



March 15, 2007

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
Washington DC 20006

Regarding: Comments on the 2005 WTO Ministerial Decision on Duty-Free, Quota-Free Market Access for Least Developed Countries

Dear Ms. Blue:

As the national trade association for the U.S. textile industry, the National Council of Textile Organizations (NCTO) is pleased to offer advice on the issue of the Duty-Free, Quota-Free (DF/QF) commitment made by the U.S. government during the Hong Kong Ministerial.

NCTO would like to note up front that, unless carefully managed, the impact of the DF/QF commitment is likely to fall harder on the U.S. textile industry and its workers than any other sector and it is appropriate that textile concerns regarding this initiative be carefully considered.

Such an impact could occur because two LDCs – Bangladesh and Cambodia - have emerged during the last decade as “super-competitors” in the textile arena. As a unit, these two countries are the second largest apparel exporters to the United States, out exporting Mexico, each of the CAFTA countries, and the entire ANDEAN/AGOA regions combined, all of which already receive duty-free treatment. Over the last two years, Bangladesh and Cambodia have taken large amounts of market share away from other LDCs and developing country markets, including those which represent the major export markets for the U.S. textile industry. As a sign of their competitive strengths, they have accomplished this while paying regular duty and competing against all other LDCs which have quota free, duty-free access¹.

It is revealing to note that even under a duty-paying scheme Bangladesh and Cambodia are among the few countries in the entire world, and the only LDCs, to benefit from the 2005 quota phase-out². Exports of apparel from these two countries have increased by an average of 32 percent since 2005, while the rest of the LDC countries have experienced double digit declines, including a 27 percent decline by the AGOA countries. In addition, the NAFTA/CAFTA region has also experienced double digit declines.

¹ African LDCs under the AGOA program and Haiti under the HOPE Act.

² China is the other big winner.

Not coincidentally, Bangladesh and Cambodia ship almost the identical product mix³ – trousers, knit shirts, underwear – as do the CAFTA and NAFTA regions and the other LDCs. From a U.S. textile perspective, because the CAFTA and NAFTA regions buy mostly U.S. yarns and fabrics, losses in the NAFTA/CAFTA region invariably lead to losses in jobs and plant closures in the United States.

This is the key reason that any DF/QF outcome which sacrifices these valuable and job sustaining export markets would force the industry to oppose the Doha Round.

In addition, NCTO encourages the TPSC to review carefully the potential global ramifications, both political and economic, of allowing super competitive LDCs such as Bangladesh and Cambodia to receive duty-free access in textiles and apparel. Such an action would likely eliminate remaining African textile and apparel production and cause widespread job losses in the Western Hemisphere. The TPSC should also examine what effect DF/QF would have on key allies in the war on terror, including Pakistan, Jordan, Egypt and others that depend on access to the U.S. market in order to employ hundreds of thousands of workers. These countries also ship similar product mixes similar to Bangladesh and Cambodia's.

U.S. Government Commitment

From an industry perspective, it is imperative that the United States maintain its current position that the DF/QF commitment is part of a single undertaking and that there is no “early harvest”. An “early harvest” would not only jeopardize industry support for a Doha Round conclusion but would also generate serious complications regarding textile negotiations in the Round.

In addition, under no circumstances should the 97 percent figure be increased. Doing so would ensure a strong political reaction in the United States while unleashing the negative consequences already described in many other critical regions around the world.

NCTO also believes that it is essential that the United States government retain the ability to make its own decisions, in consultation with Congress, regarding which tariff lines are included in any duty-free, quota-free arrangement. This means that there can be no definitive WTO list of which items are included in a DF/QF arrangement but instead that individual WTO members are allowed to make their own determinations about which products are included and under what rules of origin. Finally, the U.S. government should make sure that its final DF/QF undertaking cannot be appealed to a WTO dispute body but instead that the U.S. government and the U.S. Congress retain overall authority to enforce the U.S. commitment.

If these strictures are adopted, the U.S. textile industry believes that U.S. job losses and production declines from a 97 percent DF/QF arrangement can be minimized. Accordingly, job losses in the CAFTA/NAFTA/AGOA regions as well as from major apparel exporters such as Pakistan, Egypt and Jordan can also be dramatically reduced. However, this will require that apparel items sensitive to the U.S. industry, the CAFTA/NAFTA regions and other countries be excluded from a DF/QF arrangement.

³ Made almost entirely of subsidized Chinese fabrics and yarns.

We also note that even with such exclusions, Bangladesh and Cambodia would reap enormous benefits, potentially worth billions of dollars, because they would still receive zero duty benefits in the vast majority of tariff lines in the textile and apparel chapter⁴. This trade is now dominated by China but a carefully structured DF/QF arrangement would enable these two countries to take back a significant portion of this lucrative market which is worth tens of billions of dollars today. We believe that from a political, economic and security perspective, this is by far the preferable route to go and we look forward to working with the government to ensure that it takes place.

Please let me know if we can supply any specific trade figures or be of any further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Cass Johnson", written in a cursive style.

Cass Johnson
President

⁴ Only a minority of textile and apparel tariff lines are still considered sensitive by the domestic industry.