

**Testimony of Kimberly Glas, President & CEO
National Council of Textile Organizations**

**Senate Homeland Security and Governmental Affairs Committee Hearing on
COVID-19 Part II: Evaluating the Medical Supply Chain and Pandemic Response Gaps**

May 19, 2021

Chairman Peters and Ranking Member Portman, thank you for the opportunity to testify on this subject that is so important to our nation, and to the U.S. textile industry and our workers.

My name is Kimberly Glas, and I am President and CEO of the National Council of Textile Organizations (NCTO), representing over 150 companies that comprise our membership. NCTO represents the full spectrum of the U.S. textile sector, from fiber through finished sewn products, as well as suppliers of machinery, chemicals, and other products and services with a stake in the prosperity of our industry. U.S. textile and apparel manufacturers produced \$64 billion in output in 2020, and our sector's supply chain employs more than 530,000 workers.

Textile manufacturing is considered an "essential" industry in the United States due to the many consumer, military, and industrial products that we manufacture, including personal protective equipment (PPE). In fact, the domestic textile industry supplies more than 8,000 different textile products for the U.S. military alone. The United States is also the world leader in textile research and development, with the U.S. textile complex developing next generation textile materials such as conductive fabric with anti-static properties, electronic textiles that can monitor heart rate and other vital signs, antimicrobial fibers, lifesaving body armor, and new fabrics that adapt to the climate to make the wearer warmer or cooler, and extruded fibers which incorporate semiconductors and microprocessors. Although often associated with labor intensive apparel manufacturing, the textile industry is actually one of the most capital and technology intensive of all modern manufacturing sectors.

In my remarks today, I will provide an overview of:

- The nature of the U.S. market prior to the pandemic and the root causes of America's dependence on offshore sources for medical PPE
- The heroic response of the U.S. textile industry to meet emergency PPE needs as the COVID-19 crisis intensified
- The federal government's response to COVID-19 and challenges that have complicated the ability of domestic textile PPE suppliers to expand output, and relevant solutions to address these challenges; and
- The need to adopt a series of precise policy and contracting recommendations designed to incentivize the establishment of a vibrant and permanent domestic PPE supply chain. The timeliness and urgency of these recommendations cannot be overstated as some companies

who stepped up to respond to this crisis are facing bankruptcy. These proposals include, but are not limited to:

- Create strong domestic procurement rules for federal PPE purchases and other essential products substantially similar to the Berry Amendment and the Kissell Amendment which require 100% US content from fiber production forward;
- Implement forward-looking policies to shore up the Strategic National Stockpile and issue long-term contracts to incentivize investment in the domestic PPE manufacturing base;
- Centralize contracting processes and standardize vetting procedures (purchasing fully made in America PPE);
- Create federal incentives for private sector hospitals and large provider networks to purchase domestically-produced PPE, the predominant critical purchaser of PPE in non-pandemic times;
- Continue to deploy the Defense Production Act to shore up the textile industrial base from raw materials to end products for all essential products. Provide other incentives to bolster this manufacturing industrial base -- a strong domestic textile industry will ensure the United States can respond in a crisis and beyond;
- Ensure we have strong trade policies and address dumping of imports and counterfeit/illegal products;
- Expedite and prioritize regulatory approvals for US PPE manufacturers to strengthen the depth and diversity of 100% US-made PPE offerings.

We particularly want to note the passage of the Portman-Peters Make PPE in America Act, that was reported out of committee last week. We cannot thank the committee enough for your unanimous support and we want to work closely with you to get this bill enacted into law quickly. This essential legislation as well as the other policies noted above will help ensure we have a strong healthcare industrial base long after the pandemic is over.

Catastrophic PPE Shortages: How Did We Get Here?

U.S. textile manufacturers compete in one of the most unbalanced economic playing fields of any industrial manufacturing segment. NCTO has long called for a review of U.S. trade policy and the negative ramifications for the U.S. industrial base that stem from the aggressive, predatory practices of many of our foreign competitors and the lack of reciprocal market access for our products abroad.

The United States is the largest single-country importer of textile and apparel products overall as well as of PPE specifically. In 2019, the U.S. imported nearly \$125 billion of textiles and apparel—a record high—and ran a trade deficit of \$102 billion.¹ Furthermore, textiles and apparel ranks third, behind only electronics and transportation equipment, in terms of annual contribution to the U.S. trade deficit.² Notably, all of the top five contributors to the U.S. textile trade deficit are low-cost Asian producers, with China alone accounting for almost half of the deficit in our sector.

