Witness Statement of
Mr. Cass Johnson, President

for

THE NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS

U.S. International Trade Commission

Government Policies Affecting U.S. Trade in Selected Sectors

October 30, 2007

Thank you for the opportunity to speak before you today on the impact that China and China's government policies have had on the U.S. textile industry specifically and the world textile and apparel trade generally.

My name is Cass Johnson and I am president of the National Council of Textiles Organizations (NCTO). NCTO is the national trade association of the domestic textile industry.

The ITC's investigation of China's command and control economy, particularly as it impacts the 32 industrial sectors that China directs with its Five Year Plans, is of vital importance to the U.S. textile industry. As the figures below will relate, China presents a challenge of almost unimaginable proportions to textile and apparel producers around the globe. China's textile sector is not only much bigger than any other country's textile or apparel industry, but its government is much more intertwined in the development and growth of its textile sector than anywhere else around the world. Through eleven successive Five Year Plans, the Chinese government has guided, developed and invested in the growth of its textile sector for more than 50 years.

Today the Chinese textile sector is the largest industrial employer in China and the predominant earner of foreign exchange for the country. China's trade surplus in textiles and apparel last year was an amazing $126 billion. China's textile and apparel exports, already far and away the largest of any country, are growing at a 20% plus annual rate. The sector employs more than 10.3 million people and is adding workers at a rate of 600,000 per year. At its current rate, China's textile and apparel sector will employ more people than the entire U.S. manufacturing complex within five years[1].

The fact that this enormous enterprise is the result of a decade's long effort by the Chinese government has long been known. What has not been so well known in the United States are the precise tools that the Chinese government has used to propel its textile sector to world dominance. This is in part because most U.S. textile manufacturers have continued to invest in the U.S., rather than in China, and therefore have not developed a familiarity with how the Chinese system works. In addition, China remains a largely closed market to U.S. textile exports, so the opportunities for U.S. mills to gain an understanding of that market have been severely limited. Finally, the lack of transparency about China's subsidy regime[2], a fact that has been commented upon repeatedly both by the U.S. government, other WTO members and industry groups, has meant that its subsidy regime has been difficult to penetrate.

Just recently, however, the door on China's subsidy system has been cracked open. Important studies by the U.S. paper industry, the auto parts industry and the steel

[1] U.S. manufacturing employment is 14.0 million and is declining at a rate of 200,000 per year.
[2] China did not even submit a list of the subsidies it employs until 2006, five years after it joined the WTO. Even then the U.S. government and others noted the list was woefully incomplete.

industry have revealed broad outlines of how China "builds" its industrial sectors[3]. In addition, the decision by the U.S. government to allow countervailing duty cases to be taken against China has created important incentives for companies to investigate China's subsidy practices. The result is that today we know much more than we did even a year ago about the subsidies which the Chinese government employs to support its industrial expansion.

This ITC investigation is an important next step. The ITC report will help fill in the map regarding Chinese government intervention and precisely how the Chinese model operates. As the onion is steadily peeled back on the enormous, and often WTO illegal, support that China offers to its textile industry, new opportunities for the industry to pursue WTO legal means to defend itself will emerge. These opportunities include dumping, countervailing, China general product safeguards and WTO dispute cases.

The Commission will also be providing an important service by informing and educating policymakers in the Administration and in the U.S. Congress about the predatory nature of China's industrial policy as it regards textiles and other sectors. When large nations build economic growth on a mercantilist policy that is geared towards taking markets and jobs away from other nations, rather than building up its own consumption base, then it is appropriate for affected nations to act in their own defense. This study will undoubtedly help policymakers to better understand, and react to, China's mercantilist policies.

In addition, as the Commissioners may be aware, textile safeguards imposed on China in 2005 will expire on January 1st 2009. These safeguards cannot be extended even though the threat from China remains and has perhaps, due to the enormous modernization of their sector over the past three years, even increased. The ITC investigation therefore will be a key component as the textile industry considers what steps should be taken to keep China from destroying the U.S. textile industry once safeguards are removed.

While we will present information on specific subsidies that the Chinese government gives to its textile industry, NCTO will focus the majority of its remarks towards developing a picture of the Chinese textile sector, in particular its size, and the impact that that sector has on world trade. We feel this is important for several reasons. From a domestic industry perspective, China clearly poses the greatest threat to the livelihoods of hundreds of thousands of U.S. textile workers of any country. But from an international perspective, China's textile and apparel sector poses a very real threat to the economies of entire nations, almost all of which are poor, some desperately poor, and many of which are important to the United States for economic and national security reasons. Thus, the ability of the Chinese government, through its textile sector,

[3] "How Chinese Government Subsidies and Market Intervention Have Resulted in Offshoring of U.S. Auto Parts Production: A Case Study, Andrew Szamosszegi, 2007; "China's Subsidization of its Forest Products Industry," American Paper and Forest Association, 2004; "Money for Metal," Alan Price, Wiley Rein for the Steel Manufacturers Association, 2006.

to destabilize significant portions of these nation's economies should be of prime interest to U.S. policymakers.

We will conclude this testimony with nine specific steps that we feel U.S. policymakers should consider in order to bring balance, equity and fairness back to the U.S. China trading relationship. As NCTO has stated on a number of occasions, until the American public begins to believe that trade policy is a two way street that works for both consumers <u>and</u> workers, trade will continue to be controversial and unpopular. Setting trade with China back onto a more open, equitable basis is a necessary first step in restoring America's faith in trade policy.

Industry Information on China's Government Subsidies

NCTO compiled a list (Table 1) of what we believe are many of the subsidies that China extends to its textile and apparel industries[4]. This review is a compilation of subsidy programs that have been identified in a number of recent countervailing duty cases as well as an independent analysis of China's overall subsidy programs for textiles and apparel[5]. Many of these subsidies are granted as part of an "encouraged" industry program while others are given specifically to the textile sector, which is regularly referred to as a "pillar" industry for the nation.

