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## **NCTO Analysis Shows Chinese Apparel Prices 76% Below U.S. Prices and 58% Below Rest of World's Prices**

### **Chinese Predatory Pricing Demonstrates Need for Safeguards to Combat Chinese Currency Manipulation, Subsidies, Unfair Trade Practices**

(Washington, DC) -- The National Council of Textile Organizations (NCTO) today released statistics showing that China is exporting trousers, shirts and underwear and other apparel at 76 percent below U.S. producer prices and 58 percent below the prices of other exporting countries for the same garments.

"This data clearly demonstrates the enormously unfair trade advantages the Chinese government is employing on behalf of its textile and apparel industry, and validates our concern that China will flood the U.S. in 2005 if textile safeguards are not imposed by our government," said Cass Johnson, President of NCTO. Johnson noted that, "In twenty-nine apparel categories that were removed from quota in 2002, Chinese prices plunged by 53 percent, helping Chinese exports to the U.S. of these products to grow by more than 1,000 percent. As a result, China's share of the U.S. grew from roughly 10 percent to 72 percent – and this was in just 30 months."

These unfair advantages which the Chinese government employs include a 40 percent price advantage because of Chinese currency manipulation, billions of dollars in direct subsidization of its textile industry and government banks that are giving away money to Chinese manufacturers.

<b>Chinese Predatory Pricing</b>		
	Average price for garments*	Percent difference with China
China's Worldwide Export Price	\$1.84	
Rest of World's Export Price	\$4.42	58%

U.S. Producer Price	\$7.63	76%
Average of export prices for trousers, underwear, woven shirts and knit shirts. Export data is for 2003. See attachment for more details.		

According to Johnson, “China engages in the worst kind of predatory pricing. When our companies are competing against the Chinese government itself, then something is very wrong and we need the U.S. government to respond on our behalf.” NCTO and other U.S. textile and apparel groups have filed for safeguards to be applied against a variety of textile and apparel exports from China in an effort to limit their growth next year to 7.5 percent. Final decisions by the U.S. government on these petitions are expected in early February.

The NCTO analysis also showed that, where quotas do not exist, China already dominates world trade in these products. Specifically, it shows that China has captured an average 55 percent share of world trade in these products outside of trade with the United States and the EU, which have kept Chinese exports somewhat restrained by quotas. \* Of particular note are figures regarding Japan and Australia, two developed country markets with similar consumer buying patterns as the United States but which have never employed quotas. In these two countries, Chinese import market share now averages 88%.

Johnson added, “China’s predatory pricing figures show why 96 trade associations from 54 countries around the world \*\* have joined together to demand that governments act to prevent a brutal takeover of world trade by China once quotas are removed. When manufacturers in no other country in the world can even come close to competing against China, then it is time for governments to stand up and take China on.”

The analysis used trade data from the United Nations COMTRADE database and Global Trade Atlas as well as US producer price information. The international data is supplied by 88 exporting countries, including China. The data was included in the U.S. textile industry comments filed by NCTO and its coalition allies in support of its safeguard petitions on the cotton and man-made fiber trousers, cotton and man-made fiber men’s woven shirts, cotton and man-made fiber underwear, and cotton and man-made fiber knit shirts.

*(Note: The database export data does not include duties, shipping and insurance. These costs would raise Chinese export prices by approximately 20%, to \$2.04/garment, and “rest of world” prices to \$5.30/garment. With these costs included, Chinese prices are 73% below US producer prices and 62% above “rest of world” prices.)*

**\* Even with quotas in place on the products analyzed by NCTO, Chinese exports to the U.S. have still risen by 76 percent in the five-year period from 1998 through 2003.**

**\*\* For further information on the worldwide coalition to prevent a Chinese takeover of textile and apparel trade, go to [www.fairtextiletrade.org](http://www.fairtextiletrade.org).**

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