¹ OTEXA Trade Balance Report

² U.S. International Trade Commission, U.S. Trade by Industry Sector and Selected Trading Partners for 2018, https://www.usitc.gov/research_and_analysis/tradeshifts/2018/us_trade_by_industry.pdf

Top 5 Contributors to U.S. Trade Deficit in Textile & Apparel (Billion \$) (2019)		
Country	Trade Balance	% of Total
China	-\$42.3	42%
Vietnam	-\$14.6	14%
India	-\$8.6	8%
Bangladesh	-\$6.2	6%
Indonesia	-\$4.7	5%
World	-\$102.0	

Source: U.S. Dept. of Commerce, Office of Textiles and Apparel,

Trade Balance Report

A confluence of major economic developments and various U.S. policy initiatives drove the massive expansion of foreign penetration into the U.S. textile and apparel market that began in the late 1990s and extended through the 2008 recession and beyond. Key U.S. policy decisions greatly exacerbated the contraction of U.S. textile and apparel manufacturing, including:

- January 1995 – WTO Multi-Fiber Arrangement Textile Quota phase-outs began
- December 2001 – China joins the WTO
- December 2001 – Vietnam is granted temporary normal trade relations status with the U.S.
- January 2005 – WTO Textile Quota phase-outs completed
- January 2007 – Congress approves Permanent Normal Trade Relations (PNTR) for Vietnam

The compounding damage associated with these policy factors to the U.S. textile industry in the 1997-2009 timeframe was severe. Over this period, U.S. textile and apparel production declined by 61 percent, employment decreased by a staggering 69 percent, exports fell by 15 percent, and the trade deficit in these products increased by 82 percent. This devastating downturn took place even as U.S. consumption of textile and apparel goods was expanding, with the U.S. population growing by nearly 12 percent and GDP up by almost 30 percent over the same time span.³

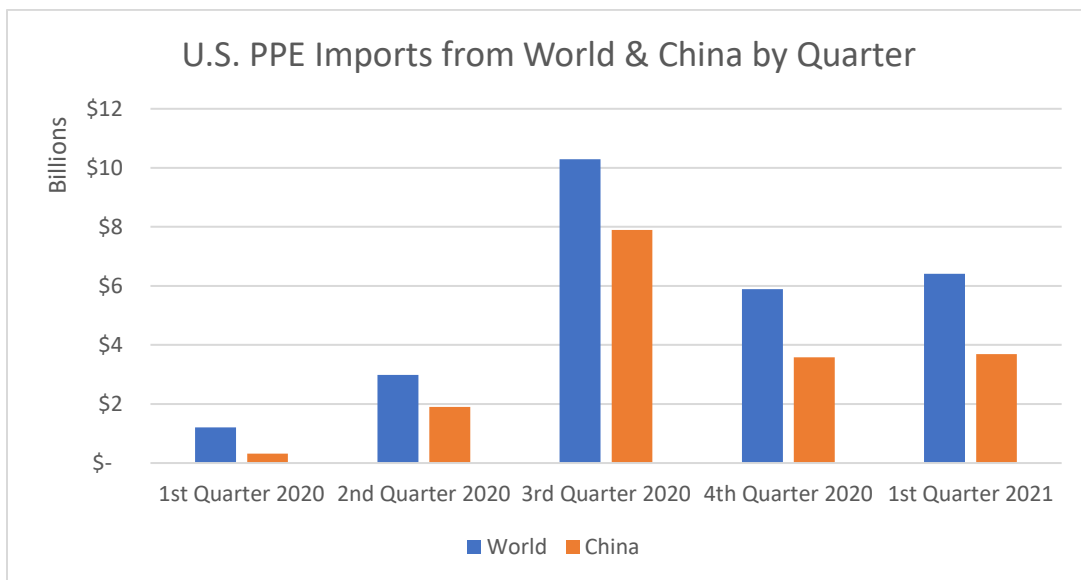
Following this period of precipitous declines, the industry has stabilized and in fact made a significant recovery in terms of overall output and exporting. However, the U.S. textile industry continues to be undermined by our competitors in the global textile and apparel supply chain, namely Asian countries that often grant limited access to their own markets, while employing a wide range of unfair trade practices, including, but not limited to: exploitative labor practices, government-subsidized production,

³ <http://www.ncto.org/wp-content/uploads/2017/05/2017-05-10-Joint-Textile-Association-Trade-Deficit-Submission.pdf>

state-owned enterprises, currency manipulation, intellectual property theft, and lax or non-existent environmental standards.