All told, according to these various sources, the Chinese government offers its textile and apparel manufacturers 73 different subsidy programs and, as a result, has pumped tens of billions of dollars of government assistance into its textile sector over the last ten years. Fourteen of these subsidies are specifically designated for the textile sector while the other 59 are available to other industrial groups as well.

The subsidies run the gamut in terms of how to an assist an industry. They include interest rate reductions, direct grants for new technology, payment for marketing and brand development costs, research and development grants, export credits, preferential short term loans, land grants, special preferential tax rates, income tax reductions, debt forgiveness, raw material rebates, preferential utility rates, tariff reductions, vat exemptions and worker benefit exemptions.

In broad terms, 24 of these subsidies have illegal export requirements, 16 subsidize technology and new equipment purchases, 11 offer income tax rebates and holidays, 8 offer interest rate reductions and loan write-offs and 7 subsidize brand building.

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4 Included in the 73 subsidies are nine which the U.S. has asked the WTO to rule as WTO illegal. NCTO has also asked the United States Trade Representatives Office to review the remaining subsidies for WTO consistency[4].
5 Case: Coated Free Sheet Paper from China, Indonesia, and Korea*, Inside US Trade*, December 2006; Report: China's Support Programs for Selected Industries: Textile and Apparel, Stewart & Stewart, June 2007; Initiation Checklist: Coated Free Sheet Paper Products from the People's Republic of China, King & Spalding, October 2006; Initiation Checklist: Countervailing Duty Petition on Laminated Woven Sacks from the People's Republic of China, King & Spalding, June 2007.

Given that the information about these subsidies is relatively new, we do not believe that this list is comprehensive in nature. We expect that there are additional subsidies available to the textile industries that have not yet been uncovered.

These subsidies are in addition to the enormous financial support that Beijing offers through its managed exchange rate, which most economist estimate is undervalued by 20 – 40 percent.

Size of China's Textile and Apparel Export Sector:

To say that China is the world's largest player in the worldwide textile and apparel market is an understatement. With exports nearly four times larger than any other country and annual growth rates of close to 20 percent, China is a superpower, the likes of which the world has never seen before. To give just one example: according to the WTO, Chinese apparel exports increased by $12 billion in 2005 with China's *gain* surpassing the total apparel exports of 46 of the world's top 50 exporting countries.

Indeed the central policy question is not whether China is the dominant player, but how much textile and apparel production will survive to any meaningful extent anywhere else. At current trends, China will surpass 50 percent of the world trade in apparel within the next four years[6]. Today, China exports nearly four times as much apparel as the next largest exporter (the EU) and that gap is widening rapidly.

To get a sense of just how much effort the Chinese government is putting into its extraordinary textile expansion, during the last ten years, the Chinese textile sector has purchased 65 percent of all knitting machines, 62 percent of all weaving machines and 46 percent of all spinning machines sold in the world.[7] To put this in another context, China's assistance to its textile industry has allowed Chinese manufacturers to buy an average of ten times more knitting, weaving and spinning machines than their next largest competitor.

Resulting Chinese growth has been stupendous. Chinese textile and apparel exports climbed 16% in 2002, 28% in 2003, 21% in 2004, 21% in 2005 and 25% in 2006[8]. Chinese textile industry production and output statistics reflect the same dramatic increases with capital assets, employment and sales up double digit and in some cases (sales), triple digits(see Appendix I).

Impact of Upcoming U.S. and EU Safeguard Removal:

China's export growth, already enormous, would have been quantitatively higher if safeguards, in the form of quotas, had not been placed on many of China's apparel

[6] www.wto.org, World Trade Statistics, 2006. China figures include Hong Kong and Macao. Re-exports excluded.
[7] "International Textile Machinery Statistics", ITMF, Vol. 29, 2006. The next largest competitor is India.
[8] China Textile Network Company, 1/12/2007

exports to the EU and the United States in 2005. <u>These safeguards cover roughly 50 percent of the apparel trade</u>, including the big "bread and butter" categories such as trousers, woven shirts, knit shirts, underwear and t-shirts (see Appendix II).

As noted earlier, these safeguards will be expiring soon - in 2008 in the EU and in 2009 in the United States. Because of the rapid imposition of safeguards by both the U.S. and the EU in 2005 when global quotas expired, China's share of the worldwide import market has remained relatively small, less than 15 percent. The remaining 85 percent of the market has remained widely distributed with no country taking a dominant share; in fact, at 15 percent, China is still by far the largest exporter in these categories.

However, the story is much different in the apparel categories where China has been removed from quota control. Previous quota phase-outs have established a sobering picture of what happens when quotas are removed and other countries are forced to compete head-to-head with China. In these quota phase-outs, China's share has exploded, while most other countries have seen losses in market share and employment.

In the United States, China's share in apparel categories that have been removed from quota for more than three years has increased from 19 percent to 65 percent[9]. Chinese exports in these categories have increased by 436 percent in just the past five years. These categories include a wide range of apparel products, including children's clothes, gloves, pajamas, ties, winter jackets and silk and linen clothing.

In apparel categories where quotas were removed in 2005, China's share has increased at a similar pace, rising from 15 percent to 52 percent during the last two and half years and is continuing to increase. These categories include an even wider variety of products, including cotton and man-made fiber dresses, coats, skirts, blouses, nightwear and all wool apparel except suits and trousers. At current trends, China's market share will hit 66 percent sometime in 2009 (see Table II).

China's share in the EU non-safeguard categories is similar. China's share of the EU market in apparel categories that have been quota free for more than three years increased from 25 percent to 66 percent from 2001 to 2006. China's exports in these categories increased by 404 percent. In apparel categories where quotas were removed in 2005, China's share has increased from 24 percent in 2004 to 41 percent in 2006[10] and is projected to hit 50 percent in 2007. If current trends continue, China's market share will hit approximately 66 percent sometime in 2009.

