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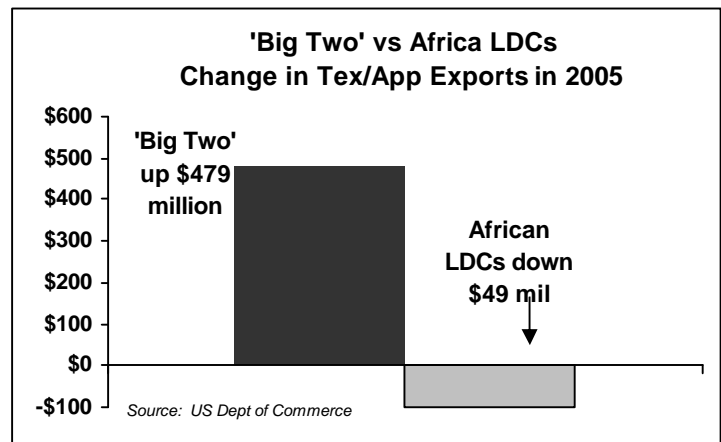
NCTO Warns that LDC Duty-Free/Quota-Free Textile Provisions Could Destroy African, Middle Eastern and Western Hemisphere Trade Preferences

EU-Led Push Actually Hurts LDCs Most in Need

Washington DC) The National Council of Textile Organizations (NCTO) charged today that the European Union's push to extend duty-free, quota-free (DF/QF) treatment to textiles for least developed countries (LDCs) would more likely hurt the poorest countries rather than help them.

NCTO said recent trade figures show that if the 'Big Two' LDCs with large and economically competitive textile sectors – Bangladesh and Cambodia - are given duty-free status, those countries could decimate textile sectors from dozens of smaller, poorer LDCs. As a result, the EU proposal, unless modified, could cost the poorest LDCs hundreds of thousands of textiles and apparel jobs. In addition, other countries that rely on trade preferences to export textile and apparel could see their preferences negated as orders shift to the Big Two.

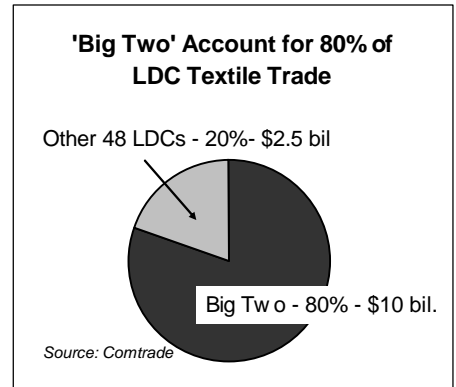
Cass Johnson, President of NCTO, said, "We have seen where importers and retailers are putting orders since safeguards were imposed against China. Importers are increasingly turning to the "Big Two" LDCs (Bangladesh and Cambodia), which have already developed large and economically competitive apparel sectors.



With an almost half billion dollar increase in exports since Jan. 1st, the "Big Two" LDCs have clearly graduated into the ranks of export competitive textile sectors. The same is not true for other LDCs. Textile and apparel imports from other LDCS have dropped sharply since Jan. 1st.

Johnson noted that the Big Two, which do not currently get duty-free access to the U.S. market, already account for 80 percent of all LDC exports of textiles and apparel - \$10.2 billion in exports worldwide last year. The 48 other LDC countries, most of which do get zero duty access, account for the remaining 20 percent, or \$2.5 billion.

Johnson said, **“The EU proposal as it relates to textiles would simply reward the winners while condemning those LDCs who are already in peril.** This makes no sense with respect to textiles and apparel and it should be modified to exclude countries which have already shown the ability to grow their sectors in a post-quota world. **Governments must ensure that in trying to help struggling textile sectors, they do not end up putting the nail in the coffin of those most in need.”**



Other Trade Preference Partners Also Hit by EU Proposal

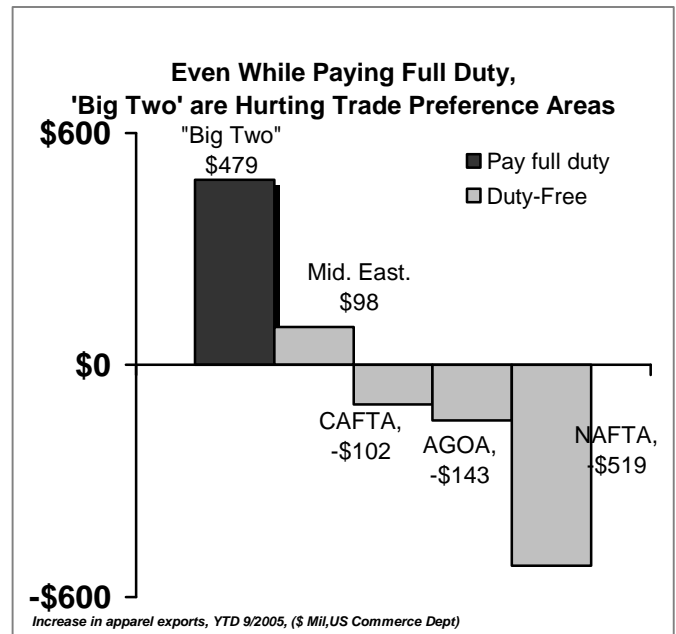
The EU proposal also threatens to destroy trade preferences currently in place with NAFTA, ANDEAN, Middle Eastern and the AGOA regions. These trade preferences employ millions of textile and apparel workers who supply the U.S. and EU markets.

Trade figures show that NAFTA, CAFTA, AGOA and the ANDEAN region are all suffering in a post-quota world while exports from the 'Big Two' are increasing rapidly. In addition, recent smaller gains by the Middle Eastern countries (Jordan, Egypt and Israel) could be wiped out by giving 'Big Two' duty-free status.

Johnson warned that “By turning a few select LDCs into **“super competitors,”** the EU proposal could cause widespread unemployment in textile sectors throughout these regions.”

China is Also Big Beneficiary of EU Proposal

One of the biggest beneficiaries of the EU proposal is China's subsidized textile sector. According to UN data, China (including Hong Kong) supplies 60 percent of the Big Two's fabric needs. With duty-free status, Chinese exports of subsidized fabric would increase dramatically as apparel exports from other trade preference areas and LDCs shift to the Big Two.



Thus, the EU proposal would imperil billions of dollars in fabric exports from other countries to those regions, threatening textile sectors in the United States, Mexico, the Andean Region. In addition, because the EU proposal would eliminate current origin rules for Bangladeshi exports to the EU, textile producers in India and Pakistan could lose nearly \$75 million in fabric exports. # # #