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NCTO Decries Chinese Bailout of Textile Giant

Another Sign of China's Unfair Trade Practices in Textiles and Manufacturing

Governments must act to stop "CHINA INC" or lose millions of jobs

Washington DC) Today, in apparent violation of its WTO commitments, the Chinese government said it would spend \$618 million to bail out its largest textile company, WorldBest. The Shanghai Daily reported that the deal is part of the Chinese government's "efforts to shift state-owned capital to pivotal sectors." WorldBest is already a state-owned company.

Cass Johnson, President of NCTO, said: "This is only the most blatant example of the Chinese government's wholesale disregard of free market principles and its WTO commitments. China agreed as part of its WTO commitments to operate state-owned enterprises 'in accordance with rules of market economy.1[1]' Today, the Chinese government again demonstrated that when push comes to shove, its WTO commitments aren't worth the paper they were written on.

Textile sectors around the world are competing against CHINA INC – a unique marriage of Chinese government resources with private industry that defies all standards of fair play or free market principles. From currency manipulation to non-performing loans to direct government subsidization, the Chinese government has proven again and again that it is willing to violate any agreement and every free market principle in order to get ahead.

Since quotas have been removed, China's unethical joining of business and government has borne fruit at almost everyone else's expense. In apparel categories where safeguards have not been used, China has gone from a 12 percent share to 42 percent of the U.S. market2[2]. China has increased its textile and apparel by \$9 billion in 2005. And UN trade data shows that CHINA INC underprices the rest of world in apparel by an average of 58%3[3].

U.S. textile manufacturers along with the rest of the world's producers are paying the price for China's anti-free market actions. 31 U.S. textile plants have closed so far this year and textile and apparel exports by developing and least developed countries have dropped by \$5 billion.

At the upcoming Hong Kong Ministerial, China is now maneuvering to take the final step in monopolizing world trade in textiles and apparel. More than 90 textile and apparel trade groups from around the world have joined forces to oppose China. Governments must act to make sure that 30 million textile and

1[1] Paragraph 43 of China WTO accession agreement.

2[2] US Department of Commerce data.

3[3] See NCTO press release, 12/15/04.

apparel jobs around the world are not sacrificed to China under the guise of 'liberalization.' Textile negotiations must be dealt with in a separate textile sectoral where China's gross violation of free market and WTO principles can be taken into account.

The U.S. Congress should also act by imposing penalties against China for manipulating its currency, by voting to allow U.S. companies to bring countervailing duty cases against Chinese subsidies and by conducting a comprehensive review of Chinese subsidies and government intervention in textiles and other manufacturing sectors."

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