

The China Threat & How to Survive It



**Sub-Saharan Africa
Textile and Apparel Conference**

March 10, 2003



ATMI Analysis: *Decontrolled Apparel Categories*

- **ATMI analyzed Chinese growth into US market in all 29 apparel categories removed from quota control on January 1, 2002**
- **Key point: First time China is competing head to head without quotas with everyone else – Vietnam, Bangladesh, India, Mexico. . .**



Average Price Per Square Meter *Pre and Post Quota Removal*

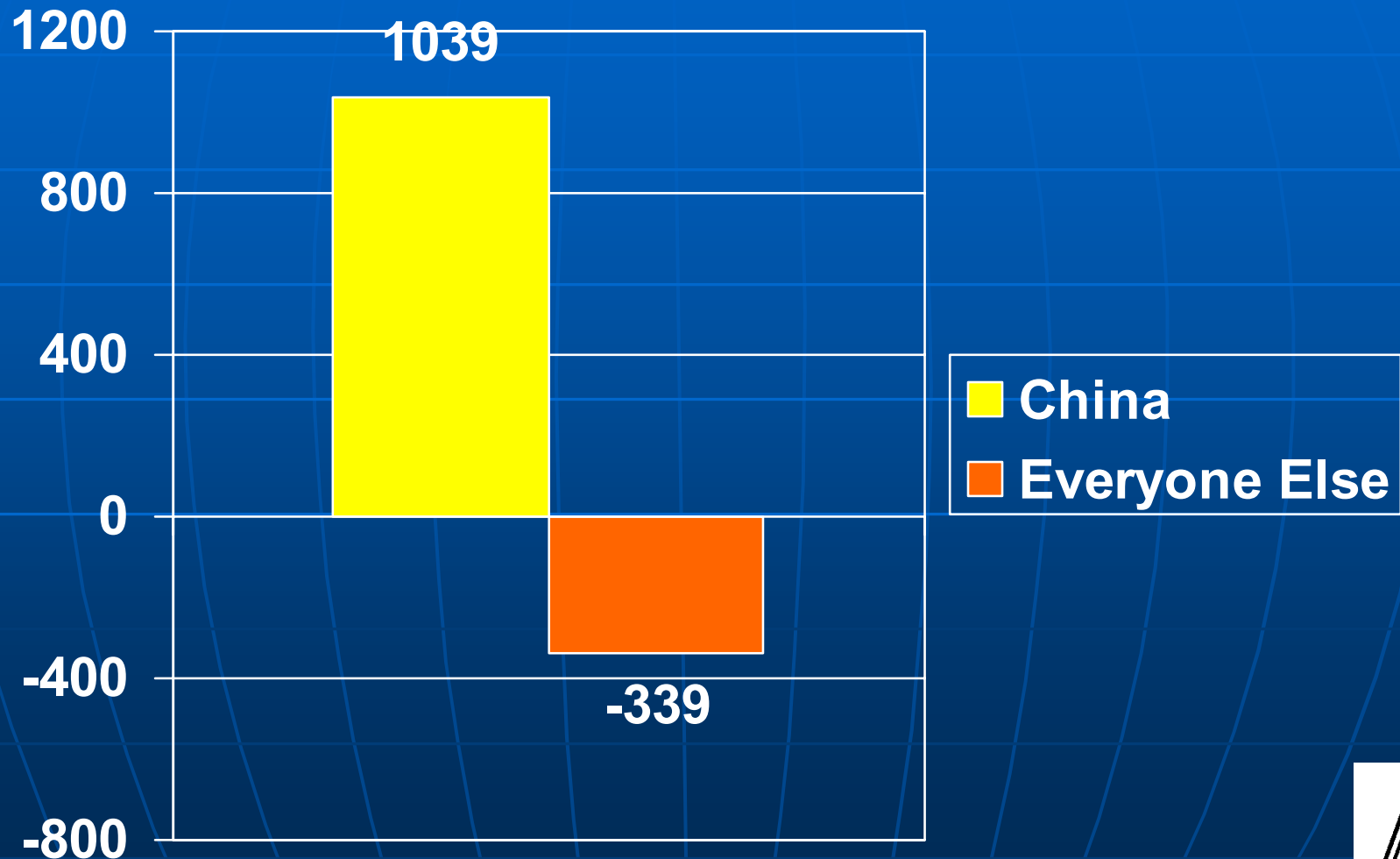
| | <u>2001</u> | Updated <u>2003</u> | <u>Change</u> |
|--------------------------|---------------|-------------------------------|---------------|
| China | \$6.23 | \$2.65 | - 58% |
| Rest of World | \$3.55 | \$3.44 | - 3% |

