



Congress of the United States

House of Representatives

Washington, DC 20515

June 13, 2006

Ambassador Susan Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508

Dear Ambassador Schwab:

We are writing to express our grave concern over the direction of current negotiations related to the Doha Round and Vietnam's WTO accession terms. We believe that unless the U.S. government takes specific steps, these talks will likely cause large job losses in the U.S. textile and apparel sectors. We are committed to working with you to ensure that the concerns of this industry, which contributes \$75.2 billion through textile production and \$42.7 through apparel to our GDP and is the third largest exporter of textile products in the world, are addressed at this critical juncture in U.S. trade policy.

In relation to the Doha Round, it is vital that textiles be removed from the overall NAMA talks and be covered under a separate sectoral negotiation. A textile sectoral is needed to devise a remedy that would preclude China from monopolizing the global marketplace. Although China enjoys all the privileges of WTO membership, it has evaded its WTO responsibilities. Contrary to free trade principles, the Chinese government still gives its manufacturers enormous unfair advantages, including a purposely undervalued currency, a state-owned and subsidized textile sector and state-sponsored loans that are often never repaid. Failure to recognize this reality in the Doha Round will in essence cede the vast majority of the U.S. market to China at the cost of more than 600,000 American jobs.

In addition, current Trade Promotion Authority negotiating objectives mandate that the United States obtain competitive opportunities for U.S. exports of textiles and apparel in foreign markets "substantially equivalent" to the competitive opportunities afforded foreign exports in U.S. markets and achieve fairer and more open conditions of trade in textiles and apparel. Yet, based on the Hong Kong Declaration, the NAMA talks are already framed in a fashion that will produce an unbalanced outcome regarding tariff reductions in the U.S. as compared to most other major textile trading partners that remain designated as "developing countries." The Hong Kong NAMA text contains language granting numerous exemptions to developing countries such as the following:

Take fully into account the special needs and interests of developing countries, including

through less than full reciprocity in reduction commitments. – Hong Kong Declaration, Paragraph 14.

The commitments already made as part of the NAMA text approved in Hong Kong will almost certainly force U.S. textile and apparel tariffs to undergo significant cuts while allowing exporting superpowers, such as China and India, to undertake lesser commitments simply because they self-designate themselves as developing countries under the WTO system. The direction of the talks to date will make it virtually impossible to meet the TPA reciprocity mandate unless textiles are separated from the general NAMA negotiations.

Moreover, sharp cuts to U.S. textile tariffs will almost certainly dismantle our various preferential trading programs that are dependent on zero duty arrangements. Without a specific textile sectoral that directly addresses the issue of preference erosion, the Doha agreement will jeopardize the 1.5 million textile and apparel jobs in NAFTA/CAFTA countries. As these jobs are lost to the Far East, the result will be a growing destabilization in our hemisphere that exacerbates current security and illegal immigration problems. In regard to Vietnam's accession to the WTO, the concerns are the same. Like China, Vietnam has a large and subsidized textile sector that utilizes anti-free market principles to under-price producers here in the United States and elsewhere. Just as with China, the U.S. must insist on a textile safeguard system, or an extension of the current quotas, until these unfair subsidies are removed.

Vietnam is also one of the world's largest exporters of textiles and apparel. Vietnam's exports to the United States have soared from \$49.3 million in 2001 to \$2.88 billion in 2005. This equates to a cumulative growth of 5,737 percent.

This massive and disruptive growth was clearly aided by Vietnam's ability to artificially lower prices through its state sponsored system. Even if Vietnam agreed as part of the WTO negotiations to privatize its state-run apparel sector, *which it has not*, Vietnam would still have to undergo a transition period away from a non-market economy that will take several years. It is simply unreasonable to ask U.S. workers to compete with products manufactured under a state-run economy without at least providing an adequate safeguard mechanism.

We are alarmed that there has been virtually no positive progress on either of these matters. To date, the United States has failed to endorse the call for a textile sectoral in the Doha Round. Of equal concern is the fact that the United States also has yet to demand a textile safeguard as a prerequisite for Vietnam's admission to the WTO even though the Vietnam WTO talks are in their final stages.

Please note that failure to address these two critical concerns will substantially impact our view of the Administration's legislative trade agenda from this point forward.

We look forward to working with you in an effort to produce an adequate solution to these problems.

Sincerely,

John Spruiell

Paul H. ...

Mark B...

Zach Wamp

Henry E. Brown

Paul ...

David Scott

Walter B. Jones

Jim ...

Howard Coble

Virgil Goode

Art ...

Robert B. Adkins

Lynn ...

John ...

Virginia Foxx

Jim Marshall

Michael B. ...

Bob Inglis

Ed Whitfield

Sue Myrick

JOE Wilson

Roli Fager

Sanford Bishop

Charlie Norwood

Tom Petri

Marion Berry

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Randy Neugebauer

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David Price

K. Michael Byrd

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Burt Gordon

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