In an interesting correlation, according to UN trade statistics, in product categories covered by quotas in the United States and Europe, but generally unrestrained otherwise, China's market share of the products covered by safeguards – trouser, shirts, underwear etc – averages 66 percent (see Table IV).

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[9] These categories were removed from quota in 2002.
[10] Eurocoton analysis, 2/2007.

While worldwide statistics, as well as U.S. and EU five-year trends, show China taking roughly two-thirds of the U.S. and EU apparel markets once quotas are removed, other developed countries which have never used quotas to restrain China have seen Chinese dominance move into the monopolistic range. According to UN trade figures, in Japan and Australia, China's share of their apparel market is an astonishing 89 percent. This poses the very real possibility that over time China could eventually take an even larger share of the U.S. and EU markets (see Table IV) and establish a virtually monopoly in the world's two largest consumer markets for these products.

At a 65 percent share of the U.S. and EU markets, China will be positioned to increase its apparel exports by nearly $45 billion over a five-year time frame (see Appendix IV).

Logically, these enormous Chinese increases mean equally enormous decreases by other exporters. With both the U.S. and the European textile and apparel markets being mature - annual real consumption is only rising by 2-3 percent per year. Hence, China's double-digit growth means that other countries are losing sales and market share. These "donor" countries are already known: the major suppliers in the Western Hemisphere (Mexico, the CAFTA countries, the Andean countries), the AGOA countries and a large number of Asian exporters (part. Pakistan, Sri Lanka, Korea, the Philippines and Indonesia). In addition, recently created preference zones for Egypt, the Gaza Strip and Jordan will come under severe threat.

As Appendix V illustrates, there are many countries that depend on textile and apparel exports to fuel their economies and generate important foreign exchange. Most of these countries are at extreme risk when safeguards are removed[11] and China exports become unrestrained.

Impact of China on the U.S. Textile Industry Background

The effect that China has had on the U.S. industry has been profound. Since China joined the WTO in 2001, the U.S. textile and apparel industries have lost 365,000 jobs - this represents a 38 percent decrease of our entire workforce. In fact, the industry lost 44,500 jobs from 2005 to 2006 alone. This loss in employment directly reflects a stunning increasing in imports from China when quotas were removed on almost all of its textile exports and half of its apparel exports. In just the last 31 months, China's exports of apparel products have increased by 4.6 billion square meters, or 153 percent, an increase ten times larger than the next largest country (Bangladesh). In textiles, the Chinese increase was 4.0 billion square meters, eight times larger than the next biggest supplier (India) (see Tables V and VI).

At the same time, apparel imports from the NAFTA and CAFTA countries have dropped sharply – by nearly one billion square meters. This has dramatically impacted the U.S.

[11] A few countries – Bangladesh, Vietnam and Cambodia – have demonstrated an ability to compete successfully with China. This is partially because they have even lower wage rates than China and because they source their fabrics and yarns almost exclusively from China.

textile industry because these regions are the number one source of our industry's exports. U.S. textile exports to the NAFTA and CAFTA countries have fallen by $1.6 billion over just the past two and a half years.

Conclusion:

In conclusion we are including nine specific actions that we maintain could lead to a more balanced U.S.-China trade environment as well as a revitalization of U.S. manufacturing. These action items were developed in conjunction with a recent hearing by the U.S.-China Economic and Security Review Commission[12].

1. Pass Strong Currency Legislation: The Congress should pass and the President should sign into law meaningful and effective legislation that allows U.S. manufacturers to offset the benefits of the undervalued Yuan. In our opinion, the most effective legislation currently before the U.S. Congress is a bill introduced by Representatives Ryan and Hunter – the Currency Reform for Fair Trade Act or H.R. 2942. This legislation would allow U.S. industry to file countervailing duty cases against China's currency manipulation. This is a reasonable, targeted approach that provides impacted industries with a means of defending themselves without penalizing unaffected parties. Other legislation, such as bills recently passed by the Senate Finance and Banking Committees are too weak because they do not address the subsidy component of currency manipulation and provide numerous escape clauses that would allow the administration to "opt out" even when action is justified.

2. Extend or Replace the Current China Safeguard: Congress and the Administration should ensure that the textile safeguards currently in place against China are either extended or replaced until China fulfills all of its WTO-accession commitments. The textile safeguards that have helped to prevent China from monopolizing the U.S. textile and apparel markets in key product categories will expire on January 1, 2009, and they cannot, under WTO law, be renewed.

   In addition, the U.S. government should expand third-country dumping provisions to grant apparel producers in the NAFTA/CAFTA regions the right to bring anti-dumping actions against Chinese apparel exporters who damage their own vital export markets in the United States. Since the passage of NAFTA and CAFTA, textile and apparel sectors in the region have become integrated with the U.S. supplying most of the yarns and fabrics and the NAFTA/CAFTA regions providing the apparel assembly. Ample precedent exists in the WTO for granting apparel producers in the entire region the right to seek redress for dumped goods.

3. Create a Comprehensive Subsidy Database: Establish a comprehensive subsidy database on China at the Department of Commerce that can be utilized by government and industry. The U.S. government still refuses to create a database of

[12] 9/6/07, Economic Impacts of China on North Carolina's Economy.

the subsidies the Chinese government provides to its industry. Instead, the government relies primarily on what China itself has notified as subsidies, a list that is laughably small and incomplete. And even then the Commerce Department's database is not up to date – the government's subsidy review page on the Commerce Department's website has not been updated since 2004[13]. The most noteworthy observation here is that according to the Commerce Department website, China is not listed as employing a single subsidy!

4. Increase Dumping and CVD Assistance to Small and Medium-Sized Manufacturers: The government should increase assistance to small and medium-sized manufacturers so that they can afford to pursue dumping and countervailing duty (CVD) cases. CVD cases cost several hundred thousand dollars to file and dumping cases typically cost more than one million dollars; costs that are too steep for most small and medium-sized businesses to pay, particularly when those businesses are already losing money because of dumping. The Commerce Department should follow the lead of the European Union by shouldering more of the administrative and financial burden in complying with the complex rules and regulations that the Department imposes.

