



20th NCTO ANNUAL MEETING 2024
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CHAPMAN

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We welcome you all here today as we celebrate 20 years of advocacy and impact in our nation's capital on behalf of the U.S. textile industry.

NCTO represents the full spectrum of the U.S. textile sector – a production chain that employs 502,000 workers nationwide and produces almost \$64.8 billion in output annually. We are an essential industry that equips U.S. warfighters and one that pivoted overnight to produce PPE during the COVID pandemic.

The U.S. textile industry has made significant investments in the U.S. Its innovations are unparalleled and its contribution to local communities and the U.S. economy is critical.

While the domestic textile industry is a key contributor to the U.S. economy and critical part of the military and public health industrial base, our sector is facing a

crisis of historic proportions as the result of rapidly deteriorating market conditions coupled with unchecked foreign predatory trade practices and diminished customs enforcement activities.

On the economic front last year, our industry saw historic inflationary pressures, a severe global slowdown, weak consumer demand, a glut of retail inventory that translated into poor demand for future orders of textiles, and a contraction in manufacturing.

The fallout also extends beyond our borders to hemispheric partners – parties to U.S. free trade agreements, including CAFTA-DR and USMCA – who, along with U.S. textile producers, form an integrated, vertical textile and apparel co-production chain and represent the counterweight to production in Asia.

To address these troubling trends, the National Council of Textile Organizations (NCTO) has been highly engaged with industry allies in Congress and the Biden administration to confront the severe crisis and challenging issues facing the industry.

NCTO hosted or participated in numerous congressional and administration visits throughout 2023 and into early 2024.

In July, NCTO executives and staff united to participate in a critical Washington fly-in and met with some of the most powerful members of Congress as well as the nation's top trade chief.

We outlined policies critical to NCTO membership including: closing the de minimis loophole, strengthening Customs enforcement, holding China accountable, strengthening our domestic procurement laws, maintaining the yarn-forward textile rule in CAFTA-DR and other trade agreements, and passing the Farm Bill and Miscellaneous Tariff Bill (MTB), which are so critical to our domestic industrial base.

We are literally making national news every night on de minimis. This is no longer an issue that is on page 3 of national news; it's on the front pages of the Wall Street Journal, New York Times, and Time Magazine.

This is a massive, coordinated effort involving NCTO and our industry leaders who have had significant accomplishments that have turned the tide and changed the trends of conversations in Washington.

We cannot thank those members enough who do so very much to support our activities and go way above and beyond.

Especially given the velocity of things coming at us this year – several members repeatedly came to town like Andy Warlick, Eddie Ingle, David Smith, and so many more listed on the projected slide.

We met with the highest levels of the cabinet and the highest levels of the Congress. Our industry's effectiveness, breadth, and prowess was noticed by all and the urgency of what we were asking for as an industry became a huge priority for everyone in Washington – no matter the party affiliation. Just last week, Secretary Mayorkas and the DHS team responded to our urgent calls for a significantly stepped up textile and apparel enforcement plan to help address trade fraud – and that wouldn't have happened without the concerted effort by the NCTO staff and the members who engaged here in Washington, DC.

NCTO's work is noted at the highest levels of our government. In July, President Joe Biden made an historic visit to NCTO member Auburn Manufacturing Inc., elevating the U.S. textile industry's profile and reinforcing its competitiveness and economic contribution. This is the first visit to the industry by a sitting President in decades.

I would like to sincerely thank our staff, led by NCTO President and CEO Kim Glas and the entire hard working NCTO team, as well as our industry leadership

for successfully navigating through challenging economic times and polarization in Congress, while partnering with the administration and key congressional offices to secure a number of critical achievements last year.

NCTO's effective advocacy efforts resulted in a long list of accomplishments in 2023, including: intensifying pressure on Congress and the administration to close the de minimis waiver system and step up enforcement of UFLPA and import fraud; safeguarding the integrity of our free trade agreements; enhancing government procurement of U.S. textile-based products; and maintaining a strong position on China trade enforcement, including tariffs on finished textile and apparel.

Before laying out NCTO's policy wins in 2023, I want to quickly recap how the industry fared "by the numbers" last year.

BY THE NUMBERS

Given the economic and trade headwinds the industry faced in 2023, the fact that the industry only registered slight declines in some of the key metrics is testament to its resilience and strength.

- In 2023, the value of U.S. man-made fiber, textile, and apparel shipments totaled an estimated \$64.8 billion compared with \$67.4 billion, in shipments in 2022. ¹

Here are additional key industry facts:

- U.S. exports of fibers, textiles and apparel were \$29.7 billion in 2023 compared with \$33.9 billion in 2022. ²
- The United States is the second largest individual country exporter of textile-related products in the world.
- The U.S. textile and apparel industry invested \$20.9 billion in new plants and equipment from 2012 to 2021, the last year data is currently available for this figure. Recently U.S. manufacturers have opened new facilities throughout the textile production chain, including recycling facilities to convert textile and other waste to new textile uses and resins.³

Onshoring and nearshoring trends continued to strengthen Made in USA

production and our vital co-production chain with the Western Hemisphere, while

¹ U.S. Census Bureau, Manufacturers' Shipments, Inventories, and Orders (M3) Survey, and Annual Survey of Manufacturers (ASM), value of shipments for NAICS 313, 314, 315 & 32522. 2021 data used to estimate 2023 NAICS 32522 figure.

² U.S. Department of Commerce data for Export Group 0: Textiles and Apparel.