The situation regarding PPE trade tracks along the same trends. According to a recent WTO report, the United States was the top importer of “personal protective products” in 2019 at over \$19 billion, followed by Germany at \$11 billion. The WTO report also demonstrated that the largest exporter of PPE by far was China at \$25 billion in 2019.⁴

According to PPE trade data now being tracked and reported by the Department of Commerce Office of Textiles & Apparel (OTEXA), U.S. imports of PPE grew from \$4.8 billion in 2019 to \$20.4 billion in 2020, an increase of 325 percent. Imports from China specifically jumped from \$1.6 to \$13.7 billion, up 756 percent to capture a two-thirds share of the U.S. PPE import market in 2020. The chart below further breaks down U.S. PPE import data by quarter to demonstrate the dramatic uptick in imports from China and their market share.⁵



China’s PPE sector has clearly benefited from state planning and predatory trade practices. Their “Made in China 2025” industrial policies were designed to nationalize and corner market share for these products, and these sectors have been further bolstered by massive government subsidies. In addition, there is now clear evidence that China’s PPE sector is tied to slave labor atrocities associated with the oppression of Uyghur and other ethnic minority groups in the Xinjiang province.

U.S. Textile Industry’s Response to COVID-19

⁴ World Trade Organization, Trade in Medical Goods in the Context of Tackling COVID-19, Accessed at https://www.wto.org/english/news_e/news20_e/rese_03apr20_e.pdf

⁵ U.S. Commerce Department Office of Textiles & Apparel, Personal Protective Equipment (PPE) Report and U.S. International Trade Commission Data Web

Noting the focus of today's hearing, there is much to learn from studying and acknowledging the overwhelming challenges the U.S. industrial base confronted at the onset of the pandemic. Massive PPE shortages were a direct function of allowing PPE supply chains to move offshore. A lack of focused public policy to bolster this essential manufacturing in the U.S. directly jeopardized the health and safety of our healthcare workers when global supply chains broke down. China's sheer dominance in the marketplace for these essential items further exacerbated the crisis when they chose to place export controls on PPE and raw materials as global demand surged, leading to shocking headlines revealing nurses wearing garbage bags and reusing or foregoing N95 masks.

As the United States faced devastating PPE shortages last spring, our industry received pleas from the highest levels of government to nurses and doctors on the front lines, asking for immediate assistance. The U.S. textile industry was honored to step forward and answer America's call during this time of national emergency. U.S. textile manufacturers quickly mobilized to find innovative solutions to the crisis, proactively retooling production lines and retraining workers to provide U.S.-made PPE to front-line medical workers and were critical suppliers to the U.S. government, including FEMA, the Strategic National Stockpile (SNS), and the Defense Department's (DoD) procurement office, known as the Defense Logistics Agency (DLA). They put aside competitive differences to construct multi-company PPE supply chains virtually overnight. In doing so, our members were able to manufacture and supply over 1 billion urgently needed items including face masks, isolation gowns, testing swabs, and their textile components at a time when global supply failed to meet the needs this crisis required.

Despite all their PPE production efforts, many U.S. textile companies were confronted with idle capacity, rampant cancellation of orders, plant closures, and workers being furloughed at the height of the pandemic. Orders for the military also declined because of COVID restrictions.

While there was some improvement in the latter months of 2020 and moving into 2021, sales are still not back to pre-pandemic levels. For the full calendar year 2020, clothing sales were down \$70 billion, or 26 percent, compared to 2019.⁶ This historic downturn in demand led to many U.S. textile manufacturers operating at barely 10 percent of existing capacity beginning in March 2020. The collapse in demand has been felt throughout the entirety of the supply chain.

These grim statistics lead to the conclusion that U.S. textile manufacturers have suffered as much as any single segment of the U.S. economy because of the COVID crisis. Noting that our ability to make PPE long term in the United States depends on the overall health of a strong domestic textile industry, we must use all the tools necessary to ensure this manufacturing sector and other key sectors survive and thrive long after this pandemic is over.

This challenge is exacerbated now that PPE orders in the public and private sectors have largely subsided. With China re-exerting its dominance in the marketplace and as vaccines continue to be deployed, many companies are sitting with idle equipment purchased during the pandemic while struggling with legitimate concerns over the long-term viability of producing PPE in the United States. Other companies are wondering what the future holds for production moving into next year and the years to come. **Despite all the efforts that have been taken to re-establish domestic PPE production since the start of the pandemic, unless a number of critical policy solutions are advanced now it is clear that China will cement and expand its global dominance in the marketplace for these products for decades to come.** Our industry has a strong

⁶ Ibid.

sense of urgency to work with Congress and the Administration about getting key timely policies enacted before we, as a nation, are left vulnerable again.

Federal Government's Response to COVID-19

I would like to address our industry's experience partnering with the federal government over the past 14 months to mobilize and expedite PPE production, navigate the federal procurement process, and attempt to preserve these critical, reconstituted supply chains here in the U.S. permanently. It is our hope that this feedback will help inform the committee's work on identifying and supporting the various industry supply chains that make up our public health industrial base and how to fill response gaps.

