 2261 would only lead to more job losses in our industry, and we are pleased that the committee is willing to consider alternative approaches to providing economic assistance to Haiti.

Under the Caribbean Basin Trade Partnership Act (CBTPA), which granted duty-free treatment to garments made in the region of U.S. yarns and fabrics, the U.S. textile industry has developed mutually beneficial trading partnerships with apparel makers in many Caribbean countries. U.S. textile exports to the CBTPA countries soared by 220 percent in the three years beginning in 2000 when the law was enacted.

Haiti, as a CBTPA beneficiary country, has been part of this success. In 2002, the value of U.S. textile exports to Haiti had risen approximately 176 percent in the three years since 1999. In fact, 70 percent of Haiti's garment exports to the U.S. are made from U.S. components.

We note, however, that total U.S. exports to all CBTPA countries slowed in 2003 from the 220 percent growth rate over the previous three years to only six percent growth, and CBTPA apparel exports to the U.S. are down four percent so far this year. Moreover, U.S. textile exports to Haiti actually fell by 12 percent in 2003, and Haitian apparel imports to the U.S. are subsequently down by nearly 14 percent this year. These figures we attribute in large part to increases in imports of decontrolled Chinese apparel – imports that are frankly representative of the damage being done around the world due to China's enormously disruptive currency manipulation, its enormous subsidies, illegal tax rebates and use of non-performing loans to gain competitive advantage.

China has taken 72 percent of the US market in products that had their quotas removed two and half years ago. It trounced all competitors, including Haiti and Sub-Saharan Africa, which was already receiving the benefits similar to those available in the Senate-passed Haiti bill. I would note that imports from Haiti in those product categories fell 53

percent, from 8.6 million square meters to 4.0 million square meters in 30 months time. Imports from China during the same period of time increased 1 BILLION square meters. Thus, a solution for Haiti – and apparel exporters throughout Mexico, the Caribbean and the Andean region – must include the use of safeguards against China and strong action on unfair trade practices.

But relevant to today's discussion is -- How does the Congress achieve a win-win solution that benefits textile manufacturers in the U.S. and apparel makers in Haiti, which is consistent with the fundamental basis of CBTPA? Well the one thing the Congress must not do is enact the Senate-passed bill – this might help some apparel makers in Haiti, but it will frankly benefit mostly Chinese and other Asian producers of yarn and fabric. And the U.S. textile industry and our workers will be the losers, as will apparel producers in other CBTPA countries.

Make no mistake – the Senate-passed bill creates an enormous and irresistible incentive for apparel makers to shut down their operations elsewhere in the Caribbean and Central America, and move to Haiti, where they can freely utilize Chinese fabrics made of Chinese yarn and still get the same zero-duty access to the valuable U.S. market. All of this, plus Haiti's already incredibly low labor costs, would give Haiti an advantage that no country in the region can beat. Importers and retailers will quickly shift their orders to Haiti, and the price will be paid by U.S. textile producers and our workers and by apparel workers in the other CBTPA countries. From a U.S. perspective, we will thus not only lose our export market in Haiti, but much of our export market in other Caribbean and Central American countries.

The second problem is that the bill encourages transshipment through Haiti. Because Haiti clearly lacks an effective legal or enforcement system, Chinese manufacturers would be able to easily transship apparel directly through Haiti in order to take advantage of zero duty benefits. It is much more difficult to catch transshipments when U.S. yarns and fabrics are not required – in fact, Customs' ability to do so was severely criticized in a GAO report last year. If this bill is passed, a significant portion of the benefits will go to unscrupulous Chinese manufacturers who manipulate the system and utilize unfair trade practices to gain an enormous advantage.

Let me quantify this for the committee – if enacted, this bill would ultimately mean that nearly \$2 BILLION in apparel exports will shift from other Caribbean and Central American countries to Haiti. This is twice the size of current exports from Costa Rica and forty percent more than what Guatemala even produces. And over time, our industry expects U.S. mills to lose almost \$1 BILLION in export orders currently going to the region, and tens of thousands of U.S. jobs will be lost to China.

I also want to point out that the Senate bill provides for duty-free benefits retroactive to October 1, 2003. In other words, millions of dollars worth of tax rebates will be provided not to Haiti but to importers for goods that have entered the country in the past 12 months. Haitian apparel makers and their workers will not benefit at all from these

rebates. Only the importers' bottom line will realize the profits of this provision and at the expense of U.S. taxpayers who are left footing the bill.

Rather than a single-minded approach that will benefit Chinese textile producers at the expense of textile producers and workers in the U.S. and other Caribbean countries, I want to suggest a more broad-based approach. Recent studies by NCTO, by the International Trade Commission and by the World Trade Organization, all conclude that China will dominate global textile and apparel trade if quotas are permitted to expire at the end of this year as currently scheduled. As such, it makes no sense to put all the Haitian eggs in a textile and apparel basket.

Instead, we would urge that Congress commit to providing the support Haiti needs to diversify its economy. Because our expertise is in the textile arena, we are not prepared to recommend specific steps or economic interests to pursue, but rather would simply encourage you to move in this direction. A one-shot approach to Haiti's economic problems is far too risky to provide that nation with the assistance it needs for a sustainable economic recovery.

At the same time, we would encourage Congress to provide Haiti with such form of support as you might deem appropriate to help that country become more stable. Clearly, the unrest in Haiti is a disincentive to any business thinking about re-locating to that country, and we would urge that a comprehensive Haitian approach include steps to help promote political and social stability there as well. In the absence of these fundamental tenets, an environment to support sustained economic development will never materialize.

With regard to the textile and apparel sector, we urge Congress to consider legislation that ensures the financial and operational services from U.S. export credit and financing agencies are available to U.S. textile and apparel companies that choose to do business in Haiti. Traditionally, the Overseas Private Investment Corporation (OPIC), the Export Import (ExIm) Bank, and the Trade Development Agency (TDA) have avoided sensitive industries, including U.S. textile and apparel firms and their suppliers. As a result, our industry has had difficulty seeking U.S. government financing of our exports and overseas activities that utilize U.S. inputs. Since Congress has already authorized preferential access for garment imports from Haiti utilizing U.S. inputs through the CBTPA, Congress could further assist Haiti in fully realizing the benefits of this program by supporting U.S. export and investment financing for the U.S. inputs that go into those imports.

Such a program in Haiti could serve as a pilot program for similar initiatives in other Caribbean and Central American nations and would be very beneficial in helping the partnerships our industry has established there try to withstand the challenges they will certainly face from Chinese imports in the years to come. Additionally, since many other countries already provide favorable export financing in support of their textile and apparel products, we maintain it would be appropriate, and mutually beneficial to both

the U.S. and Haiti, for our government to provide similar tools in support of U.S. textile and apparel industries and their workers, as well as workers in Haiti.

In closing, Mr. Chairman, I do believe there are concrete steps that can be taken to help Haiti, actions which will produce a win-win situation for Haiti, U.S. textile companies, our workers, and our customers in the apparel industry throughout the other CBTPA countries.

Thank you.