

**Verbal Remarks,
Cass Johnson, President, NCTO
House Committee on Small Business
REGARDING PENDING FTAs
November 1, 2007**

Chairwoman Velazquez, Congressman Chabot, and distinguished members of the Committee, thank you for the opportunity to appear today and outline the U.S. textile industry's perspective on the pending free trade agreements.

My name is Cass Johnson, and I am President of the National Council of Textile Organizations (NCTO).

First of all, I want to thank you for holding this hearing on trade. I believe this is the second hearing that the Committee has held on trade this year and we encourage you to hold these on a regular basis.

I would like state at the outset that our companies and their workers need a trade policy that concentrates on retaining jobs in this country and that exacts penalties for those countries that break the rules. The US Economic and Security Commission estimates that Chinese bad playing has cost the US over 1.5 million manufacturing jobs over the last ten years. Many of these were good paying textile jobs.

And yet our members are extremely concerned that China continues to be given virtually a free pass by the Congress and the government. While our industry is supportive of good free trade agreements, if we were to ask Congress to do one thing for the US manufacturing sector, it would to pass a bill that holds China accountable for its currency manipulation and subsidy schemes.

Regarding the Peru, Colombia and Panama FTAs, NCTO's members have examined these agreements carefully and have been strongly supportive. In terms of textiles, these agreements all contain the gold standard for textile agreements – a pure yarn forward rule of origin with none of the free riders that we have seen in past agreements. This means that only textile and apparel companies in the Free Trade Area itself get benefits and that non-participants, particularly China, are technically shut out.

You may have noticed that I said the word “technically.” I used the word because while the customs regulations in these agreements are very strong, Customs itself has been backpedaling furiously on commitments made to the U.S. textile industry when the CAFTA agreement was being debated. These commitments were one of the primary reasons NCTO members voted to support the agreement.

Today, instead of the re-invigorated customs enforcement effort we were promised in CAFTA, textile enforcement is now at a crisis point. The government has stopped sharing data on seizures and detentions, special operations have been virtually halted and textile enforcement staff has been leaving in droves.

The result is that the cheaters are now winning. U.S. textile mills are reporting a sharp upswing in shipments lost to illegal trade. This is because the rules in CAFTA are being broken by unscrupulous importers who know there is virtually no chance in this current Customs environment that they are going to get caught.

The industry has done its homework. We have traced the routes that illegal shipments take from China and elsewhere. We know which ports the boats dock at. We know which companies are falsely claiming U.S. origin goods. And yet we watch as U.S. mills close and their workers become unemployed because Customs is no longer keeping its word and making textile enforcement a priority.

This turnaround by U.S. Customs is all the more infuriating because Customs own records show that fraud and cheating occurs more in textile trade than in any other manufactured good. In fact, nearly 50 percent of all Customs fraud cases involve textile products.

Our industry's patience is nearing an end. We have made many appeals to Customs to restore the program. But we have yet to see Customs respond in a meaningful way.

So while we today support the Peru, Colombia and Panama agreements, there is no reason for the industry to continue to support these or future agreements if Customs has decided it will not bother to aggressively enforce them.

Finally, regarding the Korea FTA, we believe this agreement needs to be renegotiated. In the agreement, USTR reversed decades old policy when it agreed to give Korea duty free access immediately on the vast majority of its textile products. In addition, Korea also manipulates its currency and the chaebol system give its manufacturers additional unfair advantages. Finally, Korea has been a major transit route for textile fraud with China for over 30 years and has shown no willingness to date to enforce its agreement.

This concludes my verbal remarks. I would like to thank the Committee once again and to urge that you continue to review the impact of trade on small and medium sized businesses.