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Import Administration
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Good morning. On behalf of the Vietnam Textile and Apparel Association, VITAS, I am Le Xuan Duong.

VITAS, the trade association of Vietnamese manufacturers sits at Ground Zero in experiencing the full and terrible impact of the U.S. Government's Import Monitoring Program. Permit me to share with you *our* "preliminary determination" of the impact. There is clearly a threat of material injury to the Vietnam apparel industry.

Don't look at U.S. import data for January and February. The real toll that the Import Monitoring Program is having can be seen in current lost orders, lost foreign investment into Vietnam, and lost jobs in the apparel factories in Vietnam. By year's end, VITAS expects that instead of the substantial growth that would have and should have been seen in Vietnam, there will be minimal growth, if any.

The threat of U.S. antidumping investigations created by the Import Monitoring Program has meant that many Vietnamese and foreign enterprises have postponed or abandoned altogether their investment in Vietnam's apparel industry or have suspended plans for expansion. The uncertainty caused by the unjustified and unnecessary actions of the United States have caused many companies to question the future. Some big buyers, such as Macy's, simply stopped placing apparel orders in Vietnam, a decision they would not have made but for the Import

Monitoring Program. Other big buyers who surely were expected to expand their orders to our apparel factories this year have instead advised that they will not do so. Instead, orders post-June have been decreased by major buyers.

The small and medium sized enterprises in Vietnam are particularly hurting. They lack orders so they must reduce their production and lay off workers. The situation is hardly what one would have expected as the reward for becoming a member of the World Trade Organization and agreeing to abide by the norms of international trade law.

It is particularly disturbing to see orders and investment declining when it is clear that the products made in Vietnam are neither subject to prohibited subsidies nor dumped. The Vietnam Government fully met its commitment under its bilateral accession agreement with the United States, to eliminate prohibited subsidies affecting textile and apparel products.

Importantly, it is not possible that Vietnamese products are dumped in the U.S. market, because at the moment, some 70 percent of the garments produced in Vietnam are CMT production. That means that they are only cut, sewn and finished in Vietnam with fabrics and accessories designated and/or purchased by the buyer, with most sourced from outside Vietnam. In most instances, the Vietnamese factories do not own or in any way control the cost of these inputs, which account for the vast majority of the cost and price of the final product. The Vietnamese manufacturing enterprises earn only the processing charge, the labor cost involved in cutting, sewing and finishing. That labor cost, which averages about $15 to $25 per week in a typical apparel factory in Vietnam, accounts for at most 25 percent to 30 percent of the FOB price. It also means that of the US$5.85

billion in Vietnam's apparel exports worldwide in 2006, approximately US$4.5 billion reflected the value of the fabric and accessories. The real earnings for Vietnam's apparel exports globally in 2006 was only US$1.35 billion.

VITAS strongly urges the Commerce Department not to be mislead by declines in average unit values when quotas are lifted and the administrative processes and export procedures are simplified. In the first place, the elimination of quota rents and related costs does not constitute dumping.

Second, the minor decreases in average unit values for Vietnamese-made apparel between 2006 and 2007 are actually in line with, and in many instances less than declines from, other major Asian suppliers to the U.S. market.

Third, product mixes change both season to season and from one fashion year to another. Shifts in average unit values from one month to the next have no relevance to the issue of dumping.

In joining the WTO, the Vietnam Government made very significant concessions to the United States and to all of the members of the WTO, and pledged its commitment to the rule of law. In the apparel sector in particular, Vietnam represents a glowing example of transparency and fairness. Vietnam should be credited for its good governance and its WTO membership, winning more business from U.S. buyers, rather than being subject to clear discrimination in the form of the Monitoring Program.

Unless and until the Commerce Department eliminates the intolerable risks it has created with the Import Monitoring Program, Vietnam will not achieve the success it rightfully and fairly deserves. If the Department will not retract the program altogether, it must at least greatly reduce its scope. Vietnam's factories are not competing with any producers in the United States, as clearly proven by the fact that the orders being lost now by Vietnam producers are going to other Asian suppliers, not to U.S. makers.

With each passing day, the negative consequences of the decision to establish the monitoring program become more apparent. For all these reasons, and on behalf of the 2 million workers in Vietnam's textile and apparel industries, VITAS respectfully and urgently urges the U.S. Administration to act promptly to reconsider this Import Monitoring Program and prevent further harm to the Vietnamese apparel industry.