

**Statement on Behalf of the National Council of Textile  
Organizations  
The United States - Australia Free Trade Agreement  
Hearing of the Committee on Ways & Means  
U.S. House of Representatives  
June 16, 2004**

The National Council of Textile Organizations (NCTO) appreciates this opportunity to share our views regarding the free trade agreement (FTA) that has been negotiated between the United States and Australia.

NCTO was recently established to represent the entire unified spectrum of the U.S. textile sector, from fibers to finished products, including yarn, fabric, man-made fibers, cotton, textile machinery and chemicals and others concerned with the prosperity and survival of the U.S. textile industry. NCTO is more broadly based than any previous domestic textile organization and we are very interested in the details of all potential and proposed FTAs, including the one recently negotiated between the U.S. and Australia.

The United States textile industry has experienced a wave of plant closings and job losses in recent years unlike any comparable period of time in our history. In the last six years – a mere seventy-two months – we have lost nearly 230,000 U.S. textile jobs, over 35 percent of our entire workforce. These job losses have accelerated in the past three years, with 50,000 jobs having disappeared in 2003 alone. It is against this backdrop of plant closings and mass layoffs, due mainly to an unrelenting wave of unfairly traded imports from China and other Asian countries, that we have viewed each new proposed FTA with a critical eye.

Our industry has vigorously sought to develop trading partnerships with apparel producers in Caribbean and other nations with which we have a preferential trading arrangement. Such arrangements which promote the use of U.S. yarn and fabric present tremendous export opportunities for U.S. textile manufacturers. For example, as a result of the Caribbean Basin Trade Partnership Act (CBTPA), which grants duty-free treatment to garments made in the region of U.S. yarns and fabrics, our industry has been able to significantly expand our exports to CBTPA countries.

But such export opportunities can only materialize in an FTA if a strict, yarn-forward rule of origin without any exceptions is included. The United States textile industry has strongly and consistently urged the United States government to insist that the benefits of any free trade agreement must be limited to the participating countries, and that textile manufacturers in China, India and other third party countries should not be allowed to reap the benefits of the agreement at the expense of U.S. textile producers.

Further, last fall, over 170 members of Congress wrote to the President urging him to maintain the yarn-forward position that the U.S. had taken earlier that year in the Central America Free Trade Agreement (CAFTA) negotiations, with no tariff preference levels (TPLs) or other exceptions. Regrettably, this position was not maintained, and massive loopholes to the rule of origin were included in the final agreement. The same is true with respect to the recently negotiated FTAs with Morocco and Bahrain, both of which contain enormous and unwarranted exceptions to the rule of origin. As a result, NCTO will be opposing all three of

these agreements and urging their rejection by Congress.

However, we were pleased to see that the final U.S.-Australia FTA includes a strict yarn-forward rule of origin with no (zero) exceptions. No tariff preference levels, no cumulation provisions, no loopholes of any kind to the yarn-forward rule of origin. We further applaud the U.S. negotiators for rejecting Australia's original effort to include a rule of origin that would have required only 55 percent of the declared value of an export to be accomplished in the exporting country. This would have created huge opportunities for "free riders" – i.e., textile producers in China, Vietnam, India and other non-participating, third party countries. – to ship fabric to Australia at the expense of fabric and yarn manufacturers in the United States and Australia.

The U.S.-Australia FTA is the first such agreement to contain a strict, yarn-forward rule of origin with no exceptions, carve-outs or loopholes of any kind. Accordingly, NCTO supports the agreement and urges Congress to adopt legislation to implement the agreement so long as such the language of the legislation adheres to the provisions negotiated between the two countries.

Further, NCTO urges that the U.S.-Australia FTA serve as a template for any future free trade agreements that the States might negotiate, including any agreements currently being negotiated. If future FTAs do not adhere to this strict yarn-forward rule of origin requirement, NCTO and very likely many of our allies in the textile and fiber sector will be forced to oppose such agreements, and we will urge their defeat in Congress.

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