29 apparel categories removed from quota control

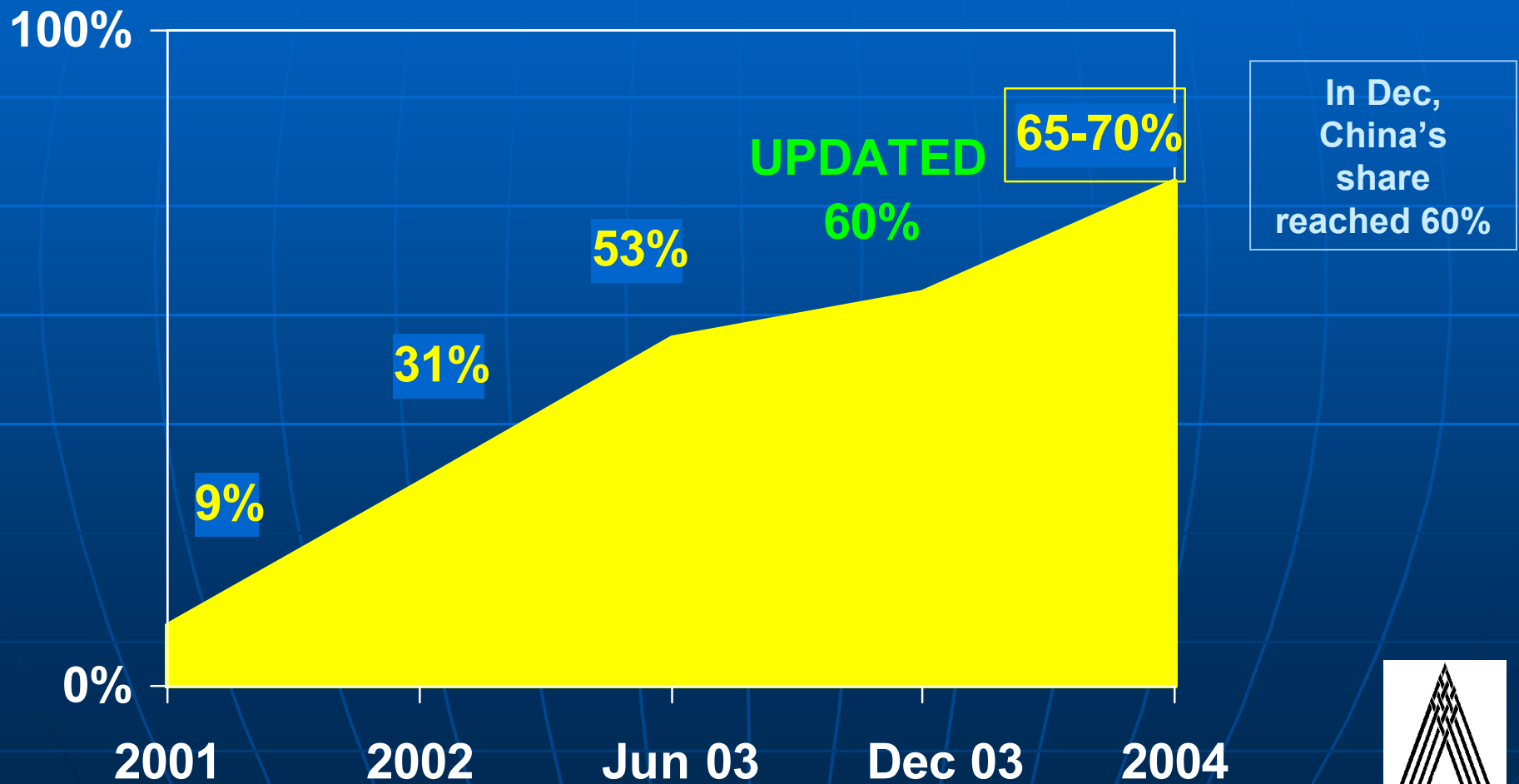


