



Textile News & Information

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September 15, 2010
For Immediate Release

NCTO Applauds Hearing Calls for House Vote on China's Exchange Rate Policy

NCTO Urges Floor Vote on H.R. 2378 – the Currency Reform for Fair Trade Act

Washington, DC) - NCTO applauded Ways and Means Chairman Sander Levin (D-MI) for increasing pressure on the Chinese government by examining the country's exchange rate policy and the damage it has inflicted on the U.S. and global economy during a full committee hearing today. NCTO noted that the hearing is the fourth this year to examine China's currency practices. "It is evident by the \$35 billion textile and apparel U.S./China trade deficit that undervaluation of the renminbi (RMB) promotes predatory export practices. Currency manipulation allows countries like China to flood the markets of countries like the United States with artificially cheap imports creating dangerous trade deficits, surging overseas debt, massive job losses, and the continuing erosion of the U.S. manufacturing base and its high wage workforce. After losing 2.4 million manufacturing jobs over the past decade, Congressional approval of H.R. 2378 is long overdue," stated Cass Johnson, President of NCTO.

Johnson went on to say, "Hearings alone will not compel China to begin to revalue the RMB. It is clear that diplomatic efforts have failed to convince China to revalue its currency in a meaningful way. Congress has a responsibility to American manufacturers and their workers, and therefore must vote to approve H.R. 2378, the Currency Reform for Fair Trade Act." In order to ensure real export gains, the U.S. government must understand that currency manipulation and other subsidy programs employed by China and others have a real and detrimental impact on the ability of U.S. companies to export their goods and remain globally competitive.

Johnson added, "The U.S. manufacturing sector cannot rebound, and therefore the U.S. economy cannot regain its strength while U.S. jobs and U.S. production continue to be hijacked by China through illegal currency manipulation schemes."

The impact on the U.S. textile industry has been enormous. Chinese exports of apparel have displaced Western Hemisphere exports and this has caused the loss of billions of dollars of U.S. orders for yarns and fabrics from this hemisphere. Currency manipulation is not only an economic weapon, it also undermines current U.S. Free Trade Agreements because the undervaluation is so significant that it eliminates or negates the duty free benefits that our FTA and preference partners enjoy. As a result, hundreds of thousands of textile export jobs in the United States continue to be lost because more and more orders shift to Asia.

U.S. government statistics show that since 2002, China's textile and apparel imports to the U.S. have increased 263 percent while the textile sector in the U.S. has shed 433,000 jobs. China's textile imports have

increased an average of 75 percent in safeguard categories since the final China textile safeguards were eliminated on January 1, 2009.

NCTO looks forward to working with Chairman Levin and Majority Leader Steny Hoyer to bring H.R. 2378 to the House floor for a recorded vote.

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In Case you Missed It ...

Gaston Gazette
China devalues American industry
August 12, 2010
By Anderson Warlick

China is stealing American jobs. Ninety thousand U.S. textile and apparel jobs have disappeared since the start of the recession. China is responsible for the lion's share of them. We have already racked up a textile and apparel trade deficit of \$17.7 billion with China so far this year. Simply put, the Chinese government's predatory practices are effectively shutting down U.S. production and throwing American workers out of their jobs while artificially bolstering Chinese exports.

While Chinese industry today is roaring ahead, the outlook is not so good for the countries like the U.S. that compete against them where unemployment remains at record levels. In order for our domestic industry to recover these jobs and get the unemployed working once again, the United States must step up enforcement of international trade agreements, particularly where China is concerned.

China subsidizes its textile industry by offering large tax rebates to its domestic manufacturers, providing massive loans through state-run banks and restricting access to raw materials. The worst of these practices is currency manipulation, which means the Chinese government keeps its currency artificially low in order to increase its exports. This has enabled China to become the largest exporter of manufacturing goods (including textile products) in the world.

Chinese currency manipulation gives its exporters a 10- to 30-percent price break over goods made in other countries, including U.S.-made goods. While currency manipulation has been extraordinarily effective for Chinese industry, it has also caused hundreds of U.S. mills and thousands of other U.S. companies to shut down.

The textile industry is not the only industry that has suffered closed plants and lost jobs. The Economic Policy Institute estimates that 2.4 million jobs have been lost since 2001 because of China's unfair trade practices. Think how much better shape our economy would be in today if we had not allowed the Chinese government to take these jobs!

Jobs would remain in the United States if the government did more to assist American businesses to export more. The goal of President Obama's National Export Initiative (NEI) is to double exports in five years. That will not happen unless China begins to play fair. In order to accomplish the goals of the NEI, businesses need to recapture the competitive advantage to increase exports for products in demand in the global marketplace.

However, American businesses, especially the textile industry, cannot regain a competitive advantage if they are forced to compete against foreign governments that subsidize their exports. Add currency manipulation to the long list of subsidies and it is virtually impossible for the domestic industry to compete.

There is a solution. The U.S. House of Representatives returns from a six-week summer recess in September, and the House Ways and Means Committee will hold a hearing on China's exchange rate policy on Sept. 15. One focus of that hearing will be a bill, H.R. 2378, that will hold China's feet to the fire and force the Chinese government to rebalance the renminbi (RMB).

Congress must approve legislation rather than hold hearings. Enacting H.R. 2378, the Currency Reform for Fair Trade Act authored by Reps. Tim Ryan (D-Ohio) and Tim Murphy (R-Pa.) would give the Commerce Department the authority to accept countervailing duty and anti-dumping cases against countries that manipulate their currency to gain an unfair export advantage. This bill will finally give businesses in the United States the ability to fight back.

Diplomatic efforts to press for China to float its currency have failed. It is time for action. Call on the House of Representatives to bring H.R. 2378 to a vote. I urge you to meet with or call on your congressperson to support the textile and apparel industry in the United States. (You can find out who they are and how to contact them by visiting www.house.gov.)

Stand up to China's job stealing and support H.R. 2378. Call your congressperson and tell them to demand an up or down vote on the bill.

Anderson Warlick is CEO of Gastonia's Parkdale Mills.

KEY FACTS – Textile Industry

- É One of the largest manufacturing employers in the United States, the overall textile sector employed over 421,000 workers in 2009. Textile mills alone employed 126,000 workers.
- É The 3rd largest exporter of textile products in the world ó more than \$10 billion in 2009.
- É Nearly two-thirds of U.S. textile exports during 2009 went to developing countries. The U.S. textile industry exported to more than 50 countries, with 16 countries buying more than \$100 million a year.
- É Supplies more than 8,000 different textile products a year to the U.S. military.
- É U.S. textile shipments totaled \$48.7 billion in 2009.
- É Invested more than \$9 billion in new plants and equipment from 2001 to 2006.
- É Has increased productivity by 50 percent over the last 10 years and ranks second among all industrial sectors in productivity increases.
- É In 2009, textile workers on average earned 143% more than clothing store workers (\$517 a week vs. \$213) and received health care and pension benefits.