Engagement Pre-Pandemic: To begin, I can briefly address the extent of our interaction with the federal government on public health supply chain management prior to the pandemic. In short, there was not much engagement to speak of for these products. The U.S. textile industry is a major supplier to the U.S. military, providing all of the mission critical textile-based needs for our warfighters, including uniforms, combat gear, carbon fiber-based ballistic protection, and beyond. The U.S. has long recognized the adverse national security implications of foreign supply chains on our military readiness. A military buy-American statute known as the Berry Amendment requires 100% US content in procurement, from raw inputs forward, which ensures U.S. content producers remain viable at all levels of the supply chain, and we maintain the workforce capable of manufacturing these items.

By contrast, we are not aware of any similar efforts to prioritize the domestic public health industrial base prior to the pandemic through supply chain mapping, identification of essential products, regular engagement with vital industrial sectors, or creating domestic purchasing requirements and investment incentives for manufacturers of textile-based PPE and manufacturers of essential medical supplies. Prior to the pandemic, few domestic suppliers had contracts with the federal government for PPE production or understood the Defense Production Act (DPA) and how it could be utilized. We must continue to foster these dialogues with industry in a detailed fashion in order to bolster the industrial base for essential products. As this committee looks for a model to adopt for valuing and advancing domestic production of vital items, we recommend looking to the work the Defense Department undertakes in industrial preparedness and, if critical areas for raw materials and end products are identified, continue to expand the industrial base using DPA and other mechanisms. We also believe gaps that have been identified in our textile defense industrial base must be further bolstered with U.S. government assistance. A strong defense industrial base creates a strong PPE industrial base.

Engagement During the Pandemic: It is important to note that, in a pandemic unlike anything experienced before in our lifetimes, even a fine-tuned federal procurement process may have challenges as the U.S. government attempted to respond to crises on multiple fronts.

As China was rationing its exports for both PPE and the raw materials to make PPE, we saw American nurses wearing makeshift trash bags for protection, and the realization was taking hold that 30 years of globalization with the Chinese dominating the marketplace left us extremely vulnerable and reliant on foreign supply chains when we needed these products the most.

In early March 2020, we began receiving urgent requests from domestic manufacturers, the federal government, members of Congress, state and local officials, and healthcare providers from across the country who were all looking for ways to solve this country's severe PPE shortage. NCTO played a key

role as the voice of domestic textile manufacturers in these conversations. We worked tirelessly to facilitate the connections and conversations necessary to form integrated supply chains, and deliver high quality PPE and critical medical products to our frontline healthcare professionals and to the U.S. government. We also engaged extensively with multiple agencies across the federal government, including the COVID response team, serving as the key industry contact point throughout the crisis.

While it is hard to predict the magnitude and severity of any multi-faceted crisis, it was apparent that the United States lacked a comprehensive strategic plan and prioritization for this critical industrial base. This is a lesson learned and should continue to be addressed moving forward before we face the next healthcare emergency. I will outline some of the challenges our industry faced during this time and provide key recommendations on what the United States government can do to help ensure that gaps in the federal response are eliminated moving forward.

Varying Federal Government Contracting Processes: During the pandemic, there were multiple agencies making substantial PPE purchases with several fits and starts to the contracting process that created confusion and lost revenue across the industry. HHS, FEMA, and DoD all made significant purchases of PPE during this time and there were key changes at the agencies who were acquiring PPE for the SNS and the bid process. At the height of the emergency, there were many conflicting demand signals that the U.S. textile industry had to navigate to supply the U.S. government timely, quality PPE.

As an example, federal contracting responsibility for an early solicitation from FEMA on behalf of HHS for the SNS was transferred to DoD, which created confusion on the part of U.S. manufacturers actively bidding on government PPE contracts. Manufacturers were initially told that DoD would order off of existing FEMA contracts, only to be informed later that this would not be possible due to conflicting procurement processes. As a result, companies had to file new bids for different agencies to supply the same product—even if they were already a supplier.

Although this move effectively reset the clock on the procurement process, the fact that the solicitations were then reissued by the Defense Logistics Agency was a welcome development based on our longstanding relationship with DLA and DoD's requirement to source military textile-based gear and other items domestically under the Berry Amendment. This provided a significant opportunity to get the full industrial base to work to supply essential PPE to the SNS to be deployed to frontline workers.

