NCTO
NATIONAL COUNCIL of TEXTILE ORGANIZATIONS

December 5th, 2008

To: Patricia Campos
Amy Gomez

From: Cass Johnson, President, NCTO

Re: USTR TRANSITION ADVICE

The National Council of Textile Organizations (NCTO) is pleased to offer its perspective on USTR, its structure and the issues facing the Office in the new Obama Administration. NCTO is the national trade lobbying association for the U.S. textile industry, one of the largest manufacturing sectors in the United States.

The textile industry in the United States has been dramatically impacted, in ways both good and bad, by trade policy in the United States. The industry has benefited from trade agreements and preference programs that have been developed for the Western Hemisphere and strongly supported the NAFTA, CAFTA and Peru FTA's as well as the Andean, CBPTA and 809 programs. These free trade programs enabled the industry to work with apparel producers to produce a textile-apparel platform in Western Hemisphere to counter Asian competition. These program have created employment for more than two million textile and apparel workers in these special trade areas. These positive trade steps have helped to make the U.S. textile industry the third largest exporter of textile products in the world.

On the negative side, the industry has been severely damaged by the rise of currency manipulation and the continuing heavy use of subsidies by China and other Asian trade partners. The use of managed currencies by Asian countries, particularly over the last eight years, to gain an export advantage has severely eroded the competitive underpinnings of the Western Hemisphere free trade areas. In addition, the lack of oversight and enforcement of existing U.S. and WTO trade rules regarding subsidies, currency and privatization plans, particularly in regards to China, has given Asian exporters a potent and often insurmountable advantage. NCTO has identified 63 subsidies that China extends to its textile sector, including a significant number that are believed to be WTO illegal.

On the macro level, NCTO believes that trade policy needs to re-evaluated in the face of record low public support, the continued reliance on Asian economies, particularly China, on mercantilist and export driven economies and the continuing decline in U.S. manufacturing jobs and the inability of the rest of the economy to replace lost manufacturing jobs with secure, well paid alternate jobs. While many factors are obviously in play, the positive work done on opening markets overseas has been dramatically overshadowed by the rise of countries who do not play by the rules and which U.S. trade policy has essentially ignored during the past eight years. This neglect has contributed greatly to the perception of the U.S. public that trade policy does not work and costs U.S. jobs.

IMMEDIATE TEXTLE ISSUES:

1. CHINA – End of Safeguards and the U.S. Government Response

On January 1st, quotas on approximately half of US apparel imports – including the most sensitive textile and apparel items - will be removed on China. The only previous that these products had quotas removed was on January 1, 2005 and this precipitated an enormous and damaging surge in Chinese exports. Immediately following the quota removal, prices for Chinese goods dropped an average of 40 percent with exports increasing by an average of over 600 percent. In some categories, Chinese exports increased as much as 1,500 percent within a matter of months. During the surge, the U.S. government moved quickly to utilize the special textile safeguard and the Chinese surge was choked off within five months.
The special textile safeguard expires on January 1st, though the Chinese threat to hundreds of thousands of U.S. textile jobs and to millions of jobs worldwide remains. In apparel categories where quotas with China have been permanently lifted, China has increased its market share from an average of 15 percent to around 60 percent and hundreds of thousands of jobs in Africa, the CAFTA region, NAFTA and elsewhere have been lost. However, safeguards have enabled Western Hemisphere and African producers to maintain their trade flows in sensitive categories. These categories include such commonplace items as trousers, knit shirts, woven shirts, sock and underwear.

Since 2007, the competitive situation regarding the Chinese textile and apparel sector has been in transition. Imports from China of safeguard products surged to record levels in 2007 but fell significantly during the first half of 2008. In press reports, rising Chinese prices because of increased labor costs, a steady reduction of export tax rebates, rising costs for ocean freight and an appreciating currency were frequently cited. NCTO has been tracking Chinese prices during the past four years and noticed a significant upswing in Chinese prices in goods entering the US remark in later half of 2007. However these prices stabilized in early 2008 and have now begun to fall back.

