

April 30, 2004

Ms. Marilyn R. Abbot  
Secretary  
U.S. International Trade Commission  
500 E Street, SW – Room 112  
Washington, DC 20436

RE: U.S.-Morocco FTA: Potential Economywide and Selected Sectoral Effects,  
Inv. No. TA-2104-14

Ms. Abbot:

The National Council of Textile Organizations (NCTO) welcomes this opportunity to submit comments regarding the recently concluded U.S.-Morocco Free Trade Agreement (FTA), which is the subject of the following ITC investigation: *U.S.-Morocco FTA: Potential Economywide and Selected Sectoral Effects, Inv. No. TA-2104-14*.

By way of background, NCTO is a new group designed to represent the entire unified spectrum of the U.S. textile sector, from fibers to finished products, from machinery and chemical manufacturers to power suppliers. NCTO is comprised of four separate councils representing the fiber, fabric, supplier and yarn industries, each with its own board representation and each with a stake in the prosperity and survival of the U.S. textile sector. NCTO is obviously very interested in the details of the proposed free trade agreement with Morocco and would like to share our views and concerns with the Commission.

The unified textile industry has consistently urged that the benefits of free trade agreements must accrue only to those countries which are actual parties to the agreement. In a simple phrase, there must be no third party “free riders” who realize benefits without making any sacrifices of their own.

Viewed in this light, we are very concerned that, while the U.S.-Morocco FTA ostensibly contains a yarn-forward rule of origin, this requirement is completely undercut and in fact negated by a tariff preference level (TPL) that is overly generous and unnecessary.

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By granting Morocco the ability to utilize as much as 30 million square meter equivalents (SMEs) of third country textile inputs, the United States’ negotiators have basically rendered the rule of origin worthless. Indeed, we find it amazing that the USTR fact sheet on the agreement says that the rule of origin will promote “new opportunities for U.S. and Moroccan fiber, yarn, fabric and apparel manufacturing, “

yet in the very next sentence the USTR admits that the agreement includes a 30 million square meter allowance for apparel containing 3<sup>rd</sup> country content. Morocco only shipped less than 16.5 million SMEs worth of textile goods to the U.S. in 2003. Therefore, this 30 million SME gift to third country textile producers is nearly twice the amount of total imports from Morocco last year. This is totally unwarranted and will harm U.S. textile producers as well as Moroccan makers of yarn and fabric who will find Moroccan apparel makers turning to Asian producers for their raw inputs.

At last count, Morocco's textile and apparel sector employed over 200,000 workers, giving it an already significant production capability. Even without the massive TPLs in this agreement, an FTA with Morocco would likely result in reduced production and employment in the U.S. textile industry. And allowing Morocco garment makers to utilize yarn and fabric from China, India, Pakistan, Bangladesh, Vietnam and other low-cost Asian producers will only exacerbate that damage, as well as displace textile and apparel imports from Mexico, Canada and the Caribbean Basin, which are important U.S. exports markets for yarns and fabrics.

Accordingly, the National Council of Textile Organizations views the U.S.-Morocco FTA as one that will cause further harm to the U.S. textile industry, which has already lost some 206,000 jobs over the past five years.

If you have any questions, please let me know.  
Sincerely,

Cass Johnson  
President

**National Council of Textile Organizations**

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