

TRADE PREFERENCES FOR HAITI

HEARING
BEFORE THE
SUBCOMMITTEE ON TRADE
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
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TRADE PREFERENCES FOR HAITI

WEDNESDAY, SEPTEMBER 22, 2004

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:08 p.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
September 22, 2004
TR-6

CONTACT: (202) 225-1721

Crane Announces Hearing on Trade Preferences for Haiti

Congressman Philip M. Crane (R-IL), Chairman, Subcommittee on Trade of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on possible expansions of trade preferences for Haiti. **The hearing will take place on Wednesday, September 22, 2004, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 2:00 p.m.**

Oral testimony at this hearing will be from public witnesses. Any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

Haiti is currently eligible for trade preferences under the Caribbean Basin Economic Recovery Act (P.L. 98-67, P.L. 106-200, and P.L. 107-210), which allows it to:

- Export to the United States duty-free knit (and knit-to-shape) apparel made from regional fabric made with U.S. yarn, subject to a cap for the entire region; and
- Export to the United States duty-free woven apparel made of U.S. yarn and fabric, subject to a cap for the entire region.

On July 16, 2004, the Senate passed by unanimous consent S. 2261, the "Haiti Economic Recovery Opportunity Act of 2004," to allow Haiti to export to the United States duty-free apparel made from inputs sourced anywhere in the world, subject to a cap. The cap for such trade would be initially set at 1.5 percent of U.S. imports and would gradually increase to 3.5 percent after 7 years. This cap is equivalent to the third-country fabric benefit established for all sub-Saharan African countries in the recently-enacted AGOA Acceleration Act (P.L. 108-274).

Other bills to grant additional trade preferences to Haiti have also been introduced in both the House and Senate, including H.R. 1031, the "Haiti Economic Recovery Opportunity Act of 2003," H.R. 4889, the "Haiti Economic Recovery Opportunity Act of 2004," and S. 489, the "Haiti Economic Recovery Opportunity Act of 2003." Some of these bills would allow Haiti to source inputs for qualifying apparel only from U.S. free trade agreement partners and countries participating in the African, Caribbean Basin, and Andean trade preference programs. A cap also would apply for such trade that would be initially set at 1.5 percent of U.S. imports and would gradually increase to 3.5 percent after 7 years.

The Committee is currently considering all options to grant temporary additional trade preferences to Haiti. In addition to the bills already introduced, the Subcommittee is interested in receiving testimony regarding:

- Adjusting the rule of origin (ROO) for apparel from Haiti to allow a value-added rule of origin.

- Differentiating treatment between apparel made of knit and woven fabric.
- Allowing a single-transformation ROO for certain apparel from Haiti.
- Use of caps for additional benefits.
- Providing additional trade preferences for Haiti in products other than textiles and apparel.
- Expanding the cap for certain qualifying apparel under the Caribbean Basin Economic Recovery Act, as amended.

The Subcommittee welcomes comment from interested parties on these and other options to provide meaningful trade preferences for Haiti. In announcing the hearing, Chairman Crane stated, "Haiti is the poorest country in our hemisphere and is facing enormously challenging times. One of the best ways to lift a country out of poverty and provide hope to its people is to promote economic activity through increased trade and investment. I hope to develop a bipartisan bill to provide such benefits to Haiti in a manner that benefits American businesses and workers as well."

FOCUS OF THE HEARING:

The hearing will focus on whether to provide additional trade preferences for Haiti and the impact on trade and development in Haiti and on the U.S. and regional textile and apparel industries.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard at the hearing must be made by telephone to Michael Morrow or Kevin Herms at (202) 225-1721 no later than the close of business Friday, September 17, 2004. The telephone request should be followed by a formal written request faxed to Allison Giles, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515, at (202) 225-2610. The staff of the Subcommittee will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the Subcommittee staff at (202) 225-6649.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing in lieu of a personal appearance. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE-MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record, in accordance with House Rules.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies, along with an *IBM compatible 3.5-inch diskette in WordPerfect or MS Word format*, of their prepared statement for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee office, 1104 Longworth House Office Building, no later than Monday, September 20, 2004 at 12:00 p.m.** The 200 copies can be delivered to the Subcommittee staff in one of two ways: (1) Government agency employees can deliver their copies to 1104 Longworth House Office Building in an open and searchable box, but must carry with them their respective government issued identification to show the U.S. Capitol Police, or (2) for non-government officials, the copies must be sent to the new Congressional Courier Acceptance Site at the location of 2nd and D Streets, N.E., **at least 48 hours prior to the hearing date. Please ensure that you have the address of the Subcommittee, 1104 Longworth House Office Building, on your package, and contact the staff of the Subcommittee at (202) 225-6649 of its impending arrival. Due to new House mailing procedures, please**

avoid using mail couriers such as the U.S. Postal Service, UPS, and FedEx. When a couriered item arrives at this facility, it will be opened, screened, and then delivered to the Subcommittee office, within one of the following two time frames: (1) expected or confirmed deliveries will be delivered in approximately 2 to 3 hours, and (2) unexpected items, or items not approved by the Subcommittee office, will be delivered the morning of the next business day. The U.S. Capitol Police will refuse all non-governmental courier deliveries to all House Office Buildings.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "108th Congress" from the menu entitled, "Hearing Archives" (<http://waysandmeans.house.gov/Hearings.asp?congress=16>). Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the on-line instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business Monday, September 27, 2004. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. Those filing written statements who wish to have their statements distributed to the press and interested public at the hearing can follow the same procedure listed above for those who are testifying and making an oral presentation. For questions, or if you encounter technical problems, please call (202) 225-1721.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

—————

Chairman CRANE. Good afternoon. This is a hearing of the Committee on Ways and Means Subcommittee on Trade to explore op-

tions to expand trade preferences for Haiti. Haiti is the poorest country in our hemisphere and the country is facing enormously challenging times. Political and economic instability has exacerbated Haiti's lack of development and investment and worsened the already-extreme poverty levels. One of the best ways to lift the country out of poverty and provide hope to its people is to promote economic activity through increased trade and investment. Several bills have been introduced to grant additional trade benefits to Haiti, and Congressman Shaw in particular has been an active advocate for Haiti.

Haiti is quite dependent on the United States for its trade. In 2003, over 90 percent of all Haitian exports went to the United States, and apparel accounted for nearly 90 percent of those exports. At the same time, imports from Haiti barely register in U.S. domestic markets. Haiti's textile and apparel shipments to the United States last year amounted to less than one-half of 1 percent of U.S. market share.

My goals today are to explore practical options to help Haiti become more competitive in textile and apparel production and also to find ways to assist Haiti in diversifying its exports into other industries outside of textiles and apparel. The Subcommittee will explore options to provide meaningful and practical benefits to Haiti and also to promote regional integration that benefits U.S., Haitian, and regional producers. I hope that the discussion today will focus on the merits and disadvantages of various proposals and the witnesses will avoid staking out all-or-nothing positions. Now, I would like to yield to our Ranking Member on the Subcommittee, Mr. Levin, for any remarks he would like to make.

Mr. LEVIN. Thank you, Mr. Crane. I am very glad we are holding this hearing. Clearly, we need to address the challenges facing Haiti. They are a neighbor of ours and what happens there by definition affects the people who reside there. It also affects us. As we look at this issue, and quite a bit relates to textile and apparel, but beyond, I think we need to look at the context directly affecting Haiti and also the broader context that affects trade.

Point one in that regard, in terms of apparel and textiles, we know at the end of the year that the quotas are going to be eliminated. This is going to have a major impact throughout this hemisphere and beyond. So, if we look at the issue of how we can assist Haiti, I think we have to keep that in mind and also realize that when the quotas come off, there is going to be in particular a major influx of products from China and perhaps other countries within Asia, but primarily China.

Second, as we look at this issue in terms of its broader context, we need to keep in mind the present Caribbean Basin Initiative (CBI) (Trade and Development Act of 2000, P.L. 106-200) preferences because obviously a change as to one country can impact other countries, especially those that are neighboring. I would like us—I would hope that we would keep this broader context in mind as we understand the urgency—urgency—of the challenges facing Haiti.

The third point in this regard is I think we should also remember there are other countries which are going to be impacted by the end of the quotas and some of them have no preferences whatever

in terms of access to the United States and they include Afghanistan and Nepal, which have small exports here in the apparel and textile field. There are countries which do and that is Cambodia and Bangladesh.

The next point I would like to make in terms of the context, and the Chairman related to the poverty that is in Haiti. If we are going to assist countries to pull themselves out of poverty, it is critical that they do so and help to do so in ways that the people themselves pull themselves out of poverty, that poverty diminishes for the entire nation, but in particular for people who are in poverty.

In that regard, I have been reviewing some of the documents that relate to the role of workers within Haiti, including those in the apparel and textile industry and we need to, if we are going to take steps here, and I hope we do, be sure that we do so in ways that will really be beneficial to those who are working who are, in most cases, impoverished.

Today, the dynamic within Haiti is such that workers are often threatened, sometimes beaten from information we have. When you use that kind of violence, it is often done with impunity, in part because of the weak legal structure there. So, we are going to hear some testimony, as I understand it today, that will address this issue and I hope we will take it seriously. Where we have, for example, when it came to Cambodia some years ago, improvement was undertaken and it has meant a lot to the people there.

One last point I would like to make in terms of the broader context is this. We haven't really had much consideration within this place as to the impact of the elimination of quotas and we really, I think, have been mistaken in not doing so. Mr. Rangel and others and I introduced legislation about a week ago that would require this Administration to undertake some action that would relate to the dynamics of the removal of the quotas. This will have an impact on workers and businesses in this country and in the neighboring countries within the Caribbean because we have, and I think that is a good idea, an integrated apparel and textile market in the Caribbean area.

So, in a way, Haiti needs to be looked at it by itself because of the urgent needs, but also, if we are going to be effective in addressing those needs, we are going to have to keep in mind the broader context, and the points, if I might say so, that I have suggested. Thank you very much, and I look forward to the testimony of, I think, two of our most distinguished colleagues across—I won't say "the most" because I will get in trouble with somebody, but two of our most distinguished colleagues across the rotunda. Thank you.

Senator DEWINE. You will get in trouble with your brother.

Mr. LEVIN. That is what I meant, my brother.

Chairman CRANE. With that, I would like to welcome Senator Graham and Senator DeWine to present their testimony before the Committee.

**STATEMENT OF THE HONORABLE BOB GRAHAM, A U.S.
SENATOR FROM THE STATE OF FLORIDA**

Senator GRAHAM. Mr. Chairman, Senator DeWine and I appreciate the opportunity to discuss this important issue, an issue

which has become even more urgent in light of the events of the past few days. In deference to your time, I will speak to the context, the situation in Haiti that we think calls for the United States' attention and action and then Senator DeWine will discuss the specifics of why we think the legislation that has passed the Senate and is before you today is an appropriate remedy, or at least the beginnings of a remedy to some of the most difficult issues in Haiti. I will, if permissible, summarize my statement and submit the full statement for the record.

Mr. Chairman, we have had a recurring series of engagements in Haiti in the last 15 years. In the 1990s, a crumbling economy and political instability drove many Haitians into the ocean to the State that Congressman Shaw and I represent. We became the recipient of thousands of people arriving in impoverished conditions on leaky and unsafe boats, only more fortunate than those who had perished at sea.

The situation continued to deteriorate. In 1994, the United States committed 20,000 troops to an intervention in Haiti. Unfortunately, in my opinion, we did not make an adequate commitment to helping Haitians rebuild, and 10 years later, in 2004, we had to send more troops as the Haitian government found itself overwhelmed by chaos, unrest, and gang violence. I am concerned that if we don't get it right this time and ensure that Haiti has the capacity to stabilize, we will find ourselves in another 10 years with another intervention into Haiti.

The consequences of a weak and unstable Haiti can be seen both inside its borders and among its neighbors. Haiti is one of the poorest countries of the world and its people are tragically malnourished. The serious internal problems in Haiti have made it ill-prepared to deal with short-term crises and natural disasters. I just draw your attention to the current news reports, which indicate that at least 700 people have been lost in Haiti as a result of the recent floods and that there are another 1,000 missing with the sad expectation that many of those will be added to the list of fatalities.

Haiti's grinding poverty also has contributed to its chronic political instability, which causes large numbers of refugees to attempt to enter the United States and other Caribbean countries. Particularly affected by that have been the Bahamas and the Dominican Republic, both countries which could face political destabilization if there was another substantial wave of refugees from Haiti.

It is a reality that the future of Haiti does not lie in the United States nor does it lie in any of its neighbors, but rather it lies in the Haitian people. Despite incredible hardships, the Haitian people have continued to persevere. Again, referencing Congressman Shaw, we both had the opportunity to see the many Haitians who come to our State and their enormous courage and resilience and desire for self-improvement. If you go to a local community college in South Florida, you will see a very large percentage of the students being Haitians who are there to try to make their lives better.

That is why Senator DeWine and I are before you today to speak about the Haiti Economic Recovery Opportunity Act of 2004 (HERO) (S. 2261). This legislation will modify our trade laws to allow Haitian manufacturers to ship apparel into the United States

duty-free and to give them flexibility about the types of fabrics that they use. This will, of course, benefit American consumers, but the principal impact will be to give hope to the people in Haiti.

Senator DeWine will outline the details of the act, which draw heavily upon the African Growth and Opportunity Act (AGOA) (Trade and Development Act of 2000, P.L. 106–200), which was passed recently by this Committee and by the Congress. Senator DeWine and I have worked with our colleagues to pass this legislation, which gives Haitians the economic opportunity that they so desperately need and desire. We do not wish to stand by and watch while a country of 8 million people wrestles with horrible poverty and instability just a few hundreds of miles off our shore. We feel that we have an obligation to help. We believe the HERO Act is one way that we can help the people of Haiti and it will also be good for the people of the United States.

[The prepared statement of Senator Graham follows:]

Statement of The Honorable Bob Graham, United States Senator from the State of Florida

As a longtime neighbor of Haiti, I have witnessed firsthand the effects that grinding poverty and political instability have had on the Haitian people. I have also seen the impact that Haiti's troubles have had on its neighbors, including the United States.

In the early 1990s, a crumbling economy and political instability drove large numbers of Haitians to risk their lives in leaky boats, as they attempted to cross hundreds of miles of ocean to reach Florida. The situation continued to deteriorate, and in 1994 the United States was forced to intervene. Unfortunately, we did not make a commitment to helping Haitians rebuild, and in 2004 we had to send troops once more, as the Haitian government found itself overwhelmed by unrest and gang violence. We must be sure to get it right this time, and ensure that Haiti is able to stabilize, or we will find ourselves going back in 2014.

The consequences of a weak and unstable Haiti can be seen both inside Haiti's borders, and among its neighbors. Haiti is among the poorest countries in the world, and its people are tragically malnourished. The World Health Organization reports that the average daily caloric intake for Haitians is the lowest in the western hemisphere and compares with the most impoverished countries of Africa.

These serious systemic problems make Haiti especially ill-prepared to deal with short-term catastrophes and natural disasters. Earlier this week Haiti was hit by a tropical storm that killed over seven hundred people, and the United Nations predicts that this number will continue to rise as many people now listed as missing are found. Many of these people were killed when their poorly constructed homes were destroyed by flood waters or mudslides. Even with the help of the United Nations peacekeeping force currently in the country, overtaxed Haitian emergency workers are hard pressed to cope with the large numbers of people who have been injured or left homeless. According to an article in yesterday's Washington Post, the main hospital in the large northwestern city of Gonaives faces severe shortages of food, water and antibiotics. Health care services are undoubtedly even worse in rural areas, and we can expect this to contribute to the rising death toll in the days ahead.

Haiti's grinding poverty also contributes to its chronic political instability, which causes large numbers of refugees to attempt to enter the United States or other Caribbean countries. Here in the United States we have been challenged to respond to immigration crises stemming from Haiti, and this challenge has been even harder for some of Haiti's other neighbors. Our friends in the Dominican Republic and the Bahamas have struggled to deal with large numbers of Haitian entrants, and another large-scale migration crisis could destabilize either of these countries.

There is one hope for the future of Haiti, however, and it lies, as you might expect, with the Haitian people. Despite incredible hardship, the Haitian people have continued to persevere. Over the past three decades, tens of thousands of Haitian refugees have come to live in my home state of Florida, and I have been continually impressed by their strong work ethic and their determination to build better lives for themselves and for their children. If we give the Haitians the opportunity to

begin rebuilding their shattered economy, they have the potential to get their country back on its feet.

This is why I have crossed the Hill today to come speak to you about the HERO, or Haiti Economic Recovery Opportunity Act. This legislation will modify our trade laws to allow Haitian manufacturers to ship apparel into the United States duty-free, and give them flexibility about the type of fabrics they may use. This will of course benefit American consumers, but the real impact will be felt in Haiti, where apparel manufacturing is one of the few functioning industries.

A similar provision exists in the African Growth and Opportunity Act, or AGOA, which has helped expand economic opportunity to the least developed countries in Africa. By giving this same opportunity to Haiti we can help the least developed country in our own hemisphere and give Haitians an opportunity to begin rebuilding their shattered economy. Haiti must not be a place where the only jobs available are with gangs and drug traffickers, and by creating inducements for foreign investment, we can make it possible for hard-working Haitians to earn an honest living.

Over in the Senate, Senator DeWine and I worked with our colleagues to pass a bill that gives Haitians the economic opportunity they so desperately need. We do not wish to stand by and watch while a country of eight million people wrestles with horrible poverty and instability several hundred miles off our coast. We feel that we have an obligation to help, and we believe the HERO Act is one way that we can help the people of Haiti, and that it will also be good for the people of the United States.

**STATEMENT OF THE HONORABLE MIKE DEWINE, A U.S.
SENATOR FROM THE STATE OF OHIO**

Senator DEWINE. Mr. Chairman, I want to thank you for holding this hearing and thank the Committee. It has been a real pleasure to work with Congressman E. Clay Shaw and with Senator Graham on this legislation. This bill, as the Senator said, is really straightforward. It is modeled after the successful AGOA and it would grant duty-free entry to apparel articles assembled in Haiti contingent upon Presidential certification that the new Haitian government is, in fact, making significant political, economic, and social reforms. The bill caps the amount of duty-free exports from Haiti at 1.5 percent of the total amount of U.S. apparel imports, and the cap will ultimately grow to the modest amount of 3.5 percent over a 7-year period of time.

Simply put, Mr. Chairman, this bill would allow Haiti to use, for example, approved fabric and American buttons, sew it all together, and then ship it to the United States duty-free. As my colleague has said, Mr. Chairman and Members of the Committee, there is a reason for doing this for Haiti. Some people may ask, why Haiti and why this bill? I think the answer is very clear, besides the obvious humanitarian reasons. The answer is it is in our National interest to do it. Senator Graham has pointed out, and I know this Committee knows very well the tragedy that is Haiti. The Senator has pointed out that twice in the last decade, we have had troops down there. Every time we commit troops, there is a terrible cost, potential loss of life.

I have visited Haiti now, I think, 14 times in the last decade. The poverty of Haiti, as you know, just can't be described. It is comparable to the poorest of the poor countries in Africa. My wife and I have watched as children have died in front of us. It is an ecological disaster. The flooding that is going on in Haiti today that is very much under-reported because there is very little communication that is going to show thousands of people who have died, just because the country is an ecological disaster.

We are liable to see boat people again if the situation does not get better. It is only an hour and a half from Miami. It is in our backyard. It is our neighbor. If you compare the poverty of Haiti versus the poverty of any other country in the Western Hemisphere, the poverty is double. It is twice as poor, if you could put it that way, of any other country in the hemisphere.