The Chinese government reacted to the slowdown in exports by sharply boosting is export tax rebate for textile products and by allowing the Yuan to begin devaluing against the US dollar. The export tax rebate for textile products has been increased 55 percent since July 2008 and at 17 percent is at its highest level in history (press release attached). The rebate action alone has pumped ten billion dollars in new subsides into the Chinese textile export sector. In addition, plummeting oil prices and reduced demand have dropped ocean freight charges to levels not seen during the last five years.
Accordingly, recent trade data show a large surge building over the last several months in key categories.

China Surge Building in Key Safeguard Categories (Thousand dozen)				
Cat	Description	OCT-NOV 07	OCT-NOV 08	CHANGE
347	Men’s cotton trousers	441	1138	158%

348	Women's cotton trousers	1294	3060	136%
338	Men's cotton knit shirts	1294	738	34%
339	Women's cotton knit shirts	3111	5039	62%
Source: Department of Commerce				

Given the recent Chinese government moves and recent trade data, it is imperative that the Obama Administration move quickly to establish a monitoring program regarding Chinese exports of sensitive textile and apparel products. In addition the US government needs to be prepared to act promptly by self-initiating a trade remedy case in the event that Chinese export surge.

NCTO was extremely appreciative of Senator Obama's October 24th declaration of his intention (attached) to monitor Chinese imports once quotas are removed. However, NCTO is concerned that if Chinese exports surge in early 2008 that a significant time gap between staffing key decision-making positions in the Obama Administration could result in the loss of tens of thousands of US textile jobs – and hundreds of thousands of CAFTA, NAFTA and African apparel jobs.

<u>NCTO notes that an administrative program to monitor imports textile and apparel imports from non-market economies is already in place at the Commerce Department.</u> This program was created when Vietnam's textile and apparel quotas were removed in 2005. The program recognized that Vietnam, like China, had a state owned textile and apparel sector and that the Vietnamese government heavily subsidized the industry. The US government instituted the monitoring program because it also recognized that Vietnam had the potential to surge into the US market because of the government subsidies.

Unfortunately, while the program has been successful in preventing dumped Vietnamese goods from entering the United States, the <u>Bush Administration will end the program on January 19th</u> and it will not, despite US industry requests, extend the program to China when China's quotas are removed on January 1st.

It would be extremely helpful - would send an important signal to the importing community and the Chinese exports - if the incoming Administration notified the Bush Administration that it will be continuing the program and extending it to China. This could help forestall a damaging surge.

<u>**NCTO would like to meet with key Obama officials as soon as possible to discuss this matter as well as action steps that can be taken to prevent China from taking advantage of the time lag in staff that occurs with a new Administration**</u>. NCTO has believes that the quota phase-out also presents an opportunity for the new Administration to demonstrate that it intends to set new guidelines regarding a balanced trade policy, particularly regarding China, and NCTO would like to work with incoming Administration to maximize that opportunity.

Recommendations:

A. *The Obama Administration should notify the Bush Administration that it intends to maintain the current monitoring program for Vietnam and extend it to China once quotas are removed on January 1st.*

B. *Meet with the US industry prior to January 20th to discuss possible action steps if a surge from China develops.*

2. USTR Textile Subsidy Case

In September 2007, NCTO asked USTR to investigate 63 subsidies that China gives to its textile industry. NCTO believed that a number of the subsidies could be WTO illegal because they appeared to be export contingent. In October 2008, USTR notified NCTO that it had determined that a number of the Chinese subsidies were indeed WTO illegal and that it had begun a process that could lead to a WTO case being filed.

NCTO has since learned that China has not responded in a productive manner to a US communication regarding approximately 20 of the subsidies and that the US is moving ahead to file a WTO case. NCTO believes that USTR will make an announcement before the end of the year that it has asked for consultations at the WTO regarding these subsidies.

