CHAPTER 4: POSITION OF INTERESTED PARTIES

This chapter summarizes the views of interested parties submitted to the Commission in connection with the investigation, either at the hearing or in written statements.[1] The order in which the summaries of submissions are shown is as follows: (1) the views of officials of the Governments of Bolivia, Ecuador, Guatemala, Honduras, Indonesia, Kenya, Korea, Mauritius, Nicaragua, Peru, and Sri Lanka; and (2) the views of the American Apparel and Footwear Association, the American Textile Manufacturers Institute, the American Textile Trade Action Coalition, the Consumers for World Trade, the International Mass Retail Association, the Textile and Apparel Manufacturing Association of Israel, and the United States Association of Importers of Textiles and Apparel.

Bolivia[2]

The Embassy of Bolivia states that the elimination of quotas in 2005 will change the competitive environment in the international textiles and apparel sector significantly. Countries such as China that engage in mass production will gain a competitive advantage in international trade in these products. The Embassy recommends establishing a system to enable Bolivia's textile and apparel entrepreneurs to take full advantage of current business opportunities with developed markets such as the United States. The Embassy acknowledges that the duty-free benefits granted under the Andean Trade Promotion and Grug Eradication Act (ATPDEA) will allow Bolivia to develop a more proactive export strategy for its textile and apparel sector and, thereby, boost employment, attract foreign investment, and increase economic growth.

The Embassy of Bolivia provides statistics that show a significant decline in the country's cotton production, largely caused by falling international cotton prices. The Embassy reports that Bolivia has only three thread producers and that Bolivia imports 75 percent to 80 percent of its thread from Peru. The Embassy also states that Bolivia's apparel exports were fairly steady during 1996-2000, and that its apparel industry is important to Bolivia's economy because it creates employment. Apparel employment accounts for 10 percent of Bolivia's total manufacturing employment. The Embassy's submission also discusses and provides data concerning family-run operations that raise alpacas and llamas. Export data provided by the Embassy for 2000-2002 confirm that the United States is Bolivia's leading export market for its textile and apparel products.

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[1] See appendix C for a list of witnesses appearing at the public hearing held by the Commission in connection with this investigation on Jan. 22, 2003.

[2] Ambassador Jaime Aparicio Otero, Embassy of Bolivia, Washington, DC, written submission to the Commission, Feb. 21, 2003.

Ecuador[3]

The Embassy of Ecuador's submission prepared by the Industrial Textile Association of Ecuador (AITE) states that Ecuador's textile industry is one of the country's oldest and most labor intensive industries. Currently, Ecuador's textile and apparel sector accounts for 25,000 direct jobs (sewing and cutting) and 100,000 indirect jobs (sourcing, shipping, handling). Textile production accounts for 19 percent of manufacturing GDP. Embassy notes that, during the past decade, Ecuador's textile industry has diversified its export product mix to increase its competitiveness in the global marketplace. Apparel producers in Ecuador have begun to offer high quality goods at competitive prices in order to gain access to the more quality-conscious markets. Embassy reports that in 2001, the textile and apparel sector invested $24 million to improve its productivity and competitiveness in domestic and international markets.

The AITE is optimistic about the benefits that the ATPDEA will generate for Ecuador's textile and apparel sector. Exports can be expected to increase by 70 percent from the current level by 2006. The AITE notes, however, that Ecuador's textile and apparel sector recently went through a crisis, reportedly caused by contraband and underpricing of imported goods. Illegal sales of apparel in the domestic market jeopardize the strength of the domestic sector as an important source of employment. Other challenges include competition from Brazil and Asian countries. Ecuador's adoption of the U.S. dollar as its currency made domestically produced goods less competitive in the domestic and international markets as other nations devalued their currencies. Ecuador also experienced rising electricity costs and rising interest rates. AITE hopes that the Ecuadorian government will implement policies to promote domestic manufacturing and increase its competitiveness in the domestic and international markets.

