

HANES*brands*INC

HANESBRANDS INC.

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BEFORE THE TRADE SUBCOMMITTEE, WAYS & MEANS COMMITTEE

SEPTEMBER 10, 2020

ON THE CARIBBEAN BASIN TRADE PARTNERSHIP ACT:
CONSIDERATIONS FOR RENEWAL

Chairman Blumenauer, Ranking member Buchanan, members of the Ways and Means Subcommittee on Trade, I want to thank you for holding this very important hearing on the Caribbean Basin Trade Partnership Act: Considerations for renewal. My remarks are a redacted version of my full testimony which I submit for the committee's consideration.

Founded in 1901, HBI is the world's largest marketer of basic apparel founded, headquartered in Winston Salem, NC. Our products are found in 90% of US households. Unlike most apparel companies, Hanes primarily operates its own manufacturing facilities. We take great pride in our reputation for ethical business practices and are the only apparel producer to ever be honored by the "Great Place to Work Institute" for our workplace practices in Central American and the Caribbean. HBI has been involved in the CBTPA apparel business since the early 1980's.

Today I urge your quick and timely extension of the CBTPA. The CBTPA is not a controversial piece of legislation. It has had bipartisan support since its inception in 1983. If possible, we need the business certainty of CBTPA to continue without interruption. During these

exceptional times, businesses are already suffering greatly due to the economic downturn. US exporters, investors and the region urgently need the program extended immediately prior to expiration.

I want to highlight six areas that demonstrate the great achievements of the CBTPA to date.

1. The benefits to the US cotton, yarn and fabric industry and the symbiotic relationship of our industries;
2. The benefits to US ports and two-way trade;
3. The benefits to US security through Customs cooperation and enforcement;
4. The sustainability of near-shoring manufacturing;
5. The export of US business practices that has led to collective bargaining and freedom of assembly in many facilities; and,
6. The significant impact on the CBTPA countries building better lives for them and their families.

Background

To fully appreciate the Caribbean Basin Trade Partnership Act (CBTPA) it must be placed in the context of developing trade relations with the Western Hemisphere.

President Ronald Reagan initiated stronger US engagement with the region when he rightly identified the Caribbean nations as our “third border”. He set in motion congressional action resulting in the 1983 Caribbean Basin Economic Recovery Act (CBERA), and known collectively as the Caribbean Basin Initiative (CBI). This legislation was as critical decision by the United States Congress and Administration to recognize our stability, safety and security is tied to the successful economic stability of our border nations. Since that time Congress has successfully expanded tying out regions together through the Caribbean Basin Trade Partnership Act (CBTPA).

Leadership in the House of Representatives has been generous with their support and bipartisanship along the way. On February 2, 1999, Rep. Phil Crane introduced the first CBTPA legislation. Like this committee today, the legislation was intended to develop meaningful trade relations to bring about growth in exports, stabilize nations through mutual economic engagement, enhance opportunities for all people, eliminate illegal/illicit trade, and to grow and develop labor rights for workers and children.

From the original introduction of the first legislation by Rep. Crane that lead to the signing by President Bill Clinton on May 4, 2000 the joint interest in trade with our neighbors under programs like CBTPA have been supported thoughtfully and graciously by many Congresses and Administrations.

When I scanned the original 75 co-sponsors, it demonstrated the bi-partisan support with a near 50/50 balance of Democrats and Republicans. I saw the names of some of you, including Chairman Blumenauer, Rep. Richard Neal, Rep. Charles Rangel, Rep. Sandy Levinson, Rep. Jim McDermott, Rep. Kevin Brady, Rep. David Drier, ...a virtual who's who of great leaders that have worked earnestly and jointly to bring economic opportunity, development and value to the rule of law and the communities that have been touched.

I am grateful to be a witness and a participant of the truly inspirational achievements the CBTPA has brought to the United States of America, the CBTPA nations, the past CBTPA nations, the communities, the companies, the workers, but most of all the overwhelming positive changes in people's lives.

When one exams CBTPA, it is a trade program that established and continues to establish opportunity. Opportunity for the USA, US textile Industry, US agriculture, US ports, US workers, regional workers -- all to enhance the opportunity of people's lives in those countries.