In terms of the subsidies themselves, NCTO believes that most of the subsidies are in the marketing and brand development area and, while important, the removal of these subsidies will probably not significantly alter Chinese competitive position regarding the US textile industry. According to NCTO's information, the largest subsidies that impact the US textile industry are in the areas of currency manipulation, loan rates, energy costs, tax programs, land deals and privatization schemes and we do not believe these subsidies are being addressed in the USTR action. Nevertheless, NCTO strongly supports the USTR action and urges the Obama Administration to move ahead with the case.

Recommendation: Proceed with the USTR case against China on the specific textile subsidies that appear to be export contingent.

3. Sewing Thread and Short Supply Rule – CAFTA

Following the publication of the CAFTA agreement, NCTO discovered that a critical portion of the textile section of the agreement has been incorrectly written. This section concerned a requirement that sewing thread used in CAFTA qualifying garments must be sourced regionally. However, while the agreement indeed says that sewing thread must be sourced regionally, it qualifies that statement by specifying which tariff lines sewing thread falls under. This list of HTS lines was incorrect and left out two sewing thread tariff lines. NCTO has asked USTR to renegotiate this section of the agreement with the CAFTA countries – and has been willing to provide compensation for the change – but USTR has still not moved to begin consultations. This issue has become increasingly important as US sewing thread suppliers have lost tens of millions of dollars in sales as importers have switched to Asian producers.

In another matter, NCTO learned almost two years ago that Customs was interpreting a portion of the short supply rule in a manner contrary to NCTO's understanding of the CAFTA agreement. In this case, Customs has ruled that importers who utilize the short supply provisions of the agreement may also use non-regional sewing thread and linings, despite the fact that neither of these products are in short supply. This contradicts the basic premise of the CAFTA agreement that only goods not available in the region receive short supply status. NCTO members have lost increasing amounts of sales because of this faulty interpretation.

Recommendation: USTR should move to open consultations with the CAFTA countries to resolve the sewing thread and short supply mistakes.

LONGER TERM ISSUES:

1. TEXTILES and the DOHA ROUND

NCTO believes that Doha negotiations regarding textiles are fundamentally flawed and that the US position regarding textiles should be re-evaluated. As the negotiations currently stand, under the current NAMA formula, US textile and apparel tariffs will be cut by approximately 75 percent with the result that the US textile industry and the more than two million textile and apparel workers in the Western Hemisphere and Africa will see their preference programs reduced to the point that they become non-functional. The result will be an enormous shift of trade to China and an enormous loss of jobs and productive capacity, not only in the United States but in many Central American and African countries whose export economies depend in large part on textile and apparel exports.

In addition, the Round offers no prospect of increased market access for US or preference partner producers because of large flexibilities and generous NAMA formulas given to developing countries preclude the possibility of increased access. India, Pakistan and others have already indicated they intend to use their flexibilities to shield their own textile sectors from China.
In addition, it is clear that as the Round stands now, the textile and apparel portions are in violation of the textile negotiating stipulated by the U.S. Congress which requires that the industry receive reciprocal market access under a new WTO agreement.

The US position thus far in the Round on textiles has been to acknowledge that textiles should be handled differently than the rest of the industrial sectors. However, the Bush Administration has refused to support efforts by the Central Americans, the North Africans, Middle East countries and AGOA countries to put forward a reasonable sectoral approach. Most prominently, the Administration has refused to support a sectoral plan put forward by Turkey which could help preserve millions of textile jobs around the world.

If the textile portions of the text continue to move in the current direction and there are no compensating actions on the part the US government, NCTO would be forced to strongly oppose a Doha Round agreement.

Recommendation:

A. *The Obama Administration should note the prolonged and unsuccessful efforts to move the Doha Round forward, the lack of political support in the United States for the Round and ask the WTO to end the current negotiations and re-evaluate how a new set of trade negotiations should move forward.*
B. *If the Administration decides to continue with the current negotiations,the government should move to put textiles under a sectoral negotiation with the goal of harmonizing tariffs at a less than formula level and in creating a new textile safeguard mechanism.*

2. FTA NEGOTIATIONS
   a. Panama, Colombia and Korea

   NCTO supports the Panama and Colombia Free Trade Agreements because these agreements include the yarn forward rule of origin, strong Customs enforcement language and no loopholes such as tariff preference levels.

