

29 Preference and FTA Countries Urge Congress Not to Extend New Textile Benefits to Bangladesh and Cambodia

- **Textile Groups from Nine LDCs, including Haiti, Oppose –**
- **Say New Benefits Would Crush Struggling Export Sectors -**

Washington DC) Forty five trade associations from twenty nine preference and free trade area countries urged Congress today to reject proposals to grant duty free access to Bangladesh and Cambodia for textiles and apparel. The trade groups included major exporters from North and South America, Africa and the Middle East that depend on existing trade preferences and free trade agreements for over \$30 billion in two-way trade and to employ nearly two million workers. Nine least-developed countries, including Haiti, signed the letter to the Committee on Ways and Means, which held a hearing on trade preference reform today.

The groups stated that the existing trade preference rules have helped lift millions of textile and apparel workers out of poverty in their countries but that extending new preferences to countries with large, growing and extremely competitive countries could produce “catastrophic results, including large scale job losses and economic and political instability”.

The trade groups noted that apparel exports from Bangladesh and Cambodia have grown by 63 percent during the last five years while apparel exports from the preference and free trade countries have fallen by 38 percent. They also cited statistics showing that Bangladesh and Cambodia are targeting the top export products from the major preference and free countries: according the U.S. International Trade Commission, exports of the top product categories from the major preference and FTA countries have fallen 40 percent from 2004-8, while exports of the same products from Bangladesh and Cambodia have increased by 194 percent. In the letter, the groups explained that apparel exports from Bangladesh and Cambodia to the U.S. are already enormous, totaling \$5.5 billion - six times what Africa ships and twelve times what Haiti ships.

In questioning the need to extend preferences, the groups cited a statement by the head of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) last year that Bangladesh expected to nearly triple its worldwide exports over the next five years and add 1.4 million apparel jobs, even without trade preferences being granted.

The groups explained that they “have been told by many of the largest companies that source goods in Africa and the Western Hemisphere that they will move their sourcing to Bangladesh and Cambodia if this proposal becomes law.” Under the proposal, retailers and importers would immediately save one billion dollars in duties they currently pay to the United States government and that this number “would only grow with every order transferred from the preference and FTA countries.” The groups noted that the importer and retailer group which proposed the duty free concept, citing, in part, a decline in exports from Africa, did so without the support of any African trade group or government or any other preference area or free trade partner. ###

November 16, 2009

The Honorable Charles Rangel
The Honorable Dave Camp
The Honorable Sander Levin
The Honorable Kevin Brady
Committee on Ways and Means
Subcommittee on Trade
U.S. House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

Dear Members of the Committee:

As 45 representative groups from 29 trade preference countries and free trade areas, we are writing to express our opposition to a proposal that has been made to extend new textile duty benefits to Bangladesh and Cambodia as part of your review of trade preference rules.

In our countries, the current trade preference and free trade rules have created jobs for nearly two million textile and apparel workers. As a result of the work the U.S. Congress has done over the last three decades, our workers have seen their lives lifted from poverty in some of the poorest countries on earth. In turn, the extension of these duty free benefits in trade preference and free trade areas have created major industries that now provide crucial economic stability in many areas around the world that are important to the United States. These areas include Africa, the Central American and Caribbean countries (including Haiti), the Andean countries and the nations of the Middle East.

The trade programs that Congress has created produce two way trade with the United States in textiles and apparel that totals more than \$30 billion a year. These programs were carefully deliberated by the Congress over many years. Any adjustments to the basic rules that govern these programs need to be carefully evaluated and studied. In particular, proposals that impact developing and vulnerable economies could produce catastrophic results, including large scale job losses and economic and political instability. That is why any proposed changes to these programs must be thoroughly studied and analyzed.

Last April, a group of importers, retailers and NGO's proposed new trade preferences for Bangladesh and Cambodia. Specifically they proposed that these two countries should receive duty free access to the U.S. market for textile and apparel products, including those product categories that our export industries depend upon. In a letter accompanying their proposal,

they noted that their proposal was the result of “several years of discussions and hard work” and that their proposal will “preserve the successes of current programs” and in particular cited a decline in imports from Sub-Saharan Africa as a reason to act.

We want to be clear that none of the trade preference countries or free trade partners endorsed this approach or asked that this group represent them. Neither did any NGO or trade association from any of the 40 trade preference or free trade areas, including Sub-Saharan Africa. In fact, just the opposite is the case. This proposal has caused enormous concern in our countries because of the devastation it would cause to our textile and apparel sectors and our economies.

Since this proposal was made public, we have been told by many of the largest companies that source goods in Africa and the Western Hemisphere that they will move their sourcing to Bangladesh and Cambodia if this proposal becomes law.

