

## **NCTO Notes Vietnam’s Use of “China Model” in Expressing Concerns Over Obama Decision to Move Ahead with Free Trade Negotiations**

Washington DC) The U.S. textile industry expressed strong concerns about the Obama Administration’s decision to move ahead with free trade talks with Vietnam as part of the Trans- Pacific Partnership (TPP) talks. NCTO President Cass Johnson noted, “We are very concerned, and we think Congress should be concerned, that in the midst of enormous manufacturing job losses, that the Administration is proposing a free trade agreement with a country that is widely regarded as ‘the next China.’ It seems like the last thing our country needs is to be opening up our economy to another China lookalike.”

Johnson noted that like China, Vietnam is a non-market export-oriented economy that controls the means of production, controls the levers of finance, controls the cost of labor, and manipulates its currency. In the case of currency manipulation, Johnson noted that Vietnam has devalued its currency three times in the last year, essentially matching China’s own devaluation<sup>1</sup>.

Vietnam is “Next China”		
	China	Vietnam
Non-market economy	X	X
Manipulates currency	X	X
- Has devalued currency during the last year	X	X
Depends on exports for growth	X	X
Government owns land	X	X
No labor rights	X	X
Unions illegal	X	X
Government controls key sectors of economy	X	X
Domestic consumption suppressed	X	X
Government still uses Five Year Plans to direct growth in key segments	X	X
Rising trade deficit with US	X	X

Johnson noted that, “The Administration’s move is doubly surprising because since permanent normal trade relations (PNTR) was granted to Vietnam in 2006, our manufacturing trade deficit with Vietnam has increased by 48 percent and now totals more than \$8 billion. The same arguments that the Bush Administration used in pushing for PNTR are being recycled for this FTA.”

“We are also surprised that an Administration that has eloquently discussed the need for Asian economies such as China to move away from their dependence on export-led growth is now proposing a free trade agreement with Vietnam, a very poor country that has built its economy around exporting manufactured goods to the United States and displacing U.S. workers. One quarter of Vietnam’s economy is devoted to exporting, a higher percentage than China’s and workers in Vietnam are paid less than half the amount of workers in China.<sup>2</sup>”

<sup>1</sup> By pegging the yuan to the declining U.S. dollar, the U.S. Treasury estimates that China has achieved a seven percent devaluation during the last year.

<sup>2</sup> According to CIA World Factbook, Vietnam per capita income is \$2,800 per year vs \$6,000 per year in China. The minimum wage in Vietnam is less than \$2 a day.

Johnson urged the Administration to peel off sectors where Vietnam has heavy state influence, including the textile sector, from the FTA talks. Johnson stated, "Sectors where the state is in control and where they have funneled government resources to under price U.S. producers should never be a part of a free trade agreement." Vietnam is the second largest exporter of apparel to the United States after China.

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### **Key Facts about U.S. Textile Industry**

- One of the largest manufacturing employers in the United States, the overall textile sector employed over 675,000 workers in 2008. Textile mills alone employed 298,000 workers.
- The 3rd largest exporter of textile products in the world – more than \$16 billion in 2008.
- Nearly two-thirds of U.S. textile exports during 2008 went to developing countries. The U.S. textile industry exported to more than 50 countries, with 20 countries buying more than \$100 million a year.
- Supplies more than 8,000 different textile products a year to the U.S. military.
- U.S. textile shipments totaled \$68.5 billion in 2007.
- Invested more than \$9 billion in new plants and equipment from 2001 to 2006.
- Has increased productivity by 50 percent over the last 10 years and ranks second among all industrial sectors in productivity increases.
- In 2007, textile workers on average earned 136% more than clothing store workers (\$524 a week vs. \$222) and received health care and pension benefits.