Guatemala[4]

On February 5, 2003, the Executive Office of Textiles and Apparel Quotas, the national entity assigned by the Guatemalan Ministry of the Economy to administer and allocate apparel quotas, filed a statement on behalf of the Apparel and Textile Industry of Guatemala, Vestex, in connection with this investigation. Vestex represents 38 textile manufacturers, 234 apparel manufacturers, and 260 suppliers of accessories and services in Guatemala.

The Executive Office and Vestex maintain that the textile and apparel sector in Guatemala will remain competitive in 2005 and beyond, following the elimination of U.S. quotas on textile and apparel products. They argue that sector manufacturers in Central American countries, especially Guatemala, benefit from a high level of integration with members of the U.S. textile, apparel, and retail industries. The competitive advantage is partially due to

[3] Industrial Textile Association of Ecuador (AITE), submitted by Carlos Jativa, Charge D'Affaires, Embassy of Ecuador, Washington, DC, Feb. 4, 2003.

[4] Guatemalan Ministry of the Economy, Executive Office of Textiles and Apparel Quotas, written submission to the Commission, Feb. 5, 2003.

the unilateral preference programs offered by the United States, particularly the duty-free and quota-free treatment for garments made from U.S. yarns and fabrics (under the CBTPA).

Guatemala's central location, ability to provide quick deliveries, and excellent port facilities give Guatemala a competitive advantage and provide an important benefit to the Central American region. Guatemala's apparel industry believes that its use of assembly operations using U.S. yarns and fabrics, as well as its full-package manufacturing operations, provide both the versatility and the expertise to allow Guatemala to maintain its position as a major source of apparel to the U.S. market.

The statement covers Guatemala's interests in the evolving negotiations for a Central American Free Trade Agreement (CAFTA). The outcome of the CAFTA negotiations will have a direct impact on the competitiveness of the textile and apparel sector in Guatemala. The Executive Office and Vestex shared several goals for the negotiations, including expanded trade for textiles and apparel; enhanced competitiveness for the region through expanded rules of origin, specifically the use of inputs from the region, CBI and NAFTA countries; provisions allowing dyeing, finishing, and printing of fabrics in the region; and an integrated customs compliance procedure and security program, similar to the one used by the U.S. Customs Service for goods from Asia and Europe.

The industry believes that its future rests on the negotiation of both CAFTA and the Free Trade Area of the Americas (FTAA) agreement. It argues that these agreements should include expanded access for textiles and apparel so that the region can attain the economies of scale that will assure an ongoing competitive advantage to Guatemala's textile and apparel sector.

Honduras[5]

The Embassy of Honduras' submission states that Honduras is the third-largest exporter of apparel to the United States after Mexico and China. Textile and apparel exports from Honduras to the United States totaled $2.3 billion in 2001-2002, with apparel exports accounting for virtually all of these exports. The Embassy states that the CBI and the CBTPA are largely responsible for the growth in this industry. However, initially the CBTPA resulted in a loss of 15,000 jobs in the maquila sector. The Embassy speculates that the passage of the enhanced CBTPA in 2002 seems to have reversed that trend. Employment in Honduras' apparel industry is expected to be 120,000 employees in 2003; 130,000 in 2004; and 143,000 workers in 2005.

The Embassy states that removal of U.S. textile and apparel quotas on January 1, 2005, is "a watershed period of potential dislocation for Honduras and other Central American and CBI countries." Any change could be "dramatic and detrimentally impact the current economies of the Central American and CBI countries, including Honduras." The

[5] Ambassador Mario M. Canahuati, Embassy of the Republic of Honduras, Washington, DC, written submission to the Commission, Feb. 4, 2003.

negotiations between the Central American countries and the United States for a free trade agreement (CAFTA) are expected to impact Honduras' competitiveness in the global apparel market significantly, post January 1, 2005. The Embassy states that because the United States intends to model CAFTA after the U.S.-Chile free trade agreement it could be damaging to Honduras and Central America, especially after U.S. quotas are removed on apparel products on December 31, 2004. The Embassy advocates that Honduras and Central America should be integrated through the CAFTA negotiations with Mexico, Canada, CBI, and eventually the Andean regions. Honduras is concerned about the potential for market dislocation if the dyeing and finishing prohibitions under CBTPA are carried over to the CAFTA.