The reason is simple economics. Bangladesh and Cambodia are already among the lowest priced producers in the world. Under the importer proposal, importers and retailers would get an immediate savings of nearly one billion dollars a year through the removal of duties and this number would only grow with every order transferred from the preference and FTA countries.

Over the last five years, Bangladesh and Cambodia countries have built up large and competitive apparel sectors by taking market share and business from trade preference and free trade areas. Since 2004, apparel imports from Bangladesh and Cambodia have increased by 63 percent, an enormous increase that totals \$2.1 billion dollars. These two countries today export six times as much as the AGOA region combined and twelve times as much as Haiti. At the same time, China has more than doubled its apparel exports to the United States.

The donor countries for this growth have largely been the preference countries and FTAs whose exports have dropped by \$7.3 billion, a decline of 38 percent, since 2004. We have already lost hundreds of thousands of irreplaceable textile and apparel jobs. In the top three categories that the preference countries export (cotton and man-made fiber trousers and knit shirts), Bangladesh and Cambodia have increased their exports by 194 percent while our exports have dropped 40 percent.

The Chairman of the Bangladesh Garment Workers Union predicted last year that Bangladesh, even without preferences, would nearly triple its worldwide apparel exports over the next five years and add 1.4 million jobs.

Given these startling statistics, we are convinced that extending new duty benefits to countries that already have large and growing apparel export sectors would threaten the livelihoods of more than a million of our textile and apparel workers. Trade statistics clearly demonstrate

that these countries are growing at the expense of regions that the Congress has clearly indicated deserve special assistance. Preferences programs are designed to help countries with struggling sectors become more competitive, not to boost those countries that already have large, growing and competitive sectors.

We strongly urge you to help us to preserve the nearly two million jobs that benefit so many of our workers by rejecting trade proposals that would further concentrate trade in a small handful of countries.

Sincerely,

AFRICA:

African Cotton and Textile Industries Federation (ACTIF)

- Botswana: Exporters Association of Botswana
- Egypt: Alexandria Cotton
- Ethiopia: Textile and Garment Manufacturing Association
- Kenya: Kenya Apparel Manufacturers and Exporters Association
- Kenya: Kenya Association of Manufacturers (KAM)
- Lesotho: Lesotho Textile and Clothing Industries (LTCl)
- Madagascar: Groupement des Entreprises franchises et Partenaires (GEFP)
- Mozambique: Cotton Association in Mozambique (AAM)
- Malawi: Garment and Textile Manufacturers Association
- Mauritius: Mauritius Exporters Association
- Namibia: Namibian Manufacturers Association (NMA)
- South Africa: South African Textile Federation
- South Africa: Cotton South Africa
- South Africa: Export Council for the Clothing Industry
- Sudan: Sudan Cotton Company
- Swaziland: Swaziland Cotton Board
- Tanzania: Tanzania Cotton Association
- Tanzania: Tanzania Cotton Board
- Uganda: Uganda Ginners and Exporters Association
- Uganda: Cotton Development Organization
- Uganda: Uganda Textiles and Garment Manufacturers Association
- Zambia: Zambia Textile Manufacturers Association
- Zimbabwe: National Cotton Council

The Whitaker Group

Africa Coalition on Trade

CENTRAL AMERICA and the CARRIBEAN REGION

CECATEC: Consejo Empresarial Centroamericano de Textil y Confección

Costa Rica: Camera Textil Costarricense

Dominican Republic: Asociacion Domincia de Zonas Francas (ADZONA)
El Salvador: Camara de las Industria Textil y de Confeccion de El Salvador
Guatemala: Comision de la Industria de Vestuario y Textiles (VESTEX)
Haiti: Association Des Industries D'Haiti (ADIH)
Honduras: Asociacion Hondureña de Maquiladores (AHM)
Nicaragua: Asociación Nicaragüense de la Industri Textil y de Confección (ANITEC)

ANDEAN REGION:

Colombia: Asociacion Colombiana de Productores Textiles (ASCOLTEX)
Ecuador: Asociación de Industriales Textiles del Ecuador (AITE)
Peru: Comite Textil - S.N.I.

NAFTA REGION

Mexico: Cajmara Nacional de la Industria Textil de Mexico (CANAINTEX)

UNITED STATES:

American Fiber Manufacturers Association (AFMA)
American Manufacturing Trade Action Coalition (AMTAC)
National Cotton Council (NCC)
National Council of Textile Organizations (NCTO)
National Textile Association (NTA)
Sewn Product and Equipment Suppliers of the Americas (SPESA)
United States Industrial Fabrics Institute (USIFI)
Workers United, a member of Service Employees International Union (SEIU)