China vs. the rest of world

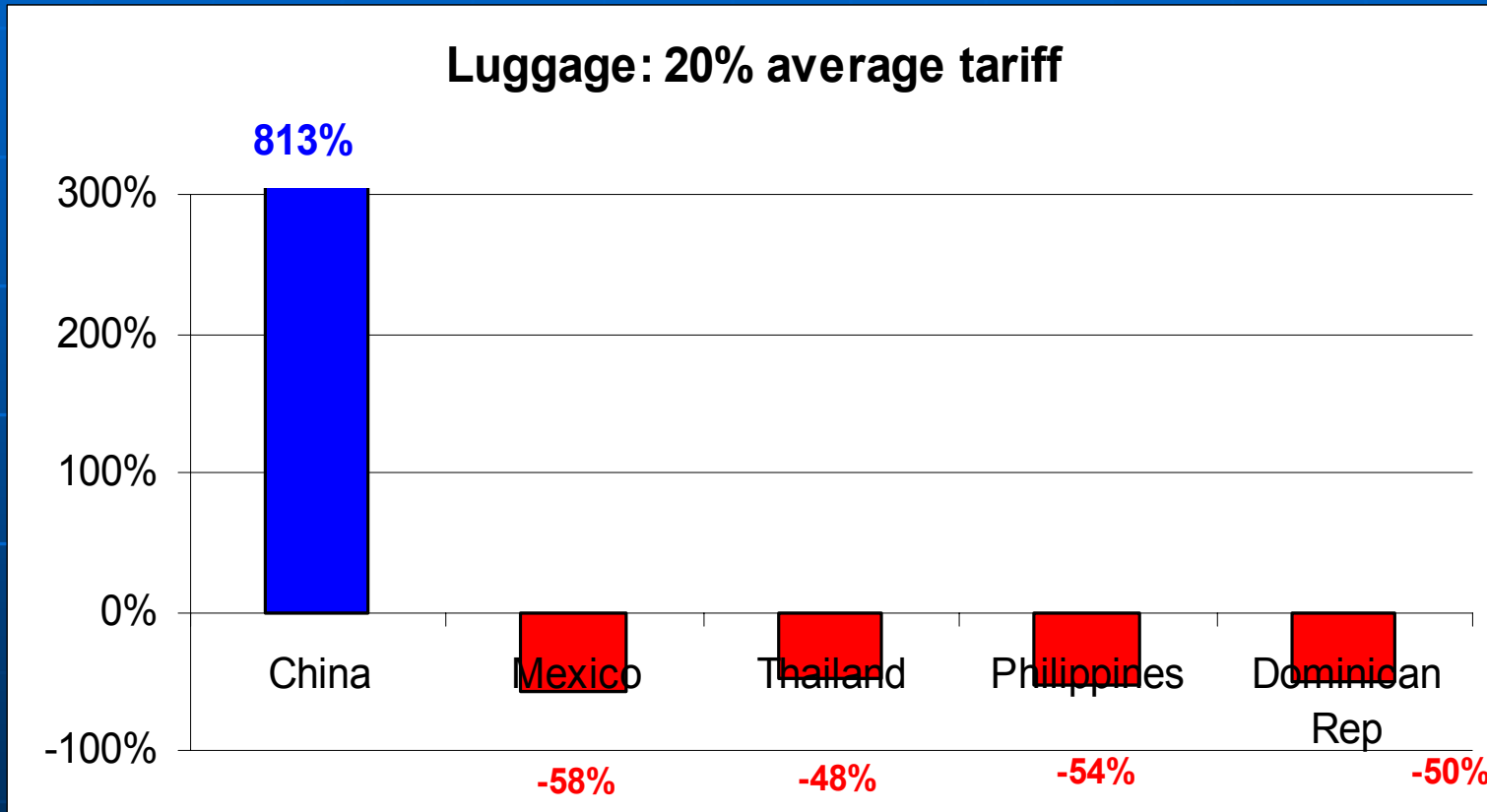
(Millions of square meters)