   NCTO strongly opposes the Korea FTA because of the Korean textile industry's history as a major exporter of textile products at dumped prices and as a major transshipment point for Chinese textile products. In the proposed FTA, the US government failed to negotiate adequate tariff phase-out schedules for sensitive textile products, strong customs enforcement language, an adequate textile safeguards or strong any anti-collusion language.

   Recommendation: NCTO believes the Obama Administration should move ahead with passage of the Colombia and Panama agreements and that the Korea agreement should be renegotiated to include strong textile language.

USTR STRUCTURE – ENFORCEMENT AND IMPLEMENTATION

Overall, USTR structure is too heavily leveraged towards negotiating new trade agreements rather than reviewing, implementing and enforcing existing agreements. Over the last eight years, the agency has developed a mentality that its primary purpose is to create new agreements rather than to produce good policy. As a result, there is also little or no incentive for USTR staff to concentrate on properly implementing and then in enforcing agreements that have been negotiated. This has caused important implementation issues to pile up and has meant that enforcement efforts take inordinate amount of time to get going. In addition, bottlenecks outside of USTR also slow the pace of enforcement efforts, when they happen at all. The result is that the agency now has the reputation of relegating trade enforcement to the back burner.

- Recent NCTO Examples of Problems Regarding Reviewing and Implementation of Agreements:

NCTO has on numerous occasions seen serious issues that dealt with implementing existing agreements pushed to the back burner because USTR was moving ahead with new negotiations and new initiatives. These issues include the implementation of the CAFTA agreement itself, which was done in a tortuous country by country manner that resulted in large losses for the region and for U.S. industry. Because of this approach, many importers were temporarily forced to pay full duty for imports that had been duty free under other preference programs for decades and a large number of importers quit the region for Asia.

In another example, the lack of follow through on commitments made to the textile industry in order to secure the needed Congressional votes to pass CAFTA has been deeply concerning. The Bush Administration agreed to make a renegotiation of the CAFTA provisions on pocketing a high priority once the agreement passed but then took three years to actually implement the new provisions. Because of the delay, at least four U.S. textile plants closed in and thousands of workers lost their jobs. The result reinforced a strong sense within the industry that USTR's overriding objective is to negotiate agreements, not to manage or implement an effective trade policy.

In another example, CAFTA negotiators made serious errors when they wrote the rules governing sewing thread and short supply process. The government has acknowledged these mistakes and the need to correct them but more than three years later has not yet set up consultations with the CAFTA countries to correct the rules. In the interim, U.S. companies have lost tens of millions of dollars in sales because of these errors and there is still no timeline for correcting the problem.

- Recent Examples Regarding Problems with Enforcement:

On the enforcement side, the structure of the agency is even more lopsided. With WTO trade rules now covering the bulk of U.S. imports, the agency is woefully understaffed in its ability to seek out and enforce either the WTO agreement or other U.S. trade agreements.

A prime example is the current case regarding prohibited export subsidies given to China's textile industry. NCTO notified USTR in September 2007 of 63 subsidies that China gives to its textile industry and asked USTR to review them for WTO consistency. Despite the fact that a number of subsidies had terms such as "export contingent" and "export required" in their descriptions – a clear sign that they are likely to be prohibited under WTO rules – the U.S. government took over a year to put together a complaint against China.

While part of the problem was limited resources in the Commerce Department, another part of the problem was the lack of adequate staff in the China office. NCTO was advised that the issue was important to the government but that the office could only handle one or at most two cases at a time because of limited staff. NCTO was also informed that the Commerce Market Access and Compliance (MAC) office has only a few Mandarin speakers on staff and work on the case needed to be farmed out to the State Department and to the Commercial Office at the U.S. Beijing Embassy[1].