What has CBTPA meant to the US Textile Industry:

From my perspective, CBTPA established and created the critical groundwork and momentum for providing a pathway forward for US cotton and US yarn manufacturing to seek global competitive achievements. CBTPA requires the use of US yarn as a part of the rules of origin. In 2000, when the bill was enacted, the US textile industry had just finished the transition of the GATT into the World Trade Organization which was eliminating the protection of quotas on apparel imports. Facing increased competition, the US yarn and fabric industry needed a means to ensure apparel making countries would use their inputs.

The CBTPA provided the captive market for US cotton fiber, yarns and fabrics in the form of CBTPA beneficiary countries. Our cotton farmers produce more than 20 million bales of cotton and are the world's leading cotton exporters. By adding a yarn and fabric component to the CBTPA, more of this cotton fiber was and is converted into secondary products in the US, thereby creating more jobs in the US and adding more value.

Add to this formula the competitive nature of US electricity and the highly efficient cotton crop, using sustainable growth and harvesting techniques brought together a robust opportunity for US yarn, making to be globally competitive and a highly desirable during a period of doubt and change.

HBI was able to expand its partnership for US yarn and related products for consumption in the CBTPA region. Each month, we export over 6 million pounds of US cotton yarn into the CBTPA region to compete directly with China and other nations. That is over 72 million pounds per year.

Further, the rules of origin for wearing apparel have created the demand for other critical US textiles to be also produced in the US and the region to compete directly and economically against larger nations like China. Apparel that is made in this region contains significant US

value and input. Apparel made in China contains little, if any, US input and value outside of IPR and design.

We have a symbiotic relationship with the CBTPA countries. These countries consume US inputs at a higher percentage than any other countries. We need each other to remain healthy and globally competitive. Without the passage and renewal of CBTPA, the economic incentives to sustain US production and regional production in a partnership arrangement cease. Further, the continued slow consideration of extending this program is a disincentive to investors such as HBI and to brands that source from the CBTPA countries. The duty-free aspect is so important in apparel production because the average tariff is nearly 13% that it offsets any additional costs incurred to produce in a CBTPA country and use US inputs. Absent that benefit, it becomes economically challenging for basic apparel producers such as HBI to continue the current supply chain.

What has CBTPA meant to US Ports:

CBTPA is one of the few trade preference programs designed for two-way trade, because of the key incentive to use US inputs vs. Asian inputs.

Today, the United States runs a positive surplus in trade with the region in every country with the exception of Trinidad and Tobago which has seen an increase in its Methanol exports. These trade surpluses demonstrate how important this program has been to US ports:

1. Key Ports in the South and Southeast along with Southern Calif have benefited with two-way trade;
2. Ports such as Houston, New Orleans, Mobile, Miami, Port Everglades, Jacksonville, Savannah, Charleston and Wilmington, NC all benefit in the two-way trade. US exports sent to the region are incorporated into finished apparel articles and are entered back into the United States. In almost all other trade programs, the trade is generally one-way: either an import or an export;
3. Ocean carriers like Seaboard and Crowley have not only expanded their sailings but increased the frequency and ports that ship to/from. This enhances not only the US textile competitiveness, but also all US exports by more frequent sailings and more competitively priced services;
4. When the original CEBRA was first implemented in 1983 until the development of CBTPA, most ocean service was "ro-ro" roll-on-roll-off, limiting the cargo and ports into a less than desirable transportation for the regional ports as well as US ports. Today, not only is the majority of the business containerized, but virtually all the ports have added modern cranes and advanced systems for better and safer transporting commerce.

What has CBTPA meant to the Customs Compliance?

One of the benefits of CBTPA has been a greater and joint effort on trade facilitation and Customs compliance.

The CBTPA region has been a part of the challenges of illegal drug trade and illegal immigration. By encouraging companies to invest, building sustainable operations, as well as having incorporated compliance metrics, companies partnered with CBP. During the development phases of CBI/CBTPA program volunteer programs like BASC (Business Against Smuggling Coalition) expanded to assist companies, shippers and nations to thwart not only illegal narcotics, but the smuggling of people, and other illegal cargos.

These partnerships were the basis of our ability post 9/11 to be one of six founding members of CTPAT (Customs Trade Partnership Against Terrorism). These pre-existing relationships helped foster greater security for the US.

With the advent of investment in textiles and apparel, the employment opportunities expanded legitimate IPR and legitimate manufacturing shipments which replaced prior CBP issues of transshipments and counterfeit merchandise.

CBP has stated that they have been able to achieve high Customs compliance within the region based on legitimate trade.