China's Share of Apparel Removed From Quota in 2002



Sensitive Categories - ATMI Safeguard Request



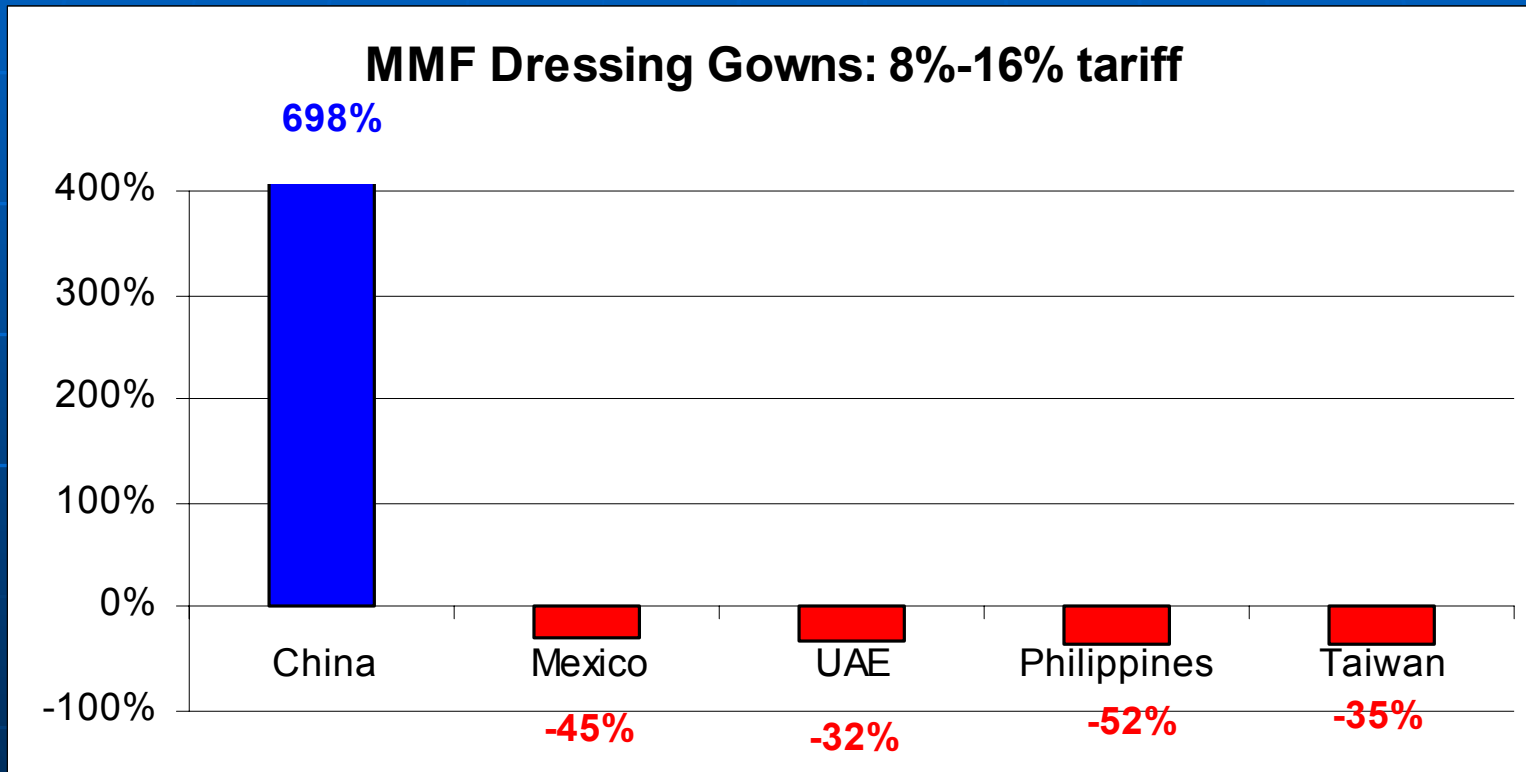
Change in
China's
share over
past 21
months