The Embassy states that trade policy concessions made by the United States to the Central American countries, including Honduras, are likely to have major beneficial ramifications for the United States. After passage of CBTPA, U.S. yarn exports to Honduras doubled from 2001 to 2002. For 2001, 58 percent of all U.S. cotton yarns that were exported to the CBI region were exported to Honduras. The U.S. industry is tied closely to Honduras and other CBI countries, as demonstrated by the share of U.S. inputs in the CBI region's exports - 68 percent of all CBI exports consist of U.S. inputs. Another example of U.S. ties to the region is in the area of investment. In Honduras, 40 percent of total investment is from the United States.

The Embassy urges the Commission to recommend to USTR that the final CAFTA textile and apparel provisions: (1) allow for development of a seamless textile and apparel sector; (2) establish flexible rules of origin to allow use of fabrics produced in NAFTA, Central America, CBI, and the Andean countries; (3) allow woven fabrics produced in the region to be eligible for preferential treatment; (4) integrate and simplify the customs compliance and security programs for Central America; (5) allow dyeing, finishing, and printing of all fabrics to occur in the region; (6) allow access for woven fabrics; and (7) allow for commercially reasonable use of the short supply provisions.

Kenya[6]

According to the Embassy of Kenya, Kenya's liberalization measures in the 1990s led to the closure of many companies in Kenya's textile and apparel sector and substantial unemployment. The Embassy states that sector imports mainly from developed countries were priced lower than Kenyan sector products, or "dumped" into Kenya's market.

The Embassy states that AGOA has enabled Kenya to redevelop its textile and apparel sector. AGOA's implementation created jobs, introduced new technologies, increased exports to the United States, and created foreign investment in the apparel industry. All of these benefits are expected to disappear with the elimination of quotas in 2005. The quota elimination will expose Kenya to competition with the world's leading textile and apparel manufacturers, such as China. The implementation of AGOA did not allow enough time for

[6] Ms. Lina Ochine, Commercial Attaché of the Kenyan Embassy, Washington, DC, written submission to the Commission, Jan. 24, 2003.

Kenya's textile and apparel sector to become competitive with such countries. However, the Government of Kenya is currently attempting to prepare for such competition.

The Government of Kenya is creating a friendly foreign investment environment to attract investment and new technology. To revive its cotton and textile sector, the Government of Kenya has encouraged research development, such as improving cotton seeds and upgrading ginning technology. Kenya is supporting regional integration though bilateral and multilateral trade relationships such as COMESA and EAC, which should facilitate regional exports of apparel. The Government of Kenya is also planning to remove remaining impediments at Kenya's ports and to upgrade its transportation and telecommunication systems. In addition, Kenya is attempting to diversify its economy.

Korea[7]

The Embassy of the Republic of Korea submitted a set of statistics concerning the Korean textile industry. These data reported on the importance of the textile industry to the overall Korean economy as a share of industrial production, of value-added output, and of employment.

Data on international trade show the increasing relative importance of textile and apparel imports versus these exports to the Korean economy. The text suggested that Korea will become a net textile-importing country, the same as the United States. In response to the suggestion that Korea benefited excessively from currency devaluation, data show that Korea's share of the U.S. textile and apparel market has decreased over time as the shares of Canada, Mexico, and Honduras increased.

Mauritius

Ministry of Industry and International Trade[8]

The Secretary of the Ministry of Industry and International Trade of Mauritius states that the removal of quotas is an important issue for Mauritius as textiles and apparel are its main exports and that, along with other developing countries, economic progress has depended on investment attracted by quota benefits.