So, it is, I would maintain, and Congressman Levin has made a very good case that we have to look at this holistically, and I agree. I would also say, as we look at it holistically, Haiti is a special case, and I think it is a special case not only from a humanitarian point of view, but in our national interest. Haiti is in our backyard. We don't want troops down there again. There is a fledgling government that, frankly, we have an interest in seeing that it does, in fact, survive and not go into turmoil and chaos again.

What does this bill do? I take the Chairman's admonition very seriously that we should not be wed to one bill, and I hear him. What would the bill that we have been able to pass in the Senate do? It would create a lot of jobs in Haiti. I don't think any of the experts you are going to hear testify after us, and they are the experts, will deny that. It would create a lot of jobs. I think if this bill does not pass, with the new change in the rules governing quotas, we will see a lot of the few jobs that are left in Haiti, the few assembly jobs that are left, you will see them very quickly leave. Haiti at one time had 70,000 to 90,000 assembly jobs before the embargo. Today, it is probably—no one knows for sure—it is probably in the neighborhood of 30,000. With this bill, these jobs would take off. Without this bill and no change in the status quo, these jobs, the 30,000 that they have now will just collapse because of the change in the law.

What will this bill do? If the bill does not pass, these jobs are going to go somewhere else and they are not going to stay in the region. I think most experts will tell you they will go to the Far East. They will go a long, long way away. These are not U.S. jobs, and I think we ought to just hit that issue right up front. I come from a State that has lost a lot of other type manufacturing jobs and I wouldn't be here today if I thought the passage of this bill would cost U.S. jobs. In fact, I think it will have a benefit for U.S. jobs. Let me tell you why. These jobs are either going to be in Haiti or they are going to be thousands and thousands of miles away. If they are in Haiti, we have the possibility at least that some of that product—a button, a zipper, something that is a value-added—will have to come out of the United States. If they are made thousands and thousands of miles away, that will not be the case.

Second, anybody who has been in Haiti knows the vast majority of money that is made in Haiti ultimately gets spent in the United States. They import most of their food. They import most of their products. Most everything comes from the United States. So, eventually, we are going to benefit from the prosperity of Haiti or just the ability of the Haitians to live. We will benefit from that. It will also, finally, help stabilize this country that is in our own backyard, and for foreign policy reasons, for our own national interest, we have an interest in seeing that happen.

Finally, anybody who has been in Haiti, and I know Members of the Committee have been in Haiti, but this is something we ought

to do for humanitarian reasons. We have some obligation, I think, to help people who want to work, to help people who want nothing more for their families than you and I want for our families, and that is to get them enough to eat everyday and possibly even to educate them.

I have seen, my wife and I have seen, been into these assembly factories. I haven't seen them all, Congressman. I haven't been in all of them, but I have been in some of them, and I will tell you that there are people who are lined up who want these jobs. Haitians are hard-working people. They want what we want. I think this bill will go a long way to give them that opportunity. I thank the Chairman.

[The prepared statement of Senator DeWine follows:]

Statement of The Honorable Mike DeWine, United States Senator from the State of Ohio

Mr. Chairman, thank you for this opportunity to testify before the Committee in support of expanded trade preferences for Haiti, and specifically in support of the Haiti Economic Recovery Opportunity Act. I want to echo Senator Graham's comments.

I have visited Haiti 14 times over the last decade and have seen—up-close—the poverty and the potential of this nation and its people. Haiti needs our compassion. Haiti needs our support. Haiti needs this bill. Why? Because Haitians are dying everyday from diseases and abysmal living conditions—conditions that they could improve if they had jobs and money for doctors and medicine.

Senator Graham and I have sponsored this bill because Haiti is the poorest country in our hemisphere—it lies in our own backyard—and deserves the same preferences we gave the poorest countries in Africa, many of which have higher per capita incomes than the people of Haiti.

Mr. Chairman, our bill is straight forward. It is modeled after the successful African Growth and Opportunity Act. It would grant duty-free entry to apparel articles assembled in Haiti contingent upon Presidential certification that the new Haitian government is making significant political, economic, and social reforms. The bill caps the amount of duty-free exports from Haiti at 1.5 percent of the total amount of U.S. apparel imports, and the cap grows to the modest amount of 3.5 percent over seven years. Simply put, Mr. Chairman, this bill will allow Haiti to use, for example, Peruvian fabric and American buttons, sew it all together, and then ship it to the U.S. duty free.

There is one specific aspect of this bill that I want to emphasize, and that is the importance of providing a third country fabric preference for Haiti. Third country fabric preference is a fancy way of saying that Haiti can use materials from anywhere in the world and still receive duty-free treatment. As you will hear from witnesses today, economic analysis clearly shows that third country fabric preferences are the *only* way to truly stimulate the least developed countries of the world. This was true in Africa, and it is true for this bill.

Mr. Chairman, there is a mistaken notion that this bill, and third country fabric preferences, specifically, would cost U.S. jobs. This simply is not the case. Like many of you, I represent a state where the manufacturing sector is hurting, and I would not ask any of you to choose between U.S. jobs and jobs in Haiti. With the HERO bill, we can have both.

Mr. Chairman, in 2005, the quotas that currently keep countries in the Far East, and especially China, from flooding the global textile market with cheap products will be removed. This will devastate the apparel industry in our hemisphere. Some lucky countries will have the benefits of the Central American Free Trade Agreement, but everyone else, including Haiti, will lose their industries as companies go to the Far East.

This does not have to happen. If HERO becomes law, the assembly industry in Haiti would stay and expand, thereby increasing Haiti's demand for U.S. products. This would mean a greater demand for U.S. goods, such as elastic and thread from North Carolina companies; and bags, boxes, and trim from Florida. But, if HERO does not become law, the industry will leave Haiti, and those U.S. companies that export these components to Haiti will be short yet another customer.

It is important to note that HERO's impact would extend beyond the U.S. textile and apparel industry. The trade figures show that Haitians buy American goods.

For every dollar worth of goods the United States buys from Haiti, these poor impoverished people buy two dollars worth of American products. Think about it—that is a one hundred percent return on investment. Now, think about what that return would be if the Haitian people have more money in their pockets to spend on U.S. goods. This is a prudent investment for the United States. This bill is good for Haiti, and this bill is good for the United States.

Mr. Chairman, while certainly, there are other things we could do to help Haiti, at this late date in the Congress, there is only one bill that has a chance of passing and providing the assistance that Haiti so desperately needs. If the HERO bill does not pass both houses by the end of the year, it will be too late. In 2005, once the quotas are removed, what little industry remains in Haiti will leave, and *it will not come back*. That means 30,000 more Haitians will be unemployed, and what little is left of Haiti's economy will crumble. The jobs in the United States that depended on Haiti's apparel industry will be forfeited, and all because we failed to act when we had the opportunity.

In closing, I'd like to focus on the bigger picture. We are here because just an hour and a half flight off the Florida coast lies a country—the least developed in our hemisphere—where 80 percent of the people live in abject poverty, and almost as many are unemployed, living lives with little hope and opportunity.

I have been there 14 times. I have watched desperate mothers feed their children mud, because they didn't have a job, and didn't have the money to buy food. I have seen and held sick, malnourished, dying children in my arms. On behalf of the parents of these children—and especially for the children, themselves—I am here today urging you to do everything in your power to pass this bill. It is simply the right thing to do.

Chairman CRANE. Let me express my appreciation to both of you for your testimony, but most especially for your involvement in what to me is a very important issue right now. I commend the Senate for the action that it has taken already and I am hopeful that we can act on this and have it resolved in the House and the Senate before this session breaks up. Does anyone else want to make a comment to our distinguished guests?

Mr. LEVIN. Just briefly. Mr. Shaw, you can go ahead if you want to.

Mr. SHAW. Go ahead.

Mr. LEVIN. I don't really have any questions. I do hope we can work together actively on this, and I think it may be more beneficial instead of a lot of back and forth here. I am not sure we can write a final product. Maybe we could, but I am not sure we can, today. Anyway, we shouldn't be facing each other like this but around the table, I think. So, I hope we will be able to do that. The time is really short, but we ought to utilize whatever time we have to see if we can produce a product that addresses these needs and makes good trade sense. I look forward to that.

Senator DEWINE. I appreciate that very much.

Chairman CRANE. Thank you. Mr. Shaw?

Mr. SHAW. Thank you, Mr. Chairman, and I ask unanimous consent to insert an additional statement into the record.

Chairman CRANE. Without objection.

[The information was not received at the time of printing.]

Mr. SHAW. I also ask unanimous consent to insert a letter that I received from Florida Governor Jeb Bush. Governor Bush has been very active in seeking aid for Haiti and the Haitian people. As a matter of fact, he is in the Capitol today—I just left him—and he asked specifically how the HERO legislation was going. I told him I would let him know after this hearing, but from what I hear already, I think it is going very well.

[The information was not received at the time of printing.]

I also ask that a letter from the U.S. Conference of Catholic Bishops in support of the trade preferences for Haiti be included, as well.

[The information was not received at the time of printing.]

Finally, at each Member's desk you will find a copy of a December 7, 2003, feature on Haiti conducted by the South Florida Sun Sentinel. I think it is one of the most graphic snapshots of what was happening down there, and I can tell you it has not gotten any better.

I want to commend both of my friends, Bob Graham and Mike DeWine. Bob, we are certainly going to miss you, and I have an idea that you are not going to complete retirement. You certainly deserve all of the best in sending you off. I know both of your dedication to the problems in Haiti and trying to work them out. Mike, what you have done with kids down there is legendary. I would like the Committee to know that Mike has called me at home on the weekend and wanted to know how this legislation is getting around. I wanted to ask him how he got my telephone number, but—

[Laughter.]

In any event, he has been steadfast in working through this legislation, and what you all did in carrying it through the Senate, I think is phenomenal. Bob, you and your wife, Adele, who I went to high school with at Miami Edison, have been very active in bringing Haitian art back in order to support the high school that Adele and I went to that now is probably 95 percent Haitian and really a failing school, which it is very difficult not to be a failing school when you are a school of immigrants, as Miami Edison is today. The proceeds from the sale or the auction of these items goes to hire the good students as tutors to help the others along, which I think is just a marvelous program. Actually, I have tried to duplicate that up in some of the areas in Palm Beach County where we have a heavy Haitian population.

The Haitian people are a very gentle people. They are hard-working people. They are caring people. They are religious people. They certainly deserve a better slice of life than what they have gotten. I have said it before and I will say it again. You cannot have a democracy where there is no economy, and there is no economy in Haiti. There is 70-percent unemployment. You have got a textile industry that used to be very active that is all but dried up. They need to be spurred on. This legislation, and there are two bills that are the subject of this hearing. One is identical to the Senate bill and the other is a little more restrictive as to where some of the supplies come from for putting the apparel together.

I join the Chairman in expressing the wish that we would be expeditious in handling this through. We always blame the Senate for being slow. I would hate to lose this opportunity not to at least match their speed and seeing that something happens with this legislation and that it gets to the President's desk before the end of this Congress. It is important to us, and I think both you gentlemen have expressed it very well in your testimony that this is for our benefit as well as the Haitians, and it is a win-win. The tragedy, as Bob Graham expressed, of Hurricane Jeanne and the tre-

mendous loss of life really brings home how desperate this country is, how desperate these people are, and how desperately they need our help. As Mr. Levin said, the best thing we can do for them is to supply jobs, and these are not exploiting American jobs. It is good for Haiti. It is good for the United States. It will make this Congress look very good to go ahead and pass this very quickly, and I yield back the balance of my time.

Mr. HOUGHTON. Mr. Chairman?

Chairman CRANE. Yes, Mr. Houghton? Mr. Houghton, and then Mr. Becerra.

Mr. BECERRA. I will yield to Mr. Houghton.

Mr. HOUGHTON. Thank you. I can't disagree with what Mr. Shaw says, what the Senators say, Mr. Levin. It is a great idea to be able to help the Haitian people through getting duty-free entry through textiles. Before you have duty-free entry, you have got to have an investment. Somebody has got to put up a plant.

One of the things I worry about, and I am sure you gentlemen know a heck of a lot more than I do—although I have just finished reading that wonderful book about Paul Farmer, *Mountains Beyond Mountains*—there has to be an idea that your investment is not going to be jeopardized, and I don't know what happens to the election. I don't know whether there is going to be a coup. I have no idea. Is there any way to make sure that the incentive for people over and above the duty-free entry is going to be there to put that investment in so you can create those jobs?

Senator GRAHAM. As Senator DeWine said in his explanation of the legislation, it has a condition before these benefits go into effect, and that condition is essentially that the President of the United States must certify that the country is stable and is making progress. I agree with you that that stability is a key to long-term success, but it is a little bit like the chicken and the egg. If you create the market for products such as this will for apparel, then you hopefully will create the investment necessary to fill that market. I think this bill is well balanced in its recognition of the necessity of a stable environment and then the incentive to use that stable environment to create jobs.

Senator DEWINE. Mr. Chairman, if I could just add to that, I totally agree. I think we have to move on several different tracks. The bill that we just marked up in the U.S. Senate Committee on Appropriations contains money to work on the judicial system and to work on the police, both of them long-term problems for Haiti. They are not going to be solved overnight and we have to work on them. The Haitians have to work on these problems.

You are absolutely correct, but I think we also have to move along economically at the same time, and frankly, there are businesses who look at Haiti because of the comparative advantages of labor and for other reasons and they will make those decisions. I truly believe with the passage of this bill, they will make decisions to move forward and to expand in Haiti. They have done it in the past.

Mr. HOUGHTON. Thank you very much.

Chairman CRANE. Thank you. Mr. Becerra?

Mr. BECERRA. Thank you, Mr. Chairman, and thank you, as well, for quickly bringing this matter to a hearing so that we could

hear not only from our colleagues on the Senate side, but from those who are interested in trying to help move this issue along faster for the people of Haiti. I want to extend to the two Senators not only a welcome, but our appreciation for your efforts, not just now on this issue today but in the past. You have been leaders on the issues affecting Haiti and I think that the Haitian people probably recognize very well that there are two champions here sitting before us trying to help once again. So, I thank you for the work that you have done in the past.

I would love to hear a comment that you might have as we get ready to hear testimony from some of the panelists who will be coming before us. Perhaps you can give us some thoughts. There will be testimony from a representative from the Union of Needletrades, Textiles, and Industrial Employees, and Hotel Employees and Restaurant Employees International Union (UNITE HERE), the textile union here in the United States, talking about how, because we know that Haiti has had some problems in the past with its labor laws—in fact, my understanding is that their labor code still extends back from the days of the Duvalier dictatorship—that there have been difficulties.

They will be proposing, if they haven't already proposed in the past, that we do something here to try to help ensure that the benefits of this expanded trade with the United States, which should, I hope, help, along with what I believe the gentleman and our friend from New York was saying, that we have further investment, but it should help the Haitian people if we are able to extend these benefits to Haiti. If you have a regime in place which doesn't really allow those benefits to get down to those workers who are producing the fabric and the apparel and garments, then we ultimately still lose out in helping the Haitian people.

So, I wondered if you could comment. I don't know if you had a chance to see the testimony of the gentleman from UNITE who will be speaking, Mr. Levinson, but what he in essence proposes that we consider doing—let me make sure I don't misquote him—a couple of things. One, we initiate a labor program in Haiti that would be run by the International Labor Organization (ILO). That would be as a condition for this additional trade benefit that would, in essence, allow there to be a presence of some type of ILO program.

It wouldn't be—any extended benefits wouldn't be connected to whatever the content of these reports would be, but it would, in essence, put in place a program that would give Haiti additional incentive to try to move forward and would complement some of the provisions that are already in the HERO Act to try to move Haiti along in progressing with its labor laws. Is there any comment on that?

The second point, which would be to propose having a workers' rights ombudsman that would be distinct from the government, therefore hopefully not influenced by the government, to help us process through some of the issues that are affecting the labor laws and folks who work within the regime of the labor laws in Haiti. Any comment?

Senator DEWINE. Congressman, I have not had a chance to look at that testimony. I will look at it and I will react. I can only tell you what my personal experience has been in Haiti, and this was

both under—primarily under the Aristide government, but also since the Aristide government, as well, and that is looking, going actually into some of these assembly plants.

What I saw and what my wife saw on another occasion were conditions that were humane conditions and situations where people did, in fact, want to work, and where the wage that was paid was a much higher wage than certainly the average wage in Haiti, and situations where people, when you talk to the people, they were supporting many other people in their family.

So, I think we always have to watch that. I think one of the things that you might want to question some of the other additional witnesses who you are going to hear from today about their plans to go into Haiti and what their plans on how they will operate. The big companies that we look at, for example, J.C. Penney, they have certain codes of who they buy from, and if these companies don't live up to that, they cut them off. That is one way of policing. It is not the exclusive way, shouldn't be the only way, but that certainly is one way.

My personal experience of what I have seen in the last few years in Haiti is there has been something that I thought, I think if you were there or anybody else on the panel was there, you would say, yes, that is good. That is okay. These people are doing much better than they would have been doing if they didn't have a job, and a lot of people want this job.

Senator GRAHAM. I would have two comments. One is Haiti is a member of, and I believe has ratified the core conventions of, the ILO. One approach might be to assist Haiti in what is missing in most place with the ILO conventions and that is enforcement of the standards to which the county has already committed itself. I would note that this is not an issue that is singular to Haiti. This is probably an issue in many countries in the Caribbean Basin area as well as elsewhere.

Second, I have been going to Haiti on a regular basis since the early 1980s and one of the things that they had in place before the bad times started about 15 years ago was an ingenious system where people would start working in the plant that required the least skills, because in many ways, that plant was the most effective school that these people had ever attended.

Those who showed the capability and dedication and a good work ethic then would move to the plant next door, which had a slightly higher skill requirement and compensation. They might move from apparel to sewing what at one time was almost a Haitian exclusive, American baseballs. Then they would move up to a third or fourth or fifth rank so that the employment structure served almost as a form of acceptance, graduation, and moving forward. I would hope that with this kind of legislation, that something analogous to that might be reestablished to give Haitians not only the opportunity for the first job, but to see the opportunity for a more skilled job with higher income for their family.

Mr. BECERRA. Thank you. Thank you, Mr. Chairman.

Chairman CRANE. Thank you. Thank you very much, Senators, and—

Mr. LEVIN. Mr. Chairman?

Chairman CRANE. Yes?

Mr. LEVIN. I might just add, as long as we are on this subject, and we will talk about it subsequently, but I just urge everybody to take a look at the most recent U.S. Department of State report on human rights practices in Haiti. It contains language like, "frequent verbal abuse and intimidation of workers and organizers were problems in the assembly sector. Female workers in the assembly sector reported that some employers sexually harassed female workers with impunity. Workers had access to labor courts set up to resolve common labor-management disputes. However, the court's judgments were not enforced."

So, I hope we can address these issues and move on with legislation. I don't think we can do so if we simply ignore the issue altogether. The certification processes in the bill relate to several areas but don't touch this one. I am not suggesting that we expect Haiti to become overnight in full compliance in practice with everything they have signed onto, but I do think, as we have said, unless there is some assurance that the people who work will benefit or the poverty of Haiti will remain as deep as it is today, and none of us wants that, none of us. Thank you.

Chairman CRANE. Thank you. Yes, Mr. Rangel?

Mr. RANGEL. I will be brief, and thank you for this opportunity. I can't let this go by without thanking you two for the leadership that you provided in this and other areas, especially as it affects the Caribbean. As relates to Haiti, I cannot think of any country—maybe Sudan—that would get more international sympathy because of the political problems that they have faced for decades, the economic problems they face today, and then, of course, the tragic effects of the hurricane. This might give us an opportunity, if we think about it, to try to bring our parties together.

