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Assistant Secretary for Import Administration
Room 1870
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, DC 20230

Testimony for the Retail Industry Leaders Association
Regarding the Department of Commerce's Vietnam Import Monitoring Program

Good morning. My name is Stephanie Lester, and I am the Vice President for International Trade at the Retail Industry Leaders Association, or RILA. RILA members include the largest and fastest growing companies in the retail industry – retailers, product manufacturers, and service suppliers – which together account for more than \$1.5 trillion in annual sales. Our members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities, and distribution centers domestically and abroad. RILA's membership consists of some of the largest and most innovative apparel retailers, including Wal-Mart, Target, Nike, Gap Inc., and Limited Brands.

I appreciate the opportunity to appear this morning to present RILA's views. First, while RILA members strongly disagree with the Department's decision to

initiate this monitoring program, we do appreciate the interaction with interested parties that you have built into the process since that time, including this hearing today, particularly since this fundamental element of fairness and due process was sorely lacking when the initial commitment was made. I encourage Assistant Secretary Spooner and the Import Administration team to be as forthcoming with information as possible throughout the duration of the monitoring.

I also emphasize that RILA members are sensitive to the concerns of the domestic textile and apparel industries. We support policies that promote the well-being of the U.S. industry and its workers, and we understand the justification of measures which promote U.S. production and jobs. But at the same time, most of the products that RILA members purchase from Vietnam could not be supplied by domestic production. From RILA's perspective it is inappropriate and a misuse of government resources to monitor imports of products to possibly self-initiate antidumping proceedings where there are no domestic producers of the products.

From the outset, the retail industry has asked the Department to first identify domestic producers of textile or apparel products who were interested in import monitoring, and only after identifying those producers and the products they make, should the Department initiate monitoring imports of comparable products. Rather than honor that request, the Department began monitoring five broad categories of imported apparel—shirts, trousers, underwear, swimwear, and sweaters—

incorporating products imported under more than 140 10-digit tariff categories. Most of these products are not produced in the United States, and for those that are, many are not produced in significant quantities for the commercial market. Monitoring imports in product categories in which there is no domestic production is harmful to trade and our bilateral relationship with Vietnam, and is a misuse of government resources. It also creates needless uncertainty in the retailing community as to how broadly the Department might cast its self-initiation net.

Predictability and forecasting are fundamental to retail operations and are core business drivers. As a result, the uncertainty generated by the Department's monitoring program is having a significant chilling effect on textile and apparel trade with Vietnam. The lead time required for apparel sourcing decisions means that import levels reported in data for early 2007 do not yet reflect this chilling effect, but RILA members expect that the effect will be evidenced in the second half of this year and next year. As every major apparel retailer can tell you, the effect is already having a real, meaningful, and significant impact on their operations.

Rather than take advantage of the expanded trading relationship with Vietnam that had been the promise of its WTO accession, the uncertainty generated by the Department has led retailers to reevaluate their sourcing strategy. And let's be clear—the result has not been, nor will be, greater domestic sourcing of any

apparel because the production capacity for these products does not exist in the United States. Instead, the import monitoring program simply causes sourcing shifts to countries other than Vietnam. And as a practical matter, once a company pulls its sourcing out of a country, it doesn't go back.

Import monitoring alone would not be as problematic if it were not couched as a clear precursor to self-initiated dumping cases. Unlike other import monitoring, in this instance Commerce has also committed to establish "production templates" and surrogate country information. This would effectively start a dumping analysis without a formal proceeding or legal authority to do so.

RILA is one of several organizations that believe that this monitoring program is outside the clearly circumscribed legal authority to institute such programs. In December, detailed legal arguments were submitted to the Department, in which we contend that the Department lacks the legal basis to establish and operate the monitoring program. RILA respectfully urges the Department to clearly identify the legal authority upon which it is conducting its program. Moreover, the Department should not take any action to establish production templates or surrogate countries, or to self-initiate antidumping proceedings based upon this questionable legal authority.

In closing, RILA urges the Department to alleviate the serious and unnecessary uncertainty and disruption that the import monitoring program is

having in the retail sector. RILA urges the Department to limit monitoring to imports of products actually produced in the United States for the commercial market. The Department should also give clear signals that it will not self-initiate antidumping cases unless prices drop significantly and the U.S. industry supplies data indicating material injury caused by Vietnamese imports, consistent with U.S. law and international obligations. Such actions would alleviate some of the uncertainty, lessen the negative impact that the monitoring has had on all apparel imports from Vietnam, and focus government efforts and resources on those products which are most important to the domestic industry. Thank you for your time.