Without the quota system, Mauritius would not have attained its current market shares in the United States and Europe. A quota-free system would benefit large, low-cost producers such as India, Indonesia, Pakistan, Malaysia, and Thailand. Due to the substantial cost of imported raw material and production input costs, Mauritius "would find it difficult to

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[7] Mr. Shinhak Moon, Commercial Attaché of the Republic of Korea Embassy, Washington, DC, written submission to the Commission, Jan. 21, 2003.

[8] Written statement submitted to the Commission, on behalf of the Permanent Secretary, Ministry of Industry and International Trade, Mauritius, Feb. 20, 2003.

compete in the open market when quotas would disappear." China would likely acquire 50 percent of the world market.

Mauritius' current market share has been a result of the integration process, which has reserved the most sensitive items until the end. Industry survival will depend on improving competitiveness, by moving toward services and by increasing technology-intensive and upmarket production. The Government of Mauritius is facilitating this process, but support from international institutions and the United States in improving competitiveness and technology transfer is vital.

Embassy of Mauritius[9]

The Embassy of Mauritius states that the textile and apparel industry has "been the motor of economic development" in Mauritius, transforming 25 percent unemployment to full employment. The textile and apparel sector is an important sector of the economy, accounting for 90,000 jobs and 25 percent of GDP. It is the largest employer and main foreign-exchange earner.

Mauritius currently exports 65 percent of its products to the EU and 20 percent to the United States. Current difficulties include high transport costs, long lead-time requirements, and increasing labor costs. Mauritius has invested in other sub-Saharan African countries, such as Madagascar and Mozambique, for the production of basic garments, contributing to the continued economic development of these countries.

Mauritius and other sub-Saharan African countries face three major threats: "(1) The end of the phase-out of the Multi Fiber Agreement on January 1, 2005; (2) the continued opening of the EU and U.S. markets to duty-free entry of apparel and textile exports from countries under FTAs; and (3) the threat of a complete phase out of the US and EU tariffs by the year 2015." The Embassy also noted that--

1. When quotas are removed, Mauritius and other infant African textile and apparel industries will compete directly with long-established, vertically-integrated industries with access to large pools of low-cost labor (such as China, India, and Bangladesh).

2. The relative benefit of preferences diminishes as more countries receive the same access, especially as Mauritius does not qualify for the less developed status.

3. Small and infant industries in Africa are requesting at least 10 years to develop their industries to compete with long-established countries with huge export capacities.

Small industries, such as the one in Mauritius, are inhibited by distance, lack of marketing, and capacity constraints. Mauritius has tried to combat these constraints by moving up

[9] Ambassador Dr. Usha Jeetah, Embassy of Mauritius, Washington, DC, written submission to the Commission, Mar. 6, 2003.

market in its products and by moving upstream to spinning and weaving through training and technology investments. The end of the MFA will impact the economic and social development of the country negatively.

Nicaragua[10]

The Embassy of Nicaragua points out the major strides made by its free-trade zone regime in general, and the textile and apparel sector in particular, during 1990-2003. Sector exports increased from $3 million to $322 million during 1991-2002, and direct and indirect jobs increased from 900 and 2,700, respectively, to 50,000 and 150,000, respectively, during 1990-2003. The Embassy attributes the rapid growth in Nicaragua's textile and apparel sector in large part to the country's good business climate, civil security, developing industries, and zero quota. The Embassy notes, however, that the quota-free advantage was lost when the CBTPA was enacted, as the CBTPA extended quota-free status to other countries in the region. However, the CBTPA had not, to date, negatively impacted the growth in Nicaragua's textile and apparel sector, which has continued to expand more rapidly than Nicaragua's principal regional competitors over the last two years.