[1] The issue of bottlenecks and a lack of a pro-active approach on the part of MAC staff is serious and needs to be addressed. Information on many of the apparently illegal export subsidies that NCTO notified the U.S. government regarding was taken from English language web sites and existing reports and some even from documents issued by the U.S. government. In addition, China clearly signaled that it would be moving in this manner when it announced the development of major brand campaigns during its most recent Five Year Plan which included specific export links. Despite this, the Commerce Department appeared almost totally unaware that this activity was going on and then was able to proceed only very slowly because of lack of resources, specifically of Chinese language speakers.

NCTO has also been advised that Treasury and State often seek to slow down or block enforcement efforts from moving forward during the interagency process. For a proper enforcement regime to proceed, it will therefore be important that the U.S. Deputy National Security Advisor for Economic Affairs be given a directive to move these issues through the interagency process in a timely manner.

Recommendations:

1) *Enforcement staff should be to be increased at USTR and the number of lawyers on China issues (currently four) should be doubled.*

2) *Enforcement efforts need to receive higher priority at the Agency and a Deputy of Compliance and Enforcement should be created which reports directly to the Trade Representative.*

3) *The U.S. Deputy National Security Advisor for Economic Affairs at the White House should be given a directive to move potential cases quickly through the interagency process.*

4) *USTR should review all recent trade agreements for remaining implementation issues and prioritize those issues so that these issues get immediate attention during the Obama Administration.*

5) *The Commerce Department should increase its enforcement efforts, particularly through increased Chinese language staff. Commerce should also develop a database of Chinese subsidies at the national, provincial and municipal level that enforcement efforts can be directed against and that U.S. industry can easily access in deciding whether to proceed with a trade remedy case.*

USTR STRUCTURE – TEXTILE OFFICE

During the Bush Administration, the office of the Chief Textile Negotiator was downgraded from Ambassadorial rank to that of a Special Textile Negotiator (STN). This was done as part of a political deal with a senator that involved elevating another office in USTR (Agriculture) as well as a desire to still meet an objective of cutting the number of political appointees during the President Bush's first term.

The loss of Ambassadorial status for the office has had unintended consequences. Textile issues remain a key focus of many developing countries. India, China and Pakistan, among others, devote entire ministries to the industry. At the WTO as well, textile issues are often handled by the senior government advisors, all of whom have ambassadorial rank. However, because the U.S. downgraded the U.S. textile negotiator, it has proven difficult on many occasions for the U.S. Special Textile Negotiator to participate fully in textile discussions. As an example, during the negotiation of the China bilateral agreement, the Chinese refused for months to send senior level representatives to meetings with the STN because of issues of rank and insisted on discussing the issue only with the U.S. Trade Representative.

Recommendation: Restore the STN to Ambassadorial Rank and maintain direct reporting status to the Trade Representative.

USTR and the COMMITTEE FOR THE IMPLEMENTATION OF TEXTILE AGREEMENTS (CITA)

CITA is the interagency committee that guides and administers textile programs and textile trade policy. It is currently comprised of representatives from Labor, Commerce, Treasury and State and it is chaired by Commerce DAS in charge of textiles.

A structural change needs to be undertaken to make CITA more effective. When the Department of Homeland Security was created, Customs was moved into DHS from the Treasury Department. This move has "disenfranchised" the Customs voice at CITA at a time when illegal textile shipments have been rising rapidly. As preference programs and FTAs have expanded, Customs is playing an ever more vital role in textile trade. In fact, Customs reports that fraud in the textile sector is the highest of any sector.

To cite a specific issue, Customs currently has no voice regarding the granting of short supply petitions, despite a recent report that there are high fraud rates in short supply tariff lines which have passed through CITA review.

Recommendation: USTR should support adding Customs to CITA. If there is opposition to expanding CITA, then Treasury should be removed. Treasury's interest and participation in the CITA process has dwindled to the point that repeated attempts by the industry to meet with the Treasury representative to brief Treasury on textile industry have been denied.

