



NCTO Comments on the Import Monitoring Program

The National Council of Textile Organizations would like to provide comments on the recently implementing import monitoring program for certain apparel items from Vietnam. Our members remain concerned about imports from Vietnam due to its non-market economy and its state-owned enterprises, many of which are involved in textile and apparel manufacturing.

NCTO is highly supportive of this monitoring program. We believe the new program can provide a meaningful remedy to address subsidized apparel imports from Vietnam that result in prices that are often below costs of production. Since Vietnam is a non-market economy with state-owned production enterprises, it can rapidly increase its production of apparel and offer it at prices clearly aimed at market domination. This can materially injure U.S. textile and apparel manufacturers. U.S. textile manufacturers are extremely interested in this program since much of our production is sold to apparel manufacturers. Massive surges in apparel imports that displace our customer base have a real and dramatic impact.

The concerns of the U.S. textile industry about surges of imports from Vietnam are based on recent experience, not mere speculation. After Vietnam joined the WTO in December 2001, its textile and apparel exports to the U.S. grew at such an astonishing rate that the U.S. government imposed quotas on a number of product categories to stem some of the injury inflicted on domestic textile producers. From 2002 through 2006, imports from Vietnam grew 220 percent, from 358 million square meter equivalents to more than 1.1 billion square meter equivalents. Vietnam alone accounted for 15 percent of the increase in imports from 2005 to 2006, despite the fact that a number of categories were under quota. Imports from Vietnam for the first two months of 2007 are 16 percent greater than the same period a year ago. The quantitative restraints were a positive development in that some balance was restored as a result of the artificial prices set by government intervention and control in Vietnam.

According to information that came to light during Vietnam's WTO accession negotiations, it was learned that Vietnam subsidizes its textile and apparel sector in a number of ways, including export subsidies, wage controls, preferential interest and tax rates, rent holidays and most significantly, direct investment from the Vietnamese government. The most startling example of this investment largesse is the \$891 million invested in Vinatex over a five-year period. The Government of Vietnam plans to invest an additional \$1 billion in the company from 2006-2010¹. Vinatex is the 10th largest apparel producer in the world and a wholly-owned company of the Vietnamese government.

¹ http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?News_id=16700

It is highly unlikely, if not impossible, for Vietnam to shift from such a centrally controlled and managed economy to a market-based system in relatively short period of time. Combined with the fact that the US-Vietnam WTO bilateral agreement contains a safeguard mechanism that is extremely limited in its scope and effectiveness, it is imperative that U.S. anti-dumping law is available to impacted U.S. companies and is applied in a meaningful way. Absent effective application of U.S. trade remedy laws, support for trade liberalization among American workers and companies will continue erode.

Decision making

Due to Vietnam's record in past years, we believe there is a distinct possibility that dumping will occur. Therefore, Commerce must have a system in place to monitor and react. However, it is important that the system of monitoring and self-initiation does not pre-determine the outcome. The decision to proceed and to make a determination should be based on the merits of the case in question. Importers and domestic producers alike should be allowed every opportunity to participate, and the process should be as transparent as possible. The system has always worked that way, and we have every expectation that it will continue with this monitoring program. Since the Department of Commerce already monitors imports of textiles and apparel from every supplier in the world, the monitoring program should build upon this existing infrastructure. The program should remain transparent and provide a meaningful remedy where warranted.

Scope

In conducting this program, NCTO strongly supports the continued use of the category system. If critics argue that the system is too broad, and captures too many HTS lines for a given category investigation, further scrutiny of imports will bear this out. Data skewed by a few HTS lines will be quickly exposed, and surges in products not made in the U.S. or supplied by U.S. textile manufacturers also will be quickly identified.

Ideally, we would like the program to have covered all the China safeguard categories, but the most sensitive of the apparel categories were included. Knit and woven shirts and trousers, underwear, swimwear, and sweaters are all extremely important to U.S. manufacturers.

One final note on the scope of the program, we strongly believe that textile and apparel items produced under the Berry Amendment absolutely should be considered with other domestic production. Companies typically produce goods under the Berry Amendment and for commercial use – this balances the uncertainties posed by producing only for government contracts. To exclude production by these companies denies the realities of producing apparel in the U.S. today, and it is discriminatory.

Legal authority

The U.S. government has the legal authority to conduct this program. It already monitors imports and publishes the data through the Major Shippers Reports. The precedent has also been established with similar monitoring programs for other industries, such as steel. Collecting and analyzing data is not something peculiar to this program, but rather something the U.S. government already does across a broad spectrum of industries for a variety of reasons. This is a reasonable and equitable use of U.S. government resources and it is not outside the scope of the government's legal authority.

WTO compliant

Internationally accepted policies and rules of trade prohibit dumping and illegal subsidies. This monitoring program, and the U.S. trade laws it is designed to support, are clearly consistent with WTO rules. The program does not guarantee that a positive determination of anti-dumping will be found, nor does it threaten Vietnam, its manufacturers, or importers.

If Vietnam's economy reflected the same transparency that is inherent in the U.S. government's anti-dumping process, then an import monitoring program might not even be necessary. It is this lack of transparency, coupled with Vietnam's non-market economy, that creates an environment where dumping is likely to occur and which necessitates the closer scrutiny and the ability for the government to act react when it becomes apparent that the advantages offered to companies in a non-market economy are negatively impacting the global trading system – and most importantly, the U.S. domestic market.

Conclusion

If Vietnam chooses to divest itself of its state-owned enterprises and end its comprehensive subsidy program immediately², then U.S. government monitoring would not be necessary. Unfortunately, Vietnam has given no indication that it is willing to do this. Hopefully, through utilization of our trade laws, the U.S. government can help Vietnam move towards a more market-based and transparent system. Absent such action, however, there is little incentive for Vietnam to change its current structure because it allows it to underprice its competitors in the global textile and apparel market. This practice eliminates its competition in the U.S. and in other countries by forcing them out of business.

Invoking internationally accepted rules and norms to correct such blatant market imbalances is not protectionist. It is common sense. We applaud the decision to proceed with the import monitoring program. Based on past experience, we fully expect that should the Department of Commerce decide to proceed with any anti-dumping investigation, that the process will be fair. We don't take it as a given that anything will be handed to the domestic industry or importers as a gift or a political decision. All we ask is that the process be allowed to work the way it was intended.

Thank you for the opportunity to comment today. We look forward to working with you on this very important program.

² As part of its WTO accession agreement, Vietnam agreed to end only WTO prohibited export subsidies and continues to retain a large number of non-export subsidies.