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FORESTRY
SPECIAL COMMITTEE ON AGING

The Honorable Colin L. Powell
Secretary of State
U.S. Department of State
2201 C Street, NW
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Dear Secretary Powell:

Colin

Yesterday I met with the leadership of the textile industry to discuss their concerns. One of the most pressing topics was the expiration of the textile quota system at the end of the year.

There is no dispute that the end of the quota system is coming. With such a significant change in world-wide trade policy on the horizon, I am concerned about the implications for United States foreign policy. In the past, the United States government has often traded textile provisions for concessions in other areas. Indeed, the Clinton Administration's decision to end the quota system helped to expand the World Trading Organization. As a direct result, employment in the textile sector has become a critical component of many developing countries' economies.

While the textile quota system will end in 2005, quotas on several categories of apparel have already expired. The results are illustrative. On apparel the categories where the quotas came off in 2002, China's shipments increased by an average of 794 percent according to an analysis of government trade data by the National Council of Textile Organizations. In just over 2 years, China's market share in the United States has gone from 9 percent to 65 percent – and continues to grow by about one percent of market share monthly. In fact, industry analyses expect it to hit 75 percent by the end of the year.

Apparel industry employment has been moving out of the United States for years. According to Department of Labor figures, we have lost 560,100 apparel jobs in the past ten years with 305,000 of those losses coming in the last five years. For a decade, the United States has exported textile and apparel jobs. So, as the quotas have come off of apparel in the last two years, it has not only been the United States that has hemorrhaged jobs. It has been the developing world. China, Thailand, Mexico and the Caribbean Basin Initiative (CBI) were roughly equivalent in U.S. import market share in 2001. Today, at the expense of China's tremendous growth, their market share has been more than halved. And they are not alone. Countries such as Pakistan, Turkey, Indonesia and the Philippines, whose stability is critical to our war on terror, have also seen their share of the United States' market halved. At a recent meeting of trade associations from forty-seven textile producing countries, Mr. P.T. Cooray, Secretary General of the Joint

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Apparel Association of Sri Lanka, stated that he has closed over 350 coat factories since China entered that market quota-free in 2002.

Now, as the quotas come off of textile categories, it is reasonable to anticipate that the same dramatic shift of production from both the United States and the developing world will occur. I am concerned about the strategic implications of such a shift. Industry analysts suggest that millions of jobs could be lost in countries where we are seeing progress. The job loss will be world wide, but will be particularly damaging for African Growth and Opportunity Act (AGOA) countries, Southeast Asian countries and those in the CBI whose economies are not diversified and are not as equipped as the United States to create new jobs or retrain their workforces. I am concerned that this will have a destabilizing effect as job losses mount. I feel the security of the United States is enhanced by the stability of these countries. It also hurts our partners in other free trade agreements by dramatically decreasing their benefit of the bargain. Similarly, it will force our negotiators to find other market segments that can be used to entice other nations into new agreements.

In light of these shifting circumstances in the apparel and textile markets, could you please inform me of what steps are being contemplated to help our trading partners through this dislocation and the implications for the United States' foreign policy. I would appreciate your thoughts, if at all possible, before the next meeting of the World Trade Organization begins on July 25th.

With my thanks and warmest best wishes,

Elizabeth

Colin - I would greatly appreciate your thoughts - My textile CEOs are deeply concerned - E.