Nevertheless, when the Uruguay Round ATC is fully implemented, the Embassy contends that Nicaragua and other countries in the region will face a major threat from China with its lower production and transportation costs (to the U.S. west coast). The Embassy contends that the United States has not demanded that China improve its labor conditions despite concerns for the condition of workers in China that have been expressed by human rights organizations, the Labor Department, and international labor organizations. The Embassy notes that the United States has demanded improved labor conditions from Nicaragua and other countries in the region.

The Embassy concludes by indicating that the political and military problems of the 1980s have resulted in Nicaragua having no textile industry and the least developed apparel industry in the region. It suggests that the current status of Nicaragua's apparel industry justifies the granting of deferential treatment and suggests that this treatment take the form of extended export subsidies of the kind outlined in WTO annex 7 for countries with per capita GDP of less than $1,000. The Embassy also indicates that Nicaragua should be given "reasonable" time to establish new investments in the textile and apparel sector and to develop its industries to a competitive level.

[10] Ambassador Carlos J. Ulvert, Embassy of the Republic of Nicaragua, Washington, DC, written submission to the Commission, Jan. 30, 2003.

Peru[11]

The Embassy of Peru states that the Peruvian government and the private sector have worked together, particularly during the past four years, to strengthen the competitiveness of the country's textile and apparel sector. The sector should benefit from the renewal and enhancement of the Andean Trade and Preference Act (ATPA), now known as the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The submission notes that to further enhance its access into the U.S. market, Peru has been investing in technology and creating strategic alliances to work efficiently with U.S. clients. Peruvian textile and apparel firms must also offer quick response and on-time deliveries and promote high-quality, fashionable Peruvian brands. Such efforts will also enable Peruvian exporters of textiles and apparel to compete more effectively after quotas are eliminated by the ATC on January 1, 2005.

The Embassy notes that the ATPDEA will encourage more foreign direct investment in Peru, and consequently, the Peruvian government has been proactive in providing comprehensive information about Peru's economy and labor regulations to potential investors. Efforts are also underway to encourage large Peruvian exporters to subcontract with small and mid-sized textile and apparel firms to maximize the sector's involvement in export opportunities. The Embassy states that, as part of its efforts to support free trade as a tool to promote economic development, the Peruvian Government has reduced tariffs from 7 percent to 4 percent on more than 1,000 tariff items and is supporting initiatives to establish a U.S.-Peru Free Trade Agreement that will consolidate preferences granted under the ATPDEA and give potential investors more time to take advantage of them.

Indonesia[12]

The Embassy of Indonesia states that the United States has been Indonesia's leading market for textiles and apparel, accounting for 27 percent of total exports of these products in 2001. Textiles and apparel accounted for 18 percent of Indonesia's non-oil and gas revenue in 2001 and employed upwards of 1.2 million workers with additional workers in the supporting industries.

The Embassy states that Indonesia is aware of the importance of preparing for trade in a quota-free environment; however, the 1997 financial crisis slowed the sector's response to the upcoming elimination of quotas. The Indonesian Department of Industry and Trade states that the development of the textiles and apparel sector has been hindered by the lack of progress in supporting industries, such as those supplying raw materials, coloring substances, and replacement parts for machinery; the lack of marketable designs; out-of-date equipment which inhibits increasing production efficiency; high rates of interest for bank credit and difficulty in opening lines of credit; and high prices for raw materials and energy.

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[11] Ambassador Roberto Danino, Embassy of Peru, Washington, DC, written submission to the Commission, Feb. 3, 2003.

[12] Ambassador Soemadi D.M. Brotodiningrat, Embassy of the Republic of Indonesia, Washington, DC, written submission to the Commission, Feb. 4, 2003.

The government has adopted certain strategies aimed at preparing the sector for the elimination of quotas. Among these strategies are the move toward producing higher value-added, high-fashion products; attracting foreign investment; developing nontraditional markets; improving the use of the nation's natural resources (the chemical industry) in the production of synthetic fibers; improving labor policy; simplifying regulations and procedures for doing business; and providing better security and stability.

