



EU Commission Meeting on a Textile Sectoral in the Doha Development Round

Geneva, February 27, 2006

**Statement of Cass Johnson,
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First, I would like to thank the Commission for organizing this public forum, the first such forum at the WTO during the Doha Round to talk about the important issue of a textile sectoral. In addition, I would also like to thank Mr. Bill Lakin and Euratex for inviting NCTO and for putting together this event in such short order.

A little bit about NCTO and the U.S. textile industry. NCTO was formed two years ago as part of a merger of ATMI and AYSA and we represent the U.S. textile industry in the United States. I am pleased also to say that, as Mr. Tantillo will explain, we are part of a much larger U.S. textile-cotton-fiber-machinery coalition that fully supports our proposals here today.

Regarding the US textile industry itself, it has decreased in size over the last five years even as our export record has steadily improved. According to WTO statistics, the U.S. textile industry is now the third largest exporter of textile products in the world.

Our smaller size, however, has not effected our political support, which as been extremely strong during the last several years. Textile votes were critical in passing both Trade Promotion Authority and in passing CAFTA. Textile state congressmen were the deciding votes in both trade votes and they will likely be key votes – either yea or nay – if a DOHA development agreement reaches the U.S. Congress.

This is not simply the result of good luck and hopefully good outreach, it is also a sign of the angst that trade votes now produce in the U.S. Congress. If trade were ever popular, today it is clearly very unpopular. Major trade agreements have become associated with massive job losses in U.S. manufacturing and, even when there are agreements which the U.S. textile industry can support, they are still very difficult to pass Congress.

Thus to even come close to a majority in Congress today, you must satisfy important employment sectors such as textiles which see themselves as potentially having the most to lose. I say this only to give you a U.S. political context to the sensitive issue with which you are now dealing.

Potential Export Loss From Expiration of China Safeguard/Quota Removals	
Developing Country	Loss of Exports (\$mil)
Turkey	-6,051
CBI countries	-4,829
Mexico	-\$3,070
Indonesia	-\$2,264
Thailand	-\$1,575
Cambodia	-\$1,313
Sub-Saharan Africa	-\$1,327
Sri Lanka	-\$1,328
Romania	-\$1,246
Pakistan	-\$1,159
Philippines	-\$1,210
Tunisia	-\$849
Morocco	-\$836
Andean	-\$715
Malaysia	-\$550
Jordan	-\$546
Egypt	-\$483
Bulgaria	-\$374
<i>See Table 11. Assumes a 50% decline in exports to the US and EU over three year time period.</i>	

Today we are here to discuss a textile sectoral and what such a sectoral might look like. From the U.S. textile industry’s perspective, we can only advise that it had better look good to the developing world. Almost all of the \$16 billion the US textile industry exports goes to the developing world. As a result, our fight is your fight, and if you have problems, then we mostly like will have problems as well.

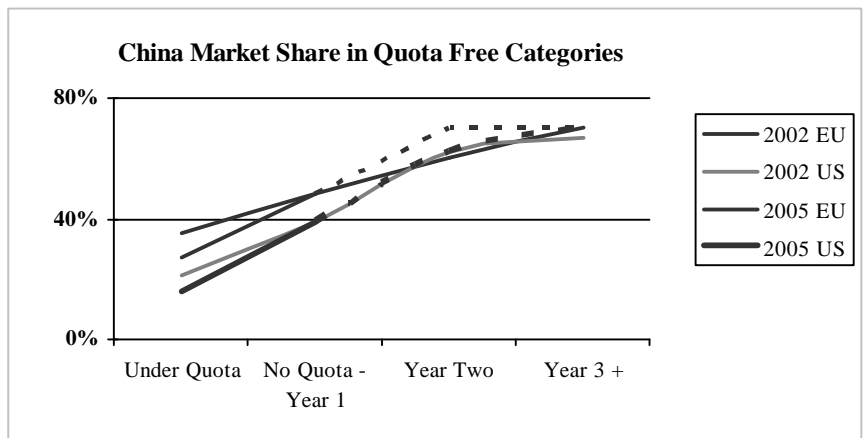
Times have clearly changed. When I started in textiles, ATMI was the ‘bad guy’, the big protectionist. I now stand as president of NCTO, a trade association whose industry will stand or fall according to the well being of our customers and colleagues in Mexico, Honduras, Costa Rica, Colombia, Turkey and Sub-Saharan Africa.