It has been difficult to mention labor standards without people asking, which side are you on? I think what Mr. Levin was talking about is that as Americans, we have to have some standard. We have to be able to say, not to please our labor unions but to please ourselves, that we can't just have a drive as to who can hire human beings for the least amount of money. My background in history means you can go to slavery if that is the standard that you are looking for, how cheap is the labor. Again, as Mr. Levin said, we are not thinking about asking them to meet American standards. Like most other things that we enjoy as Americans, that is the dream. That is an aspiration. That is a goal.

I am certain nobody should be overly impressed with the ILO standards. That is a minimum. Then if I heard him correctly, he is saying, and they don't have to have that. Just show us what we can do so that no matter what level you are working on, that you would know that if you are a democracy in your country, you can aspire to be the boss of that shop, that there is no cap on your thinking. If you don't have anything there except the Chief Executive Officer (CEO) determining, how cheap can I get the labor, I don't think we should feel proud of being Americans and forcing people into this, because in our own great Nation, the things that we take for granted were not given to us by management but fought for by labor.

So, I don't know what the situation is over there in the other body, but we here hope that we can take this, where we have an

overwhelming support for the objective, and begin just to talk about what do you mean by ILO standards, because it is not nearly as fearful as I think some people would want to believe that it is. I just thank you for your effort and look forward as always in working with you on this and other issues.

Chairman CRANE. Let me conclude by again expressing appreciation to both of you for your leadership and your involvement in this very important issue. We hope we can act with dispatch.

Senator DEWINE. Thank you, Mr. Chairman.

Senator GRAHAM. Thank you.

Chairman CRANE. Thank you. Now I would like to call our next panel, William Woltz, President and CEO, Perry Manufacturing Company, Mount Airy, North Carolina; Stephen Felker, President, Chairman, and CEO, Avondale Mills, Monroe, Georgia, on behalf of the National Council of Textile Organizations; Jean Edouard Baker, President, Vêtements Textiles, Port-Au-Prince, Haiti; Janet Fox, International Merchandising Director and Vice President, J.C. Penney Purchasing Corporation, Plano, Texas; Mark Levinson, Chief Economist, UNITE HERE; and Nigel Thompson, Executive Vice President of Planning and Development, Yazaki North America, Canton, Michigan.

If you will all please take your seats, and after you are seated, in front of each seat there is a little light that gives you an indication of the time. We try and restrict presentations to 5 minutes and anything beyond that will be made a part of the permanent record. That light will go green, and then yellow as the warning signal, and then turn red after 5 minutes. So, if you can, please try and keep your presentations to 5 minutes or less. With that, we will start out with Mr. Woltz.

STATEMENT OF WILLIAM K. WOLTZ, JR., PRESIDENT AND CHIEF EXECUTIVE OFFICER, PERRY MANUFACTURING COMPANY, MOUNT AIRY, NORTH CAROLINA

Mr. WOLTZ. Thank you very much for the opportunity to address this body. I am William K. Woltz, Jr., President of Perry Manufacturing, one of the premier private label manufacturers in the United States. I am pleased to be here to testify in support of legislation that will provide enhanced benefits for the people of Haiti.

Headquartered in Mount Airy, North Carolina, Perry Manufacturing has been in business for over 50 years and has operated in a half-dozen countries. Perry Manufacturing owns and operates its own factories that produce for some of the largest retailers and brands sold in the United States and around the world. We know how to build and run successful sewing operations, operations that are a source of pride to us and to our customers. Our customers are proud to have their merchandise sewn in factories that have such a good work environment. Wherever we operate, we are the best place to work and we are able to attract and keep the highest quality workforce. We employ 550 people in Haiti and have a building under construction to add another 1,000 people. Haiti is a very difficult and poor country to operate in. For years, Haiti has had a limited duty-free benefit for garments sewn from U.S. fabric without any resulting expansion of its apparel industry, proving

that the existing restricted benefit has been meaningless for the communities in that impoverished state.

So, why did Perry decide to stay in Haiti and possibly expand its operations? It is because of the possibility of favorable trade legislation like HERO that will allow Haitian apparel to compete on a duty-free basis in the United States. The fashion industry is the overwhelming majority of the apparel industry, and when the fashion industry establishes itself in a country, it has staying power there. It doesn't leap from low-cost country to low-cost country. The fashion industry builds and requires skills in its labor force. Because of its ability to change styles, use different kinds of fabrications, knits and wovens, fashion builds a sewing supply chain that employs a tremendous amount of people.

Without the use of third-party inputs, without the ability to buy fabric wherever in the world it is most competitive, there will be no fashion apparel industry in Haiti, and without enhanced trade benefits, when global quotas are lifted on January 1, 2005, Haiti will be in a disadvantaged position vis-à-vis its Asian competitors and can never become the apparel manufacturing player that it now has the opportunity to become, and as a matter of fact, that it once was. Right now, Haiti has a golden opportunity and the prospect of a bright future. With legislation like HERO, the United States could act to transform this poverty-stricken island into an apparel manufacturing player. In order to compete for investments, Haiti must at least have as good a deal as Africa, AGOA, in order to have a chance to compete.

With HERO, Haitian factories can be world competitors and will have the ability to use the fabrics that are required by fashion and the ability to source these fabrics in the most competitive manner. With HERO, Haiti becomes an attractive market, and as it gains the ability to build a thriving apparel industry, the ripple effect will be tremendous in Haiti. Hundreds and hundreds of jobs are created in a ripple around apparel plants, from feeding the workers to transporting the workers to packaging to recapping tires. The list goes on and on. The benefits extend to the United States and U.S. industry, as well. Haiti can become an apparel center that will buy most of its supplies, packaging, trim, and some of its fabric from its neighbor, the United States. Haiti can become an apparel center whose wages will be for the most part spent buying products from the United States.

I believe that there is another key point. As long as the sewing factories are in this hemisphere, the U.S. textile industry has a chance to sell to these factories. When these factories leave this hemisphere, the U.S. textile industry will have no chance to sell to these factories. The HERO does not preclude the use of U.S. fabric. As a matter of fact, I prefer to buy U.S. fabric. I get 60-day terms when I buy U.S. fabric. When I buy foreign fabric, I have to pay with a letter of credit.

We are in a very competitive market in the fashion apparel business where our retail customers are committed to delivering high-quality merchandise at lower prices to the American consumer. In order to be a supplier to the major retailers and major brands, Perry Manufacturing has no choice but to be in that value-quality equation. Without the ability to use fabric from anywhere in the

world, Haiti will not be a part of that supply chain. Absent HERO, the factories that are now running or under construction in Haiti may or may not stay open or be completed, and I speak as a businessman that is faced with this very real calculation. The sewing industry will always go where it can be competitive. With HERO, that place can be Haiti.

In closing, I would like to say there is a great opportunity for the United States, and Florida in particular, to supply all of the material used to build and create and operate this industry. The HERO bill would create a viable industrial complex just off the coast of the United States that will help keep Haitians in Haiti where they will have opportunity, create additional markets for American producers of everything from cornflakes to batteries, and bring hope and opportunity to this impoverished island. Thank you very much. I will be pleased to answer any questions that you might have.

[The prepared statement of Mr. Woltz follows:]

**Statement of William K. Woltz, Jr., President and Chief Executive Officer,
Perry Manufacturing Company, Mount Airy, North Carolina**

Introduction

Good afternoon! I am William K. Woltz, Jr., President of Perry Manufacturing, one of the premier private label manufacturers in the United States, and I am pleased to be here to testify in support of legislation that will provide enhanced benefits for the people of Haiti.

Headquartered in Mt. Airy, N.C., Perry Manufacturing has been in business for over 50 years and has operated in a half dozen countries. Perry Manufacturing owns and operates its own factories that produce for some of the largest retailers and Brands sold in the U.S. and around the world. We know how to build and run successful sewing operations, operations that are a source of pride to us and to our customers—our customers are proud to have their merchandise sewn in factories that have such a good work environment. Wherever we operate we are the best place to work, we are able to attract and keep the highest quality workforce.

Perry's Investment in Haiti

We employ 550 people in Haiti and have a building under construction to add another thousand people, but Haiti is a very difficult and poor country to operate in. For years, Haiti has had a limited duty-free benefit for garments sewn from U.S. fabric without any resulting expansion of its apparel industry, proving that the existing restrictive benefit has been meaningless for the communities in the impoverished island-state.

So why did Perry decide to stay in Haiti and possibly expand its operations? It is because of favorable trade legislation like HERO that will allow Haitian apparel to compete on a duty-free basis in the U.S. market.

The Global Fashion Industry

The fashion industry is the overwhelming majority of the apparel industry and when the fashion industry establishes itself in a country, it has staying power there—it doesn't leap from low-cost country to low-cost country.

The fashion industry builds and requires skills in its labor force. Because of its ability to change styles, use different kinds of fabrications, knits and woven fabrics, fashion builds a sewing supply chain that employs a tremendous amount of people. But without the use of third-party inputs, without the ability to buy fabric wherever in the world it is most competitive, there will be no fashion apparel industry in Haiti. And without enhanced trade benefits, when the global quotas are lifted on January 1, 2005, Haiti will be in a disadvantaged position vis-à-vis Asian suppliers, and can never become the apparel manufacturing player that it now has the opportunity to become and that it once was.

Haiti's Golden Opportunity

Right now Haiti has a golden opportunity, and the prospect of a bright future. With legislation like HERO, the United States could act to transform this poverty stricken island into an apparel manufacturing player. But in order to compete for

investments, Haiti must at least have as good a deal as Africa (AGOA) to have a chance to compete.

With HERO, Haitian factories can be world competitive, and will have to have the ability to use the fabrics that are required by fashion and the ability to source these fabrics in the most competitive manner. With HERO, Haiti becomes an attractive market, as it gains the ability to build a thriving apparel industry. The ripple effect will be tremendous in Haiti; hundreds and hundreds of jobs are created in a ripple around apparel plants from feeding the workers to transporting, packaging, to re-capping tires—the list just goes on and on.

Implications for the U.S. Textile Industry

The benefits extend to the U.S. industry as well. Haiti can become an apparel center that will buy most of its supplies, packaging, trim and some of its fabric from its neighbor, the United States. Haiti can become an apparel center whose wages will be for the most part spent buying products from the United States.

And I believe that there is another key point: As long as the sewing factories are in this hemisphere, the U.S. textile industry has a market to sell into. If these factories leave this hemisphere, the U.S. textile industry will have to rely on selling to factories in Asia or Africa where it will be impossible for them to compete. Indeed, HERO does not preclude the use of U.S. fabrics. In fact, I prefer to buy fabric from the United States. For one thing, I get terms in the United States. Here we have a competitive market where retailers are committed to delivering higher quality merchandise at lower prices to the American consumer. In order to be a supplier to the major retailers and major brands, Perry has no choice but to be in that value/quality equation. Without the ability to use fabric from anywhere in the world, Haiti will not be a part of that supply chain. Absent HERO, the factories that are now running or under construction in Haiti may or may not stay open or be completed. And I speak as a businessman faced with this very real calculation. The sewing industry must go where it can be competitive. With HERO that place can be Haiti.

Conclusion

In closing I'd like to say it is a great opportunity for the United States and Florida in particular to supply all of the material used to create and operate this industry.

The HERO bill would create a viable industrial complex just off the coast of the United States that would keep Haitians in Haiti where there will be opportunity, create additional markets for United States producers of everything from Cornflakes to batteries, and bring hope and opportunity to this impoverished country.

I would be pleased to answer any questions that you might have.

Chairman CRANE. Thank you. Mr. Felker?

STATEMENT OF STEPHEN FELKER, PRESIDENT, CHAIRMAN, AND CHIEF EXECUTIVE OFFICER, AVONDALE MILLS, INC., MONROE, GEORGIA, ON BEHALF OF THE NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS

Mr. FELKER. Chairman Crane, Congressman Levin, Members of the Subcommittee, thank you very much for the opportunity to appear before you today. My name is Stephen Felker. I am Chairman, President, and CEO of Avondale Mills, a privately-held diversified textile manufacturer with headquarters in Monroe, Georgia. We employ some 5,000 workers in North and South Carolina, Georgia, and Alabama, where we spin, weave, dye, and finish textiles made primarily of cotton. Our products are used in the apparel, home furnishing, and industrial end uses. I am also a member of the National Council of Textile Organizations and a Vice President of the National Cotton Council.

The U.S. textile industry has experienced a wave of plant closings and job losses. In the last 6 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 HERO would only lead to more job losses. We are pleased that the Committee is willing to consider alternative approaches to providing assistance to Haiti.

Under the Caribbean Basin Trade Partnership Act (CBTPA) (P.L. 106–200), 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. Haiti has been a part of the success. In 2002, the value of U.S. textile exports to Haiti had risen 176 percent over the 3 previous years. In fact, 70 percent of Haiti's garment exports to the United States are made from U.S. components.

We note, however, that U.S. exports to all CBTPA countries slowed in 2003 from the 220-percent growth rate over the previous 3 years to only 6-percent growth. The CBTPA apparel trade, including with Haiti, is off this year, as my written statement details. This we attribute in large part to increase in imports of Chinese apparel, imports that are, frankly, representative of the damage being done around the world due to China's enormous disruptive currency manipulation, its enormous subsidies, illegal tax rebates, and use of non-performing loans to gain competitive advantage.

Now, how does Congress achieve a win-win solution that benefits the workers of the United States and is consistent with the fundamentals of CBTPA? Well, the one thing that Congress must not do is enact the Senate-passed bill. It will, frankly, mostly benefit Chinese and other Asian producers of yarn and fabric. 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 and Chinese yarns and still get the same zero-duty access to the valuable U.S. market. Importers and retailers will quickly shift their orders to Haiti and the price will be paid by U.S. textile workers and by apparel workers in other CBTPA countries. From a U.S. perspective, we will not only lose our export market in Haiti, but also much of our export market in other Caribbean and Central American countries.

The second problem is that the bill encourages transshipment through Haiti. Haiti clearly lacks effective legal and enforcement systems, Chinese manufacturers will be able to easily transship apparel directly through Haiti in order to take advantage of zero-duty benefits.

Now, let us focus on a solution. The number one challenge of conducting business in the entire region is this lack of working capital. We urge Congress to consider legislation that makes financial and operational services of U.S. export credit and financing agencies available to U.S. textile and apparel companies. The Overseas Private Investment Corporation, the Export-Import Bank of the United States, the Trade Development Agency can be brought into this effort. Our industry has had difficulty obtaining effective U.S. Government financing of exports and overseas activities that utilize U.S. inputs. Congress has already authorized preferential treat-

ment for garment imports from Haiti utilizing U.S. inputs through the CBTPA.

Congress could further assist Haiti in fully recognizing the benefits of this program by helping finance their working capital through the guarantee of receivables of U.S. companies selling there. 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 as we face together the challenges of predatory Chinese market share strategies in the years to come. In closing, Mr. Chairman, I do believe that 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 other CBTPA nations. Thank you.

[The prepared statement of Mr. Felker follows:]

Statement of Stephen Felker, President, Chairman, and Chief Executive Officer, Avondale Mills, Inc., Monroe, Georgia, on behalf of National Council of Textile Organizations

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 U.S. market in products that had their quotas removed two and a 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.

Chairman CRANE. Thank you, Mr. Felker. Mr. Baker?

**STATEMENT OF JEAN EDOUARD BAKER, PRESIDENT,
VÊTEMENTS TEXTILES, S.A., PORT-AU-PRINCE, HAITI**

Mr. BAKER. Mr. Chairman, distinguished Members of the Subcommittee, it is a privilege to be before your prestigious Committee this afternoon. As a Haitian citizen and manufacturer, I am conscious of the responsibility that is upon me to present and defend an issue that could have tremendous impact upon my country. I am here to support HERO, introduced in the House by Congressman Clay Shaw. This version was introduced in the Senate by your esteemed colleague, Senator DeWine, and passed in June of this year. It is the best deal for Haiti.

In the last two decades when Haiti was struggling to emerge from dictatorship and political turmoil, there has been one element that has never been addressed, the fundamental need for long-term job creation as a part of the transition. Can a country without a growing economy and vibrant middle class ever become a democracy?

Let me take a moment to address some of Haiti's challenges. First, chronic mismanagement by a series of governments. Second, overpopulation. Haiti has 9 million inhabitants, with the majority concentrated in the cities where jobs are scarce. Estimates show that 70 percent of Haiti's working-age population is unemployed or under-employed. Third, no significant natural resources. Fourth, inadequate and decaying infrastructure.

In the face of these issues, Haiti's once dynamic apparel industry is no longer competitive. In the 1980s, Haiti's industry supported 60,000 jobs. Now the sector employs only 20,000 workers. What Haiti needs and what we are hoping to gain with the HERO bill as introduced by Representative Shaw are AGOA-type incentives. The AGOA recognized that the least-developed countries of Africa deserve special treatment. As the only least-developed country in this hemisphere, I believe that granting similar incentives to Haiti is the right thing to do. I fully support the Congress's efforts to assist these African countries and I take this opportunity to con-

gratulate Chairman Thomas and Congressman Rangel for the leadership that they have shown on AGOA. Your lesser developed country neighbor deserves these benefits, too.

In light of the quota elimination in January and stiff competition in other suppliers, the only way Haitian companies can compete is through a duty advantage that provides a simple and flexible rule of origin with no tricks that anyone can understand and apply. This bill would be a win-win situation for the United States. It does not threaten U.S. jobs. In a recent U.S. Agency for International Development study, the executive summary of which I have submitted with my written testimony, it says the following. "There should be no adverse impact on U.S. apparel manufacturers since the type of apparel that could conceivably enter from Haiti under the new provision of HERO have long since left the United States for offshore operations."

It should also be noted that by keeping production in Haiti, statistics show that 15 to 20 percent of inputs are from the United States, even if the main body fabric is from a third country. When quotas in China expire at the end of the year, it is expected that there will be a massive production shift to China. China, unlike Haiti, produces its own inputs. Therefore, there would be no increase in U.S. exports to China, but instead the net loss as production moves away from countries like Haiti.

I would like to make a few important points before concluding. First, as we create jobs and bring stability to Haiti, we alleviate the migration problems of Haitians going to the Dominican Republic, the Bahamas, and, of course, Florida. Second, every job created in the manufacturing sector in Haiti has the potential to create one-and-a-half short- and long-term jobs in related service sectors. Third, the average Haitian worker supports seven dependents. Estimates show that production growth could create 100,000 direct jobs over the next 5 years. If we factor in the indirect employment, the potential impact of this bill on Haiti's economy and society would be staggering, giving access to proper nutrition, health care, and education to millions. Access to these fundamental human rights is a cornerstone of democracy.

Finally, I have included figures from the U.S. Census Bureau and U.S. International Trade Commission showing recent U.S. trade statistics with my testimony. The figures for Haiti reflect normal trade patterns over the past decade. Haiti imports about twice as much from the United States as it exports to the United States. Other trading partners show a negative balance with the United States. Estimates are that for every dollar generated in Haiti, 60 percent is sent to the United States. Therefore, a stronger Haitian economy implies increased export of U.S. goods and services to Haiti. This is a true win-win situation.

In closing, I want to thank you for allowing me to appear before you today. You have the opportunity to do something historic in passing HERO as introduced by Congressman Shaw. The saying, "trade, not aid," is perhaps not applicable to Haiti. We need aid. By passing this bill, perhaps 10 years from now, you will have changed the face of a nation to where aid is the exception and opportunity is the norm. Thank you.