10% -
95%



Sensitive Categories - ATMI Safeguard Request



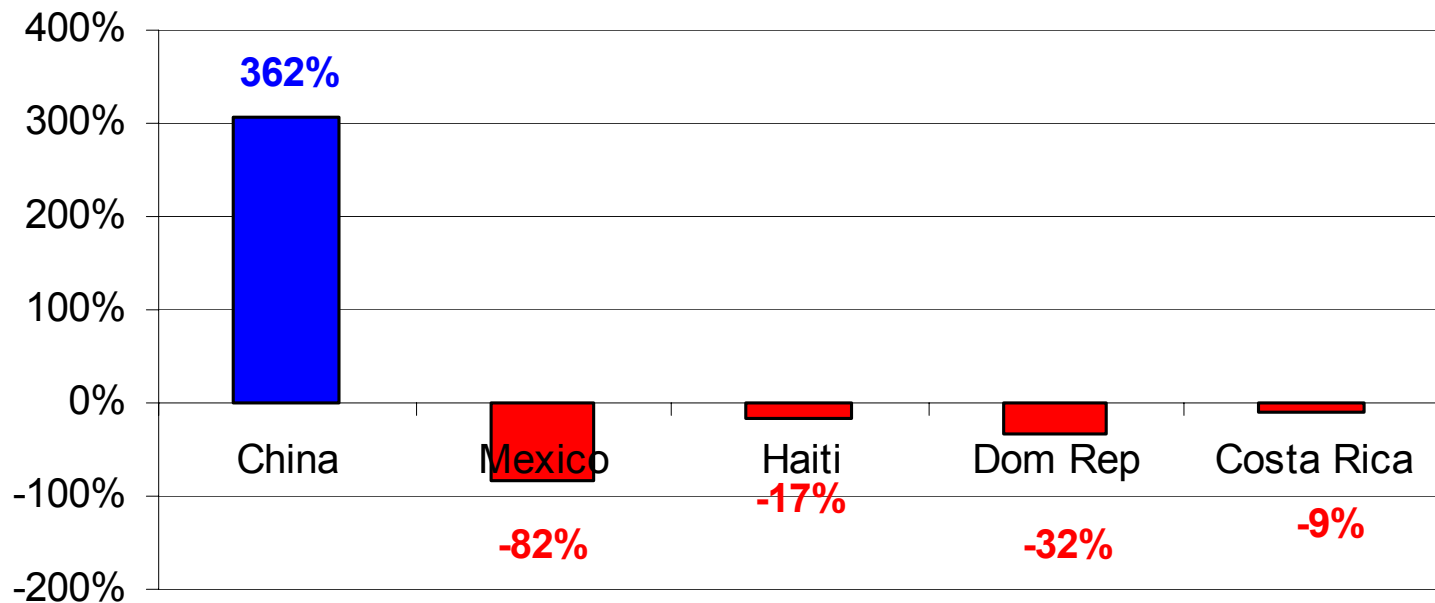
Change in
China's
Share
Over Past
24 months

5% -
57%



Sensitive Categories - ATMI Safeguard Request

Cotton Brassieres: 17% tariff



Change in
China's
Share
Over 24
Months



5% -
50%



CBI, Mexico & Sub-Saharan Africa

(sme, % of trade)

| | <u>2001</u> | <u>Dec 2003</u> |
|---------------|-------------|-----------------|
| CBI | 8.8% | 5.4% |
| Mexico | 8% | 2.3% |
| AGOA | .45% | .26% |