³ U.S. Census Bureau, Annual Capital Expenditures Survey (ACES), NAICS 313, 314 & 315.

NCTO continued to press for effective enactment of policies in Washington aimed at expanding Buy American and Buy American rules to fuel growth in American-made products for the military, PPE and federal agencies.

At the end of the day, some key fundamentals for the U.S. textile industry remained sound, while others weakened due to the issues outlined above. We remain committed to growing our businesses and working with the administration and Congress to help shape effective policies that will ensure future expansion of this vital and strategic industry.

While we expect to see ongoing challenges this year, which will test our resolve, we know collectively as an industry this will not weaken our resilience or our innovative spirit.

POLICY ISSUES

Now, I would like to highlight a few accomplishments NCTO staff achieved during the year.

CUSTOMS ENFORCEMENT

NCTO actively engaged with the administration and Congress to press for stepped up enforcement against unfair trade practices by China and other foreign

competitors, sounding the alarm on the damaging impact this fraudulent activity is having on U.S. textile producers and our Western Hemisphere trade partners.

We called on CBP to immediately step up enforcement against: slave labor in supply chains under the Uyghur Forced Labor Prevention Act, fraudulent origin claims under free trade agreements, “de minimis” shipments that facilitate illegal trade, largely bypass duties and inspection, and put the industry at a competitive disadvantage.

Another significant accomplishment was coordination on a bipartisan letter led by Senate Finance Committee Chairman Ron Wyden (D-OR) calling on U.S. Customs and Border Protection to ensure Chinese companies aren’t evading U.S. laws against forced labor and costing American jobs, by stepping up oversight and enforcement provisions in trade agreements with Central American and North American trading partners.

As a result of these efforts, Department of Homeland Security (DHS) Secretary Alejandro Mayorkas announced a comprehensive textile enforcement plan to address enforcement concerns raised by the industry just last week – this plan made the top of the Wall Street Journal.

DE MINIMIS

The Section 321 De Minimis provision continued to be at the forefront of congressional scrutiny and hearings, with both Democrats and Republicans weighing in with concerns on this legal provision in U.S. trade law.

The impact of this loophole is devastating, facilitating nearly 4 million imported shipments a day that may contain goods made with forced labor, counterfeits, toxic products, and illicit narcotics such as fentanyl.

NCTO leaders held several meetings with lawmakers and the administration and testified at a key congressional hearing and a roundtable, amplifying the critical need to close this loophole that is hurting our members and giving China a duty-free backdoor to our market. We worked with allies like Rep. Dan Bishop who held 2 hearings drawing attention to de minimis and how it makes policing the Uyghur Forced Labor Prevention Act impossible. NCTO and our industry is leading the way to close this loophole.

In addition several members of Congress weighed in with letters to President Biden to close this loophole, including a joint letter from Senators Sherrod Brown and Rick Scott, a separate letter led by Sen. Sheldon Whitehouse, and a letter led by Rep. Rosa DeLauro.

Three bills were introduced in 2023 (including bills from Sen. Sherrod Brown and Rep. Earl Blumenauer) to combat de minimis abuse.

In February this year, NCTO worked to build a coalition of diverse stakeholders to launch the Coalition to Close the De Minimis Loophole, representing thousands of voices, from the families of victims of fentanyl fatalities and nonprofit and nonpartisan organizations to labor unions, domestic law enforcement associations, domestic manufacturers, and business associations.

Several coalition members participated in a press conference with Rep. Blumenauer and other congressional members to elevate the issue, which was covered by several news outlets and have sent numerous communications to the Hill.

There are numerous other issues requiring NCTO's focus and resources, such as advocating for full enforcement of the Make PPE in America Act, amplifying support for the Section 301 case against China's intellectual property abuses, promoting tariffs on finished products and the need to pass a new Miscellaneous Tariff bill with immediate and full retroactivity.

Due to time constraints, I cannot delve into all these important issues. But please know that without exception, NCTO is highly engaged on every policy matter that affects the U.S. textile industry with the intent of shaping policy

determinations in a manner that directly benefits U.S. textile investment, production and workforce.

Industry leadership and involvement is of paramount importance. From contributions to NCTO's TextilePAC to arranging congressional visits, the industry can make a difference and help raise the level of awareness about its importance to the overall U.S. economy and workforce, and to the local and state economies it supports.

CONCLUSION:

The business environment for the year ahead will continue to be rife with challenges for our industry and will likely lead to additional plant closures and layoffs, which we have already seen in the first quarter of 2024.

But I remain cautiously optimistic for the following reason: NCTO's strong advocacy on behalf of the industry in helping institute policies that support our industry, reform ill-conceived policies, and fend off challenges to our strong free trade agreement rules.

In 2024, we will continue to engage with Congress and the administration on critical policy issues impacting our industry and I am confident we will achieve positive policy wins for this industry as a unified voice in Washington.

We will continue to work in conjunction with our Western Hemisphere trading partners and capitalize on the onshoring and nearshoring trends that we are seeing and strengthen our co-production chain, investment and employment.

That concludes my formal remarks.

On a personal note, I have been honored to serve as chairman of a highly effective organization and dedicated staff and I know I hand it over to our new Chairman, who is well-positioned to navigate the headwinds and trade battles.

I truly am optimistic about the innovative strength of the industry and its resilience to economic and trade challenges. With the support of this effective trade and lobbying organization in Washington, we can overcome unforeseen challenges and continue to cement our position as an integral sector to the U.S. economy and the Western Hemisphere.