USTR and the INDUSTRY TRADE ADVISORY COMMITTEE FOR TEXTILES (ITAC 13)

ITAC 13 has become essentially inoperable because of the dominance of importers on the Committee who maintain corporate offices in the United States but no longer produce good here. The Committee no longer reflects the views of the textile and apparel industry; it reflects the views of U.S. textile producers and importers who source goods from outside the United States. This misbalance has made ITAC reviews a joke because importers views are almost always diametrically opposed to domestic producers and no consensus position is possible.

Recommendation: The ITAC needs to be restructured so that it represents actual U.S. producers of textile and apparel products and a requirement should be instituted that requires members of ITAC 13 to produce 50 percent or more of their product in the United States. ITAC members who do not meet this definition should be transferred to a retailing or a new importer ITAC.

NCTO
NATIONAL COUNCIL of TEXTILE ORGANIZATIONS

November 5, 2008

The Honorable Barack Obama
Obama for America
P.O. Box 8210
Chicago, IL 60680

Dear President-Elect Obama:

On behalf of the United States textile industry, please accept our congratulations on your historic victory on Tuesday. We also like to express our sincere appreciation of the efforts your campaign undertook to reach out to the textile industry. Your letter to NCTO on October 24th provided critical information so that our workers could make an informed decision on November 4th.

In addition, our industry and its workers cheered on October 27, when Senator Biden said at the YWCA in Greensboro, North Carolina:

> "This state's textile industry is getting killed not because our workers can't compete, not because our products aren't the best, but because no one has been willing to stand up to China and nail them when they compete unfairly and monitor their exports for illegal subsidies. We are for fair trade, not free trade."

As the attached release shows, your response enabled NCTO to communicate to our workers that on matters critical to their livelihoods your Administration would be taking a strong, pro-U.S. manufacturing/textile stand. We are particularly grateful to Marc Farinella and Jimbo Parrott at the North Carolina for Obama Campaign for being willing to work closely with the industry on our issues during the final hectic weeks of the campaign.

We look forward to working with your Administration to forge new policies that will both support U.S. manufacturing and also create a new consensus on trade.

There is an urgent issue which we wish to bring to your attention. The textile industry faces a critical challenge on January 1st, 2009 when the remaining safeguards on China are removed. The last time quotas were removed on China we saw an enormous surge, with Chinese exports up an average of 600 percent and Chinese prices dropping an average of 40 percent. Tens of thousands of U.S. textile jobs were lost. You will understand how pleased our industry was to hear that your Administration will begin a monitoring program for China in order to ensure that the government can react quickly if China tries to repeat this bad behavior.

We understand that there are enormous challenges facing you and your staff in putting together a new Administration; however, given the January 1st quota removal, we hope can have an opportunity to meet with your transition team at the earliest possible convenience to ensure that the essential measures are in place to prevent a wholesale loss of U.S. textile jobs following the removal of safeguards early next year. NCTO's president, Cass Johnson, can be reached in Washington DC at 202-822-8025 / cjohnson@ncto.org.

Again, congratulations on your most impressive victory.

Sincerely,

Anderson D Warlick

Anderson Warlick
Chairman

NCTO
NATIONAL COUNCIL of TEXTILE ORGANIZATIONS

Textile News & Information

Cass Johnson (202) 822-8025
Jackie Ray (202) 822-8027

October 29, 2008

CANDIDATES RESPONSE TO TEXTILE QUESTIONNAIRE:

Obama Backs Key Textile Policy Positions

(Washington DC) On October 1st, NCTO sent both presidential candidates a six point questionnaire on key issues regarding the domestic textile industry. NCTO has received a response from the Obama campaign but has not received a response from the McCain campaign. NCTO will immediately publish a McCain response when it receives one.

The NCTO questionnaire asked the candidates viewpoints on six key textile issues: 1) a monitoring program for China following the removal of safeguards on January 1st; 2) support for the yarn forward rule in free trade negotiations; 3) support for the "Buy America" textile provisions in the Berry Amendment; 4) actions against China currency manipulation; 5) stronger trade enforcement efforts, and 6) textile issues in the Doha Round.