It was apparent to our industry early on that there was a lack of necessary coordination between HHS and DLA on specific procurement priorities and miscommunication between the agencies on the PPE required. By way of example, in May of last year, DLA issued a Request for Proposal (RFP) for reusable Level 1 isolation gowns. However, just days before projected awards were to be made, HHS determined Level 1 gowns were no longer needed and instead reconfigured the RFP to purchase an estimated 250 million Level 2-4 gowns, the vast majority of which would be disposable. Based on the volume and tight turnaround time associated with the original RFP, the U.S. textile industry ran millions of yards of fabric in advance to meet Level 1 reusable specifications which is consistent with industry practice in federal contracting. Pulling down the original RFP for Level 1 reusable gowns sent a confusing demand signal and led the industry to produce millions of yards of fabric with no destination.

You can imagine the severe frustration among U.S. companies that undertook significant expense to respond to the original RFP in an effort to supply lifesaving products amid the ongoing crisis. Several of these companies were forced to idle capacity and lay off workers, while excess inventory tied up

working capital. Further, we are also concerned with the pivot from reusable to disposable gowns, when reusable gowns represent a more sustainable and cost-effective option to the government and end users over time. When awards were made, NCTO and other industry organizations immediately raised concerns on the vetting process associated with certain awardees, including some newly incorporated companies with little track record and lack of financial credit winning multi-million dollar awards. Further questions were raised about whether items met the necessary health and safety standards which led DLA to do further post award vetting.

We do want to note that under a March 2021 RFP for reusable masks, we are very grateful to DLA for doing extensive pre-vetting and post-vetting of awardees and verifying the entire Berry-compliant supply chain before awards were made to ensure that companies selected met high product quality and manufacturing standards. Further, the detailed requirements and performance standards for the masks demonstrates the coordination between the agencies on this priority purchase. We believe it is important to highlight the value of awarding contracts to companies with a proven track record and ability to perform who can supply the U.S. government with quality PPE. We encourage the federal government to continue these practices on procurement moving ahead.

Lack of Long-term Federal Contracts: Virtually all federal PPE contracts during the pandemic have been restricted to short-term durations, averaging just 90-120 days. The Canadian government, by contrast, issued 10-year contracts to 2 separate N95 mask producers to foster investments in needed domestic capacity. The short-term approach here in the U.S. has had a chilling effect on U.S. investment as domestic textile manufacturers are reluctant to shoulder additional risks while simultaneously struggling with a historic downturn in traditional business resulting from COVID-19. Our industry wants to make significant investments in advanced manufacturing, like automated equipment to produce PPE, but manufacturers need longer-term, 3-to-5-year contracts to justify that investment. Providing a credible quantification of future PPE needs for the SNS through long-term contracting will help afford the assurances needed to incentivize investment in textile-based PPE manufacturing.

Recommendations for Key Contracting Reforms

The challenges posed by short-term emergency contracting as a standard practice can be mitigated by adopting several reforms that are designed to bolster private sector investment in U.S. PPE supply chains, including:

- **Issue Long-term Contracts:** The short-term PPE contracts issued in response to COVID-19 over the past 14 months do not provide the certainty that domestic industry needs to make the investments in our facilities and workforce to meet long-term PPE manufacturing goals. Our industry wants to make significant investments in automated equipment and advanced manufacturing to make PPE, but we need long-term contracts to help realize that investment. This contract certainty would provide added assurances and incentivize investment in equipment, hiring workers, and retooling operations.
- **Require Whole of Government Acquisition of Domestically Manufactured PPE:** The domestic supply chain for personal protective equipment is under enormous strain, leading to industry consolidation and company closures. To ensure the United States continues to have an innovative manufacturing base that can surge in times of urgency, it is imperative that Congress require DoD and adjacent agencies such as the Department of Homeland Security, the

Department of Veterans Affairs, HHS, and the Department of Justice (DOJ) to adopt policies similar to the Berry Amendment that require the domestic procurement of products essential to the health and welfare of our nation. Simply put, DoD is not a large enough and consistent enough customer for U.S. manufacturers and without the expansion of the addressable market for domestic products, the PPE industrial base will continue to decline.