Sri Lanka[13]

The Embassy of Sri Lanka's submission provides an in-depth summary of the Sri Lankan apparel industry covering industry structure; exports to the United States, the European Union (EU), and Canada; labor; vertical integration; and the competitiveness of the Sri Lankan textile and apparel sector. The Embassy states that Sri Lanka has the most liberalized economy in South Asia and is in compliance with international trade and labor rules.

The Embassy emphasizes that the apparel industry represents the strongest manufacturing industry in Sri Lanka in 2001 in terms of its contribution to industrial production (45 percent), foreign exchange earnings (51 percent), and employment (about 340,000 workers). According to Embassy, a few large manufacturers account for most of Sri Lanka's apparel industry. These large enterprises have a higher percentage of unskilled workers, technicians, and supervisors than the small- and medium-sized firms.

The Embassy notes that the United States, a large and homogenous market, is Sri Lanka's main export market. Within the U.S. market, Sri Lanka's enterprises concentrate on manufacturing for discount and department stores. The heterogenous EU is Sri Lanka's second-largest export market, with most exports going to the United Kingdom, the Benelux countries, and Germany. According to Embassy, Canada is not an important market for Sri Lanka, as it has four apparel manufacturing centers of its own. The Embassy notes that the growing number of preferential trading arrangements that other countries have with the United States and the EU have hindered Sri Lanka's access to its main markets. EU quotas have been replaced by a bilateral trade agreement between Sri Lanka and the EU, signed in 2001. Apparel exports to the EU declined by 7 percent in 2001.

According to the Embassy, Sri Lanka's labor costs are lower than those of the more developed Asian countries, but higher than those of some South Asian competitors. Sri Lankan manufacturers need to update their technology, improve vertical integration, reduce lead times, and enhance productivity to remain competitive. The Embassy states that the manufacturing base of Sri Lanka is expected to shrink considerably by 2005, if the Government and industry do not make a concerted effort to prepare the apparel industry for quota removal. The Government of Sri Lanka is attempting to address these issues through developing technology, implementing a utility cost reduction program, securing strong business contacts in major markets, reforming labor laws, improving infrastructure, and exploring the possibility of preferential trade arrangements with importing countries. The

[13] Ambassador Devinda R. Subasinghe, Embassy of Sri Lanka, Washington, DC, written submission to the Commission, Feb. 3, 2003.

industry is reportedly working on improving marketing skills, increasing productivity, reducing manufacturing costs, introducing training courses in design and product development, investing in information technology, and reducing lead times.

The Embassy states that the negative impact of integration into the GATT system may threaten the democratic institutions of Sri Lanka, which has faced two Marxist rebellions and a separatist war during the past three decades. The Embassy is requesting U.S. technological assistance and an extension of GSP to apparel products assembled in Sri Lanka and to other sectors into which Sri Lanka plans to diversify (including footwear, rubber products, jewelry, and electronic products).

Trade Organizations

American Apparel and Footwear Association[14]

American Apparel and Footwear Association (AAFA), the national trade association of the apparel and nonrubber footwear industries, states that elimination of quotas will create many challenges for U.S. apparel companies and their suppliers in foreign countries. AAFA recognizes that price is a critical factor in the textile and apparel sector. As a result, costs associated with factors such as proximity to markets, compliance with customs requirements, transportation, labor-force training, cost of inputs, the countries social and political considerations, and logistics play a significant role in the competitiveness of textile and apparel manufacturers.

According to AAFA, the Caribbean is an important area to AAFA members and possesses many advantages, such as the proximity to the U.S. market, a well-trained workforce, and an established infrastructure. However, the CBTPA has not met the expectations of AAFA and its members, as restrictive rules such as the short supply provision and burdensome documentation requirements hinder the effectiveness of the agreement.

AAFA states that Central American countries have taken steps to remain competitive by moving toward a “full package” product, and by addressing social responsibility, customs, and security issues. Finally, AAFA hopes that the outcome of the CAFTA negotiations will further benefit the region.