[The prepared statement of Mr. Baker follows:]

**Statement of Jean Edouard Baker, President, Vêtements Textiles, S.A.,
Port-Au-Prince, Haiti**

Distinguished Members of the Sub-Committee:

It is a privilege to be before your prestigious Committee this afternoon. As a Haitian citizen and a manufacturer I am conscious of the responsibility that is upon me to present and defend an issue that could have tremendous impact upon my country.

I am here to support the Haitian Economic Recovery Opportunity Act of 2004 introduced in the House by Congressman Clay Shaw. This version was introduced in the Senate by your esteemed colleague, Senator Mike DeWine, and passed in June of this year. It is the best bill for Haiti.

Many Committee members are long-time friends of Haiti, and like many of its citizens you have posed the question: "Will Haiti ever move past its problems?" I know, as you do, that if hope and good intentions could change the course of history, this hearing would not be necessary—Haiti would be the thriving, stable neighbor that we aspire to being. But we all know that it takes more than this. The international community has had to physically intervene too often. In the last two decades however, when Haiti was struggling to emerge from dictatorship and political turmoil, there has been one element that has never been addressed: the fundamental need for long-term job creation as a part of the transition. Can a country without a growing economy and vibrant middle-class ever become a democracy?

Let me take a moment to address some of Haiti's challenges:

First: Chronic mismanagement by a series of governments.

Second: Overpopulation—Haiti has 9 million inhabitants with the majority concentrated in the cities where jobs are scarce. Estimates show that 70% of Haiti's working-age population is unemployed or under-employed.

Third: no significant natural resources.

Fourth: Inadequate and decaying infrastructure.

In the face of these issues, Haiti's once dynamic apparel industry is no longer competitive. In the 1980s, Haiti's industry supported 60,000 jobs. Now the sector employs only 20,000 workers.

One of the fundamental reasons for this drop was of course the international embargo in the early 1990s. And while Haiti was under the embargo, the rest of the world was changing. Globalization was underway, with China and the rest of Asia emerging as aggressive competitors. Countries of the Caribbean Basin had received significant development funding to build modern infrastructure including ports and airports, roads, electricity and telecommunications. When Haiti emerged from the embargo, although the new era was greeted with hope, it quickly became clear that the manufacturing sector was not getting the support that it needed. And left to fend for itself, it struggled to compete internationally.

What Haiti needs, and what we are hoping to gain with the HERO bill as introduced by Representative Shaw, are AGOA-type incentives. The African Growth and Opportunity Act, passed unanimously by Congress in 2000 and renewed this year, recognized that the Least Developed Countries of Africa deserved special treatment. As the only Least Developed Country in this hemisphere, I believe that granting similar incentives to Haiti is the right thing to do. I fully support the Congress' efforts to assist these African countries; but your LDC neighbor deserves these benefits too. In light of the quota elimination in January, and stiff competition with other suppliers, the only way Haitian companies can compete is through a duty advantage that provides a simple and flexible rule of origin, with no tricks, that anyone can understand and apply.

This will provide critical security and lowered risk for investors in Haiti's future—foreign investors and local investors like myself. I have five factories in Haiti, and employ 800 people. All of these factories were burned down to the ground during the recent looting—looters even took the roofs off the buildings. My 800 workers had no sewing machines to work on, no buildings to go to work to, but knowing that they have no other support, I struggle to rebuild my factories. Even now, I have only been able to start up one of the factories and put 150 people back to work. But I have confidence that with hard work and great financial difficulties for my company and my family, I can get my factories back on line, but I need to know that there is security in my investment, and that there will be the opportunity to compete.

This bill would be a win-win situation for the United States. It does not threaten U.S. jobs and a recent USAID study, the executive summary of which I have submitted with my written testimony (Attachment 1), says the following:

"There should be no adverse impact on U.S. apparel manufacturers since the type of apparel that could conceivably enter from Haiti under the new provisions of HERO have long-since left the United States for offshore oper-

ations.” Furthermore, according to the study as regards to any displacement of U.S. textile mill products: “If there is any diversion, it is most likely to come at the expense of imports from the Far East made with no U.S. components. . . .”

It should also be noted that by keeping production in Haiti, statistics show that 15–20% of inputs are from U.S.—even if the main body fabric is from a third country. Just as an example, my company uses a large number of American inputs, including American buttons, American thread, American zippers, American labels, and American packing materials and my goods are shipped on an American shipping line. When quotas on China expire at the end of the year, it is expected that there will be a massive production shift to China. China, unlike Haiti, produces its own inputs, therefore there will be no increase in U.S. exports to China, but instead, a net loss as production moves away from countries like Haiti.

I would like to make a few important points before concluding:

First: As we create jobs and bring stability to Haiti, we alleviate the migration problems of Haitians going to the Dominican Republic, the Bahamas, and, of course, Florida.

Second: Every job created in the manufacturing sector in Haiti has the potential to create one and a half short- and long-term jobs in related service sectors including construction, food service, etc.

Third: The average Haitian worker supports seven dependents. Estimates show that production growth could create 100,000 direct jobs over the next five years. If we factor in the indirect employment, the potential impact of this bill on Haiti’s economy and society could be staggering, giving access to proper nutrition, healthcare, and education to millions. Access to these fundamental human rights is a cornerstone of democracy.

Finally, I have included figures from the U.S. Census Bureau and USITC showing recent U.S. trade statistics with my testimony (Attachment 2). The figures for Haiti reflect normal trade patterns over the past decade: Haiti imports about twice as much from the U.S. as it exports to the U.S. Other trading partners show a negative balance with the U.S. 80% of Haitian imports are from the United States, and this will not change. Estimates are that for every dollar generated in Haiti, 80% is sent back to the U.S. Therefore a stronger Haitian economy implies increased export of U.S. goods and services to us. This is a true win-win situation.

In closing, I want to thank you for allowing me to appear before you today. You have the opportunity to do something historic in passing HERO as introduced by Congressman Shaw. The saying “trade, not aid” is perhaps not applicable to Haiti—we need aid. But by passing this bill, perhaps ten years from now you will have changed the face of a nation to where aid is the exception, and opportunity is the norm.

Thank you.

Chairman CRANE. Merci beaucoup. Ms. Fox?

STATEMENT OF JANET E. FOX, VICE PRESIDENT FOR INTERNATIONAL SOURCING AND INTERNATIONAL MERCHANDISING DIRECTOR, J.C. PENNEY PURCHASING CORPORATION, PLANO, TEXAS

Ms. FOX. Good afternoon, Mr. Chairman, Members of the Committee on Ways and Means. My name is Janet Fox and I am the Vice President for International Sourcing for J.C. Penney Purchasing Corporation, the global source and arm for J.C. Penney stores. J.C. Penney is one of America’s largest retailers. We have over 1,000 stores and last year had \$18 billion in retail sales. Within my capacity as Vice President for International Sourcing, I am responsible for the development of our strategic sourcing plans and managing the assets to support our global merchandise sourcing. Last year alone, J.C. Penney Purchasing international purchase of goods were valued at over \$7 billion at retail. Our extensive global sourcing experience places J.C. Penney in a unique position to un-

derstand and comment on the proposed Haiti trade legislation and its potential impact on the sourcing decision of U.S. purchasers.

I appreciate the opportunity to testify before you on the very important issue of helping Haiti, a country which faces tremendous obstacles, with its economy under severe pressure and its private sector struggling to maintain the nation's fragile but critical employment base. J.C. Penney currently purchases about \$10 million worth of apparel, primarily knit t-shirts and underwear, from Haiti, or about 3 percent of Haiti's current apparel exports to the United States. Frankly, however, that is a very small part of our international sourcing, and as we plan our business for 2005 and beyond, looking forward to the removal of quotas, whether our suppliers in Haiti will remain a part of our strategy will depend largely and directly upon whether Haiti can overcome the substantial competitive disadvantages it currently faces.

With the elimination of quotas, there will be unprecedented consolidation in the industry, a process we expect will evolve over the next 5 years. The quota system has bred inefficiency and helped bring about an oversupply of manufacturers that otherwise would have been noncompetitive. J.C. Penney, like all retailers, is addressing how it must change its business in response to quota elimination. To compete successfully in this new quota-free environment, we will gradually reduce the number of suppliers we do business with and grow our business with fewer suppliers. In a quota-free environment, we will have no choice to be very discriminating as to who our suppliers will be, selecting only those who can provide real value to our customer. Value does not mean the product with the cheapest price. It means the supplier that is able to provide a quality product and service, including speed to market and supply chain efficiency and reliability.

Right now, Haiti's prospects once quota are eliminated are not good. The uncertain political situation in Haiti and potential for supply chain disruption has made some companies reluctant to take the risk of even sourcing there. Another disadvantage is that, currently, we feel only simple garments can be produced in Haiti. More sophisticated products must be produced elsewhere.

The CBTPA does not provide Haiti with a competitive advantage. Given the current level of skills and productivity for Haitian workers, the higher price point for U.S. yarns and fabric makes Haitian-made CBTPA-compliant products uncompetitive. To offset the lower skills and productivity in Haiti, it makes more sense to use Asian fabric and pay full duty. We believe doing business in Haiti is the right thing to do, both to help the people of Haiti and in the interest of U.S. security, J.C. Penney is closely following the actions of the Congress to provide meaningful incentives to retailers and suppliers to continue to source and produce goods in Haiti. We have carefully considered each of the options noted in the Committee's hearing notice, as well as the third-country fabric option presented by the HERO Act approved by the Senate, and the cumulation concept put forward by Mr. Shaw last year, and we have even tried to come up with a few ideas of our own.

Duty-free access for apparel produced in Haiti for fabric produced anywhere in the world would provide the greatest incentive for J.C. Penney to continue to purchase from Haitian suppliers and per-

haps even expand that business. Only with third-country fabric can Haitian manufacturers offset the limitation of the skills and productivity of their workers. However, in our opinion, Haiti would not require the same level of benefits as provided to the 40-plus countries under the AGOA.

We are doubtful that Haiti could produce enough garments to account for more than 1.5 percent of total apparel imports into the United States. Right now, about two-thirds of 1 percent of the imported apparel entering the United States comes from Haiti. Doubling that would be a significant increase, especially in light of increased competitiveness of other suppliers once quotas are eliminated. Allowing third-country fabric but with a lower cap than AGOA would allow Haitian suppliers to remain competitive while realistically reflecting the production capabilities of the country.

We have reviewed a number of the proposed trade preference options. Contained within the written testimony we submitted are more extensive comments on each of these options and its implications to my company. Whether it be preference-based on imports, value-added rules, or single transformation, Haiti must compete in the world market. Retailers and importers operate with economic realities. Haiti's poor infrastructure, low sewing efficiencies, will need offsets. With the elimination of quota in 2005, the Committee now has a narrow window of opportunity to act to create a system of incentives for apparel producers to remain in Haiti and for U.S. retailers to continue to purchase Haitian products. We believe that the Senate bill, HERO, does provide enough incentive to accomplish this goal. J.C. Penney very much wants to work with the Committee to develop a viable and meaningful program of benefits for Haiti. Thank you.

[The prepared statement of Ms. Fox follows:]

Statement of Janet E. Fox, International Merchandising Director and Vice President, J.C. Penney Purchasing Corporation, Plano, Texas

Good afternoon, Mr. Chairman, members of the Ways and Means Committee. My name is Janet Fox. I am the Vice President for International Sourcing for J.C. Penney Purchasing Corporation ("JCPPC"), the global procurement arm for merchandise for sale in JCPenney stores, catalog and internet operations. JCPenney is one of America's largest department store, catalog and e-commerce retailers employing approximately 150,000 associates. As of May 1, 2004, JCPenney operated 1,021 department stores throughout the United States and Puerto Rico. JCPenney's fiscal 2003 sales were \$18 billion.

I have 18 years experience in international sourcing. Within my capacity as Vice President for International Sourcing of JCPPC, I am responsible for the development of our strategic sourcing plans and managing the assets to support our global merchandise procurement. We currently purchase and import merchandise from 55 countries worldwide and from all areas of the globe ranging from nearby Mexico to China and Southeast Asia to the countries of the Sub-Saharan Africa. Last year alone, JCPPC's international purchases of goods were valued at \$7 billion retail. Our extensive global sourcing experience places JCPenney in a unique position to understand and comment on the proposed Haiti trade legislation and its potential impact on the sourcing decisions of U.S. purchasers.

I appreciate the opportunity to testify before you on the very important issue of helping Haiti, a country which faces tremendous obstacles, with its economy under severe pressure and its private sector struggling to maintain the nation's fragile, but critical, employment base. JCPenney currently purchases about \$10 million worth of apparel, primarily knit underwear, from Haiti, or about three percent of Haiti's current apparel exports to the U.S. Frankly, however, that amount is a very small part of our international sourcing and as we plan our business for 2005 and beyond, looking forward to the watershed event of the removal of quotas, whether our suppliers in Haiti will remain a part of our sourcing strategy will depend directly upon

whether Haiti can overcome the substantial competitive disadvantages it currently faces.

With the elimination of quotas, there will be unprecedented consolidation in the industry; a process we expect will evolve over the next five years. The quota system has bred inefficiency, and helped bring about an over supply of manufacturers that otherwise would not have been competitive. JCPenney, like all retailers, is addressing how it must change its business in response to quota elimination. To compete successfully in this new quota free environment, we will gradually reduce the number of suppliers we do business with and grow our business with fewer suppliers. This will result in the reduction of the number of countries and locations where apparel is produced. Currently, we are in the process of narrowing our lists of suppliers in each product category. In the new quota free environment, we will have no choice but to be very discriminating about our suppliers, selecting only those who can provide real value to our customers. Value does not mean the product with the cheapest price. It means a supplier that is able to provide a quality product and service, including speed to market and supply chain efficiency and reliability.

Right now, Haiti's prospects once quotas are eliminated are not good. The uncertain political situation in Haiti and potential for supply chain disruption has made some companies reluctant to take the risk of sourcing there. Another disadvantage is that currently only simple garments can be produced in Haiti; more sophisticated products must be produced elsewhere. The Caribbean Basin Trade Partnership Act ("CBTPA"), providing duty-free access to a limited quantity of apparel produced in the region from U.S. or regional fabrics produced from U.S. yarns, does not provide Haiti with a competitive advantage. It is not the cap that is the problem. Given the current level of skills and productivity for Haitian workers, the higher price point for the U.S. yarns and fabrics makes Haitian-made CBTPA compliant products uncompetitive. To offset the lower skills and productivity in Haiti, it makes more sense to use Asian fabric and pay full duty.

Because we believe doing business in Haiti is the right thing to do, both to help the people in that country and in the interests of U.S. security and the security of the Western Hemisphere, JCPenney is closely following the actions of the Congress to provide meaningful incentives to retailers and suppliers to continue to source and produce goods in Haiti. We have carefully considered each of the options noted in the Committee's hearing notice, as well as the third country fabric option presented by the HERO Act approved by the Senate and the cumulation concept put forward by Mr. Shaw last year, and even tried to come up with a few ideas of our own. The remainder of my testimony will address each of these options and ideas.

Obviously, duty-free access for apparel produced in Haiti from fabric produced anywhere in the world would provide the greatest incentive for JCPenney to continue to purchase from Haitian producers and perhaps expand that business. Only with third country fabric can Haitian manufacturers offset the limitations of the skills and productivity of their workers. However, in our opinion, Haiti would not require the same level of benefit as provided to the *40 countries* under the AGOA. We are doubtful that Haiti could produce enough garments to account for more than 1.5 percent of total apparel imports into the U.S. Right now, about two-thirds of one percent of the imported apparel entering the U.S. comes from Haiti. Doubling that amount would be a significant increase, especially in light of the increased competitiveness of other suppliers once quotas are eliminated. Allowing third country fabric but with a lower cap than AGOA would allow Haitian suppliers to remain competitive while realistically reflecting the production capability of the country.

A preference system based upon the use of inputs made in countries with which the U.S. has free trade agreements or unilateral preference arrangements might also provide a *limited* incentive for sourcing apparel in Haiti. There are no textile mills in Haiti but there are a few knit textile factories in Guatemala and Mexico that could be a source for some fabrics. Unfortunately, Mexico's quality is weak in knit fabrics. Colombia and Peru produce yarns and fabrics, but the costs and logistics of moving those inputs to Haiti make little sense, especially given the types of basic level garments Haitian manufacturers are currently capable of sewing.

We have considered whether a value added rule for determining eligibility for duty-free access would provide an incentive for placing orders in Haiti. With fabric generally accounting for about 75 percent of the cost of producing a garment, and labor accounting for only 25 percent, the minimum threshold for U.S. or regional content, including labor, would probably have to be no more than 35 percent for JCPenney suppliers to consider taking advantage of such a rule. You have to keep in mind that the garments that can be made in Haiti today are very simple ones, things like underwear and t-shirts. There is little more than fabric, thread and elastics, as well as packing materials, involved, so that provides limited options for fulfilling the 35 percent minimum local or regional content. A 50 percent minimum

local or regional content would not be feasible for the type of garments Haiti is capable of producing.

We have also considered whether such a value added rule would be more useful if it were based upon overall production over an annual period, rather than on a shipment by shipment basis. An annual accounting process similar to the one that applies today for brassieres under the CBTPA would be extremely unattractive, creating an auditing nightmare for any supplier that is not vertically integrated and cannot readily obtain the necessary information. For a retailer like JCPenney, a purchaser of finished products, we would be required to obtain all the necessary cost information from our vendors and their subcontractors. The accounting burden on JCPenney would be cost prohibitive.

A single transformation rule of origin for duty-free access for selected products also might provide a basis for JCPenney to continue to purchase Haitian products after this year, if the right products are covered. Obviously, a single transformation rule means third country fabric could be used. So long as that were not burdened with additional conditions, such as the use of thread sourced from particular locations or limitations on the use of foreign origin findings and trimmings, such a rule for the products that Haiti is capable of producing is clearly worth considering. We would suggest that it must include at a minimum all of the basic apparel items, including underwear, knit tops, and basic wovens. In fact, we might suggest that if this were the approach taken, a negative list might be more appropriate to avoid any confusion, so that all products other than those expressly excluded are eligible, and only tailored garments, such as suit-type jackets or lined dress pants, which are highly unlikely to be produced in Haiti anyway, would be excluded. We strongly urge the Committee not to structure such a program on a product-specific basis with quantitative limits on eligibility set by product. That level of control creates increased costs and risks, undermining the value of the benefit.

The proposed distinction in treatment between knit and woven garments is unlikely to provide an incentive to source in Haiti. While we would welcome the opportunity to produce woven apparel in Haiti, the distinction between knits and wovens created under the CBTPA is unfortunate. An opportunity for the Caribbean and Central American countries to invest in woven fabric mills was probably lost as a result of this distinction and offering incentives for such mills now, with quota elimination just a few months away, is likely too late.

Haiti must compete in a world market. Retailers and importers operate with economic realities. Haiti's poor infrastructure, low sewing efficiencies, will need offsets. With the elimination of quota in 2005, the Committee now has a narrow window of opportunity to act to create a system of incentives for apparel producers to remain in Haiti and for U.S. retailers to continue to purchase Haitian products. We believe that the Senate bill #S.2261 as written does provide enough incentives to accomplish this goal.

JCPenney very much wants to work with the Committee to develop a viable and meaningful program of benefits for Haiti. We know that we both want to do the right thing and that we all must be open-minded and flexible. I sincerely hope that the thoughts JCPenney has provided to the Committee today are the beginning of a fruitful and useful discussion, one that we can complete in time to truly help Haiti. Thank you.