- **Prioritize Best Value Government Contracting Over Lowest Price:** We encourage the federal government to utilize a multitude of factors when determining contract awards instead of price alone. This should take into account past performance and the viability of a potential awardee, examination of credit/financial capabilities, and the quality of the item procured to ensure it can meet healthcare standards. In addition, we would encourage the government to prioritize contract awards for manufacturers over distributors to help directly support production.
- **Verification of Potential Awardees:** We strongly encourage the U.S. government to implement thorough verification procedures for all awardees to understand capabilities, capacity, and ability to perform on contracts. For Berry-compliant products, we ask the U.S. government to verify the entirety of the supply chain to ensure the capacity is there to satisfy the requirements of any potential contract and that each item purchased meets high quality standards and share details on verifications/compliance standards and outcomes with industry.
- **Seamless Contracting Processes:** As the federal government is making further purchases of PPE, it is important to ensure a seamless contracting process if different agencies are doing purchasing for the SNS. As noted above when contracting moved from FEMA to DLA, there was confusion in this process. Further, since HHS is the lead purchaser of these items, it is imperative that a unified strategy is deployed to ensure that the requirements and needs are aligned across involved agencies and industry is given a consistent message.
- **Ensure DLA Leads Federal PPE Procurement Pending Enactment of Reforms:** Given that DLA values domestic manufacturing and procures these items under the Berry Amendment's strong domestic content and labor requirements, it is key for our emergent domestic PPE supply chains that DLA continues to be the federal government's PPE purchasing arm until Berry-like rules are instituted for other agencies. Currently, if HHS and other agencies make purchases, they are not required to purchase fully made in America PPE.
- **Prioritize Existing U.S. Partnerships Within the Western Hemisphere:** In addition to establishing a Berry Amendment rule for federal procurement of PPE, Congress should adopt a tiered contracting system that gives a secondary preference to producers in the Western Hemisphere. Specifically, after Berry sources are exhausted, priority should next be given to bids that utilize the joint production capacity of U.S. producers and our Western Hemisphere FTA and preference partners over Chinese and other foreign-made product. Doing so would help to stimulate PPE investment throughout the Western Hemisphere while simultaneously reducing our dependence on Asian supply lines that proved unreliable at the height of the pandemic.

These necessary contract reforms will help U.S. manufacturers better compete with offshore suppliers who often have significant price advantages due to government subsidies and in some abhorrent instances, forced labor.

No Domestic Sourcing Requirements for Public Health PPE Items: In addition to the challenges of short-term contracts, the lack of statutory mandates requiring domestic preferences for essential public health items has resulted in the rejection of numerous U.S. manufacturing bids to supply PPE. The absence of federal domestic purchasing requirements creates further uncertainty as to whether there will be a stable, long-term demand for U.S.-made PPE. Applying strong procurement rules will unequivocally lead to investments in this sector and help onshore the American PPE industry.

The recent disruption in global PPE supply orchestrated by China demonstrates that PPE self-sufficiency is a national security matter and justifies the need for domestic purchase mandates across all federal agencies for PPE and other critical medical supplies.

Recommendations for Adopting Strong U.S. Procurement Rules for PPE

To safeguard our public health security, we must establish strong, proven domestic procurement rules for federal purchases of textile-based PPE. While the President's Build Back Better initiative and recent Executive Order to identify ways to strengthen Buy American rules are a positive start, it is essential that Congress pass legislation that ensures our domestic supply chain is resilient and significantly stronger as we confront the next crisis.

The Berry Amendment, which governs textile-related defense procurement, should serve as a model for any new domestic procurement rules covering federal purchases of PPE. Our military leadership recognizes the importance of having a robust U.S. manufacturing base capable of servicing its mission critical needs. Otherwise, our national defense would be severely hampered in times of conflict by disrupted international supply chains and our military effectiveness beholden to the whims of potentially hostile regimes who control production through state-owned businesses. As with military procurement, new federal government domestic purchasing requirements for PPE will create the stable demand for U.S.-made PPE that will incentivize investment in and the viability of domestic PPE manufacturing by sending a strong and consistent demand signal from the federal government. When crafting domestic procurement rules, it is vital that exceptions to these requirements are narrowly tailored and any waivers should be issued only after thorough review of domestic supply chains, production capacity, and manufacturing gaps within industry. We are pleased to note that several DLA waivers issued early on during the pandemic for certain key items like gowns and N95s have been allowed to lapse in recognition of the significant domestic capacity that has come online throughout the pandemic. Further, our taxpayer dollars should not go to China and other foreign PPE producers, only to have those same offshore producers withhold access to vital supplies and equipment in the face of global shortages.

In this regard, we again commend the committee's support for S. 1306, the Portman-Peters Make PPE in America Act reported favorably and unanimously out of committee last week. In addition to the contracting reforms mentioned earlier, this bill also extends strong U.S. purchasing requirements for essential PPE to DHS and other federal agencies. We also note the important role that other pending legislation can play in expanding domestic production of essential items, and recommend the committee expedite consideration of these proposals as soon as feasible. Among these are The Homeland Procurement Reform Act (S. 1009/H.R. 2915) and the American PPE Supply Chain Integrity Act (H.R. 1466). Without the implementation of thoughtful policies such as those contained in these bills, what is left of the domestic PPE industry will continue to wither away and leave the United States exposed to future biological and viral threats.