5. Increase Enforcement Efforts at USTR and the Department of Commerce: Today, trade enforcement is seen as a career dead end within the U.S. government; instead, negotiating new agreements rather than enforcing existing agreements is the best way to advance within the ranks. Commerce and USTR need to be restructured to give trade enforcement a higher priority and more status within the agencies. On top of enhanced focus on enforcement, these efforts also need to be greatly expanded. The U.S. government should be conducting ongoing reviews of Chinese government subsidy and support programs and taking action at the WTO and through U.S. trade remedies when warranted.

6. Review China's Government Support of Its State-Owned Industrial Sectors, Including Textiles, and Penalize Illegal Transactions: Over the past five years, China's government has forgiven tens of billions of dollars of debt in its state-owned manufacturing sector. This practice has salvaged countless unprofitable enterprises that would not have survived in a free market system. These enterprises, which comprise roughly half of China's textile assets, are notorious for suppressing prices to absurd levels, often below the cost of raw materials. Last year, China announced that it was liquidating almost $600 million in debt to a major Chinese textile manufacturer that it had previously stated had been privatized.[14]

   These state-supported enterprises essentially operate as state employment agencies rather than market-based companies and their pricing practices have caused more damage to legitimate textile producers in the United States and elsewhere than anything else. Because of financial support from the Central Government, textile manufacturers in China can offer whatever price necessary to

[13] Commerce countervailing duty websites by country and type of subsidy
[14] 12/1/2005: http://www.ncto.org/newsroom/pr200539.asp

make the sell and grow its market share, a practice against which no other producer in the world can compete.

In addition, China continues to effect privatization schemes that appear to transfer huge state-owned industrial enterprises to the private sector at virtually no cost. All of these actions are in direct conflict with China's WTO commitment to treat state-owned enterprises as if they were market entities."

7. <u>Increase and Reform Customs Enforcement Efforts Targeting China:</u> Recent newspaper headlines regarding widespread recalls of Chinese food and consumer products are yet another symptom of major enforcement issues involving China – primarily that U.S. Customs has become a trade facilitation (rather than a trade enforcement, agency. With respect to textiles, this fact recently became all the more evident when the textile enforcement branch was transferred from the Operations Division into a trade facilitation office. This reorganization occurred despite strong opposition from U.S. industry and in direct conflict to the fact that more than half of all Customs fraud occurs in the textile and apparel sector. CBP needs to intensify its enforcement efforts, particularly in the textile area. As with the Commerce Department and USTR, enforcement has now become a dead-end career path within Customs and this is not likely to change without a change in priority.

8. <u>Develop a More Effective Enforcement System that Holds U.S. Importers and Consignees Responsible for the Products They Import and Provides for Stronger Penalties for Those Who Violate the Law:</u> U.S. importers and consignees should and must be held responsible for the products they import.

   With respect to the recent spate of product recalls from China, fault does not lie with the Chinese manufacturer; rather, the fault lies with the U.S. company responsible for importing that product to the U.S. market. If the public at large and U.S. policymakers fail to recognize this important point, then any solutions will only be temporary band-aids that address a symptom but the not the underlying disease.

   U.S. laws and regulations can only be applied to entities operating within U.S. borders. U.S. law enforcement and product safety officials do not have the authority to arrest someone in China or to levy fines on a business in China for poor practices. What they do have authority to do is to hold individuals or businesses operating in the U.S. to account when the products they import are found in violation of U.S. laws and regulations. These violations can be safety-related, but in the case of textiles and apparel could also include violations of rules of origin claims.

   With respect to textiles and apparel, rules of origin are the cornerstone of our free trade agreements and preference programs. In the history of the textile program, un-enforced rules have been a proven access point for large-scale fraud that displaces legitimate production both in the U.S. and in the beneficiary country(s) involved. NCTO and our member companies have seen time and again how unscrupulous actors have knowingly violated rules and regulations governing U.S.

preference and free trade programs to gain duty-free access to the U.S. market, with China being the worst offender. In fact, the textile and apparel trade has the highest fraud content of any manufactured good. Therefore, it is imperative that the rules and regulations governing this trade are effectively enforced and the only way to do this is through the importer or consignee.

U.S. regulations governing the importers, however, are weak and often times these importers will appear, disappear and then reappear under new names to avoid penalties and fines and the U.S. government does nothing about it. In considering future FTAs and other trade programs, Congress and the Administration should ensure that these agreements are written in a way that provides for meaningful and effective customs enforcement by requiring the ultimate consignee of the product, i.e. the retailer or the company owning the brand name responsible for rule of origin violations. In the 2005 ITC case U.S. v. The Pan Pacific Textile Group[15], the Court ruled that liability could be extended to the consignee when the consignee has direct input into how the transaction is structured. If the goal is to ensure that safety standards and rules of origin are adhered to then the law should be broadened to ensure that the consignee is also responsible for the products its sells or that bears its brand name.

9. Develop a System for Penalizing Companies Importing Products Which Were Made by Companies Who Pollute the Environment: A recent front page Wall Street Journal expose[16] on the Chinese textile industry revealed that continuing demands by U.S. importers for lower prices are playing a key role in the environmental catastrophe that is now unfolding across China. The Journal notes that “one way China’s factories have historically kept costs down is by dumping waste water directly into rivers.”

[15] United States Court of International Trade: U.S. v. Pan Pacific Textile Group. Slip Op. 05-107. Court No. 01-0122
[16] **“**China Pays Steep Price as Textile Exports Boom,” *Wall Street Journal*, August 31, 2007

Facts about the U.S. Textile Sector:

The U.S. textile sector continues to be one of the largest manufacturing employers in the United States. The overall textile sector employed nearly 900 thousand workers in 2006 and textile mills alone employed 383,000 workers.