Chairman CRANE. Thank you, Ms. Fox. Mr. Levinson?

**STATEMENT OF MARK LEVINSON, CHIEF ECONOMIST, UNITE
HERE**

Mr. LEVINSON. Mr. Chairman, Members of the Committee, my name is Mark Levinson. I am the Chief Economist at UNITE HERE, a union of 450,000 apparel, textile, laundry, distribution, hotel, and gaming workers. The apparel and textile industries in the United States are in crisis. Hundreds of plants have closed. Communities are devastated. Since January 2001, these industries have lost over a-third-of-a-million jobs. Since what our members call the so-called economic recovery began, these industries have lost 196,000 jobs.

We recognize that Haiti is an extremely poor country. We do not seek to deny jobs and economic advancement to Haiti's workers. To the contrary, we believe U.S. policy can induce positive change in Haiti and benefit U.S. workers. I want to focus on two issues not adequately addressed by HERO, that is the expiration of apparel and textile quotas and labor rights.

In 100 days, all apparel and textile quotas are scheduled to expire. If quotas expire, all apparel and textile producing countries around the world, with the exception of China, will be devastated. Workers in Latin America, the Caribbean, Asia, and Sub-Saharan Africa will be thrown into direct, unregulated competition with China and millions will lose their jobs as a result. It will also further decimate the U.S. industry.

To get a sense of what this means, in categories where import quotas have already been phased out, offers a glimpse of what is to come. In the last two-and-a-half years, for the apparel products removed from quota in 2002, China has increased its market share of these products from 10 percent to 72 percent. At the same time, Haiti's exports to the United States in these same categories declined 53 percent, from 8.6 million square meters to 4.6 million square meters.

In response to this kind of problem, we need the kind of comprehensive program that is called for in the Textiles and Apparel China Safeguard Act (H.R. 5026). That act would ensure that the China safeguard will be meaningful for the U.S. textile and apparel industry. It will direct the President to use the special China safeguard to negotiate a comprehensive agreement by immediately entering into formal consultations with China over textile and apparel imports that threaten to disrupt the U.S. market. It will enforce aggressively U.S. rights under the special China safeguard by imposing restraints on imports if China does not agree on a mutually acceptable solution.

A word about worker rights in Haiti. Haiti's labor laws have been repeatedly criticized by the ILO, the State Department, and the International Confederation of Free Trade Unions for failing to meet basic international standards. The Haitian labor code dates back to the Duvalier dictatorship and falls far short of ILO standards in ways that I detail in my submitted statement.

Even where protections for worker rights do exist in law, they are only very rarely, if ever, enforced. The result is a climate of outright impunity for employers and frightening violence and insecurity for workers. Trade unionists are threatened, beaten, arrested, and assassinated for their activities, and those responsible for the violence go unpunished. Workers are subject to verbal abuse, physical threats, sexual harassment on the job, with no effective protection from the courts or the labor ministry.

Increased trade and investment can benefit workers and reduce poverty in Haiti, but workers' rights must be respected in order for those benefits to materialize in the form of better jobs and higher wages. The HERO Act that passed the Senate recognizes the crucial link between increased trade benefits and progress on worker rights by requiring Haiti to establish or make continual progress toward establishing internationally recognized worker rights in order to receive additional trade preferences. The language is bor-

rowed from AGOA and it builds upon the worker rights conditions that currently apply to Haiti under the Generalized System of Preferences (GSP) and CBI programs.

Under current conditions, Haiti does not meet the worker rights provisions of the GSP and CBI programs, much less the proposed HERO Act. The Act would apply exclusively to Haiti, it provides a golden opportunity to take a more tailored approach by linking specific concrete benchmarks on worker rights with phased-in market access initiatives. Most importantly, such a system will not just set tailor-made labor rights benchmarks for Haiti, it will actually enable Haiti to meet them. In my testimony, I give two possible examples of how this could work that I don't have time to summarize here, one based on the Cambodian model, one based on a labor ombudsman model that is used elsewhere in the Caribbean for human rights issues, and I would urge the Committee to look at those seriously.

[The prepared statement of Mr. Levinson follows:]

Statement of Mark Levinson, Chief Economist, UNITE HERE

I am the Chief Economist at UNITE HERE a union of 450,000 apparel, textile, laundry, distribution, hotel and gaming workers. The apparel and textile industries in the United States are in crisis. Hundreds of plants have closed. Communities are devastated. Since January 2001 these industries have lost over 357,000 jobs. And since the so-called economic recovery began these industries have lost 196,000 jobs.

We recognize that Haiti is an extremely poor country. We do not seek to deny jobs and economic advancement to Haiti's workers. To the contrary. We believe U.S. policy can induce positive change in Haiti and benefit U.S. workers. But we do not believe that the approach embodied in the HERO Act (S. 2261), passed by unanimous consent in the Senate, is the right approach. I want to focus on two issues not adequately addressed by S. 2261: the expiration of apparel and textile quotas and labor rights.

Haiti and the Expiration of the Quota System

The apparel industry in Haiti is the country's largest single source of jobs and export earnings and it relies almost entirely on the United States as a market for its output. The apparel share of total Haitian exports in 2001 was 83 percent, or \$245 million. The Haitian apparel industry employed about 27,000 workers in 2002, up from 17,000 in 1997. The growth of Haiti's apparel industry is constrained by the country's underdeveloped infrastructure, high utility, shipping and warehousing costs and political instability. Haiti's apparel exports to the U.S. consist almost entirely of cotton apparel and manmade-fiber apparel—namely T-shirts, underwear, and other pants, shorts and nightwear—for which major suppliers are highly constrained by quotas. These basic garments are characterized by long and standardized production runs, low labor content, and few styling changes.

This highlights a serious problem. In 100 days all apparel and textile quotas are scheduled to expire. Simply granting more tariff preferences to countries whose exports will soon be swamped by Chinese production is not an effective policy.

If quotas expire almost all apparel and textile producing countries around the world, with the exception of China, will be devastated. Workers in Latin America, the Caribbean, Asia and sub-Saharan Africa will be thrown into direct, unregulated, competition with China, and millions will lose their jobs as a result. It will also further decimate the industry in the U.S. 600,000 U.S. workers will lose their jobs within several years of the expiration of quotas.

Categories where import quotas have already been phased out offer a glimpse of what is to come. *In the last two and one-half years, for the apparel products removed from quota in 2002, China increased its market share of these products from 10 percent to 72 percent. At the same time, Haiti's exports to the U.S. in the same categories dropped 53 percent, from 8.6 million square meters to 4.6 million square meters.*

If China captures 70 percent of the entire U.S apparel and textile market that would result in a net shift of approximately \$42 billion in trade from other exporting countries to China. The projected export losses (assuming losses proportionate to existing market share) for countries are: CBI region \$6.3 billion, Mexico \$5.4 billion,

Indonesia \$1.6 billion, Bangladesh \$1 billion, Lesotho \$289 million, Mauritius \$187 million.

The Senate passed bill would provide an incentive for importers and retailers to close their operations in the Caribbean and Central America and move to Haiti where they can use Chinese fabrics and yarn and get duty free access to the U.S. market. The main beneficiary would be Chinese and other Asian fabric producers. U.S. and Caribbean textile workers and producers would be hurt.

We need the kind of comprehensive program that is called for in H.R. 5026 the Textiles and Apparel China Safeguard Act. The Act would:

1. direct the President to make two changes to the overly restrictive rules issued by the Bush Administration to implement the China safeguard so that the safeguard will be meaningful for the U.S. textiles and apparel industry;
2. direct the President to use the special China safeguard to negotiate a comprehensive agreement by immediately entering into formal consultations with China over textiles and apparel imports that threaten to disrupt the American market; and
3. enforce aggressively U.S. rights under the special China safeguard by imposing restraints on imports if China does not agree on a mutually acceptable solution.

Producers from 52 countries have recently joined together to call for an extension of the quota system until 2008. UNITE HERE, along with other apparel and textile worker unions from around the world, under the auspices of the International Textile Garment Leather Workers Federation (ITGLWF), is demanding that the textile and apparel quotas be extended, and that phase-out not occur until there are enforceable protections for workers' rights in the global trading system. Only with such guarantees in place will workers in the U.S. and around the world be able to compete on a fair playing field.

Workers' Rights in Haiti

Haiti's labor laws have been repeatedly criticized by the International Labor Organization (ILO), the U.S. State Department, and the International Confederation of Free Trade Unions (ICFTU) for failing to meet basic international standards. The Haitian labor code dates back to the Duvalier dictatorship, and falls short of ILO standards in a number of key respects.

- There is no prohibition on anti-union discrimination in hiring, allowing employers to bar known union activists from employment.
- Though the law does prohibit firing workers for union activities, it does not provide reinstatement as a remedy for such firings, as required by the ILO. Thus, even if the law were fully enforced, employers could fire any workers with union sympathies and simply pay the fines required as the cost of doing business and keeping unions out.
- The labor law fails to require good-faith bargaining by employers with union representatives, and sets a prohibitively high threshold for unions to meet in order to compel bargaining. As a result, collective bargaining is virtually nonexistent in Haiti.
- There are numerous restrictions on the right to strike, including compulsory arbitration provisions that have been criticized by the ILO.

Even where protections for workers' rights do exist in the law, they are only very rarely if ever enforced. The result is a climate of outright impunity for employers, and frightening violence and insecurity for workers. Trade unionists are threatened, beaten, arrested and assassinated for their activities, and those responsible for the violence go unpunished. Workers are subject to verbal abuse, physical threats, and sexual harassment on the job, with no effective protection from the courts or the Labor Ministry.

Given the economic and political situation in the country, there is hardly a functioning Labor Ministry at all. The problems with corruption and rule of law that plague Haiti are particularly acute for workers, who have few if any means of resolving disputes with employers and exercising their fundamental rights on the job. Only five percent of the workforce in Haiti is unionized, and collective bargaining does not exist in the private sector. The widespread abuse of workers' rights makes it extremely difficult for workers in Haiti to organize independent unions and bargain for a fair share of the wealth they produce. Though some of the wealthiest clothing brands in the world source from Haiti, the minimum wage in the country amounts to less than twelve dollars a week.

For example, at Haitian American Textile Co. in Port-au-Prince, which has supplied uniforms to the Cincinnati based uniform rental giant Cintas, workers have

reported being forced to work long hours to meet high daily quotas in order to be paid their daily rate. That wage was far below what they needed for basic survival—leading workers into a cycle of debt to food vendors and to “loan sharks.” Workers at Haitian American have reported being unable to address dangerous conditions—like sweltering heat that has caused workers to pass out, lint and dust-filled air, and machinery lacking safety guards that have punctured workers’ fingers—because of the constant fear of being fired.

Another recent example of the Haitian workers’ struggle to gain respect for their basic workplace rights is a free trade zone, financed by the World Bank, in Ounaminthe, Haiti. The employer in the zone, a Dominican company called Grupo M, has fired workers for union organizing, stationed heavily armed security at plant gates, and refused to abide by Haitian labor law, much less internationally recognized worker’s rights. The World Bank, in recognition of the likely inability of the Haitian government to adequately protect workers’ rights in the zone, included its own workers’ rights conditions in the loan agreements—requiring respect for freedom of association and the right to organize and bargain collectively, and mandating the creation of a compliance mechanism to monitor workers’ rights, improve internal management practices, and provide for a workers’ rights ombudsperson to receive complaints and resolve disputes. Though the workers’ rights conditions in the loan still need to be fully complied with, they have provided important leverage to help mediate disputes between workers and Grupo M and provide a basic safeguard for workers’ fundamental human rights in the zone.

Linking Labor Rights and Trade in Haiti

Just as the World Bank recognized that additional safeguards for workers’ rights and a program to help the parties monitor and enforce those rights was necessary for apparel production in Haiti to succeed, Congress must build a strong structure of support for workers’ rights in Haiti in order for additional market access to provide any real benefits for Haitian workers. Increased trade and investment can benefit workers and reduce poverty in Haiti, but workers’ rights must be respected in order for these benefits to materialize in the form of better jobs and higher wages.

The HERO Act (S. 2261) that passed the Senate recognizes the crucial link between increased trade benefits and progress on workers’ rights by requiring Haiti to establish, or make continual progress towards establishing, internationally recognized workers’ rights in order to receive additional trade preferences. This language is borrowed from AGOA, and it builds upon the workers’ rights conditions that currently apply to Haiti under the GSP and CBI programs.

But it is unlikely that this conditionality will have much success in Haiti unless it is supported by a mechanism that specifically addresses the severe obstacles to the exercise of workers’ rights that exist in the country. This Committee now has an important opportunity to shape just such a mechanism that will help lift up Haiti so it can meet international labor standards. Writing conditionality into a trade preference program is necessary, but not sufficient, in the case of Haiti. Haiti cannot meet these conditions on its own. The labor rights conditions must be backed up by a strong, independent enforcement mechanism that can monitor workers’ rights on the ground, assist the Haitian government in bringing its laws into compliance with international standards, and help build the local institutional capacity necessary to provide workers and investors with the confidence that workers rights and rule of law will be respected in Haiti.

Haiti’s labor laws fall well below international standards, and those protections that do exist are rarely if ever enforced. Under current conditions, Haiti does not meet the workers’ rights provisions of the GSP and CBI programs, much less the proposed HERO Act. Because the Act would apply exclusively to Haiti, it provides a golden opportunity to take a more tailored approach by linking specific, concrete benchmarks on workers’ rights with phased-in market access incentives. Most importantly, such a system will not just set tailor-made labor rights benchmarks for Haiti, it will actually enable Haiti to meet them.

One model worth examining for the HERO Act is the bilateral textile and apparel agreement with Cambodia. The Cambodia agreement requires Cambodia to meet core labor standards, and factories must agree to ILO monitoring of labor rights conditions in order to benefit from the export quotas established by the accord. The ILO must certify compliance with these conditions each year before the annual quota increase of 18 percent is granted under the bilateral agreement. The Cambodia agreement created concrete incentives for factory owners and the government to improve workers’ rights, and provided them with the means to meet these goals by laying out specific goals on workers’ rights and creating and funding an independent monitoring program. The ILO reports that the agreement has led to real improvements in workers’ rights in Cambodia.

Another model which is not linked directly to trade, but which has helped to address the rule of law failures and corruption problems that create impunity for human rights violators in Central America, is the ombudsperson model. Central American governments have agreed to create human rights ombudsmen that are independent of existing government ministries, can receive and investigate complaints about individual human rights cases, and can issue recommendations for structural reforms needed to address more systematic abuses and bring the country into compliance with international human rights norms. While the political will to accept these recommendations is sometimes lacking, the ombudsman mechanism has provided an independent party that can bypass dysfunctional institutions, effectively investigate and verify human rights abuses, and make authoritative recommendations for systematic reforms.

Some combination of these two models could help improve workers' rights in Haiti. The HERO Act should create and fund a mechanism that contains the following elements:

- Establish a workers' rights ombudsperson that is independent of Haitian officials and political parties, who can receive and investigate complaints of workers' rights abuses and verify whether or not internationally recognized workers' rights have been violated in individual cases.
- Authorize the ombudsperson to recommend solutions in individual cases of abuse, and require individual factories to implement relevant recommendations in order to benefit from increased market access under the Act (companies can sign up to participate at the beginning of the program, and their exports will receive preferences unless the ombudsperson reports that they are out of compliance with recommendations).
- Authorize the ombudsperson to recommend more comprehensive reforms to address systematic workers' rights problems—labor law reforms, judicial and administrative reforms, etc.—with specific benchmarks for the implementation of the recommendations. U.S. and international funding and technical assistance should be made available to help the Haitian government implement the recommended reforms.
- Each year, the annual increase in imports under the Act will only occur if the ombudsperson certifies that the government is making sufficient progress in implementing the recommended reforms and specific benchmarks have been met.

Members of UNITE HERE and the hundreds of thousands of apparel and textile workers who have lost their jobs, many of them from the Caribbean including Haiti, support a trade policy that would help the impoverished—whether in Haiti, the Caribbean, China or the United States—to improve their standard of living and generate new domestic demand in a virtuous cycle of equitable development, while providing new markets for overseas investors and workers, including those in the United States.

Chairman CRANE. Thank you very much, Mr. Levinson. Now I would like to ask our colleague, Thaddeus McCotter, to come forward to introduce his constituent, Nigel Thompson.

Mr. MCCOTTER. Thank you, Mr. Chairman. I am here today to introduce Mr. Nigel Thompson. As you know, Mr. Thompson is Executive Vice President of Planning and Development with the Yazaki Corporation. In this capacity, Mr. Thompson is responsible for information technology, research and development, marketing, and product planning.

Yazaki North America, which is based in Canton, Michigan, employs roughly 1,500 people in my district and supplies our automotive companies with electronics, instrumentation, and wiring systems. As a tier-one automotive supplier and employer in the Canton area, Yazaki is an integral component in Southeastern Michigan commerce and I am pleased Mr. Thompson could appear before you as an important representative of our industry from my district. I am also very happy that he is here because Yazaki embodies what the right trade policies can do to bring jobs to our Na-

tion and to districts like mine in the manufacturing arena. Thank you, Mr. Chairman.

Chairman CRANE. Thank you, Thaddeus. Mr. Thompson?

STATEMENT OF NIGEL THOMPSON, EXECUTIVE VICE PRESIDENT OF PLANNING AND DEVELOPMENT, YAZAKI NORTH AMERICA, CANTON, MICHIGAN

Mr. THOMPSON. Mr. Chairman, Members of the Committee, Congressman McCotter, thank you very much for that introduction. Thank you very much for giving me the opportunity to talk here about something other than textiles.

[Laughter.]

Yazaki Corporation, that I represent, is a major global automotive supplier. We supply a range of products, instrumentation, electronics, as was already said, and particular wire harnesses to pretty much all of the vehicle manufacturers in the world and we produce those products also all over the world and in the Americas, particularly in Mexico, Nicaragua, Haiti, Brazil, Colombia, and Argentina. The reason I mentioned wire harnesses is because we would like to propose, and my testimony is on this basis, to extend the scope of HERO to include automotive products, and in particular wire harnesses, a product that is not being produced in the United States for several decades, principally due to the intense cost reduction pressure within the auto industry.

To clarify this proposal, I guess I should probably first explain a little bit about what a wire harness is. I think we probably all know and have a picture in our minds about textiles and t-shirts and so forth. The wire harness represents perhaps the nervous system of a motor car. A modern motor car has a great deal of electrical equipment. All this electrical equipment is connected together by the vehicle wiring system. It typically could have as many as 500 or 1,000 circuits on a modern car. This is a complex assembly of wires, connectors, terminals, fuse boxes, relays, electronics, for which the final assembly process is both complex and employs large numbers of people. To give you an example, for a high-volume production vehicle, a typical U.S. market minivan or pickup truck produced in, say, 400,000 or 500,000 units per year, there might be as many as 5,000 people employed in producing the wire harnesses for such a vehicle.

A Yazaki-affiliated production company has had a pilot plant in Haiti for about the last 15 months, currently employing around about 300 people, with very good experiences. We believe Haiti has significant growth potential for this product sector, and clearly, that potential would be significantly assisted by being able to import into the United States without duty. The existing trade arrangements require 35 percent local content, which, as many of my colleagues have testified here, in a country really without industrial infrastructure, such as Haiti, cannot be met. The majority of the components and raw materials used in an automotive wire harness actually come from the United States or Mexico. So, allowing those components to count as local content would then allow Haiti to compete with Mexico, or actually rather more importantly to compete with Southeast Asia and particularly China.

