



July 7, 2003

The President
The White House
Washington, DC 20500

Dear Mr. President:

A united textile industry, including cotton, man-made fiber, yarn spinners and fabric manufacturers, is asking you to reaffirm your Administration's commitments to a healthy U.S. textile sector by taking strong specific actions regarding the enormous threat from China. To that end, all of the action items requested in this letter are directly linked to the China problem.

A new report¹ by the American Textile Manufacturers Institute (ATMI) reveals that, unless our government acts now, China is poised to seize 65 to 75 percent of the U.S. textile and apparel market once remaining quotas are removed. ATMI's study corroborates reports by the World Bank and the United Nations indicating that China's vast, subsidized textile industry will become an unstoppable force in world textile and apparel trade once quotas are removed unless corrective countermeasures are taken.

Indeed, in Japan and Australia, countries with consumer markets similar to that of the United States, relatively low duties, and no history of quotas on textile and apparel products, China has vanquished virtually all other suppliers and now holds a 70 plus percent share of the market.

China's enormous growth in 29 recently decontrolled U.S. textile categories suggests that the entire U.S. textile and apparel market will be the next victim. Even USTR Ambassador Robert Zoellick has predicted that China could gain control of approximately 70 percent of the U.S. market once quotas are removed, citing the Japanese and Australian examples above.

Bank on it. If the Administration does not act beginning in mid 2004, a new enormous wave of plant closures and worker layoffs is certain to occur in the country's major textile areas, such as the Southeast, as orders for yarns, fabrics, home furnishing products, and apparel are diverted to China. This will have a profound negative impact on the struggling U.S. manufacturing sector and terminally weaken the domestic textile industry base that is such a critical part of the U.S. military supply chain. Such a catastrophic event was undoubtedly what this Administration pledged to avoid when you stated on December 6, 2001, "this government has a plan to help the textile industry."

¹ "The China Threat to World Textile and Apparel Trade" is available at www.atmi.org

The U.S. government has been asking China to float its currency. This action would end the illegal pegging of the yuan at a grossly undervalued rate, a practice that allows Chinese exporters to drop prices as much as 38 percent, giving them an unfair, unbeatable and illegal advantage over U.S. manufacturers. The U.S. government also has asked China to remove non-tariff barriers to trade, and to enforce basic intellectual property, copyright and trademark law.

While the U.S. textile and fiber industry recognizes the absolute need for these actions, they have a common thread – the forced reliance by the U.S. textile industry on helpful action by the Chinese government - instead of the U.S. government - for implementation. The U.S. textile industry cannot afford to wait and rely on the Chinese government's cooperation and action to save the U.S. textile industry. The U.S. government must act now. The U.S. textile industry calls on the U.S. government to make full and timely use of the unilateral policy tools at its disposal to confront China's clear threat.

Specifically, the U.S. textile industry urges the U.S. government to act decisively to mitigate the calamity facing U.S. textiles by taking the following three steps:

1) Self-Initiate Use of the China Textile Safeguard

During the past 15 months Chinese imports to the United States in the decontrolled categories have increased by more than 400 percent. China already has captured 40 percent of the U.S. market in those decontrolled categories and is projected to take between 65 and 75 percent by the end of the year.

To avoid further devastating plant closings and job losses, the U.S. government must move immediately to self-initiate the special China textile safeguard on sensitive textile and apparel categories where Chinese imports are surging into the U.S. market. By self-initiating, the government sends a clear message that it will not allow China, with its undervalued, pegged currency and its state-owned, subsidized textile sector, to destroy the U.S. textile and apparel industry.

In addition, the government must be prepared to self-initiate comprehensive quota restraints when the rest of China's quotas are removed on January 1, 2005. These quotas constitute the products most sensitive to the domestic textile industry.

2) Reject any pro-China tariff TPLs in the Central American Free Trade Agreement (CAFTA) and other free trade agreements

In order to preserve benefits for signatory countries and prevent new agreements from contributing to more textile job losses in the United States, CAFTA and similar agreements should allow no TPLs or other regional-component exceptions that would permit foreign suppliers, such as China, to benefit at the expense of domestic manufacturers and our other trading partners.

3) Maintain U.S. textile tariffs in the Doha Round of trade talks

If Western Hemisphere preferential trade agreements are to deliver any benefits to signatory countries, the U.S. government must reject the pro-China Girard proposal for zero duties on textiles. With zero tariff access to the U.S. market, China would crush any competition that might otherwise develop from trade preference areas in the Western Hemisphere, Africa and elsewhere.

Tens of billions in two-way trade between U.S. textile manufacturers and apparel makers in trade preference areas would be destroyed.

Mr. President, absent these strong U.S. actions, the outlook for the domestic textile and apparel sector is grim. Past experience in similar product areas, such as toys, bicycles, Christmas decoration, household appliances and other mass-produced goods where China now has a 70 plus percent share of U.S. imports shows that the U.S. textile industry's prognostication should not be dismissed as alarmist.

Indeed, the effect of the Chinese flood will be felt worldwide. Key allies such as Mexico, Turkey, the Philippines, the countries of the Central American, Caribbean, Andean regions, as well as the nations of Sub-Saharan Africa, will all lose millions of critically needed jobs as China consumes the U.S. textile market.

Mr. President, the future of one of the largest U.S. manufacturing sector and its nearly one million U.S. textile and apparel jobs is on the line. We respectfully appeal to you to reaffirm your strong commitment to the domestic industry by implementing the China textile safeguard, rejecting TPLs in CAFTA and similar reciprocal FTAs, and retaining U.S. textile tariffs at their current levels while other countries reduce their tariffs to U.S. levels.

Your consideration of these urgently needed actions is deeply appreciated.

Sincerely,



Roger Milliken George W. Shuster
American Manufacturing Trade Action Coalition



Willis C. Moore, III
American Textile Manufacturers Institute



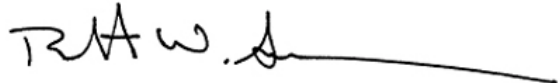
William Giblin
National Textile Association



James W. Chesnutt
American Yarn Spinners Association



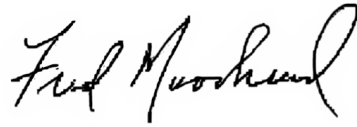
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American Fiber Manufacturers Association




Robert Greene
National Cotton Council



Guy Flora
American Sheep Industry Association



W. Fred Moorhead, Jr.
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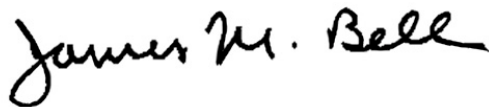
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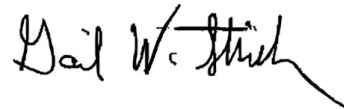
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