

## News Release

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# **NCTO Applauds Major Improvements in CAFTA that will Promote Textile Exports and Protect Textile Jobs**

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## **U.S. Pocketings and Trouser Fabric Makers to Benefit**

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### **CALLS ON HOUSE MEMBERS TO SUPPORT CAFTA**

Washington, DC) NCTO applauds an announcement by key textile-state House members and the Bush Administration that an agreement has been reached with the CAFTA countries to close remaining textile loopholes covering the Nicaragua tariff preference levels (TPLs) and pocketings and linings. These agreements come approximately two months after a commitment by the U.S. government to work with NCTO and its member companies to resolve remaining issues.

Under the agreements, U.S. makers of pocketing fabric will no longer be threatened with the loss of up to \$100 million in annual exports to the region, while Nicaraguan trouser makers will have to increase their purchases of U.S. trouser fabric by \$90 million if they wish to utilize the Nicaraguan TPL for their current exports of trousers.

Jim Chesnutt, Chairman of NCTO, said: "Key textile-state congressional members – Congressmen Spencer Bachus (AL-6), Mike Rogers (AL-3), Phil Gingrey (GA-11), Gresham Barrett (SC-3), and Bob Inglis (SC-4) – deserve special thanks and recognition by the U.S. textile industry for working tirelessly to get these new commitments. NCTO also extends its sincere gratitude to Ambassador Portman and Secretary Gutierrez for their efforts in continuing to find constructive ways to resolve industry concerns and preserve textile jobs. NCTO would also like to applaud our member companies who were instrumental in helping develop creative solutions to these remaining issues."

"These changes mean that there are no longer any legitimate excuses to oppose this agreement because of textile concerns. All the major issues that the textile industry has raised since the CAFTA was signed have now been resolved and NCTO has officially withdrawn the pledge it asked of Congressional members in 2003 to oppose CAFTA. We call upon our textile supporters in Congress to do the right thing to preserve textile jobs in their districts and vote to support the CAFTA when it is voted on later this week."

For more details on the CAFTA improvements, see the following fact sheet.

#### **CAFTA IS IMPORTANT TO THE U.S. TEXTILE INDUSTRY**

- The CAFTA region is the second largest market for U.S. yarns and fabrics. The U.S. textile industry exported more than \$4 billion in textiles and apparel to Central America in 2004.
- Apparel imported to the U.S. from this region has on average more than 70 percent U.S.

content, while apparel imported from China has less than 1 percent U.S. content. CAFTA will help ensure that apparel makers in Central America continue to use U.S. yarns and fabrics and will help prevent this business from being lost to Asia.

- The Caribbean Basin Trade Partnership Act (CBTPA) which currently governs the trading relationship between the U.S. and the CAFTA countries expires in 2008. CBTPA may also come under challenge at the WTO and could be declared illegal even before it expires
- If the U.S. textile industry is to remain competitive against China, it must have a predictable and stable duty-free trading platform in this hemisphere. CAFTA provides this platform.

### **IMPORTANT FACTS ABOUT THE U.S. TEXTILE INDUSTRY**

- The U.S. textile industry continues to invest aggressively in capital improvements and this has been a cornerstone of the industry's competitive strategy. Industry has invested \$34 billion in new equipment in the United States over the past ten years.
- U.S. textile industry is one of the most highly automated and advanced manufacturing sectors in the country.
- The U.S. is the 3rd largest exporter of textile products in the world - more than \$14 billion last year – with exports to more than 55 countries around the world, including China.
- The U.S. textile industry supplies more than 5,000 products to the U.S. military and maintaining the ability to supply these products is critical to our national security.

### **DETAILS ON CAFTA TEXTILE IMPROVEMENTS**

#### Pocketings resolution:

Under the agreement on pocketing, the Central American governments have agreed that pocketings and linings will now fall under the CAFTA "yarn forward" rule of origin. This means that Asian or Chinese pocketing and linings will not be eligible for CAFTA duty-free benefits. Pocketings and linings are currently a \$100 million business for U.S. textile companies.

#### Nicaragua TPL resolution:

Under the agreement on the Nicaraguan Tariff Preference Level (TPL), the Nicaraguan government has agreed to require that Nicaraguan trouser manufacturers increase their use of US fabric by as much as 200 percent or \$90 million if those trouser manufacturers wish to bring in trousers under the Nicaragua TPL. Trousers account for over half of Nicaragua's current exports of textiles and apparel to the United States with Asian fabrics accounting for two-thirds of Nicaragua's trouser exports. Current U.S. exports of trouser fabric total 22 million square meters or approximately \$45 million while Asian trouser fabric content totals 67 million square meters.

Under the agreement, Nicaraguan producers who use the TPL will have to match their Asian fabric usage with new U.S. fabric orders. For use of man-made fiber trousers, Nicaraguan manufacturers will have to match their purchases of Asian fabric on a one-to one basis beginning the first year of CAFTA. For cotton trousers, in the first year of CAFTA, manufacturers will be required to buy 20 million square meters of U.S. cotton trouser fabric in order to utilize the TPL, nearly doubling their 10.7 million square meters of current U.S. purchases. This U.S. cotton trouser purchasing requirement increases by ten million square meters each year until it reaches 50 million square meters of U.S. fabric in the fourth

year. A straight one to one requirement prevails in years five through ten for all Nicaraguan cotton trousers entered under the TPL.

Next steps:

Under the TPL and pocketing resolutions, the parties agree to meet on an expedited basis after the agreement has gone into effect on January 1, 2006, and formally make these changes using the amendment mechanism provided in the CAFTA. House and Senate leadership have committed to expediting the passage of legislation to codify the changes.