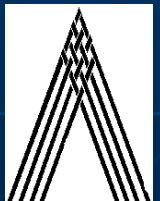


Apparel Penetration: Japan and Australia

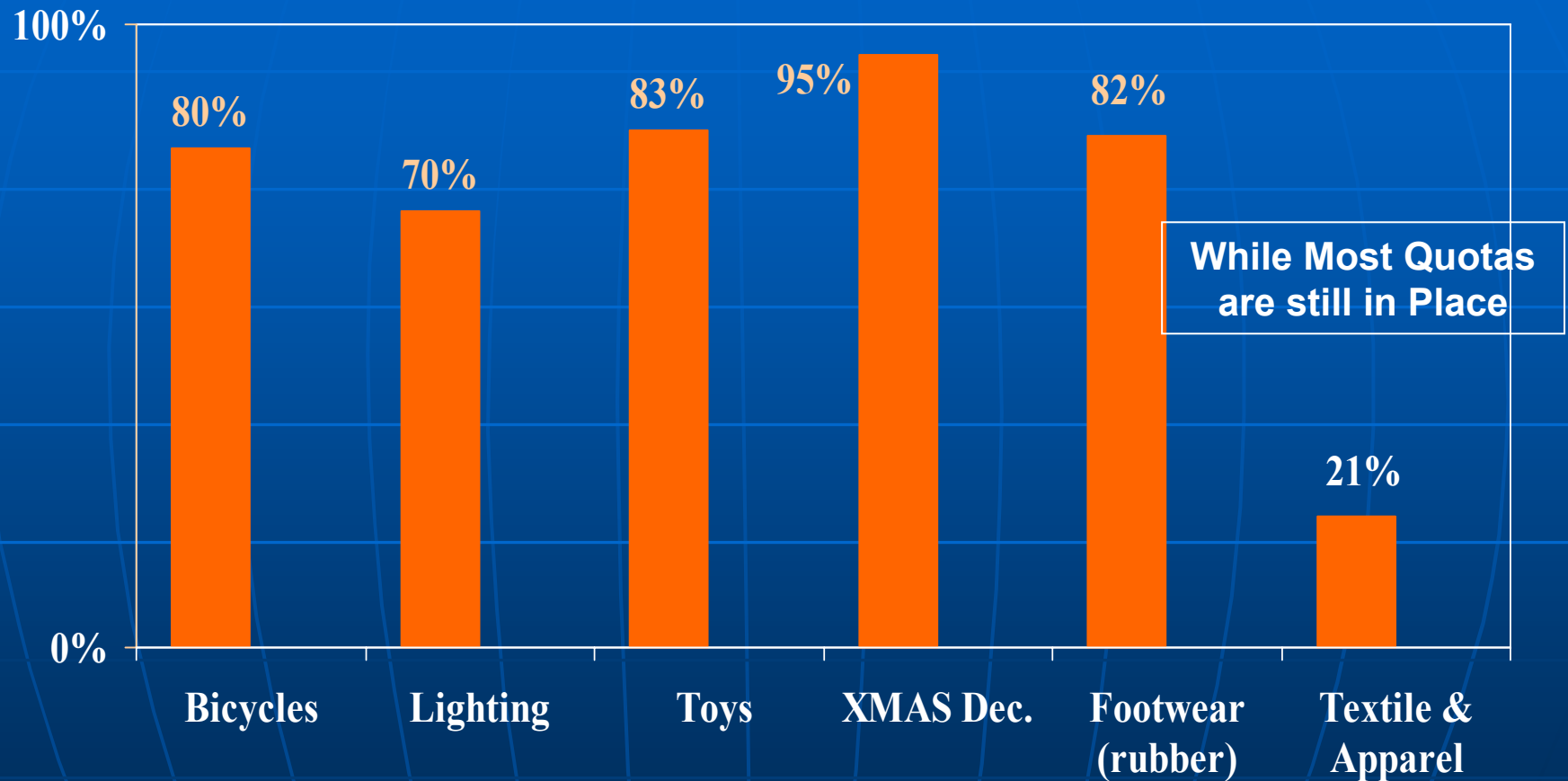
- Similar to US - big developed consumer markets
- But no quotas
- China is head to head with everyone else

China Share, 2001

| | |
|-----------|-----|
| Japan | 77% |
| Australia | 70% |



China's Share of U.S. Imports



2002 Data



United States International Trade Commission Report

- China to become “supplier of choice” once quotas are removed.
- Sub-Saharan Africa – “share of US apparel imports will fall, notwithstanding AGOA preferences.”



The McGraw-Hill Companies

BusinessWeek

ASIAN EDITION / DECEMBER 15, 2003

www.businessweek.com

BOEING
WHAT'S
REALLY
BEHIND THE
SHAKEUP?

