

**Testimony of Kimberly Glas, President & CEO
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**USITC Hearing: Investigation No. 332-580 – COVID-19 Related Goods: The U.S. Industry, Market,
Trade, and Supply Chain Challenge; NCTO Request to Testify**

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Mr. Chairman and members of the Commission, thank you for the opportunity to testify at this important hearing. My name is Kimberly Glas, and I am President and CEO of the National Council of Textile Organizations, which represents the full spectrum of the U.S. textile sector, from fiber through finished sewn products. For context, U.S. textile and apparel manufacturers produced an output of \$76 billion in 2019, and our domestic supply chain employs more than 585,000 workers.

Textile Industry Response to COVID-19

Amid the devastating challenges of responding to COVID-19, NCTO members have been at the forefront of deploying manufacturing resources to address the critical need for personal protective equipment (PPE). Our members quickly mobilized, proactively retooling production lines and retraining workers to provide U.S.-made PPE to frontline medical workers.

These American companies put aside competitive differences to construct multi-company PPE supply chains virtually overnight. In doing so, they were able to manufacture and supply hundreds of millions of urgently needed items, including face masks, gowns, and the textile components needed to produce them, at a time when global competitors failed to supply our national needs. Despite these heroic efforts to confront the ongoing crisis, the onshoring of a permanent PPE industry will only materialize if proper government policies are implemented to incentivize the long-term investment needed to sustain PPE production in the United States.

China's PPE Dominance

It is impossible to understand America's PPE predicament without acknowledging China's overwhelming and destructive dominance of global PPE markets. As noted by the Peterson Institute for International Economics, China dominated global PPE production before the pandemic began – exporting more surgical masks, medical goggles, and protective garments than the rest of the world combined.¹ And they have ramped up production substantially since. The Vice Minister of Foreign Affairs in China has stated that from March to May 2020 China exported 70.6 billion medical masks. For context, the entire world produced about 20 billion throughout all of last year. Further, according to an April Congressional Research Service report "COVID-19: China Medical Supply Chains and Broader Trade Issues," in February 2020, China had ramped up face mask production—both basic surgical masks and N95 masks—from a baseline of 20 million a day to over 100 million a day while also ordering "its bureaucracy, local

¹ <https://www.piie.com/blogs/trade-and-investment-policy-watch/china-should-export-more-medical-gear-battle-covid-19>

government and industry to secure critical technology medical supplies and medical-related raw material inputs from the global market.”²

China’s explosive growth in PPE production has been fueled by the same predatory practices they have utilized to dominate global textile and apparel markets in general. Their “Made in China 2025” industrial policies were designed to nationalize and corner market share for these products, and these sectors have been bolstered by massive government subsidies. In addition, the issue of forced Uyghur labor has played a major role in China’s massive growth in PPE output and exporting. Twenty percent of the world’s total cotton production is sourced from the repressive Xinjiang province, and one in five garments China sells globally involves forced labor production. Now, in 2020, these enslaved workers have been required to manufacture PPE as part of China’s effort to profit from the global fight against the COVID-19 pandemic.

Despite this massive surge in output, China instituted export controls that exacerbated global shortages of PPE at the height of the pandemic. This triggered a catastrophic chain of events, including price gouging and hoarding on the part of nations and hospital systems, as the global supply of PPE fell dramatically short of surging demand.

Those arguing that U.S. tariffs contributed to the shortages we endured earlier this year are either naive or purposely misconstruing these events. These devastating shortages were deliberately contrived by a monopolistic supplier that either for health, economic, and/or strategic purposes decided to deny the U.S. access to lifesaving PPE. China’s actions forced the U.S. to pay an enormous price for our unwise dependence on them as our chief supplier of PPE.

Supply Chain Challenges

Beyond China, there are numerous other challenges, such as the extremely complex and varied nature of PPE products, the need for better coordination within the government on precise PPE needs, and the lack of a national supply chain map to identify U.S. production strengths and weaknesses. While I will address those issues in detail in my post-hearing submission, today I will concentrate on the following:

Lack of Long-term Federal Contracts – Virtually all federal PPE contracts during the pandemic have been restricted to short-term durations, averaging just 90-120 days. This short-term approach has had a chilling effect on U.S. investment as domestic textile manufacturers are reluctant to shoulder additional risks while simultaneously struggling with a historic downturn in traditional business resulting from COVID-19.

Our industry wants to make significant investments in automated equipment to produce PPE, but manufacturers need longer-term, 3-to-5-year contracts to justify that investment. Providing a credible quantification of future PPE needs through long-term contracting will help afford the assurances needed to incentivize investment in textile-based PPE manufacturing.

Disjointed Contracting Process – The change in federal contracting responsibility from FEMA to DLA on behalf of HHS for the Strategic National Stockpile has created confusion and consternation on the part of U.S. manufacturers actively bidding on government PPE contracts. It is apparent to our industry that there is a lack of coordination between HHS and DLA on specific procurement priorities.