In the textile industry, as has been testified here, that is clearly seen as a major impact or a major threat to Haitian development. It is also true in the automotive industry. One of our objectives is to develop a regional strategy for production here, which allows production in this region to compete effectively with Southeast Asia and particularly China, long-term. Allowing HERO to expand its scope to include such products would clearly support our objectives.

Haiti has certain advantages. It has a logistics advantage because of its location in the region, a much shorter supply pipeline than Southeast Asia or China. It has a disadvantage, of course, in duty and in infrastructure, as has been mentioned. If we can remove at least one of those obstacles, then with further economic development, the infrastructure will develop and we can expect Haiti to be able to grow as part of this region.

In conclusion, I would say if HERO is intended to help the Haitian economy and its people, and clearly from all of the testimony we have heard this afternoon that has been a common thread, then adding another product classification to broaden the industrial base that provides good jobs linked to a major U.S. manufacturing industry, the auto industry, with no impact on U.S. jobs, with an opportunity for U.S. component suppliers to supply into Haiti, that would seem entirely consistent with the original aims of the Act. I have been to Haiti. Clearly, many people here have been to Haiti. This is about the poorest country in the Western Hemisphere and we have all seen the news over the last few days. Anything we can do, not just in terms of short-term aid but in long-term economic support and development, must be the right thing to do and has to be worth doing. Thank you for giving me the opportunity.

[The prepared statement of Mr. Thompson follows:]

Statement of Nigel Thompson, Executive Vice President of Planning and Development, Yazaki North America, Canton, Michigan

Submitted by Yazaki North America, Inc. (YNA) on behalf of The Yazaki Group in Support of the Haitian Economic Recovery and Opportunity Act.

Background

Yazaki Corporation was founded in 1929 and incorporated in 1940, and is a global, tier-one automotive supplier with operations in 37 countries. North American operations were established in 1966 and are now conducted by Yazaki North America, Inc. (YNA), based in Canton, Michigan, where we employ 1,500. Core commodities for YNA include automotive electronics, instrumentation, components, and wiring systems, the latter of which is a primary focus. An automotive wire harness is the vehicle's electrical skeleton—an assembly of wires, coverings, connectors, modules and other components which accomplishes all of the electrical connectivity requirements in an automobile. The nature of the product means that the assembly process is highly labor intensive, and employs significant numbers of people.

As Yazaki has expanded around the globe, the company has sought opportunities to locate facilities in lesser developed and developing countries. This has been good for our business, but we also take very seriously our responsibility to be a good corporate citizen. As a result, we have been able to provide jobs and economic opportunity, and contribute to improving the communities in which we do business.

Arnecom (a Yazaki affiliated company in Mexico) established a wire harness pilot plant in Haiti about 18 months ago, recognizing at that time the potential in the country and the needs of its people for employment and economic opportunity. This pilot operation now employs approximately 250 people.

We believe expanding the scope of products covered by HERO to include labor-intensive automotive products like wire harnesses will provide additional benefits to the Haitian people entirely consistent with the original intentions of the Act, with no adverse impact on U.S. employment.

HERO—Related Key Points

In order to keep pace with domestic car maker's cost targets for wire harness products, manufacturing operations moved out of the United States several decades ago. Consequently, there are no domestic automotive suppliers who assemble wire harnesses in the U.S. Therefore, expanding HERO to include wire harnesses poses no threat to the U.S. automotive job market. Additionally, there are aspects of an expanded HERO, which could contribute to job growth in the U.S.

Existing trade preference programs such as GSP and CBERA cap the U.S. content allowed for meeting local content requirements. In a country like Haiti, which has very little industrial infrastructure, it is not realistic to expect that it could meet local content requirements without imported materials. Therefore, allowing NAFTA or U.S. content to be counted will benefit suppliers from both countries and quite possibly provide new employment opportunities in each. Many of the components used in wire harnesses, like wire, connectors, terminals, plastic resins, and grommets are made in the U.S., including for Yazaki plants in Michigan, Georgia and Texas.

In our case, if the Congress includes wire harness assemblies among expanded trade preferences for Haiti, Yazaki expects to significantly increase its investment in the Arnecom plant in Port au Prince. YNA currently supplies U.S. automakers with wire harnesses produced in China and SE Asia, as well as in Mexico, Haiti and Nicaragua. Haiti has a much shorter supply route than do operations in Asia. The combination of lower logistics costs and tariff relief would significantly improve our cost competitiveness, and hence that of our U.S. customers, some of whom we currently supply from Haiti.

This plan poses no threat to the competitive landscape relative to NAFTA or other regions. Additionally, in keeping with the intent of HERO, if Congress provides this incentive, we will be better poised to expand our investment in Haiti, which may grow employment by as many as five times the current level.

Further information on Yazaki may be found at www.yazaki-na.com.

Chairman CRANE. Thank you, Mr. Thompson. Now, Mr. Rangel has an appointment at 3:30 but he has one question he would like to put to the panel before he departs. Mr. Rangel?

Mr. RANGEL. Thank you, Mr. Chairman. I thank all of you for showing that this interest in a country that embarrassingly is in our hemisphere that we haven't done enough for, but certainly each time there is another tragedy there we commit ourselves to do better, and this gives us another opportunity for Democrats and Republicans to come together.

As most all of you know, the reputation, and I say reputation, in Haiti is that it has a violent anti-union atmosphere and that it is very difficult for us who are not Haitians to really know the degree in which people have some type of human rights and assembly and organizing. The ILO has taken the very basic non-controversial standards and saying, give them a chance to do something, and it has been recommended that one of the possible solutions might be to have an ombudsman, a monitor, something with international prestige, not to negotiate higher wages but to make certain that there is an opportunity for people to be trained to move forward and ultimately achieve what we were able to do in the United States, a viable middle-class would certainly help society no matter where it is.

Mr. Baker, since you are Haitian, and Mr. Woltz, since you have done business there, could you share with me or give me any sense as what is acceptable in terms of being included in an international agreement with international responsibility, not to be the equivalent of our American Federation of Labor—Congress of Industrial Organizations, but what do you just think is fair and what are you

willing to accept so that we can take this to other people who just don't like the term "union" because they have had bad experience, but it would be called decency and the opportunity to organize, to assemble, to negotiate. Mr. Baker, as a Haitian, what is the atmosphere for that today?

Mr. BAKER. Thank you. I think there are three things that are happening in Haiti that can help us along that issue. The first thing is that, as you know, most retailers are requiring today that the plant that is producing for them meets certain internationally-recognized standards. Indeed, a lot of plants today in Haiti are moving toward becoming members of Worldwide Responsible Apparel Production (WRAP). This oversees the conditions, the working conditions inside the plants and the procedures that are used inside the plants. Most plants in Haiti today are moving toward WRAP.

The second thing that I think could be very helpful is the fact that within the law, this bill, it was adopted the same conditions which was set into the AGOA bill, and we are hoping that the same principle could apply also for Haiti. The third and most important thing is what the Haitians are doing today on this issue. The Ministry of Social Affairs have invited private sector associations and labor union to meet and organize a tripartite Committee to first look at the old labor accord that indeed dates back to Duvalier, to see how we can modernize it, how we can actualize it and adopt internationally-recognized conditions, and we are all committed to work toward that goal.

In this sense, I think the bill that is today, which gives the U.S. Administration the right to come and oversee what we are doing in terms of progress, is a way for you to supervise what we are doing, because having good intention is one thing but delivering is another thing. We are committed to try to deliver. We are committed to try to reach standards that are here today in the United States. It would be unrealistic to think that we can change Haiti overnight, but we are all committed to make a serious effort to move forward.

Mr. WOLTZ. One of the ways that Haiti does change, and not overnight but very, very quickly, is the kinds of people that are encouraged to make an investment in Haiti. We are a private label manufacturer, which means that we don't have our own brand. We sell to J.C. Penney, to Sears, to Dillard's, to whoever. We are never going to put millions of dollars worth of investment at risk by having one of our customers embarrassed by something that happens in one of our facilities, and I think you will find that is, by and large, what drives most people.

We want to do what is fair and right to attract the best workers we can. We make money in the apparel business when we operate efficiently. Trying to see how little you can pay somebody is a totally self-defeating strategy. You want to set up an operation where people are incentivized to make as much as they can, that you attract the best workers that you can. The best workers are not going to work somewhere where they are not treated well. So, that is something that when these plants go in, when people invest their own money in a plant, they will themselves be policed by their cus-

tomers, by the government, but also by their commitment to protect their investment.

Mr. RANGEL. That is very encouraging. Your company, UNITE used to be the International Labor Women, but they had something called, "look for the union label." The whole idea was that these standards that Mr. Baker and you are talking about, it meant that you don't have to go beyond that. If the label is there, they are fair. They are equitable. They do treat their workers right. Do you think there would be any objection to the ombudsman concept where not the United States, but some international person would be there where you can stamp, "approved by the ILO." I am not saying it could work, but I gather from what you are saying is that you would be proud to be a part of something that was fair and equitable for the workers. Would you accept an ombudsman under the suggestions that some people have made from the ILO?

Mr. WOLTZ. We would be, frankly, leery of an ombudsman because of the mechanism of who you select and some history that ombudsmen have had a political agenda that goes sometimes beyond the workers in a particular plant. If there is some kind of vetting process where everybody gets involved in who you pick—I think your point of how you get somebody, a statute that somebody can say, okay, this person is above the fray. They don't necessarily have a political bent to this job. I think—

Mr. RANGEL. I think we could work that out, because I would be just as concerned as to what kind of politics they would have anyway. Thank you so much. Thank you, Mr. Chairman. Thank you, Committee Members, for allowing me this courtesy.

Chairman CRANE. Happy to do it. Now, I would like to put a question, or more than one question, to the entire panel. The first, one bill that has been introduced to give additional trade preferences to Haiti would allow Haiti to source fabric from any U.S. Free Trade Agreement (FTA) partner as well as countries participating in the African, Caribbean Basin, and Andean preference programs. I would like you to comment on what kinds of fabric are and are not commercially available in these countries. Does anyone wish to respond?

Ms. FOX. I will respond to that.

Chairman CRANE. Ms. Fox?

Ms. FOX. J.C. Penney, as you know, we source all over the world, and in regards to your question, we have actually tried doing CBTPA-sourced fabrics, and unfortunately, it has become evident to us that it is quite uncompetitive, and it is not just the price. It is not the price that is the sole issue. It is that price combined with the inefficiencies of the production capabilities of the worker in Haiti make it uncompetitive.

In regards to other countries in the region, Mexico, Guatemala, as I said, we produce primarily knit underwear and very basic t-shirts, so I am primarily addressing knits, and that is really the strength of Haiti in the apparel industry. In looking at Mexico, Guatemala, the quality and consistency out of those countries for that type of fabric is not where it needs to be now. Maybe in the future, it will get up to that standard. Looking at Peru, Colombia, and other places, the logistics of moving it make it become uncompetitive in regards to the pricing and things like that. So, we have

taken a look at that and we have tried to figure out if it is economically feasible, and our industry is so hyper-competitive that every nickel affects our retail cost, and so far, we have been unable to feel that we are competitive enough using those options.

Chairman CRANE. Is Mexican fabric available and competitive?

Ms. FOX. Mexican fabric is available, but the quality is not to what we are looking for. The pricing is okay, but it is more the quality that we are concerned about.

Mr. WOLTZ. I don't think that there is anywhere near the capacity to supply the needs available in this hemisphere, just pure capacity.

Chairman CRANE. Mr. Felker?

Mr. FELKER. Yes, Mr. Chairman. My segment of the industry would be very supportive of an effective short supply availability system, whereby if the fabrics are not available from the U.S. origin, then there would be an efficient and commercially viable means and system for allowing those fabrics to come in from other sources.

Chairman CRANE. Yes, Mr. Baker?

Mr. BAKER. Mr. Chairman, you mentioned the original bill and why did we come up with a second bill, and really the shortcomings of the first bill were really two-fold. First, the countries that already have a FTA with the United States, most of them do not have fabric or do not have the quality that the buyers are looking for. Second and most important, I think the first bill was studied in looking at Haiti as a part of the CBI. Frankly, when you look at it, when you try to compare Haiti, you cannot compare Haiti with Honduras and Guatemala. You more have to compare Haiti with Lesotho and Mozambique and we feel that what was really fair for Mozambique and Lesotho is what really Haiti needs today.

Chairman CRANE. Thank you. Now for the entire panel again, several of you suggested that if Haiti isn't given the ability to buy fabric from anywhere in the world, the country cannot be competitive. There are a variety of options that differ from the HERO bill but could provide equally meaningful benefits and I would like you to comment on several ideas that have been raised.

First, those of you who produce in Haiti mentioned that you tend to purchase many American imports, such as thread, packaging, trim, buttons, labels, and some fabric. If you combine the value of these items with the value added in Haiti and the possible flexibility of cumulating fabric sourced from any U.S. FTA partner or a preference beneficiary country, what would be an acceptable percentage level for a value-added rule of origin for apparel? Secondly, would providing increased flexibility to fulfill this test through annual aggregation versus a per-garment test be workable? Third, would a single transformation rule for some specific apparel items be useful? Finally, would a trade preference level for specific types of fabrics be meaningful?

Mr. WOLTZ. I would like to take the first shot at answering that if I could, Congressman Crane.

Chairman CRANE. Absolutely.

Mr. WOLTZ. Any time that you specify, you wall off, you limit, you block, you keep people from building flexible manufacturing plants, you limit the amount of investment. Right now, a content

agreement that might have been worked out several years ago, we are going to start making next week in Central America a poncho, a knit poncho that has very little labor or input in it, something that I don't think anybody in the fashion industry even foresaw 2 or 3 years ago. We don't know right now what we are going to be sewing as a fashion item 2 or 3 years from now. We don't know whether we are going to be making long skirts out of synthetics or short skirts out of denim. We don't know what the fashion apparel market is going to be.

If we set up rules and we set up tests that we are going to have to go through, short-supply mechanisms, all of those things have been tried in the past and they have all resulted, all resulted in a steady exodus of jobs from places that have those restrictions to places that don't have those restrictions. If there are a lot of restrictions put on Haiti, people that are going to do anything but make a very narrow commodity are not going to want to invest their money in Haiti.

Chairman CRANE. Mr. Felker?

Mr. FELKER. Yes, Mr. Chairman. I think we have to look at the dynamics of world trade as it is today. The prices—cost and prices are confused. The prices coming out of Asia will undercut U.S. fabric prices if our labor costs were zero. These are predatory pricing tactics where the industry, specifically in China, is out to take market share and to destroy an industry, and once it destroys the industry, then it will be free to utilize different pricing strategies if it wishes to.

So, I think to allow a short-term disruptive mechanism that is being practiced in global trade to wipe out an industry that will never be rebuilt is short-sighted. So, we need to take these precautions to keep this market share grab from undermining permanently an industry in the United States.

Chairman CRANE. Ms. Fox?

Ms. FOX. Addressing the value-added concept, I think that, again, the kind of products that we are having produced in Haiti are very basic and anything more than 35 percent would be prohibitive for us. We are making t-shirts. It is little more than fabric. I think one of the other points you made was about the annual counting concept in there and cumulation. For a retailer, that would be very difficult in that the accounting of it is something we don't do. We are not a manufacturer. So, being able to keep the accounting would be a nightmare for retailers.

I think we talked about single transformation, which would basically mean third-country fabric would be allowed, but it would be okay as long as we didn't put additional limitations on things, for instance, that it had to be thread made in the United States or it had to be any other kind of trims made somewhere else. I think without those limitations, that would work for us. Inputs, as we talked before, from other countries for us is limited incentives because, as Mr. Woltz commented, the capacity to produce a lot of the things for fabrics is not there. The quality, as I mentioned, is not there. So, those are issues that we are facing.

I think that the one thing that we need to be fully aware of is that there is really a need to keep it simple. With the elimination of quota, the marketplace is wide open and any type of bill or act

that makes it difficult for us to source makes it hard for us to understand, because some of these things are very difficult for the average sourcing person to understand. We won't go there. I think that that is one thing that I would plead with everybody, is to try and keep this as simple as possible in order to give the greatest potential benefits to Haiti.

Chairman CRANE. Thank you. Another panel question. Would improved access for Haitian apparel provide more opportunities for certain U.S. industries, such as cotton yarn, bindings, and trimmings, to sell into Haiti, particularly if the program is designed to give preferential treatment to regional inputs over other third-country inputs, and how could we design such a program? Yes, Mr. Felker?

Mr. FELKER. Mr. Chairman, I think if preferential treatment for Haiti exists to a significant degree with the CBTPA, but yes, if there are—if we can overcome some of the difficulties of conducting business in Haiti, and I mentioned the primary one is the lack of working capital and the difficulty of understanding how you can collect the receivable from Haiti, but yes, I think there is tremendous opportunity for expanded trade with U.S. manufacturers of yarn and fabrics and other inputs in Haiti if we can build an infrastructure there and a legal system and if we can get through the initial stages of understanding how the money will flow and if it will flow.

Chairman CRANE. My final question is for you, Mr. Thompson. In your testimony, you suggest that if the local content requirements were more flexible for auto parts to allow Haiti to source more inputs from the United States or North American Free Trade Agreement (NAFTA) (P.L. 103-182) countries, then you expect Yazaki to increase its investment and employment level in Haiti. This is exactly the goal we are trying to achieve for Haiti. So, would you please elaborate on Yazaki's potential plans for Haiti, and do you envision the increased sales from Haiti coming at the expense of other producers in the region or from other producers in Asia?

Mr. THOMPSON. Thank you for the question, Mr. Chairman. To take your last point first, do we see expansion in Haiti coming at the expense of other producers in this region, the answer is basically no. As I mentioned in my testimony, our objective is to keep our production in this region comparative with Asia and particularly China. If were to expand in Haiti, those jobs would otherwise almost certainly end up in China or Southeast Asia.

The first part of your question relates to using increased component input from the United States and Mexico. Certainly, we can see that looking at our existing production, if we were able to expand that in an environment that didn't have the duty associated with it, using our existing sourcing from suppliers of components such as wire, connectors, terminals, and so forth, some of which we make in the United States, some of which other suppliers make in the United States and Mexico, we could meet the local content requirements currently as specified—if we allowed the full value of imported components from the NAFTA region.

Chairman CRANE. Thank you. Mr. Levin?

Mr. LEVIN. The last answer is straightforward and is less complex than the rest of what we have discussed here today. It has been an interesting panel, because I think it shows how these are not simple issues and any attempt to try to simplify them, for example, talking win-win, is misguided because it impacts. So, let me just follow that up. Mr. Woltz, you have some facilities in Central America, don't you?

Mr. WOLTZ. Yes, sir. We have an extensive facility in El Salvador.

Mr. LEVIN. That is what I thought. What is the name of the facility?

Mr. WOLTZ. Primo.

Mr. LEVIN. Exactly. This isn't the time to talk about Primo, Mr. Woltz. I think you and I have——

Mr. WOLTZ. You and I have met on Primo——

Mr. LEVIN. We surely have.

Mr. WOLTZ. I think that you have been very pleased with how that whole situation has resolved itself.

Mr. LEVIN. I don't think so.

Mr. WOLTZ. Okay.

Mr. LEVIN. I am not sure. I surely wasn't—it surely demonstrated earlier the problems that exist when there is an effort of workers to exercise their rights, and maybe I will have to remember exactly where the situation is now. Let me just ask you if third-country fabric were allowed without limit, just give us a reasonable estimate over the next 5 years what percentage you think of your fabric would come from third-country sources.