(P. 40)

KOREA'S LG
HOW IT GOT A
\$1.7 BILLION
BAILOUT

(P. 54)

SINGAPORE
THE REBIRTH
OF A TECH
INNOVATOR

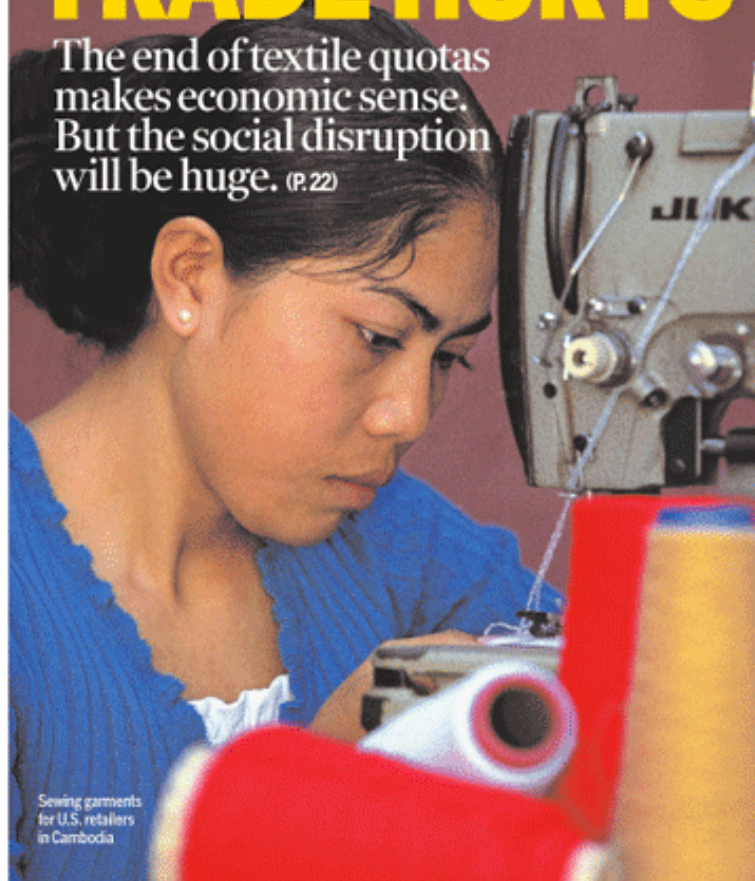
(P. 28)

THE ATHENS
OLYMPICS
SPENDING
BIG ON
SECURITY

(P. 80)

WHERE FREE TRADE HURTS

The end of textile quotas
makes economic sense.
But the social disruption
will be huge. (P. 22)



Sewing garments
for U.S. retailers
in Cambodia



Business Week Article

- 30 million textile and apparel jobs lost to China
- World Bank: China to gain to take over \$220 billion in world garment trade once quotas are lifted
 - One of the biggest short term transfers of wealth in the history of the world
- CBI, Mexico, Africa among the hardest hit



Why is China Unbeatable?

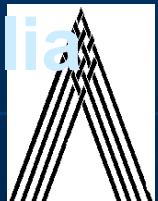
- China's currency, which is pegged, is estimated to be 40 percent undervalued.
- Over 50% of China's textile sector and 25% of apparel sector is state-owned and subsidized
- China gives its exports of textiles and apparel a 13 percent "rebate"
- Chinese banks make loans to build textile and apparel plants that never have to be repaid –
 - US government cites a 50 percent non-performing loan rate.



So What Will China Do?

Take up to 65-70 percent of the U.S. market

- That what's happening in the quota categories removed from quota control
- That's what's already happened in with other products – footwear, bicycles, toys
- That's what has already happened in textiles and apparel in Japan and Australia



And the 30-35% that is left?

- ITC says the rest will be split us this way:
 - India (subsidies, currency manipulation)
 - Perhaps Pakistan (subsidies)
 - Vietnam (state-owned textile sector, subsidies, currency manipulation)



The Istanbul Declaration

- Signed by Turkey, Mexico and U.S. last week
- China and other countries that use unfair trade practices must be prevented from seizing control of world trade in textiles and apparel
- Quotas must be extended until 2008 or other appropriate action taken



Can this work?

- **Commerce Dept. has already said that it would not block a movement to retain quotas**
 - **Question of jobs & China has become big election year issue in US – US textiles will make it our number one political issue**
- **Declaration will help increase pressure for US to implement China textile safeguard if WTO cannot resolve this issue this year**
 - **Member states may voluntarily create other arrangements**



UNIFY BEHIND THE DECLARATION

- Working together we can stop this disaster from happening
- United States and WTO will be forced to act if our industries stand together



WWW.ATMI.ORG

CASS JOHNSON
CJOHNSON@ATMI.ORG