In response to the questionnaire, Senator Barack Obama stated that an Obama Administration would monitor imports of Chinese textiles and apparel once safeguards are removed; would preserve the yarn forward rule in free trade agreements; would support the "buy America" Berry Amendment; would increase funding and enforcements efforts regarding unfair trade practices, and would use all diplomatic means to end Chinese currency manipulation. The Obama campaign did not provide an answer regarding textile issues in the Doha Round. A copy of the Obama letteris attached.

Anderson Warlick, Chairman of NCTO, said: "All of the issues listed in our questionnaire address key policy issues that have a major impact on the U.S. textile industry and we very much appreciate Senator Obama's willingness to respond to them."

On the issue of monitoring of Chinese textile and apparel trade, NCTO noted that the Obama commitment was particularly significant because it applies to all U.S. trade laws, including both China (421) safeguard as well as dumping and countervailing duty cases.

Warlick commented, "Because of China's long history of surging into the U.S. market, a China monitoring commitment is crucial to ensuring that the U.S. government can move quickly to prevent a damaging surge which could threaten tens of thousands of U.S. textile jobs once safeguards are removed on January 1st. Extending the current monitoring program to China is the most important trade issue facing the U.S. textile industry today."

Warlick also explained that the commitment regarding the Berry Amendment, which requires that the Defense Department source U.S. made textile products, was also significant: "The Berry Amendment not only is extremely important to the domestic industry, it also ensures that the U.S. military has quick access to high quality textile products in times of crisis."

Key Facts about U.S. Textile Industry

- One of the largest manufacturing employers in the United States, the overall textile sector employed over 700,000 workers in 2007. Textile mills alone employed 319,000 workers.
- The 3rd largest exporter of textile products in the world – more than $16.5 billion in 2006.
- Nearly two-thirds of U.S. textile exports during 2007 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.

\# # #

BARACK OBAMA

October 24, 2008

Cass Johnson
President
National Council of Textile Organizations

Dear President Johnson,

I write in response to your request for my views on trade policy, particularly as it affects the textile industry. As I hope has become clear during this campaign, my entire economic platform is built on my belief that we must change the policies that have been pursued in this country in the past eight years and instead adopt policies that put the needs of the middle class first. This is why I have proposed tax cuts for the middle class and a health care system that will make insurance affordable for everyone. I have also proposed policies specifically intended to support jobs for American workers in the manufacturing sector, like ending tax breaks that encourage outsourcing.

My trade policy rests on that same belief in change. Our country can benefit from trade, but I will insist on a trade policy that will work for all Americans. That means opening markets abroad for our manufactured exports, and including enforceable labor and environmental standards in free trade agreements. It also means strong enforcement of our trade remedy laws at home and of our trade rights abroad. I will make clear the priority I attach to enforcement and increase the resources of the Office of the United States Trade Representative devoted to this mission. When domestic industries make use of trade remedy laws that call for Presidential determinations, such as the section 421 provision applicable to imports from China, I will decide those cases on their merits, not on the basis of an ideological rejection of import relief like that of the current Administration.

A fair trading system requires fairness in each country's foreign exchange practices. The massive current account surpluses accumulated by China are directly related to its manipulation of its currency's value. The result is a large imbalance that is not good for the United States, not good for the global economy, and likely to create problems in China itself. China must change its policies, including its foreign exchange policies, so that it relies less on exports and more on domestic demand for its growth. That is why I have said that I will use all diplomatic means at my disposal to induce China to make these changes.

The trade policies I have just described are important for all American industries, including yours. But I am especially aware of the trade challenges faced by those working in our textile industries. When safeguards on textile imports from China expired in 2004, imports surged and thousands of jobs were lost. I support Chairman Rangel's call for the United States International Trade Commission to monitor textile imports from China. As President, I would use monitoring to help ensure that imports from China do not violate applicable laws and treaties. I support the requirement in the Berry Amendment that the Defense Department procure only textiles made in the United States. I also support inclusion of the yarn forward rule in free trade agreements, to ensure that countries with which we enter special trade relationships do not become conduits for source yarn outside those countries.