Today, NCTO is a member of a global trade coalition called GAFTT, the Global Alliance for Fair Trade in Textiles. GAFTT was formed because far sighted industry leaders from around the world saw some dreadful approaching – the threat of worldwide monopolization by a single country - and knew that we all needed to work together if we are to survive. GAFTT now has 90 plus trade associations from over 50 countries around the globe. GAFTT’s members export over \$175 billion in textiles and clothing a year.

Today I am pleased to release at this forum a study showing just how problematic the issue of China and textile trade has become. NCTO has analyzed – for the first time – what has actually been happening over the last several years when both US and EU apparel categories have been removed from quota restraint. The conclusions are sobering and worth your further investigation.

The results can be capsulated in two words: 70 percent. According to 12 streams of historical data, including volume, value, the US market, and the EU market, the only logical conclusion that you can make is that China will take 70 percent of both the EU and the U.S. market once safeguards currently in place are removed.

Here are some of those historical results: Regarding the apparel quotas that were eliminated in 2002, China today has between a 67 and 74 percent share of the apparel import markets in the US and the EU.



In categories where China was removed from quota control in 2005 and where quotas were not reapplied, China has taken between a 39 percent and a 48 percent of the US and the EU apparel import markets. China’s share, if it continues along the same historical path, will hit 70 percent by June 2007. In Japan and Australia, where quotas were never used, China has an import share in excess of 80 percent.

How much has the developing world lost in exports just over the last several years as a result - - over three billion dollars in exports. But that is only the beginning.

For most of apparel sold in the United States and Europe, almost \$70 billion dollars worth, China is still under quota. And the quotas have worked: while China ran roughshod over its competitors in the quota-free categories, it has been held back by quotas in the safeguard categories.

These quotas, however, will last only a few more years. In 2009, the safeguard mechanism goes out of existence and there is nothing to replace it. This means that the writing is on the wall for all of us. Unless something is done about China in the Doha Round, the developing world will lose tens of billions of dollars in exports – and my industry will lose right along with them.

Simply put, if you are a major apparel exporter, you will likely lose those exports – and those jobs – once those quotas go away.

The GAFTT coalition has called for a sectoral negotiation so that these issues may be fully addressed. NCTO fully supports GAFTT's call. Because China is such a heavyweight in this sector, and because this sector is of such vital importance to so many developing and least developing countries, it only makes sense for a separate negotiating group to be set up to find a solution that enables development for all, not destruction for most.

Regarding other proposals for a sectoral, I would ask the developing world to consider these carefully. Promises of additional market access are no good if the end result is that you will end up competing head-to-head with China. As it has done every other time, China will simply take your new export markets. Be diligent and make sure that your current market access is preserved first. The EU and U.S. textile safeguards have saved millions of jobs around the globe – the trade figures are undeniable – make sure that those jobs continue to exist as a result of the Doha Development Round. Keep in mind as well that even when trade preferences have been in place, China has still taken the market. China's price advantages are too great for just trade preferences to compensate. Only safeguards have been effective in slowing China's growth.

As for the textile preference partners with which our industry has a common bond – Sub-Saharan Africa, Central America, the Middle East, the Andean countries and the NAFTA countries, our industry will work with you to do defend your preferences and to preserve the millions of jobs that these preferences create. While we acknowledge that in a trade round, tariffs are inevitably cut, we will strongly defend those products and their tariffs which constitute the core products of our integrated industries. But as I mentioned, we must do more if we are all to survive: there must be a mechanism in the Doha Round to prevent China from monopolizing your export markets.

To close, I would like to speak to India and Pakistan and some others. I urge you not to fight the last war. The quotas wars are over – you won. Today, the battle has shifted and there is a new, much graver threat. Join with us and work with us to counter that threat and I think you will find that your industries will grow enormously. Fail to do so and I would be concerned that you risk losing your impressive gains. No country has succeeded alone in confronting China and no country has succeeded in defending their market share in the United States without the assistance of the domestic textile industry. Let us work together and find a way to survive and prosper together.

Finally, I appeal to China to show leadership and support efforts to make sure that your developing world partners also benefit increased liberalization in the textile sector. Your gains in this sector have been tremendous, the envy of the world. But as a responsible power, you must share the world stage, not monopolize it. As a major power, your interests may do better in the long run if you are willing to help your developing nation partners prosper and thrive, rather seek to dominate and monopolize their important export sectors.

Thank you.

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