



Chesnutt Urges Nine Point Program Against China's Unfair Trade Practices

NCTO Review Finds China Offers Its Textile Sector 73 Subsidies

Washington, D.C. – Former Chairman of NCTO and current President and CEO of National Spinning, Inc., Jim Chesnutt, testifies today before the U.S.-China Economic and Security Review Commission regarding the threat posed by China in textile and apparel manufacturing and how current trade remedies have performed in addressing the China threat.

The hearing today is the one field hearing conducted by the Commission this year and will examine the effect of Chinese exports of clothing, textiles and furniture on the economy of North Carolina. As a component of the hearing, the Commission will also consider the effectiveness of current policies in addressing the problems created by subsidized imports from China including whether trade remedies, such as antidumping penalties, are adequate to protect jobs from unfair competition.

As part of his testimony, Chesnutt released an NCTO analysis shows that the Chinese government offers its textile manufacturers 73 different subsidies. Chesnutt criticized the U.S. government's slow pace of action on China:

"The central issue is not what policies or practices the central government in Beijing has undertaken; rather, the central issue is how our own government has responded, or, more accurately, has failed to respond to China's deliberate economic intervention on behalf of its citizens and its industry."

As an example, Chesnutt noted that the government still has not developed a comprehensive list of Chinese subsidies, that its WTO subsidy list has not been updated since 2004 and that China is not listed on the subsidy website as having even a single subsidy¹.

¹ Commerce WTO subsidy list only as of Feb. 02, 2004; no listings for China: http://ia.ita.doc.gov/esel/notify/ESEL_notification_country_02-04-04.html;
Commerce Subsidy Enforcement Library – no listings for China: <http://ia.ita.doc.gov/esel/eselframes.html>.

Chesnutt explained that through its vast array of subsidies, China has been able to gain a nearly 50 percent share of world trade in apparel since 2000 while its exports of textile and apparels to the United States have increased from \$6.5 billion to \$30.6 billion, a increase of nearly 400 percent.

Chesnutt said, "The impact of China's government policies on the U.S. and North Carolina's textile industry has been nothing short of devastating. U.S. textile mill shipments have declined by 25 percent since 2000, and more than 160,000 textile workers have lost their jobs, with 11,365 workers losing their jobs in North Carolina in 2006."

Chesnutt proposed a nine step program that would lead to a revitalization of U.S. manufacturing. Key steps include:

1. Pass Strong Currency Legislation
2. Extend or Replace the Current China Textile Safeguards
3. Create a Comprehensive Subsidy Database on China for use by U.S. Manufacturers
4. Increase Dumping and CVD Assistance to Small and Medium-Sized Manufacturers
5. Increase and Re-Prioritize Enforcement Efforts at USTR and the Department of Commerce
6. Review China's Government Support of Its State-Owned Industrial Sectors, Including Textiles, and Penalize Illegal Transactions
7. Increase and Reform Customs Enforcement Efforts Targeting China
8. Develop a More Effective Enforcement System that Holds U.S. Importers Responsible for the Products They Import and Provides for Stronger Penalties for Those Who Violate the Law
9. Impose Penalties on Companies that Import Products which were Made by Companies Who Pollute the Environment

Chesnutt concluded that "as the production and job loss statistics demonstrate, U.S. textile companies, as well as other manufacturing sectors, cannot survive when they are pitted against the Chinese government. As the Chinese government moves to progressively target the highest technology sectors of our economy (including aircraft, automobiles and semiconductors), we face the prospect of sector after sector in the United States falling before the Chinese onslaught."

###