Incentivize Private Sector Purchases of U.S.-made PPE: While federal purchases certainly support domestic production and U.S. manufacturing, the marketplace for American-made PPE should be as broad as possible to build and sustain our capacity. For instance, while the Berry Amendment is instrumental in supporting American textile manufacturing, defense orders on average account for only a fraction of our manufacturers' total production. Private sector demand drives domestic production. The private sector accounts for approximately 90 percent and above of purchases of these items in non-pandemic settings. This is an essential piece to onshoring this critical production chain long-term.

Recommendations for Incentivizing Private Sector Purchase of U.S.-made PPE:

Federal incentives should be created, such as tax credits and improved Medicare and Medicaid reimbursements for large private sector U.S. hospitals and provider networks purchases of American-made PPE. Doing so will help expand our domestic customer base for PPE beyond the federal government to the private sector, provide long-term stability to U.S. PPE producers, and enhance our national manufacturing capacity. Once this current pandemic subsides, U.S. private sector PPE demand has every motivation to chase the cheapest price for Chinese PPE. Without federal incentives for purchasing domestic PPE, our hospitals and communities will face the same PPE shortages when the next public health emergency arrives.

Defense Production Act: Since its inception, DPA has been utilized by the Defense Department to make critical investments in domestic manufacturing infrastructure and capacity. If deployed correctly, it can be a critical tool to help create immediate and long-term industrial capacity to manufacture essential medical PPE.

DPA has been an important tool for boosting certain essential items like N95 mask production. However, DPA appears to have been utilized relatively sparingly by the federal government in our specific sector. For example, while the U.S. government encouraged applicants to submit proposals for DPA funding during the pandemic, there was never a structured conversation with manufacturers to assess the government's overall needs. This led to confusion as to what resources would be available to build capacity for any gaps in the supply chain, along with uncertainty regarding the government's plan to address those gaps through deploying DPA to buy equipment, retrofit and modernize facilities, or meet other emergency capital needs. It is vital that industry understand the priorities for DPA funding regularly so that manufacturers can respond accordingly. Sometimes proposals are rejected with no understanding of the rationale for the rejection or redirection toward what the U.S. government may be seeking. Regular and clear communication with manufacturers is essential to help further align our shared interests and respond to the nation's priority needs. DPA is a critical tool that could strengthen the overall textile production base for PPE and other essential items – and we encourage the federal government to utilize it more robustly for our sector.

Recommendations for Strategically Deploying the Defense Production Act

We highly recommend better coordination with industry and a more expansive application of DPA funding to exponentially increase this program's effectiveness. The American textile industry welcomes the private-public partnerships that are created when the federal government makes capital investments under DPA. Further, incentives to invest in the manufacturing base coupled with DPA is also a critical tool to bolster domestic capabilities.

We also strongly recommend that DPA be used to diversify sourcing of critical products by creating redundant domestic supply chains. Pre-COVID, the United States had just one manufacturer of testing kit swabs located in Maine and one foreign manufacturer in Italy. DPA and federal funding has been utilized extensively to expand this essential production, but there has been no further federal funding to diversify swab production in the United States beyond this one producer. If something were to happen to that one producer, it would cripple our industrial health base for essential testing. Without diversifying production in the U.S. to help mitigate supply chain risk, we leave the United States vulnerable in a future pandemic. I represent an Ohio company that would like to expand their operations to be a critical surge/back-up producer and converted operations to making testing kits swabs—but their ability to stay in this market long-term will be hindered without federal investment. They have applied for DPA funding several months ago but to date have not received a response. This is the kind of project that should be an immediate priority for DPA funding. Diversifying federal investment in multiple production lines helps mitigate risk and strengthen U.S. resiliency.

Moreover, there are significant opportunities for the DPA to be utilized further to bolster both raw material inputs and finishing technologies to help ensure we are making globally competitive PPE products and other essential (military) items in the United States.

Lack of Coordinated, Strategic Public Policy: At present, our industry lacks a roadmap on long-term federal government contracts, has no U.S. domestic purchasing requirements for PPE with Berry-like contracting rules, is unaware of any long-term government strategy to invest in the U.S. textile industry, and there are no incentives for the private purchase of these products by hospitals and nursing homes. Without legislation to address these aspects, we remain severely vulnerable and dependent on Chinese dominated supply chains for decades to come.

A key aspect of this coordinated federal strategy should be comprehensive supply chain mapping and a capacity assessment of the U.S. public health industrial base.