American Textile Manufacturers Institute[15]

American Textile Manufacturers Institute (ATMI), a national association of the domestic textile mill products industry, states that if quotas are eliminated U.S. imports of textiles and apparel will be dominated by China, Vietnam, India, and Pakistan, at the expense of countries which have been suppliers to the U.S. market for over 20 years. Further, tariffs are

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[14] Kevin Burke, President and CEO, American Apparel and Footwear Association, Arlington, VA, written submission to the Commission, Jan. 22, 2003.

[15] Carlos Moore, Senior Vice President, American Textile Manufacturers Institute, Washington, DC, written submission to the Commission, Jan. 22, 2003, and Jerry Rowland, testimony before the Commission, Jan. 22, 2003.

necessary to counter the advantages the Chinese Government provides to the textiles and apparel sector.

According to ATMI, China has an advantage due to its unlimited supply of low-cost labor and its ability to supply raw materials to the textile and apparel sector. In addition, the Government allows an undervalued currency that provides Chinese textiles and apparel goods a 30 percent to 40 percent price advantage in the U.S. market; does not enforce textile designs and copyrights regulations; subsidizes exports by allowing a "rebate" of its value added tax on exports; and does not adequately address predatory pricing or dumping by the sector.

According to ATMI, the only other countries that will be able to compete with China after 2004 are those with which the United States has free trade agreements or those to which the United States has extended preferential trade programs such as AGOA, CBTPA, and ATPA. In order for the United States to compete, the United States needs to:

1. Utilize available safeguard provisions to put limits on disruptive imports from China.
2. Pressure China to abandon its fixed currency.
3. Take measures to prevent Chinese transshipping and duty evasion.

American Textile Trade Action Coalition[16]

The American Textile Trade Action Coalition (ATTAC), a coalition consisting of U.S. textile manufacturers and the Union of Needletrade, Industry and Textile Employees, states that full elimination of quotas would result in a surge in imports from countries with weak labor and environmental laws, low taxes, and low-cost labor, and displacement of U.S. suppliers in Central America, South America, and Africa.

According to ATTAC, as a result of the Uruguay Round Agreement, which initiated the phaseout of U.S. textile quotas, 723,000 U.S. textile and apparel jobs have been lost and more than 200 companies have closed. ATTAC believes that this situation will worsen as a result of total quota phase-out in 2005.

In order to maintain the presence of small, developing countries in the U.S. market and to prevent loss of U.S. textile and apparel jobs, ATTAC suggests that the United States establish a China safeguard mechanism to allow for textile quotas in categories disrupted by imports post 2005; that bilateral textile agreements limit the access of non-WTO suppliers, and that the United States extend textile and apparel quotas on large WTO suppliers beyond 2005 as part of the Doha Round.

[16] Augustine Tantillo, Washington Coordinator, American Textile Trade Action Coalition, Washington, DC, written submission to the Commission, Feb. 3, 2003.

Consumers for World Trade[17]

Consumers for World Trade (CWT), a non-profit public interest organization, supports the phaseout of the ATC and encourages the U.S. Government to refrain from implementing any new barriers to textiles and apparel trade. According to CWT, quotas have driven up prices for American consumers and have failed to protect the U.S. textile and apparel industry.

According to CWT, the U.S. textile industry's assertion, that all business will flow to China after 2005, fails to consider other factors influencing competitiveness and sourcing decisions, such as geography, access to skilled labor, infrastructure, preferential access to the U.S. market, and labor and security standards. Further, there is a risk associated with limiting all of one's exposure to a single source, particularly China, where the possibility of special textile safeguard measures and threat of anti-dumping measures will discourage importers from relying too heavily on sources in China after 2004.