What has CBTPA meant to the Development of Sustainable Practices?

The CBTPA allows HBI to knit fabric in the Dominican Republic using sustainable US cotton yarns and HBI built one of the largest textile mills. US cotton is one of the most sustainable in the world. Our seeds are drought resistant thus reducing the need for water. They are highly resistant to pests, thus reducing the need for insecticides. They produce the highest yield per acre thus reducing the overall acreage needed for harvest. And the cotton is exclusively harvested mechanically thus reducing the potential for forced or child labor. This sustainable fiber is then industrialized in the United States, adding more US value as it is converted to US spun yarns. The CBTPA program and our plant in the DR have helped US cotton farmers and US yarn spinners by providing a consistent market for consumption.

Not only does the mill consume over 6 million pounds of US cotton yarns per month, but 100% of the energy consumed to heat and dye the water for the knitting facility is generated by our own power plant. The power plant utilizes 100% renewal energy sources like coconut, agriculture shafts and discarded agricultural material to generate power for steam. This mill is the largest renewable energy operation in the Caribbean Basin. The renewable energy project reduced both the Dominican Republic and Haiti's need for bunker fuel to heat water for bleaching and dyeing fabrics.

In addition to the renewable energy operation at our textile operation, our waste treatment operations fully comply with US and EU standards. The full structures HBI has built in the CBTPA region have been designed and built based on US engineering standards. Since the construction of each facility, all have sustained operational capabilities post each Hurricane and earthquake that has swept through region. Unlike the storms of 1996, where Hurricanes like George and Mitch did significant damage, the Free Zone operations and roadways have been gradually upgraded to provide full recovery post storms. This not only is a major achievement for sustainable production/recovery, but enables the operations to provide needed medical, food, water from local manufacturing sites and thus reducing some dependency on emergency assistance from external sources.

What has CBTPA meant to the development of Employer -Employee Relations?

Addressing concerns with freedom of assembly and respecting labor rights was one of the aspirational goals of CBTPA. In our principle textile operation used for all our CBTPA apparel production we have successfully achieved one of the highest Collective Bargaining Agreements and had several renewals of the agreement in partnership with the union. We have engaged with NGOs, other interested parties such as the Department of Labor's ILAB, Better Work, Fair Labor Association and like groups seeking to provide a more transparent and engaged partnership with unions-employers.

We partnered with Better Work and others for assisting in the advance of transparent direct engagement within any operation to enhance the lives of employees, encourage open dialogue and respecting the freedom of assembly choices employees wish to make. This engagement with US entities is another aspect of key US exports – our business practices. Other foreign investors do not implement the employee programs that US companies use. The CBTPA countries look to US investors as the example to hold others accountable and to formulate internal regulations.

What has CBTPA meant to the lives of those in the community?

With the secure investment opportunities provided under the umbrella of the CBTPA, Hanesbrands has been able to continue its investments beyond secure brick and mortar and renewable energy to include investments in the internal talent it employs as well as providing better opportunities for those in the community.

For instance, we have provided funding and guidance in upgraded and completed surgery rooms in local hospitals. On a regular basis, we assist in bringing teams of doctors and nurses to the region to provide access to surgical solutions not just for employees but open to all members of the community as well.

We are providing high school classes to employees to raise the educational opportunities and post high school opportunities as well. In fact, we have graduated over 1,800 employees with

high school diplomas. On some of the investments we have in the region, we have worked with the local technical schools and universities to assist employees in their pursuit of college degree as well as post high school technical education.

In Conclusion

As for the Caribbean Basin Trade Preference Program, I encourage the committee and Congress to pass the renewal and have it enacted into law before its expiration. For investors and companies operating under CBTPA, we need the solid predictability now more than ever.

We cannot endure the expiration of CBTPA with a promise of retroactive refunds because the duties will have to be paid upon entry. It has a significant cost involved at a time when we are already suffering greatly due to the economic downturn.

Capital goes where it is most wanted. Likewise, the CBTPA nations need the stability of their partnership with the United States of America to attract that investment. This investment provides the meaningful jobs that help deter a migration of talent from the country. The development agenda that Congress rightfully has supported is one of economic freedom, one focused on sustainable development, and one that builds sustainable labor protections and enhancements. HBI strongly urges Congress to quickly pass legislation that will extend the CBTPA without allowing it to expire.