² <https://crsreports.congress.gov/product/pdf/R/R46304>

For example, in May, DLA issued a Request for Proposal (or RFP) for reusable Level 1 isolation gowns. However, just days before projected awards were to be made – HHS decided they no longer needed Level 1 gowns and instead reconfigured the RFP to purchase an estimated 250 million Level 2-4 gowns, the vast majority of which would be disposable. Based on the tight turnaround time associated with the original RFP, the U.S. industry ran, in advance, millions of yards of fabric to meet Level 1 reusable specifications. Pulling down the original RFP for Level 1 reusable gowns sent a confusing demand signal and led the industry to produce millions of yards of fabric with no destination. You can imagine the severe frustration among U.S. companies that undertook significant expense to respond to the original RFP in an effort to supply lifesaving product amid the ongoing crisis. Several of these companies were forced to idle capacity and lay off workers. On top of this, we are also concerned with the pivot from reusable to disposable gowns, when reusable gowns represent a more sustainable and cost-effective option over time.

DLA recently announced awards for 83 million reusable and disposable isolation gowns to “Berry compliant” offerors. After reviewing the records of certain named awardees, the industry has questions and concerns regarding viability and capacity, Berry compliance, and whether certain awardees have the technical proficiency to provide the quality of products necessary to protect healthcare workers. This is not a blanket statement on all the awardees, some of whom are very capable providers and are well poised to provide quality gowns.

As a result, we believe there needs to be a review to ensure the United States government is purchasing compliant products to help frontline workers. While we strongly support Berry-compliant purchasing and DLA’s engagement to maximize the domestic supply chain – we have concerns and questions related to the acquisition strategy and the enforcement mechanisms to ensure that the delivered products are Berry compliant and capable of meeting performance requirements.

Furthermore, the need for the relevant government agencies to coordinate more closely in order to communicate federal PPE needs clearly, consistently and precisely is essential. These purchases require the full vetting process to ensure producers are qualified to manufacture the quality products necessary, at the volumes required, within specified deadlines. Further, we as private sector partners need more transparency and coordination with federal procurement agencies to ensure that domestic efforts to meet PPE demands are effectively maximized with quality products that our healthcare sector requires.

No Domestic Sourcing Requirements – The lack of statutory mandates requiring domestic preferences has resulted in the rejection of numerous U.S. manufacturing bids to supply PPE. The absence of federal domestic purchasing requirements creates further uncertainty as to whether there will be a stable, long-term demand for U.S.-made PPE. Applying strong procurement rules, such as the Berry Amendment that governs military textile purchases, will unequivocally lead to investments in this sector and help onshore a PPE industry. The recent disruption in global PPE supply caused by China proves that PPE self-sufficiency is a national security matter and justifies the need for domestic purchase mandates.

Failure to Recognize Western Hemisphere Partnerships – In addition to reconstituting a domestic PPE industry, a second priority should be to construct PPE production supply chains within the Western Hemisphere. Our hemispheric free trade agreements and preference programs would allow us to fully harness the textile manufacturing expertise that exists in the United States in partnership with the cut and sew capabilities abundant in the hemisphere. Doing so will give us a multi-layered supply system that would be able to meet U.S. PPE needs associated with any future health crisis.

Trade Policy and Enforcement Weaknesses— Extremely low U.S. duty rates relative to many major trading partners and the failure to demand full market reciprocity for U.S.-made PPE made it easy for China to dominate the U.S. PPE market. Tariffs help to balance unfair advantages that non-market economies have over domestic producers, including government subsidies, state-owned enterprises, non-reciprocal trade policies, intellectual property theft, currency manipulation, and sub-standard labor and environmental policies. Congress needs to keep PPE tariffs in place to support U.S. businesses and workers and to provide duty-free access to our FTA partners who abide by higher standards. Congress must also reject tariff elimination proposals, such as the current initiative to expand the Generalized System of Preferences (GSP) to include textile and apparel product. Expanding GSP would severely undermine the critical mass within the U.S. textile sector needed to construct and support a viable U.S. PPE manufacturing base.

In addition, the full force of our country’s investigative and enforcement capabilities must be unleashed to eradicate illegal and unfair trading practices related to PPE imports. This would include vigorous enforcement of anti-dumping and subsidy rules, steps to block the importation of counterfeit goods that falsely claim NOISH and FDA compliance, and a full-fledged effort to identify and embargo PPE made with slave and/or child labor.

In conclusion, while many NCTO members have already taken on considerable financial risk to alleviate severe PPE shortages, we are now at a critical juncture. The hundreds of millions in additional investment needed to reconstruct a permanent U.S. PPE industry will not be made blindly. Companies will only accept such significant risk if their investments can be justified through a clear demonstration of contracting support and consistent demand for U.S.-made PPE from the federal government. Without a comprehensive set of procurement, trade and enforcement policies designed to foster domestic PPE production, U.S. manufacturers will continue to be undercut by state-sponsored and exploitive offshore competitors, namely China.

Thank you again for this opportunity to testify, and I am prepared to answer whatever questions the Commission may have at this time.