The U.S. textile industry is also the third largest exporter of textile products in the world exporting more than $16 billion in 2005. These exports went to more than 50 countries, with 20 countries buying more than $100 million a year.

In addition, the U.S. textile sector is an important component of our national defense and supplies more than 8,000 different textile products a year to the U.S. military. The industry spends substantial resources on research and development each year to ensure that our military continues to be the most well-equipped and technologically advanced military in the world.

From 1994 to 2004, the U.S. textile industry invested more than $33 billion in new plants and equipment and has increased productivity by 49 percent over the last ten years. This investment has secured our second place ranking among all industrial sectors in productivity increases over the past ten years.

Table I: – China Subsidy Compilation: See separate attachment.

Table II:

China Share of US Apparel Imports - Products Which Went Quota-Free in 2002							
Country	2001	2002	2003	2004	2005	2006	YE Jun 07
World	1,657,129,833	1,846,036,337	2,328,031,134	2,849,654,669	2,817,061,154	2,806,930,623	2,848,430,148
China	346,476,095	710,816,311	1,316,186,425	1,872,984,884	1,873,390,878	1,818,144,570	1,861,822,342
CBI plus Mexico	259,643,762	230,242,132	173,711,446	149,915,131	120,243,432	121,187,989	121,236,857
World Less China	1,310,653,728	1,135,220,026	1,011,844,709	976,669,785	943,670,276	988,786,053	986,607,806
China	21%	39%	57%	66%	67%	65%	65%
CBI plus Mexico	16%	12%	7%	5%	4%	4%	4%
All others	79%	61%	43%	34%	33%	35%	35%
World Share Less China	79%	61%	43%	34%	33%	35%	35%
Source: U.S. Dept. of Commerce (square meters)							
Categories: 239, 330, 350, 353, 354, 432, 439, 464, 465, 630, 631, 632, 650, 653, 654, 733, 734, 735, 736, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 750, 751, 752, 758, 759, 831, 832, 834, 835, 836, 838, 839, 840, 842, 843, 844, 847, 850, 851, 858, and 859.							

Table III:

China Share of US Import Market: Safeguard Vs. Non-Safeguard Apparel Categories									
	2002	2003	2004	2005	2006	YTD Jun 07	YE Jun 07	Proj 07	Proj 08
Quotas Removed 2002*	38.5%	56.5%	65.7%	66.5%	65.8%	65.2%	65.3%	66.0%	66.0%
Quotas Removed 2005**	13.5%	14.0%	15.2%	38.4%	48.0%	51.7%	52.0%	54.0%	62.0%
Safeguards Applied 2005***	3.2%	3.2%	3.2%	11.0%	9.6%	13.7%	13.5%	15.0%	17.0%
Source: U.S. Dept. of Commerce									

***Categories:**
239,330,350,353,354,432,439,464,465,630,631,632,650,653,654,733,734,735,736,738,739,740,741,742,743,744,745,746,747,748,750,751,752,758,759, 831,832,834,835,836,838,839,840,842,843,844,847,850,851,858,859
****Categories:**
237,331,333,334,335,336,341,342,351,359,431,433,434,435,436,438,440,442,444,445,446,448,459,633,634,635,636,641,642,643,644,651,845,846,852
*****Categories: 332,338,339,340,345,347,348,349,352,443,447,638,639,640,645,646,647,648,649,652**

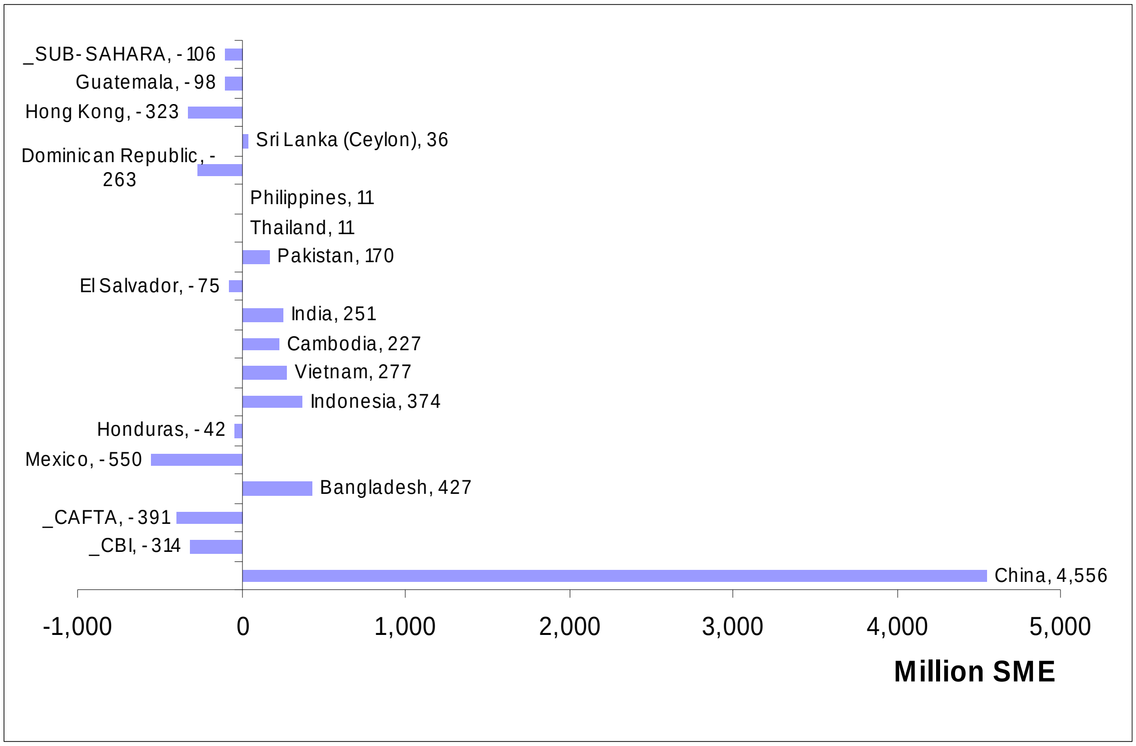
Table IV:

