

News Release

For Immediate Release:
Monday, August 15, 2005

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NCTO Lays Out Five Steps to Long Term China Solution

Agreement must Include Tight Limits on Sensitive Products through 2008

Washington DC) On the eve of negotiations with China over a comprehensive textile agreement, NCTO reiterated its support of U.S. efforts to achieve such an agreement while laying out a five step process to achieving a long term solution to China's distorting trade practices in the textile and apparel sector. Noting that Chinese government trade practices represent the single greatest threat to the livelihoods of textile workers around the globe, NCTO said a properly constructed comprehensive bilateral textile agreement with China would be an important first step to a long term solution to the China problem.

NCTO President Cass Johnson, said, "By using its currency as an economic weapon and by pouring billions of dollars of illegal subsidies into its textile sector, the Chinese government has effectively declared war on U.S. textile producers and its workers. As a result, China's exports of apparel to the United States have increased by over 800 million garments in just the first five months of the year. At the same time, U.S. textile and apparel job losses have accelerated, with 26,000 good paying jobs lost and 19 textile plants closed during this same time frame. This industry, and the rest of the U.S. manufacturing sector, need a long term solution to China's continuing refusal to abide by international trade rules."

Comprehensive Bilateral with Tight Levels Would Be First Step:

NCTO believes a comprehensive textile agreement with China would be an important **first step** to a long term solution, provided that it keeps China's exports of sensitive textile and apparel products under tight quota control through 2008. In addition, the agreement must cover not only products where safeguard decisions have occurred or are pending, but also other categories where China is having a disruptive impact on the U.S. market. U.S. companies and their workers must not be penalized with higher quotas for categories that are not currently under restraint but which will need to be covered under the agreement. And the industry must also retain the ability to file safeguard cases if China begins to surge in categories that are not covered by the agreement.

Johnson said, "NCTO firmly believes that all sides could benefit from an agreement that provides certainty regarding quota levels over the next several years. However, if such an agreement cannot be reached, the industry will continue to use threat-based safeguards in order to ensure that China does not flood the U.S. market and cause

catastrophic job losses in the U.S. textile and apparel sector, which still employs almost one million workers nationwide.”

Additional Steps:

While re-imposing quotas on China, either through application of the safeguards or via a bilateral agreement, are a short-term solution, NCTO notes that they are only a temporary fix to a much bigger problem. Forcing China to live up to the full scope of its WTO obligations and elimination of its unfair and distorting trade practices must be addressed if U.S. workers are to be able to compete in a global marketplace that rewards those who play by the rules.

The most important component of a long-term China strategy is to stop China’s use of unfair trade practices in the textile and apparel sector. China’s many unfair trade practices – including currency manipulation, industrial subsidization, the use on non-performing loans to fund textile expansion, tax holidays, and subsidized freight and energy costs - enable China to distort world prices and unfairly undercut free markets. According to United Nation’s data, China charges on average 58 percent less for its apparel exports than the rest of the world. A **second step** in combating Chinese unfair trade practices is to attack these trade practices through WTO cases and U.S. trade law. NCTO supports passage of legislation by the U.S. Congress to address China’s ongoing currency manipulation including the imposition of tariff sanctions on China’s exports to the U.S. and allowing U.S. companies to attack Chinese subsidies at their source through the use of countervailing duty laws.

Since current trade rules prevent the U.S. textile industry from applying for relief against apparel imports using countervailing duty and dumping trade remedies, a **third step** is a permanent textile safeguard in the Doha Round of trade talks to address the unique problems posed by China and other non-market economies. Until these countries live up to the full scope of their WTO obligations, the U.S. textile industry – along with textile and apparel sectors from countries around the world – cannot continue to be threatened with the prospect of imminent destruction because China refuses to play by the rules.

While the U.S. government moves forward with its own bilateral trade negotiations, a **fourth step** is not to allow China additional access to the U.S. market through loopholes in future trade agreements. The inclusion of such loopholes -- TPLs, pocketings and linings and cumulation – will provoke widespread industry opposition to any agreement. Future success on trade liberalization in this sector hinges upon the prevention of such loopholes being included in future agreements.

Finally, a **fifth step** is that the U.S. should resist any pressure to lower U.S. textile tariffs during the Doha Round negotiations. U.S. textile and apparel tariffs are already among the lowest in the world and the U.S. should not consider reducing U.S. tariffs until other countries reduce their tariff to US levels. Further reductions in U.S. tariffs would not only threaten the entire U.S. textile sector but also hundreds of thousands of jobs in the Caribbean Basin, Mexico, Central America and Africa that rely on duty-free preferences. The United States should not undo the positive benefits of the just-passed CAFTA by agreeing to reduce U.S. textile tariffs for non-preferential trading partners.

Decisive action in each of these areas is essential to maintaining a global trading environment that provides legitimate companies with an opportunity to compete and succeed. NCTO looks forward to working with Ambassador Portman, Secretary Gutierrez and members of Congress on these essential steps to achieving a fair

playing field for U.S. workers in the textile and apparel sector.

IMPORTANT FACTS ABOUT THE U.S. TEXTILE INDUSTRY

- The combined US textile sector – including fibers, yarns and fabrics, machinery, apparel and finished textile products – employs nearly one million US workers (973,000).
- 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.
- The U.S. textile industry 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.

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