

# NCTO Dismayed by Customs Results on Vietnam

## **- With Jobs on the Line, Industry May Seek GAO Investigation -**

*(Washington DC) – According to press reports, after spending a year investigating allegations of Vietnamese textile and apparel transshipments, the U.S. government announced yesterday that it will only reduce Vietnamese quotas on textile and apparel by 2.5 percent. NCTO President Cass Johnson noted the American textile industry's disappointment with the investigation's outcome in the following statement:*

The government's action flies in the face of available evidence, and it now appears that substantial illegal shipments will be officially included in Vietnam's quota levels. That means more market access for textile and apparel imports from Vietnam and thus fewer orders, less production and even more lost jobs here in the United States. While we are disappointed in the Administration's action on Vietnam, we do want to recognize and applaud the efforts of our supporters in Congress, who have been diligent in their pursuit of a thorough and transparent investigation.

The facts are these: A General Accounting Office (GAO) report last year revealed that, when Customs takes the time to open containers, it finds an average fraud rate of 27 percent. The GAO report also revealed that, on average, one-half of the overseas factories visited by Customs are found to be at serious risk of transshipment. And a Customs analysis received by NCTO earlier this week found that 81 percent of the apparel factories recently visited in Hong Kong, 44 percent of those visited in Egypt and 87 percent of those visited in South Africa were suspected of being used to illegally transship.

With this level of fraud occurring around the world, it is hard to understand how Vietnam, a country with a history of corruption and one which staged an import increase so large that many considered it physically impossible to achieve, has apparently ended up with the cleanest record of any major exporter in Asia.

During the year that the contested shipments took place, Vietnam's exports of textiles and apparel increased by the equivalent of 700 million shirts (approximately 350 million square meters). An increase in production of 700 million shirts in just twelve months' time – a ten-fold increase over the previous year – is an almost unbelievable figure for a country of that size. And yet the U.S. government would have us believe that 97.5 percent of this trade was legal and made in Vietnam, and that virtually none of it came from China, a country which shares a long land border with Vietnam and

which Customs tells us is responsible for more than 90 percent of all transshipments occurring today.

*(cont.)*

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Transparency International, the world corruption monitoring body, has declared that Vietnam is one of the world's most corrupt countries to do business in. And it is also interesting to note that, last June, the Textiles Committee of the Hong Kong Chamber of Commerce, a group that knows something about transshipments, declared that Vietnam could not have produced the quantities of textile goods it was claiming, and the Hong Kong Chamber group warned that a "new chapter in transshipments" was opening.

Despite efforts by Representative Richard Burr and others in Congress, this U.S. government investigation has been shrouded in secrecy. The American textile industry repeatedly sought to discover what standards the government was using, how detailed the investigation was and what level of resources were being applied. Our concerns were heightened in January, when the GAO published the results of a nine-month investigation of Customs' efforts in curbing illegal textile and apparel transshipments. Those GAO findings revealed major problems at almost every level of Customs' efforts on the textile and apparel transshipment front.

The domestic textile industry and our workers still need to know the facts behind this result. Some of the questions we are still asking are:

- 1) What percentage of trade do the "nearly" 100 factories visited represent?
- 2) On what basis were those factories chosen?
- 3) What were the results from those particular factories?
- 4) How did Customs extrapolate the results from those factory visits to the rest of textile and apparel trade?
- 5) What standards were used to determine whether a product was actually produced in Vietnam?

These are not merely academic questions. Hundreds of thousands of jobs in the United States depend on how thoroughly and how carefully Customs does its work and thwarts illegally traded imports. Given the less than stellar results of recent investigations of Customs activities, the U.S. textile industry needs to be assured that this particular investigation was thorough, comprehensive and well-managed. If we cannot be assured of that, NCTO may seek a GAO investigation of this result.

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