Product	China World Market Share Excluding US and EU (quota restrained)	China Market Share: Japan and Australia
Cotton Trousers	67%	89%
MMF Trousers	78%	83%
Woven Shirts	69%	91%
Cotton Knit Shirts	66%	89%
MMF Knit Shirts	46%	83%
Underwear	71%	91%
Average	*66%*	*88%*
Source: United Nations Comtrade Database - 2005 data		

Table V:

Apparel Imports – Biggest Sourcing Shifts since Quotas Removed

(2004 – YE June 2007)

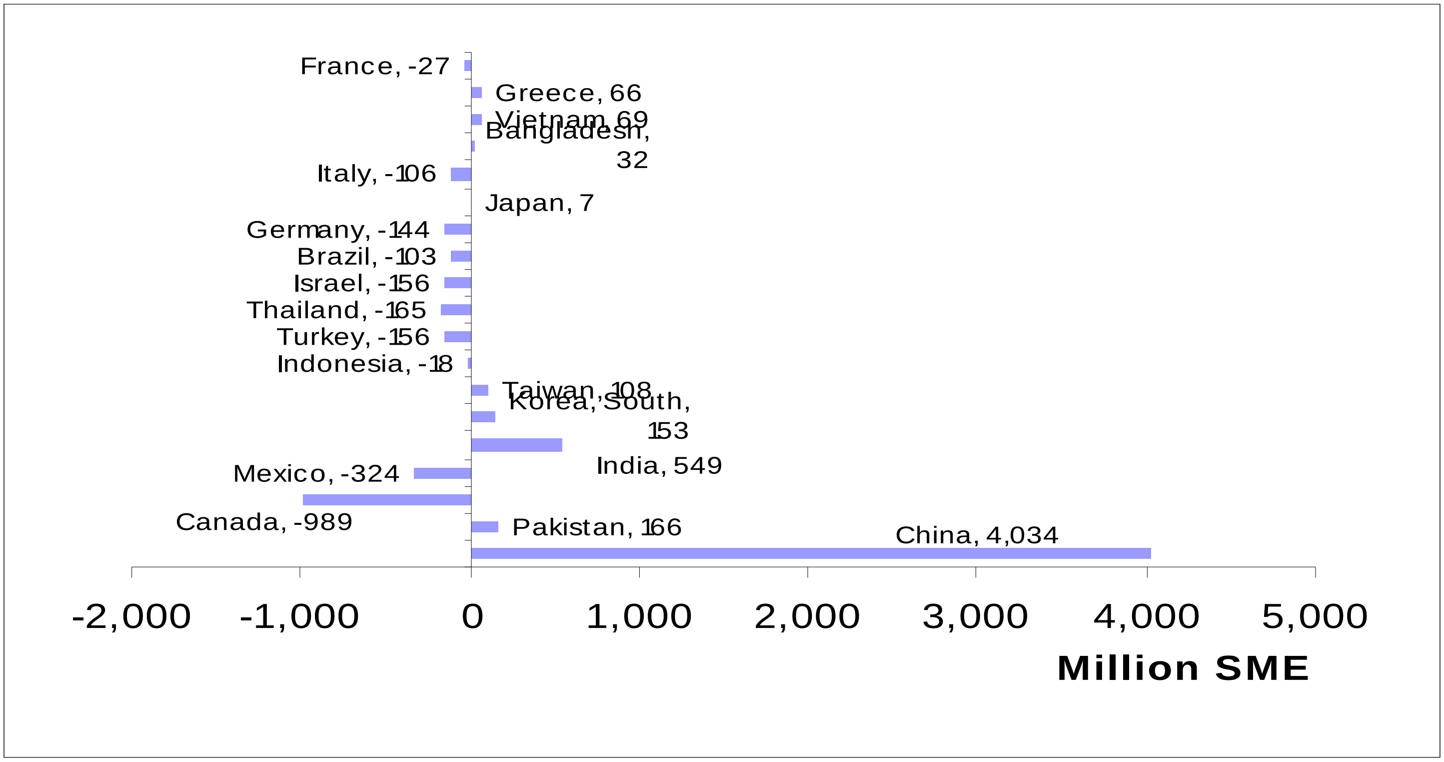


						Change Since Quotas Removed	
Country	**2004**	**2005**	**2006**	**YE Jun 2006**	**YE Jun 2007**	**(2004 - YE Jun 2007)**	**% Change**
China	2,972,522,846	5,883,430,984	6,506,084,528	5,477,994,128	7,528,144,907	4,555,622,061	153%
_CBI	4,019,064,775	4,041,997,068	3,699,457,887	3,763,390,723	3,704,585,729	-314,479,046	-8%
_CAFTA	3,790,833,977	3,787,313,907	3,406,982,921	3,494,886,677	3,400,051,931	-390,782,046	-10%
Bangladesh	941,684,939	1,124,829,783	1,306,918,705	1,225,285,189	1,368,382,979	426,698,041	45%
Mexico	1,896,210,937	1,703,425,351	1,477,174,058	1,582,277,456	1,346,044,157	-550,166,780	-29%
Honduras	1,198,533,425	1,246,809,494	1,136,133,232	1,171,847,826	1,156,170,633	-42,362,792	-4%
Indonesia	703,399,436	823,451,411	1,013,154,780	902,751,147	1,077,444,237	374,044,801	53%
Vietnam	777,054,816	801,367,936	947,367,649	898,570,605	1,054,038,800	276,983,984	36%
Cambodia	634,682,820	709,992,680	842,722,557	800,308,194	861,968,848	227,286,028	36%
India	609,338,476	790,197,924	840,297,501	846,916,801	860,282,812	250,944,336	41%
El Salvador	852,624,499	865,968,921	721,653,173	750,089,221	777,932,781	-74,691,718	-9%
Pakistan	519,282,124	577,841,672	672,741,372	633,564,359	689,011,561	169,729,436	33%
Thailand	533,100,230	536,764,972	566,392,692	564,883,558	543,668,277	10,568,047	2%
Philippines	513,572,368	518,712,943	589,011,275	583,257,041	524,558,795	10,986,427	2%
Dominican Republic	761,412,771	715,453,370	583,909,322	640,706,819	498,555,725	-262,857,046	-35%
Sri Lanka (Ceylon)	415,047,998	453,750,896	450,522,302	448,087,867	451,086,163	36,038,165	9%
Hong Kong	738,962,752	596,581,581	523,340,607	645,569,401	415,528,432	-323,434,320	-44%
Guatemala	499,368,901	466,515,855	424,937,765	431,240,249	401,083,925	-98,284,976	-20%
_SUB-SAHARA	440,300,460	376,768,698	325,964,642	343,976,562	334,687,710	-105,612,750	-24%