Mr. WOLTZ. Last year, Perry Manufacturing bought roughly 30 percent of its fabric from the United States and the CBI region. It bought 54 percent of its fabric from China. We would see probably the same kind of mix going forward as different products, as different mills are started in Central America and as the fabric prices in China, we feel like will probably continue to go up. As quotas come off in China, the demand for Chinese fabric is going to expand and we are going to have to compete more with Chinese manufacturers for that fabric. So, I think there is an opportunity for that mix to kind of stay just about the same, near term.

Again, one of the big things that gives a chance for growth in Haiti is right now, nobody sews synthetics in Central America because of the 33-percent duty rate. If duty comes off of synthetics, there is a whole other category of fabrics that may be sourced in the region. As you said, it is not a very simple thing. Every time you take one peel of the onion, there is a whole other question.

Mr. LEVIN. So, let me be clear, because in your testimony you say, without the ability to use fabric from anywhere in the world, Haiti will not be part of that supply chain.

Mr. WOLTZ. Right.

Mr. LEVIN. I thought I heard you say that you didn't think there would be any basic change in where you source——

Mr. WOLTZ. Without being able to get about half of our fabric, like I said, 54 percent, we would not be able to run those factories.

Mr. LEVIN. You are now getting that fabric from China?

Mr. WOLTZ. Last year, we bought 54 percent of fabric we consumed from China, 30——

Mr. LEVIN. So, you are doing that now. So, why do you need—

Mr. WOLTZ. When quotas come off, in order to be competitive with garments manufactured in China, India, Pakistan—

Mr. LEVIN. Okay.

Mr. WOLTZ. Other places, our prices are going to have to be lower. China is a threat, but it is also in some categories not the threat that Pakistan and India are. In order for us to compete in this region, we are going to have to have a low-cost, duty-free base. In order to maintain our other manufacturing in other Central American countries—

Mr. LEVIN. Then if I understand what you are saying, it would seem to me you are saying that you would have to source more fabric from outside of the United States to be competitive.

Mr. WOLTZ. Right now—

Mr. LEVIN. No, but in the future, to compete with China, you would have to then source more fabric from outside of the United States.

Mr. WOLTZ. As we grow our business—if we stay the same next year, I said we would probably consume the same percentages of fabrics. Again, I don't know next year what my customers are going to want to buy. I don't know whether they are going to want to buy thin skirts made out of synthetic. I don't know whether they are going to want to buy short skirts made out of denim. Those are decisions that are not made by me, that are made by, heck, Ralph Lauren and the fashion designers that are going to set the trends. In order for me to service those customers, I have got to be free to satisfy their needs at the quality they require and the price, and I don't know where I am going to buy that fabric. If I could buy it all in the United States, it would be better—

Mr. LEVIN. Yes, and I am not being critical—

Mr. WOLTZ. Last year, I couldn't.

Mr. LEVIN. I am just trying to understand. I am not being critical.

Mr. WOLTZ. Okay.

Mr. LEVIN. It seems to me you are saying that you need to increase the amount of fabric that you buy other than from the United States. In simple terms, it seems to me when you say, without the ability to use fabric from anywhere in the world, Haiti will not be a part of the supply chain—

Mr. WOLTZ. That is true.

Mr. LEVIN. So, you must be saying that there is going to be a shift of your purchases over time from the United States to someplace else.

Mr. WOLTZ. There very well may be.

Mr. LEVIN. Okay.

Mr. WOLTZ. As I said, we bought 13 percent of our fabric in the United States, 17 percent in the region. So, it is already down to 13 percent.

Mr. LEVIN. What was the 34 percent that you mentioned?

Mr. WOLTZ. Excuse me, 34 percent from the region. Basically 17 and 17.

Mr. LEVIN. Seventeen in the United States and 17 in the—

Mr. WOLTZ. In the region, Honduras—

Mr. LEVIN. In this region. Okay.

Mr. WOLTZ. El Salvador.

Mr. LEVIN. All I suggest is that we try to be——

Mr. WOLTZ. The balance is some rayon prints from Korea, because that is the only place that they make rayon prints.

Mr. LEVIN. I think in order for us to address this, and I am in favor of doing so, we need to be clear with each other what the potential impact is and not try to assume that there won't be. Mr. Felker is urging there will be an impact, and when I press you, I think you are essentially acknowledging that over time, there is likely to be an impact in terms of the fabric that you buy made in the United States, and then we will go on from there. We will have an intelligent discussion about it. Mr. Baker—by the way, I think there is some inconsistency. We are not clear. Ms. Fox, you say you buy simple garments from Haiti. Mr. Woltz, you talk about specialty. You are in the specialty line, right?

Mr. WOLTZ. Yes.

Mr. LEVIN. So, you are involved with different products, right?

Mr. WOLTZ. I think the definition of simple, we make a variety of styling that is not tailored clothing, it is not curtain waistband slacks, it is not those kinds of things——

Mr. LEVIN. Not underwear and t-shirts.

Mr. WOLTZ. We are not in the underwear business. We make placket shirts like golf shirts, jogging suits, turtlenecks, mock turtles, styled tops, that kind of thing, which I think Janet would classify as more simple sewing.

Ms. FOX. That is what we would call basic, as opposed to fashion. That region is really not capable of making fashion at this time. That business is in China, and——

Mr. LEVIN. Mr. Woltz makes them.

Ms. FOX. His products aren't really—we would consider that more of a basic item as opposed to a fashion item with a lot of detailing and tailoring taken into it, things with linings and what not. Those are not the kind of things that Perry Manufacturing makes. They are more of a conservative, more basic producing supplier. We would not go to them for high fashion.

Mr. WOLTZ. The difference is "high."

[Laughter.]

The difference is high. We make what we consider fashion because it changes every season.

Ms. FOX. Yes.

Mr. LEVIN. Okay. I have some questions, but the time is up. Mr. Baker, I would like to ask you some questions. I will submit them to you——

Chairman CRANE. In writing?

Mr. LEVIN. In writing.

[The information was not received at the time of printing.]

Chairman CRANE. Very good. All right. Mr. Shaw?

Mr. SHAW. Thank you, Mr. Chairman. Coming into this hearing, and after listening to the Senate panel, it seemed like a very simple solution, which you people have shot down. We do not want to make an agreement or file a law that would make Haiti simply a platform for China, and we certainly don't want to impact upon the other trade agreements that we have with other countries. Mr. Felker, you hit on that. If we give Haiti the only, the country that

has the advantage of being able to export without duty items made from fabrics from China, we certainly would in the long run be doing that, even though with our FTA with Africa, there is a certain amount of that in the short term, but that phases out in the long term. However, we want to be sure that there is quality material available so that we can have a quality product coming out of Haiti.

Does anyone on the panel have information as to exactly where we are with the technology? How far down the line do we have the Mexicos or the Caribbean countries or Central American countries or possibly even down into South America, where we are negotiating FTAs now, how far down the line would they be in being able to manufacture quality textiles that would be able to make it where you would invest in Haiti and produce the employment that we are after? Does anybody want to take that? Mr. Felker?

Mr. FELKER. Yes. I have been in many textile plants throughout the region that you have described and the technology is largely there. The application of the technology varies from location to location. Certainly in the United States, many mills, the surviving mills, I should say, are state of the art and have the ability to produce very, very high quality.

Now, quality can be measured in terms of flaw level and also in terms of intrinsic values. There are certain products that are not produced in the United States that would qualify as very high-quality products, and I think there does need to be a system that does allow these—a short-supply system that works, is commercially viable, that allows access to these products that are not available in the United States. As far as the ability to produce world competitive, flawless-type fabrics and yarns, the technology is there. I hope that helps your question.

Mr. SHAW. The technology is there here in the United States.

Mr. FELKER. It is here in the United States, and the technology is available and in place to a very significant degree in the Andean region and in Mexico—

Mr. SHAW. How long would it take for the capital investment in order for them to gear up to be able to manufacture the—it is one thing to say the technology is there, but we also need the capital resources.

Mr. FELKER. To gear up for the infrastructure, the infrastructure is largely there, not so much in the Caribbean, but in Mexico and in the Andean nations. The economics of manufacturing in the Caribbean are—for the yarns and fabrics, for wovens, is somewhat questionable.

Mr. SHAW. Are you saying that the countries that we have FTAs with can compete quality-wise with China right now?

Mr. FELKER. Yes, not across the board with all companies, but yes.

Mr. SHAW. Does anybody have a contrary view? Ms. Fox? What does J.C. Penney say?

Mr. FELKER. Well, I disagree with that. I think that if you look at the types of yarns that are spun here, and we are talking about knits because that is what the conversation is, because really wovens is not really something that is strong in this region, if you look at the type of yarns that are spun in the United States and

also spun in Mexico, it is not the same quality, tightness. The finishing is different. So, that is why J.C. Penney primarily sources most of its fabric, not from China, China, Korea, India, Pakistan, and I think to Mr. Woltz's comment, Pakistan actually has a much greater threat to the knit industry than will China. The products that we are talking about for Haiti are really not the type products that were produced in China.

Mr. SHAW. I think what is facing this dilemma, and I will wrap it up now because my time is almost up and it has been a long afternoon, but I think the dilemma facing us right now is that we want to pass a bill that we will be able to conference with the Senate, but we have to be very careful on how that is going to impact on other manufacturers in other countries that we have FTAs with, so we have got our work cut out for us and we are going to have to move forward.

I was hoping that we could get a bill passed before we adjourn. I still hope we can, but this issue has certainly complicated the road to the passage of a bill. Also, the question still remains and will always remain when you're dealing with our friends over in the Senate is that if we change anything, can we ever get it back on the Senate floor and get it off, and that is a problem. We don't want to be very reckless just in order to expedite the process. Thank you all, and I yield back.

Chairman CRANE. Mr. Thompson, did you have a question?

Mr. THOMPSON. Thank you very much, Mr. Chairman. If I might just make a small contribution from the viewpoint of the auto industry, Congressman Shaw's question was about how fast you can implement technology in Haiti. From the automotive industry viewpoint and looking at wire harnesses, we would confidently expect that wire harness production in Haiti would deploy exactly the same technology and the same processes that produce extremely high-quality product in all of the other countries in the world in which we operate and we could do that within the period of 1 to 2 years.

Chairman CRANE. Thank you very much. I want to express appreciation to all of you for your participation, giving of your time so generously. Your contributions play a very important role in our decisionmaking here and you folks are all on the frontlines and we can't thank you enough for your involvement. As I have told folks many times, keep the faith, fight the fight, but remember the war is eternal. Thank you. The hearing stands adjourned.

[Whereupon, at 4:07 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

Statement of U.S. Association of Importers of Textiles and Apparel

The U.S. Association of Importers of Textiles and Apparel, USA-ITA, strongly supports legislation to provide enhanced trade preferences to apparel manufactured in Haiti, as a means of ensuring that orders are placed in Haiti after 2004. Given the extraordinary disadvantages Haiti currently faces, it is unlikely that U.S. importers and retailers will include Haiti in their future business plans, unless significant additional incentives are provided. Apparel importers and retailers will need a strong and compelling reason to be in Haiti after this year; the Haiti Economic Recovery Opportunity Act approved by the Senate and under consideration in the House would give them that reason.

The poorest country in the Western Hemisphere, Haiti is also among the most destitute nations in the world. With an average life expectancy of 53 and literacy

rates at only about 50%, over 80% of Haiti's population lives in extreme poverty and, according to official statistics, which could be understated, more than 16% of the population is unemployed. The Haitian economy continues to stagnate after a period of political upheaval, and its economy grew at an anemic 0.7% in 2003, which resulted in a net per capita loss when one factors in population growth. However, as a report by the U.S. Agency for International Development recently stated, "one bright spot is exports (mainly apparel and textile)," with the United States serving as Haiti's largest trading partner. Without immediate and meaningful help from the U.S. Congress, that one bright spot is likely to disappear in 2005.

A program that will effectively entice American importers and retailers to do business in Haiti next year absolutely must be commercially sound, with rules that do not add prohibitive costs and risks. Simplicity is key. Rules that are too complicated and too confusing will destroy any incentive for business to go to Haiti. Simply put, business should not need a Ph.D. to establish a compliant duty-free program; while companies may have tolerated added compliance burdens while quotas were in place, once those quotas are gone and unlimited options around the world are finally available, that patience will be gone.

Regrettably, the Caribbean Basin Trade Partnership Act has not served to bring significant new orders to Haiti; instead, the presence of quotas on other suppliers is probably the primary reason Haiti is producing any apparel for the U.S. market today, with CBTPA providing some incentive as well. Over half of what Haiti ships to the U.S. market today is knit shirts—35 percent of the apparel exports are cotton knit shirts and 18 percent are man-made fiber knit shirts. Approximately 68 percent of the Haitian-made apparel entering the U.S. qualifies for duty-free access under CBTPA. Another 20 percent enters the U.S. under other provisions reserved for goods containing some U.S. content (the so-called "807" provision), thereby qualifying for a small duty reduction. While U.S. importers therefore have used the CBTPA to produce garments in Haiti, their willingness and reason for continuing to do so after December 31, 2004, is extremely limited. Once quota costs are eliminated for other suppliers, producing CBTPA compliant garments in Haiti simply will not be justified in terms of cost, especially given the simple garments produced there.

Recognizing this reality, the Senate-approved Haiti Economic Recovery Opportunity Act, S. 2261, and its House counterpart, H.R. 4889, would establish a trade preference program similar to the one established for the least developed countries of sub-Saharan Africa under the African Growth and Opportunity Act. The parallel is clearly appropriate. Haiti is as poor as these sub-Saharan nations and the obstacles to its future success in apparel production are painfully similar. While Haiti has the advantage of a closer location to the United States and therefore can meet the important speed to market demanded by retailers today, it shares the lower productivity levels and more limited skills, as well as the lack of adequate and competitive supplies of essential inputs, including yarns and fabrics. Only with the ability to obtain duty-free treatment for apparel produced from third country fabrics will Haiti be able to produce garments that are competitive with garments produced elsewhere in the region or in Asia.

USA-ITA appreciates the Committee's desire to identify whether there are alternative origin rules that would encourage apparel manufacturing orders to be maintained or added in Haiti. However, our members' review of the suggested alternatives concludes that it is highly unlikely that anything less than a single transformation rule—allowing the use of third country yarns and fabrics—would result in serious consideration of Haiti as a source for apparel after 2004. Efforts to "tweak" existing programs, such as CBTPA, will not be sufficient. With that in mind as well as with a strong understanding of the ways in which companies are restructuring in response to the elimination of quotas, USA-ITA has two recommendations beyond the Senate-passed bill.

First, it is worth considering the idea of a single transformation rule for "certain apparel." However, USA-ITA urges the Committee, if it proceeds with the idea of a single transformation rule for "certain apparel," it must not burden such a rule with separate product-by-product caps or with additional paperwork burdens. Such complications will only destroy any incentive for U.S. importers to explore that option. The program must include those products Haiti is capable of producing and any cap on duty-free access must be based upon commercial reality and viability; a level that is too low creates a risk that companies will not participate at all.

Second, although clearly not as attractive to U.S. apparel importers and retailers as a more straight-forward third country fabric provision, application of the Generalized System of Preferences program to apparel would be a possibility. The idea is not new or unique; the European Union includes apparel within its GSP program. USA-ITA members advise that a value-added rule based upon the GSP program,

namely 35 percent value added plus substantial transformation plus direct shipment to the U.S. market, with other countries in the region and U.S. inputs allowed to help make up that 35 percent threshold, might provide a small incentive to place some orders in Haiti. Expressly placing Haiti apparel under the GSP program also carries with it the conditions and standards that are part and parcel of the U.S. GSP program, including affording internationally recognized worker rights.

USA-ITA also urges the Committee not to perpetuate an inappropriate distinction between apparel made of knit and woven fabric. As a practical matter, only knit fabrics are produced in the Caribbean and Central American region; wovens are virtually non-existent. The more limited benefits for woven apparel under CBTPA, requiring that the fabrics be formed in the U.S. from U.S. yarns (while knit apparel can use fabric woven in the region from U.S. yarns), has effectively undermined any incentive for investment in such mills in the region. Continuing that distinction would only serve to eliminate the ability of Haiti to shift into other products. Creating an incentive for investment in woven fabric production now, by providing benefits for apparel made from fabrics woven in the region, while noble, is truly too late, particularly in light of the amount of production capacity already in place in the world.

Adjustments in the caps on benefits under CBTPA would be largely tantamount to rearranging the deck chairs on the Titanic. While Haiti might benefit from its own non-underwear t-shirt cap, if it were set at a commercially viable level, it is not the caps that will prevent Haiti from maintaining the interest of U.S. importers or winning more orders from U.S. buyers next year. With Haiti accounting for only 0.67 percent of the apparel imported into the United States in one year period ending July 2004, and the overall CBTPA cap never filling, it is apparent that other issues are behind the trends. Only the non-underwear t-shirt cap fills early. Ultimately, the issue is how to make apparel, including more types of apparel, produced in Haiti competitive. The way to do that is to allow it to reduce costs sufficiently to offset its lower productivity levels.

USA-ITA does commend the concept behind H.R. 1031, which would encourage U.S. free trade agreement partners and unilateral preference partners to use inputs produced in any of these countries and regions. While our members do not *yet* view this as a viable option for Haiti, because too few of the U.S. partners produce sufficient quantities of cost competitive yarns and fabrics or have the logistics in place to allow timely movement of inputs from one location to another, the goal of integrating productive capabilities among our preferential trade partners is clearly the right direction. At some point in the future, when our preference regions include more yarn and fabric producers, the inclusion of such cumulation benefits could be a winning business plan.

USA-ITA respectfully urges the Committee to quickly approve legislation that will give U.S. importers a real reason to do business in Haiti. With very little time left for legislative action, we ask the Committee to pass meaningful and substantive legislation. Time is of the essence. Haiti is already losing business as the end of the decades of quotas nears. The most recent trade data shows that the month-to-month and quarter-to-quarter data are falling much faster than the year-ending data. That signals that orders are moving, primarily to other Central American countries, and portends the difficulties Haiti will face unless the Congress acts now to provide substantial benefits to justify the placement of business in Haiti.

[BY PERMISSION OF THE CHAIRMAN:]

Statement of Camara Nacional de la Industria Textil, Ciudad, Mexico

Camara Nacional de la Industria Textil (CANAINTEX) appreciates this opportunity to submit for inclusion in the record our views on legislation according certain U.S. trade preferences to Haiti.

Canaintex is the national association representing more than 400 manufacturers of textiles (yarns, fabrics and non wovens) in Mexico. The fiber, textile, and apparel sector accounts for 7.5% of Mexico's manufacturing GDP and employs more than 800,000 Mexicans.

Canaintex firmly believes that the future of the textile industry in the hemisphere—in the U.S. as well as in Mexico and the Caribbean—depends on the extent to which countries in the region eliminate trade barriers and create an integrated, efficient regional textile market. Market based, regional integration will allow suppliers in the hemisphere to deliver a “total package” regional product to our apparel customers in the United States at competitive prices, delivery times and quality

standards. We believe this is ultimately the only basis on which Western Hemisphere textile producers will be able to successfully compete with Asian suppliers.

In line with this approach, member companies of Canaintex have made substantial investments in capital equipment and technology to position Mexican companies as price competitive, reliable suppliers of high quality inputs to regional apparel producers.

At the same time, the Government of Mexico has worked to negotiate Free Trade Agreements to open up regional markets to Mexican textile products and, equally important, to expose Mexican textile companies to market disciplines and ensure we remain competitive.