International Mass Retail Association[18]

The International Mass Retail Association (IMRA), an alliance of retailers and their product and service suppliers, states that arguments that, in the absence of quotas, low-cost suppliers such as China will dominate the textiles and apparel market, do not take into account that price is not the only basis for sourcing and consuming patterns. According to IMRA, the elimination of quotas will likely result in a more secure supply chain with fewer suppliers.

According to IMRA, in order to develop a sourcing strategy, retailers and suppliers consider the following six non-price characteristics, excluding price, when determining where to source merchandise: customer choice, proximity to the end market, quality workmanship, relationships between purchasers and suppliers, reliability, and volume to meet customer demand.

IMRA suggests that, once quotas are phased out, the benefits that regional trading partners through NAFTA, CBI, or CBTPA receive will be lessened. Therefore, these agreements should be expanded to provide more flexibility in input selection and rule of origin construction.

IMRA further suggests that special access programs which provide for fewer limits on rules of origin and input selection be applied to regions such as Central Asia, Sub-Saharan Africa, and South America to prevent the elimination of these areas as major or long-term sources for apparel.

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[17] Pamela Slater, Consumers for World Trade, Washington, DC, written submission to the Commission, Feb. 4, 2003.

[18] Sandra Kennedy, President, International Mass Retail Association, Arlington, VA, written submission to the Commission, Feb. 4, 2003.

Textile and Apparel Manufacturing Association of Israel[19]

The Textile and Apparel Manufacturing Association of Israel (TAMA), an association representing 140 textile and clothing manufacturers in Israel, is concerned that the quota removals on January 1, 2005, could lead to the collapse of the Israeli textile industry and requests that quota removal be postponed for several years.

According to TAMA, imports from low-income countries have hurt Israel. Over 20,000 workers have been laid off and many small business have closed. TAMA states that the textile industry in Israel cannot compete against non-market economies on a fair competitive basis and removal of import quotas will reward countries which pay monthly salaries of $80 or less.

United States Association of Importers of Textiles and Apparel[20]

The United States Association of Importers of Textiles and Apparel (USA-ITA), an association of manufacturers, distributors, retailers, importers and related service providers, states that the quota system has distorted trade and, as a result, there will be consolidation in the industry after 2004. According to USA-ITA, factors such as costs, logistics, infrastructure, supply chain management, social and government stability, human rights, plant efficiency, reliability and relationships, and vertical integration capabilities will influence sourcing decisions after 2005. Based upon these factors, existing major suppliers to the U.S. market and the preferential trading partners will continue to supply the U.S. market even after the transition to a quota-free environment.

According to USA-ITA, the CBTPA and ATPA countries will continue to be important to U.S. importers and retailers after 2004 because of their close proximity, shortened production cycles, duty savings, and lower transportation costs. However, rules of origin which require higher priced U.S.-made inputs undermine the value of duty savings.

According to USA-ITA, some supplying countries with preferential access to the U.S. market are not likely to fare as well after 2004, largely because of restrictive rules of origin that limit duty-free benefits. For example, a decline in exports to the United States will likely occur for AGOA countries currently allowed to use “third country” fabrics and yarns, a benefit that will expire at the end of 2004.

USA-ITA states that China will inevitably gain market share as a result of the elimination of quotas. However, most U.S. importers and retailers will maintain business relationships with long-time trusted suppliers, particularly those suppliers that are vertically integrated. Also, suppliers of niche products that are less price sensitive are likely to compete more effectively with large cost-competitive suppliers, such as China.

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[19] Ramzi Gabby, Chairman, Textile and Apparel Manufacturing Association of Israel, Tel-Aviv, written submission to the Commission, Jan. 30, 2003.

[20] Laura Jones, Executive Director, United States Association of Importers of Textiles and Apparel (USA-ITA), New York, NY, written submission to the Commission, Jan. 30, 2003, and Peter McGrath, Chairman, Board of Directors, USA-ITA, and Senior Vice President and Director, JC Penney Product Development and Sourcing, testimony before the Commission, Jan. 22, 2003.