Source: U.S. Dept. of Commerce. Note: Country totals include both preferential and non-preferential imports.

Table VI:

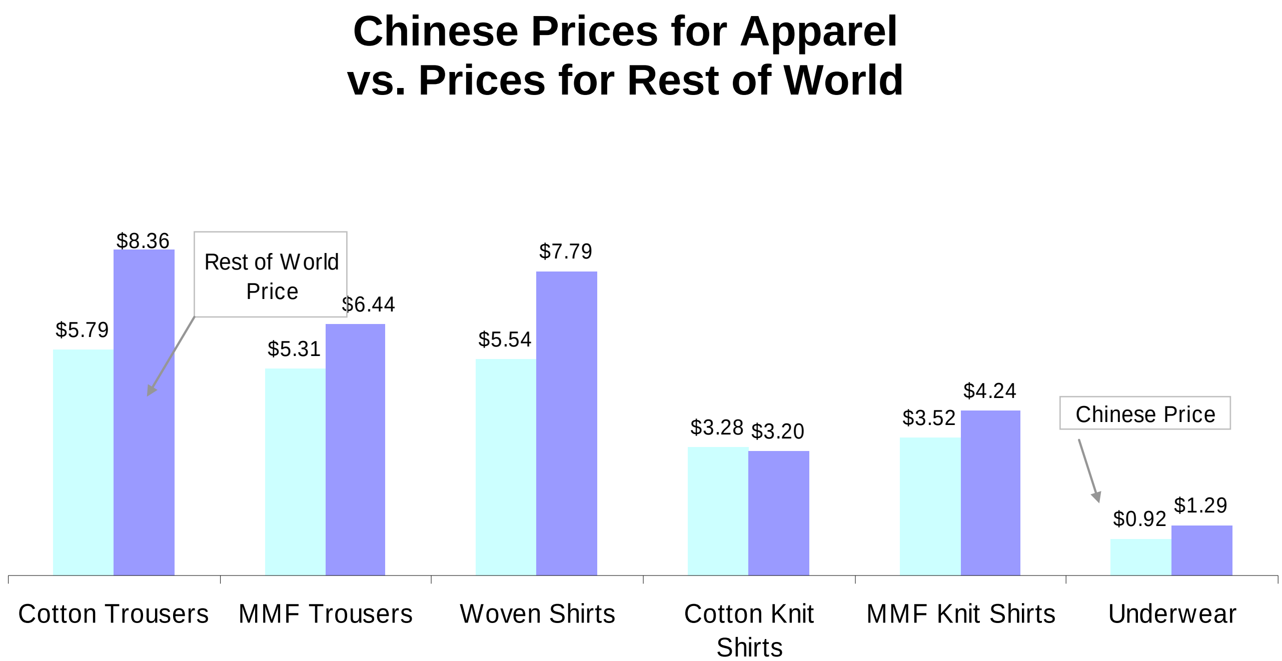
Textile Imports – Biggest Sourcing Shifts Since Quotas Removed



Textile Imports by Country - Since Quotas Were Removed (million sme)							
						Change Since Quotas Removed	
Country	2004	2005	2006	YE Jun 2006	YE Jun 2007	2004 -YE Jun 2007	% Change
China	8,689,769,212	10,879,602,835	12,107,417,283	11,529,443,090	12,723,480,447	4,033,711,235	46%
Pakistan	2,450,906,473	2,712,352,934	2,894,168,838	2,976,572,399	2,617,377,884	166,471,411	7%
Canada	3,027,309,122	2,819,315,789	2,279,905,896	2,579,823,729	2,038,442,071	-988,867,051	-33%
Mexico	2,204,416,309	2,180,031,805	1,947,860,320	2,097,381,659	1,880,758,768	-323,657,541	-15%
India	1,305,442,585	1,543,676,393	1,813,814,496	1,669,518,645	1,854,810,064	549,367,479	42%
Korea, South	1,677,024,661	1,667,891,232	1,829,736,601	1,782,142,469	1,829,897,488	152,872,827	9%
Taiwan	730,066,387	691,880,659	813,259,819	757,769,415	838,402,023	108,335,636	15%
Indonesia	571,400,918	530,787,872	585,655,264	601,537,073	553,428,694	-17,972,223	-3%
Turkey	674,581,774	604,435,694	542,437,486	552,630,757	518,086,487	-156,495,287	-23%
Thailand	580,791,589	515,050,042	452,746,753	492,009,491	416,084,521	-164,707,068	-28%
Israel	544,256,006	510,915,096	439,587,423	476,112,763	387,847,148	-156,408,858	-29%
Brazil	460,045,127	401,005,935	382,056,841	404,643,951	356,812,549	-103,232,579	-22%
Germany	473,157,930	447,116,431	377,867,899	420,044,679	329,104,380	-144,053,550	-30%
Japan	294,177,293	274,348,482	300,826,865	288,597,031	301,630,455	7,453,162	3%
Italy	377,528,793	317,035,486	269,176,661	273,824,382	271,851,787	-105,677,007	-28%
Bangladesh	166,860,714	188,843,332	187,610,467	192,491,563	199,141,890	32,281,176	19%
Vietnam	128,384,554	149,094,718	200,420,315	196,736,008	197,038,499	68,653,945	53%
Greece	60,742,503	114,042,135	115,715,010	121,891,751	126,310,602	65,568,099	108%
France	150,218,128	142,893,630	138,700,829	154,687,209	123,392,993	-26,825,135	-18%

Source: U.S. Dept. of Commerce. Note: Country totals include both preferential and non-preferential imports.