We believe the results speak for themselves. In the highly competitive U.S. market, the Mexican textile industry was able to establish itself as the number one foreign supplier in a broad range of products. At the same time, Mexico grew to become the number one export market for U.S. textile manufacturers and U.S. cotton growers.

Moreover, in the past year, we have worked with U.S. trade negotiators and our colleagues in the region to introduce the concept of textile cumulation into trade agreements with Central America and the Dominican Republic, and we are seeking wider cumulation in on-going negotiations with the Andean countries. Cumulation is a powerful tool for rationalization of the hemispheric textile market, and an important building block in constructing a Free Trade Area of the Americas (FTAA).

In this context, Canaintex believes that the original HERO concept—to provide Haiti with the opportunity to incorporate inputs from countries with which the United States has Free Trade Agreements—is the most effective means of achieving the twin goals of promoting apparel production in Haiti and strengthening the regional textile and apparel industry. There is a real possibility that expanding the range of qualifying sources to include Asian suppliers—including China—could create incentives to dislocate existing production in the hemisphere, widen the threat to U.S. and regional textile producers from unfairly traded product, and increase the opportunities for illegal transshipments of Chinese textiles. These effects would exacerbate the employment and other economic effects associated with the ending of textile quotas in January 2005 which have been documented by the International Trade Commission.

Canaintex believes that quality inputs required to support expanding Haitian apparel production are available from FTA supplier countries in the volumes needed, at highly competitive prices and with short delivery times, making the expansion of preferences to non-FTA suppliers unnecessary. This would be particularly true if the U.S. Congress were to take early action to approve the trade agreement with Central America and the Dominican Republic.

In the case of Mexico, the fact that Mexican producers currently supply more than \$88 million worth of knit fabric to the United States market stands as clear evidence that we have the available capacity to supply Haiti with high quality knit fabric in the quantities required.

Canaintex would welcome an opportunity to work with the Committee to ensure that the needs of Haiti's apparel industry can be met within this hemisphere.

[BY PERMISSION OF THE CHAIRMAN:]

**Statement of Marie-Claude Bayard, Haitian Manufacturers Association,
Delmas, Haiti**

My name is Marie-Claude Bayard. I am President of the Haitian Manufacturers Association (ADIH) and it is an honor to present my personal perspective and that of our Association to your prestigious Committee.

My professional activities in the textile sector began in 1975 and we employed over 1,400 people at peak times in 3 factories. Today, we operate only 1 plant employing approximately 600 people working for Wal-Mart and JCPenney via SaraLee and Perry Manufacturing. The downsizing resulted mostly from the migration of our children's wear suppliers towards cheaper production lines in the Far East with which we could not compete.

ADIH

The Manufacturers Association represents a very large group of industrial enterprises and related businesses with one-third of its members operating in the textile sector.

Quite concerned by the new threats and challenges posed by the prospects of a world shaped by globalization, ADIH began to search for ways to assist its members in their adjustment programs and to help propel Haiti on the path of substantial increase from its low level of production. The results of our search were conclusive: our best and only choice for a fairly quick response to the dire needs of the country in investments and job creation was, and still is, the textile assembly industry with its huge potential for massive employment of unskilled labor and its demands for reasonable financial investments.

We applauded Congress when it passed the AGOA bill with special provisions given to the least developed countries in Africa. It was a fair gesture and it confirmed our belief that we could also expect the same fairness towards Haiti, the least developed country of the Americas and one of the United States closest neighbors.

We are very grateful to the U.S. Congress for taking the time to look for ways to assist Haiti and support the Haitian garment industry and its workers. We are also grateful to all the U.S. firms like Perry Manufacturing, JCPenney, Wal-Mart, Tropical Manufacturing, A&E Threads, the American Apparel and Footwear Association, the U.S. Chamber of Commerce, the American Chamber of Commerce in the Dominican Republic, the Asociacion de Zonas Francas de la Republica Dominicana, and so many others who put their faith in our small and troubled country and sided with our efforts.

HAITI NEEDS HELP

While we gather here to discuss issues related to the HERO bill, our country is at a crossroad that brings both serious concerns and great hopes. Concerns, because institutions are still weak and the extreme poverty and level of unemployment render the task of nation building more difficult and troublesome. At the very moment that we should be paying respect to the memory of our ancestors who achieved a remarkably successful revolution, we are faced with Haiti's disastrous position in two important classifications: ranking 80th in the Global Competitiveness Report, and 145th in the Human Development Index. It is a worrisome story: the income per is less than \$400 a year and will remain low unless the course is radically altered. The common citizen is wrestling between electricity shortages, lack of potable water, of minimum healthcare, of schools and daily meals for all children. Unemployment or underemployment among those of working age is far in excess of 70%. It is therefore evident that building democratic institutions is extremely problematic under such conditions.

HERO

Only by enhancing Haiti's attractiveness can we hope for substantial business investments. CBTPA did not fulfill the expectations because of its limitation to U.S. fabrics, more expensive than most of the world, or because of knit regional fabric not readily available or delivered on time, also for not allowing the use of regional woven fabric. This is what HERO, as passed by the Senate, would in fact correct. By allowing production from third country fabric, HERO would create the opportunity for all manufacturers to compete with the low production costs of Asia and set the base for Haiti to become a garment production center for the region.

Quoting the USAID report of 2003: "HERO will stimulate production in Haiti of apparel from both U.S. and third country fabrics. If there is any diversion, it is most likely to come at the expense of imports from the Far East made with no U.S. components or imports from U.S. preferential trading partners who will see their textile mill products incorporated into apparel in Haiti as opposed to within their own countries."

We are very grateful to the U.S. Congress for taking the time to look for ways to assist Haiti and its workers. "There are some very impressive well-managed companies, consciously striving for the *American model*, run by young men with a strong U.S. background, with full computerization of production planning and accounts, and in some cases also, marketing plus product development."

The type of assembly carried out in Haiti would have minimal or no impact on employment in the United States. Again as quoted in the USAID report, "*there should be no adverse impact on U.S. apparel manufacturers since the type of apparel that could conceivably enter from Haiti under the new provisions of HERO have long-since left the United States for offshore operations.*" In fact, it would encourage the emigration of jobs away from the Far East and back to our own hemisphere.

It would also create new jobs in the United States since unlike in the Far East, most of Haitian foreign exchange earnings are utilized to purchase American products and, furthermore, many components included in garments would be purchased in the United States.

Growth in Haiti will also benefit the whole state of Florida. Haiti has a high propensity to import products and services originating in Florida and increased export earnings will augment this propensity.

SOCIAL IMPACT

We have all witnessed the human misery represented by disadvantaged Haitians risking their lives in perilous sea voyages to reach the shore of Florida where they literally have to swim to shore with absolutely nothing. It is only by creating employment opportunities in Haiti, as will happen through HERO, that we can reduce this flight. And on the basis that one formal job in Haiti feeds 6 mouths, such employment could conceivably support over 15% of the entire population.

The private sector of Haiti has become increasingly conscious that the new rules and norms in our global environment also require a complete new approach to the business of growth. The Haitian Manufacturers Association has, for some time now, endorsed the World Responsible Apparel Production or WRAP standard. A new social conscience has matured not only to create the most favorable investment climate through the promotion of proper public policy framework but also and foremost by ensuring the best working environment and social conditions for our workforce conducive to personal growth.

Again quoting the USAID report: "This 'social conscience' of some employers is distinct from the ruthless drive for productivities and cost reductions in textile companies around the world, especially in Asia and the former Soviet satellite countries of Eastern Europe. . . . A strong element of compassion and care is very apparent in some of the larger and more successful Haitian-owned companies."

It must also be noted that 75% of employees in the Haitian sector are female.

With great pride, we have seen some of our workers become quality managers, line supervisors, production managers and head mechanics and their children graduate from high school and go to college to become doctors, nurses and engineers. Many of the workers have gone from using the services of loan sharks to enjoying the facilities of the formal banking system for their personal savings or private loans to build their homes or start their personal businesses. Haiti's manufacturers strive to serve the best interests of both their workers and their consumers' Social Responsibility.

CONCLUSION

If things proceed the way the United States wishes, the Free Trade Agreement of the Americas will be a reality in the near future. We are convinced that there is no way for a small country like Haiti to prevail by itself. We realize that our whole Caribbean region is particularly vulnerable. Integration, if conducted properly, represents the appropriate method by which we can benefit to the maximum from the winds of globalization and set sail towards the future model of competitive development. However, the participation of small economies is imperative for the success of the FTAA. We are ready to move towards strategic alliances with partners of the region and foremost with our next door neighbors.

Sadly enough, there is no quick fix to the problems of poverty and underdevelopment. The purpose of HERO is to help improve the economic and political situation in Haiti through trade and thereby allow Haiti to better be able to confront its serious economic and social problems. For once, our LDC status can be considered a strategic advantage, presenting enormous opportunities for Haiti and for business people willing to seize them. The HERO bill approved by the Senate, the new Investment Code and the new Law on Free Zones offer great advantages to investors willing to export from the Haitian platform. New industrial parks are being built under specs that are fully congruent with the most stringent international environmental norms.

Haiti needs HERO. As business people, we need HERO to enhance our contribution to the welfare of the Haitian society, by creating much needed stable jobs to jump start the economy. In the new world of the Americas, the walls of prejudice, poverty, and protectionism can be toppled by extending a helping hand to a small country like Haiti and connecting through the bonds of freedom and prosperity. The U.S. free trade agenda can help a fragile democracy in the Americas, just as U.S. trade policy after World War II helped secure democracy and hope in Western Europe and Japan.

There is, as yet, no fabric or yarn manufacturing facility in Haiti. With China, the fourth largest trading nation in the world, now in the WTO, if left unattended, Haiti will face devastating global competition. This must not be allowed to happen. A solid legislation like the HERO bill is a valuable instrument for energizing key actors to attain socio-economic and political progress and help nurture economic development initiatives. Expectations that HERO would find its way through Congress

unopposed has itself reinforced the current momentum in the sector in Haiti. We are therefore convinced that employment and exports could increase by approximately 30% in the short to medium term.

Haiti is only two hours' travel time away from the U.S. as opposed to the long hours needed to reach the Far East or China: businesses will respond favorably to the opportunity of HERO to avail themselves of the best possible insulation for the future, within the national constraints.

With growth, finally Haiti will be empowered to draw on its art, its traditions and culture to reinvent itself through the open-mindedness, hard work and perseverance of its people. Our citizens dream of a life free of despair and this extraordinary city of Washington can play a leadership role to hearten our citizens through an adequate legislation that will unlock the country's potential. The challenges are genuine. We should not minimize their significance. But we can learn from one another while also perceiving special needs and circumstances in a bond of mutually beneficial exchange.

[BY PERMISSION OF THE CHAIRMAN:]

Statement of Patrick Moynihan, Haitian Project, Inc., Port-au-Prince, Haiti

My name is Patrick Moynihan, and I am grateful for this opportunity to submit this statement to the Subcommittee in support of legislation for trade preferences for Haiti. I am the President of the Haitian Project, Inc. and Director of Louverture Cleary School, an independent Catholic secondary school for economically underprivileged, academically gifted students in Port au Prince, Haiti.

Given that I am an educator rather than a textile or trade expert, it may not be readily apparent why I would request to speak on behalf of the HERO Act. Since 1996, I have directed Louverture Cleary School, The Haitian Project's free secondary school for academically gifted children from the poorest regions of Haiti. The objective of the school is to form our young, talented students into civic-minded, productive leaders for Haiti—a country that has suffered far too long from the instability created by an economically divided society easily exploited by mercurial and divisive leaders who find little challenge in manipulating the country through threats of revolution and oppression simultaneously. Therefore, as an educator, my interest in the HERO Act is very pragmatic. Haiti needs a stronger, larger middle class to buoy its nascent democracy. Therefore, its people need jobs. Specifically, our graduates need jobs if they are going to make a difference.

Simply put, our mission of educating economically disadvantaged students to become the future leaders in their country cannot be realized unless there are opportunities for gainful employment at the end of their education. It is critical for our students to have job opportunities such as those offered by the apparel industry in Haiti. In order for those jobs to be created and available to our students, Haiti must be provided trade preferences such as those in the HERO Act.

Part of my responsibilities as the president of Louverture Cleary and The Haitian Project is to work with the business community of Haiti to find meaningful employment for our graduates as they pursue their university education. This activity has provided me with the opportunity to visit, on numerous occasions, factories in Haiti involved in production ranging from textiles to electronics. While many of our students are employed in retail companies and others are studying medicine at the top universities in Haiti, a significant portion work in industrial settings as quality control managers, accountants and inventory managers.

I must say that my visits, which are frequent and unannounced, have never left me with the impressions that I hear stated by some of your colleagues in the name of protecting the Haitian worker. This leads me to wonder if the negative descriptions, which have at times been very personal condemnations, used to describe the working conditions in Haiti are motivated more by politics than a true interest in helping the Haitian worker. I suppose I would believe the sentiments of those who oppose Haiti being assisted in finding work for its people through trade acts such as this one, if those same politicians would propose opening our borders to allow all the unemployed Haitians, over 60% of the country, to move here and compete for jobs. At the very least, I can say that their words have little basis in reality given my experience in Haiti.

Certainly, salaries in Haiti are very low—too low for the missionary-minded like myself. However, how will wages ever increase without competition? We are not counting on altruism in this country to improve laborer's pay—we should not expect to find it doing so in other countries. With increased employment comes training

and increases in productivity. Increases in productivity provide laborers with the chance to organize into unions and demand more of the profits their work produces. Increased employment also creates stability and funds infrastructure advancements both of which reduce the risk for investors backing companies looking for new locations for their factories. This, in turn, increases the number of companies willing to compete for Haitian labor—the last natural resource Haiti has to bring to the global market. We can continue to pour money into Haiti through USAID and other non-self-sustainable programs, or we can provide ways for Haiti to develop an economy.

We also know that this trade initiative comes with significant requirements that must be fulfilled in order to “merit” the advantage. These requirements will encourage improvements in the treatment of labor in Haiti as well as positively motivate the government of Haiti to improve itself. It is easier to invite a horse to water than push him there. The HERO Act invites social and political responsibility by offering a tangible reward for doing the hard work of maturing a country from revolution into statehood.

I also believe extending the HERO Act to Haiti will benefit the United States. It is in our best interest to work cooperatively with all our brothers and sisters in the Americas to create a more stable and economically healthy region. No offense to Mr. Frost, Trade Acts, not walls, will make better neighbors and neighborhoods in the end.

As a final point, each day I am approached by at least five people who are looking for work in Haiti. Depending on their circumstances and education, their plea ranges from desperation caused by hunger to anger caused by frustration. It is not easy to watch a country undergo the industrial revolution starting at its most basic, manual and rigorous level. Yet, it is more painful to think that people will always starve in Haiti and go without education with only the hope of getting out to console them. I ask that you pass this trade act. Let’s give Haitians of all economic levels a working chance by giving them a chance to work.

Statement of National Retail Federation

The National Retail Federation (NRF) submits this statement to the Ways and Means Trade Subcommittee to express the U.S. retail industry’s strong support for a trade preference program for Haiti. NRF is the world’s largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet and independent stores as well as the industry’s key trading partners of retail goods and services. NRF represents an industry with more than 1.5 million U.S. retail establishments, more than 23 million employees—about one in five American workers—and 2003 sales of \$3.8 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations.

NRF welcomed the passage of S. 2261—the Haiti Economic Recovery Opportunity Act of 2004 (“HERO”)—in the Senate. We also applaud quick action by the Ways and Means Committee to help ensure House consideration of the initiative before the end of the 108th Congress. In order to assist the economic recovery and development of Haiti, the most impoverished country in the Western Hemisphere, the HERO bill focuses on incentives necessary to build a viable apparel industry, using the African Growth and Opportunity Act as a model. Like AGOA, the HERO bill employs a flexible rule of origin that provides duty free treatment to clothing made in Haiti from third-country yarns and fabrics.

This flexibility to use third-country inputs in apparel production is absolutely essential to the success of any trade initiative for Haiti, due to two trends that are creating a paradigm shift in the competitive landscape for textile and apparel production and sourcing. The first is the end of the global system of textile and apparel quotas on January 1, 2005. Once textile and apparel quotas end, the cost of quota will no longer be a factor in production and sourcing decisions. The chief beneficiaries from this change will be the most competitive Asian producers, who have, heretofore, been the most severely restrained by quota restrictions.

The second event is a fundamental change over the past decade in the way apparel is manufactured, from the old “cut-and-sew” model to so-called “full package” production. While labor costs remain a competitive factor under this system, it is, at best, secondary, and is certainly not as important a consideration as in the past. Indeed, in full package production, apparel producers who are the most competitive share a certain number of characteristics. In general, they are able to provide their customers a range of services, including the ability to work closely with designers,

adaptability in the face of rapidly changing demand, and the ability to maximize speed to market. But perhaps the most important trait they share is access to the widest range of yarns and fabrics.

Again, this situation favors manufacturers in Asia over those in the Caribbean Basin region, like Haiti, who have found themselves bound to the cut-and-sew model and over-reliant on high-priced U.S. yarn and fabric as a result of the inflexible rules of origin under the Caribbean Basin Initiative and the Caribbean Basin Trade Partnership Act. The compliance costs created by these programs often negate the duty preference and have made it more difficult for Haitian and other regional producers to compete effectively against the most efficient Asian manufacturers. The end of the quota will only exacerbate this competitive handicap.

In addition, the political and economic instability in Haiti has created yet another significant competitive obstacle for that country. In sum, without strong incentives to encourage apparel retailers, importers, and manufacturers to do business in Haiti, the prospects for the apparel sector there are bleak. Conversely, a strong package of incentives that will enhance the advantage of proximity to market that Haiti does have, as well as provide apparel retailers and manufacturers a commercially-viable environment in which to do business will encourage trade, development, and the creation of desperately-needed jobs in the country.

The HERO bill is commercially viable in the sense that it includes the necessary incentives to overcome the risks for apparel retailers, importers, and manufacturers to do business in Haiti, and to achieve its ultimate objective of promoting trade, investment and job creation in Haiti. Given the short time left to this Congress and the imminent end to the quota system, it certainly makes sense for the House to consider passage of the Senate bill as quickly as possible. If the Ways and Means Committee and the House conclude that a different approach is warranted, it should still be guided by the considerations discussed above to craft a commercially viable bill with simple and flexible rules of origin. Simplicity and flexibility are key. Retailers simply will not use any program that handcuffs them with rigid, complex rules.

Other approaches that meet the simplicity/flexibility test have been proposed in other pieces of legislation. For example, the Middle East Trade and Engagement Act, which has been introduced with bipartisan support in both the House and Senate, adopts for apparel the simple, straightforward rule of origin under the Generalized System of Preferences. The GSP system provides preferential treatment to articles that undergo at least 35 percent value added production in the beneficiary country.

Finally, in debate on the Haiti initiative, some have suggested that limiting imports from China is necessary to ensure that countries like Haiti can continue to export to the United States in the post-quota world. This argument is a red herring. The simple fact is that there is no guarantee that any trade diversion created by limiting imports from China will benefit countries like Haiti. Rather, it is more likely to shift to other Asian producers that are not subject to any quantitative restrictions. Secondly, limiting imports from China does nothing to build the competitiveness of Haiti or any other producer. Conversely, however, providing the right package of trade incentives and crafting an initiative for Haiti that meets the "commercial viability" test will help build a more competitive apparel sector in that country. This in turn will help spur trade, investment, and job creation, and ultimately better political stability in Haiti, an outcome that is clearly in the interests of the United States.