Thank you for providing me with the views of your members on trade and competitiveness issues. I look forward to a productive working relationship with your industry.

Sincerely,

Barack Obama

NCTO
NATIONAL COUNCIL of TEXTILE ORGANIZATIONS

Textile News & Information

Jackie Ray (202) 822-8027 November 24, 2008

China Increases Textile Subsidies by $10 billion as Quota Phase-out Nears
Action Comes After Chinese Pledge Open Markets at G20 Summit

NCTO Calls for Quick Action on China by Obama Administration and US Congress

WASHINGTON, DC -- On the eve of the expiration of quotas on Chinese textile and apparel products, the Chinese government has increased export subsidies to its textile industry by $10 billion, a 55 percent rise. The Chinese government action came shortly after China pledged to "reject protectionism" and defend "open markets" during the recent G20 Summit on Financial Markets and the World Economy. This action also followed the release of U.S. Government figures which showed that China had posted the biggest overall trade surplus in history with the U.S. while manufacturing job losses in the U.S. accelerated.

NCTO President Cass Johnson called on the Obama Administration and the new Congress to take tough actions against China's predatory practices. "By dramatically increasing subsidies just prior to the phase-out of quotas, China is throwing down a gauntlet that the U.S. government and the U.S. Congress must not ignore. At a time of international economic turmoil, the Chinese government is essentially bankrolling the destruction of the U.S. textile industry and the jobs of American workers."

Johnson noted that Vice President-Elect Joe Biden spoke to the need for action last month in Charlotte, North Carolina when Biden observed, "This state's textile industry is getting killed not because our workers cannot compete, not because our products aren't the best, but because no one has been willing to stand up to China and nail them when they compete unfairly. We are for fair trade, not free trade."

Last Thursday, China announced that it would increase a subsidy (called the "export tax rebate") currently given to Chinese textile and apparel exporters from 14 to 17 percent. This move followed two similar increases already given to Chinese industry earlier this year, for an overall increase in the export rebate from 11 percent to 17 percent, or an increase of 55 percent since July 2008. As a result, Chinese exporters have seen export subsidies from the Central Government increase from $19 billion to $29 billion[1] in just the last four months.

Johnson called on the Obama Administration to act swiftly against China by self-initiating trade remedy cases against China, if China surges once quotas are removed on January 1st, 2009. Johnson noted that President-Elect Barack Obama committed last month to a textile monitoring program directed at China and illegal trade activities. Johnson also urged the Administration to consider taking China to the WTO regarding its textile subsidy schemes, noting that there is strong evidence that China is in violation of Article V of the WTO Agreement on Subsidies and Countervailing Duties.

[1] Based on total Chinese exports of $171 billion of textile and apparel products in 2007.

Johnson explained that the U.S. Congress is also monitoring the Chinese imports, clarifying that the Ways and Means Committee under Chairman Rangel instituted its own monitoring system in September this year and has the authority to self-initiate safeguard cases as well.

Johnson urged the Congress to quickly pass legislation allowing U.S. companies to defend themselves and their workers against Chinese currency manipulation, noting that China has reneged on promises to steadily appreciate its dramatically undervalued currency. "In November, Americans sent a signal that they want tough enforcement and a fair playing field in international trade." China stopped allowing its currency to appreciate in July.

Earlier this month, the U.S. Government reported that the United States current trade deficit with China (January to September) had risen to $195.4 billion, compared to $187.6 billion in 2007.

The increased trade deficit coupled with the economic downturn has added to the decline of textile and apparel production in the U.S. Since January, the textile industry has lost more than 33,000 good quality textile and apparel jobs; a direct result of unfair trade practices in China and other countries. These figures strengthen the call for effective trade policies and enforcement, as well as strong economic policies for U.S. manufacturing which has lost more than 450,000 jobs this year.

# # #