Recommendations for Adopting Coordinated Public Policy

Congress and the administration can promote a comprehensive, unified federal government policy approach to domestic PPE supply chains through various steps, including:

- **Clear and Regular Communication with Industry:** It is essential moving forward that the administration and Congress have regular and clear communication with industry on the status of our industrial base, federal demand signals, and further policy tools that are necessary to foster onshoring critical manufacturing. These strategic dialogues play a crucial role in developing solutions to help expand this critical industrial base moving forward. This includes regularly mapping this critical supply chain to understand deficiencies and areas for investment.
- **Improvements for the Strategic National Stockpile:** Next, we need to improve and streamline the role that the SNS plays in preparing for and leading our national response to a national health crisis. The Stockpile must always be prepared to meet our public health needs efficiently and adequately during a pandemic or other public health emergencies. We must have well-stocked, current supplies on hand, sufficiently capable means for distributing these supplies, and the ability to quickly mobilize production to supplement supplies as needed. The U.S. should also develop a plan to cycle out products in the SNS and issue contracts to backfill these

critical products. These goals, plus comprehensive supply chain mapping, will require additional advance planning by the executive branch and proper oversight and funding by Congress.

Additional Recommendations

As we exit the current crisis, rational federal policies are needed to ensure a stable overall environment where domestic supply chains for critical materials, such as PPE, can thrive in the United States. In that regard, NCTO has proactively coordinated with 20 additional trade associations and labor groups representing the entire domestic supply chain to develop and propose a commonsense approach to strengthening the integrated U.S. textile sector, including those engaged in PPE production.⁷ We are united in our support for key policy and contracting improvements to address both our long-term goals of building, strengthening, and maintaining a U.S. PPE supply chain, and meeting the immediate PPE needs of our frontline health care workers, patients, and the general public. In addition to those already outlined above, we support additional improvements to U.S. public health policy including:

Reassess and Address Imbalances in U.S. Trade Policy: The above listed recommendations will only succeed under a broader policy framework that values U.S. manufacturing and its workforce. At a minimum, this broader framework must include the following:

- **Support PPE Tariffs:** Tariffs serve a critically important role in balancing the unfair advantages that non-market economies have over domestic producers. As we have discussed earlier, these advantages include government subsidies, state-owned enterprises, non-reciprocal trade policies, intellectual property theft, currency manipulation, and sub-standard labor and environmental policies. Congress needs to keep PPE tariffs on finished products in place to support U.S. businesses and workers and our FTA partners who abide by higher standards to earn duty-free access to our market. We also note that some tariffs for finished PPE products are at zero right now – which creates an unbalanced access to the U.S. market for some items and encourages the use of others. Congress must resist pressure to waive, delay, or reduce duties from massive importers who undermine U.S. manufacturing through an insistence on sourcing goods from countries that routinely employ these sub-standard practices.
- **Enforce U.S. Trade Laws:** The full force of our country’s investigative and enforcement capabilities must be unleashed to eradicate illegal and unfair trading practices. This would include steps to severely punish dumping and subsidy activities, and to block the importation of counterfeit goods and those made with slave labor and child labor. A top priority in this area should be the aggressive enforcement of the current Customs and Border Protection withhold release order on Chinese cotton and textile products made with forced labor. It is bad enough that China was able to deconstruct America’s PPE production chain through their extensive state planning and subsidies, it would be completely unacceptable to ignore the role that their reprehensible human rights abuses play in their dominance of global PPE markets. Furthermore, we must crack down on counterfeits. Regrettably, independent studies have

⁷ Joint Statement on Policy Objectives for Reshoring and Safeguarding Domestic PPE Manufacturing, <http://www.ncto.org/wp-content/uploads/2020/07/2020-07-20-Joint-Industry-Statement-on-PPE-Principles-Final.pdf>

verified that imported PPE often fails to meet basic health standards and puts our healthcare workers at risk. We must address these issues swiftly and aggressively.

Conclusion

The COVID-19 crisis has once again demonstrated the enormous contribution the U.S. textile industry makes to our overall economy and to our national and healthcare security. While we have suffered significantly due to market contractions and forced production shutdowns, we are confident that the domestic textile industry will exit the current crisis stronger and more agile than before the onset of the pandemic.

Further, the time is ripe for a revival of American PPE textile manufacturing. It has already begun, but we are at a pivotal point. Without the necessary policy response and support, our recent progress will be undone just as quickly, and China's stranglehold over global medical textile supply will be locked in for the foreseeable future with no reason to invest here. However, with the right policy framework, the domestic PPE supply chains built overnight can endure and grow, creating a level of self-sufficiency domestically that we have learned the hard way is essential to our national health and economic security.

Thank you for allowing me this opportunity to testify at this important hearing and to work on behalf of our members with this committee to enact rational policies to create a vibrant, permanent, and self-sufficient U.S. PPE manufacturing chain.