Table VII:



Product	Chinese Export Price	Average "Rest of World" Price
Cotton Trousers	$5.79	$8.36
Man-made fiber Trousers	$5.31	$6.44
Men's Woven Shirts	$5.54	$7.79
Cotton Knit Shirts	$3.28	$3.20
Man-made fiber Knit Shirts	$3.52	$4.24
Underwear	$0.92	$1.29
Average Price	*$4.06*	*$5.22*
Source: United Nations Comtrade Database - 2005 Data		

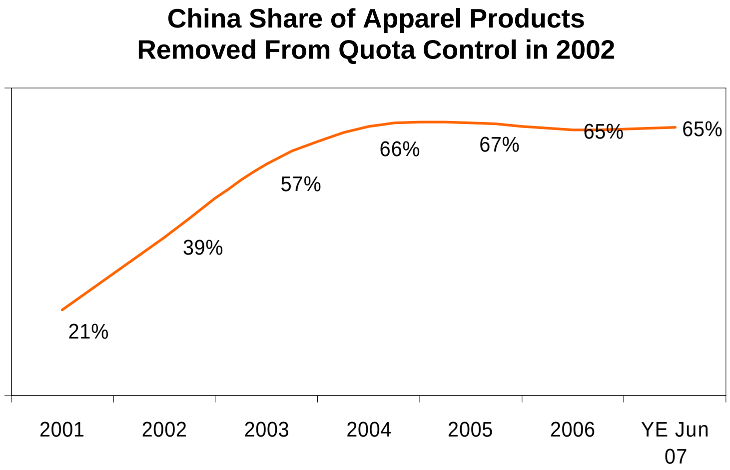
Appendix I (Graph)

Chinese Textile and Apparel Production Statistics: Last Five Years			
	2001	2006	Change
Capital Assets, net value	372 billion RMB	626 billion RMB	68%
Employment	7.6 million	10.3 million	36%
Sales	893 billion RMB	2,400 billion RMB	169%
Source: CCPIT Tex			

Appendix II (Graph)

Top Exporters to US, Safeguard Categories		
Country	**2006 Exports**	**2006 Share**
China	$5,269,620,468	11.7%
Mexico	$4,403,363,600	9.8%
Indonesia	$2,516,964,167	5.6%
Honduras	$2,325,707,099	5.2%
Vietnam	$1,918,631,145	4.3%
Bangladesh	$2,040,623,893	4.5%
India	$1,764,665,474	3.9%
Hong Kong	$2,493,628,234	5.5%
Cambodia	$1,544,159,553	3.4%
Guatemala	$1,462,772,207	3.2%
El Salvador	$1,163,311,351	2.6%
_SUB-SAHARA	$1,204,409,164	2.7%
Thailand	$1,240,714,676	2.8%
Philippines	$1,378,318,061	3.1%
Pakistan	$1,148,148,002	2.6%
Sri Lanka (Ceylon)	$1,156,623,149	2.6%
Dominican Republic	$1,340,828,314	3.0%
Jordan	$1,105,766,848	2.5%
Nicaragua	$837,185,826	1.9%
Macau	$1,025,034,753	2.3%
Peru	$775,788,782	1.7%
Egypt	$550,346,900	1.2%
Taiwan	$681,116,852	1.5%
Canada	$679,066,284	1.5%
Malaysia	$528,142,336	1.2%
Italy	$504,182,272	1.1%
Source: US Dept of Commerce, 2006.		

Appendix III: Graph



Appendix IV: Graph

Projected Chinese Apparel Export Gain Once U.S. & EU Quotas Removed ($ bil)						
	China Current Share (2006)	China Current Value	Total Imports	Projected China share once quotas removed	Projected China value once quotas removed	**Projected China Increase**
EU Apparel Safeguard Categories	14.9 percent	$6.3	$42.5	65 percent	$27.6	**$21.3**
U.S. Apparel Safeguard Categories	12.1 percent	$5.5	$45.1	65 percent	$29.3	**$23.8**
Total	13.3 percent	$11.8	$88.6	65 percent	$56.9	**$44.1**
Source: NCTO analysis using trade data from U.S. Dept. of Commerce and Eurostat.						

Appendix V: Graph

Apparel Exports As Percent of Merchandise Exports		
(Million dollars and percentage, 2005)		
Country	Value	Percent, Merchandise Exports
Bangladesh	6,418	74.2
Haiti	335	71.2
Cambodia b	2,199	70.9
Madagascar b	530	69.7
Macao, China	1,654	66.8
Honduras b	2,626	59.9
El Salvador b, c	1,702	50.2
Sri Lanka b	2,877	45.3
domestic exports	7,231	36.1
Mauritius b, c	745	34.7
Nepal	...	34.1
Lesotho b	...	32.4
Tunisia b	3,332	31.8
Dominican Republic b, c	1,908	31.1
Albania	199	30.0
Guatemala	1,506	28.0
Morocco c	2,783	26.2
Jordan	1,061	24.7
FYR Macedonia	498	24.4
Pakistan	3,604	22.6
Romania	4,627	16.7
Turkey	11,818	16.1
Moldova	171	15.7
Viet Nam b	4,805	15.2

Source: WTO. a Or nearest year.

b Includes Secretariat estimates.

c Includes significant exports from processing zones.