US importers urge Biden to step up Red Sea protections

Footwear and apparel importers call for restart of East Coast longshore contract talks

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A year after <u>attacks on Red Sea shipping</u> began to reshape the global supply chain, a U.S.-based group is calling on President Joe Biden to do more to protect vessels transiting the Mideast trade route.

The American Apparel & Footwear Association (AAFA) also urged union longshore workers and employers to resume contract negotiations and avoid another shutdown of East and Gulf Coast ports that could put a chokehold on the American economy.

The AAFA in a letter to Biden urged the government to significantly expand efforts to protect international shipping lanes in the Red Sea from Houthi terrorists based in Yemen.

While longer voyages diverting around the Red Sea and resultant higher freight rates have pumped up container lines' profits, the trade group said the situation has become intolerable.

"The rise in Houthi attacks targets life and liberty and continues forcing vessels to reroute around the Cape of Good Hope in South Africa," said AAFA President and Chief Executive Steve Lamar. This longer route adds substantial costs, delays, and environmental damage, exacerbating inflation, increasing shipping expenses, and undermining sustainability goals."

New Balance, Ralph Lauren (NYSE: RL), Lululemon (NASDAQ: LULU), Carhartt and Under Armour (NYSE: UA) are among the group's members.

While the AAFA commended the U.S. military for its efforts to protect shipping lanes, including escorting ships and imposing sanctions, Lamar said Houthi attacks have only become more frequent and brazen.

"The Houthis are benefiting from these attacks, which continue to put ships and their crew in harm's way. U.S. businesses, workers, and consumers are also bearing the brunt of the consequences. The rising costs from rerouting vessels are unsustainable, and the impact on American industries is severe. American consumers and businesses cannot afford further delays or disruptions. The stakes are too high, and immediate action is needed to protect our industries, workers, and the global economy."

United States Central Command in a release Nov. 13 said U.S. air and sea forces defeated Houthilaunched weapons while transiting the Bab al-Mandeb Strait between the Red Sea and the Gulf of Aden. CENTCOM offered no other details.

The European Union's Eunavfor Aspides operation is also guarding shipping in the Red Sea, Gulf of Aden and portions of the Indian Ocean.

The EU and United Kingdom on Monday sanctioned Iranian container line IRISL, charging European shippers were using it to evade Red Sea attacks. It operates approximately 115 ships among its four lines and is the world's 18th-ranked carrier by volume, according to Alphaliner. Ironically, Iran has been a backer of the Houthis' campaign of violence. The U.S. sanctioned the carrier in 2020.

The AAFA letter marks one year since Houthis hijacked the car carrier Galaxy Leader and took captive its crew of 25 from the Philippines, Ukraine, Bulgaria, Mexico and Romania.

The AAFA in another letter urged the International Longshoremen's Association (ILA) and United States Maritime Alliance (USMX) to resume bargaining on a new master contract covering 45,000 container and ro-ro workers at 36 East and Gulf coast ports.

The sides agreed to return to negotiations and extend the current master contract through Jan. 15 following <u>a three-day strike</u> by the ILA in early October. But the union <u>broke off talks</u> Nov. 13, accusing employers of trying to force automation technology into a new contract.

The ILA posted statements of support from a number of foreign longshore unions in Australia, New Zealand and Somalia. Some ports there already incorporate automation technology.

The importers group said another round of port disruptions could exacerbate inflation, delays, and current port congestion and rail delays.

"A strike or prolonged labor action would hurt American businesses, workers, and consumers, further complicating an already challenging global supply chain environment and a period of high inflation," Lamar said.

The National Retail Federation, which counts Walmart (NYSE: <u>WMT</u>), Target (NYSE: <u>TGT</u>) and Levi Strauss (NYSE: <u>LEVI</u>) among its members, echoed the AAFA.

"National Retail Federation continues to encourage the ILA and USMX to return to the negotiating table and reach a new agreement before the January 15 deadline," said Vice President of Supply Chain and Customs Policy Jonathan Gold, in an email. "The only way a new deal can be achieved is by the parties staying at the negotiating table and addressing any outstanding issues. It is critical the

parties agree to a new contract and avoid another strike that would cause significant disruption to the global supply chain."

This article was updated Nov. 19 to add the number of ships operated by Iranian carrier IRISL.

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