

The Washington Post
September 13, 2004 Monday

U.S. May Limit Chinese Imports; Restrictions Likely On Some Clothing

Peter S. Goodman
Washington Post Foreign Service
BEIJING,

Sept. 12 -- A senior United States trade official strongly suggested that the Bush administration will move in coming weeks to limit imports of Chinese clothing, opening a new front in a simmering trade conflict with the world's most populous country in the final weeks of the presidential campaign.

In an interview Sunday, U.S. Commerce Undersecretary Grant Aldonas said he expected American manufacturing groups to file petitions "as early as next week" seeking limits on an anticipated surge of certain types of clothing from China. He said the administration was prepared to impose restrictions ahead of a rush of Chinese goods expected early next year, following the lifting of quotas that have ruled the global textile trade for three decades.

"Don't be surprised when our industry brings these cases on threat that if they have the evidence, we're going to go to bat for them," Aldonas said. "We are definitely going to enforce the trade laws."

Though the restrictions could not be imposed for at least three months under the rules governing such petitions, the Bush administration would have to decide within three weeks of a filing whether to accept it and investigate the case. In other words, in the closing stretch of the campaign, the administration will almost surely face a key decision on the increasingly charged question of trade relations with China.

In recent months, American manufacturing groups have accused China of employing unfair practices such as manipulating the value of its currency and subsidizing its industry in racking up a \$124 billion trade surplus with the United States. They have leaned on the Bush administration to limit Chinese imports and pressure Beijing to allow its currency to float freely.

China asserts that these claims are unfair, maintaining that it is being made the scapegoat for the loss of U.S. manufacturing jobs. Bush's Democratic challenger, Sen. John F. Kerry (D-Mass.), has accused the White House of failing to champion the interests of American workers in the face of the Chinese juggernaut.

The Bush administration has already limited imports of some Chinese goods to stem surging volumes, capping shipments of bras, dressing gowns and knit fabrics. Last month the Commerce Department accepted a petition from textile producers seeking limits on socks from China. The next round of petitions will likely seek limits on knit shirts and twill trousers, Aldonas said.

At the center of the conflict is the lifting of the quota system that has limited the volumes of

clothing that China can ship to the United States. The quotas have forced American buyers to import textiles and clothing from dozens of countries around the world. Once that system expires at the end of this year, buyers will be free to import as much as they like from wherever they choose.

Apparel industry executives say that will almost surely mean a dramatic reordering of global production, with huge volumes shifting to China, where labor is cheap, plentiful and productive. Raw materials are abundant. Trade groups in the United States assert that about 650,000 American textile jobs hang in the balance -- most of them in southern states that constitute key election battlegrounds such as North Carolina.

Under the 2001 agreement that brought China into the World Trade Organization, the United States retains the right to impose safeguards on imported Chinese clothing to soften the impact of the end of the quota era. These safeguards can limit the annual growth in volume to 7.5 percent for three years, ending in 2008. The language of the agreement gives Washington the right to invoke such limits in event of a surge of shipments that constitutes a disruption to the market or even the threat of such an increase.

As the end of the quota system approaches, major clothing retailers such as Wal-Mart Stores Inc. and J.C. Penney Co. puzzle over what rules will apply in deciding where to place their manufacturing orders. Speculation has mounted as to whether the Bush administration is likely to impose the safeguards and, if so, whether it will wait for an actual jump in China's exports or act preemptively to limit the surge ahead of time.

Aldonas set aside any ambiguity. " 'Threat of market disruption,' " he said in the interview. "That's legitimate."

When quotas were lifted on products such as baby clothes and robes in 2002, China's share of U.S. imports soared immediately, climbing from about 11 percent in 2001 to 55 percent by the end of last year, according to data analyzed by Pietra Rivoli, a trade expert at Georgetown's McDonough School of Business. Chinese goods now make up about 70 percent of clothing imports in two markets that lack quotas, Japan and Australia.

Aldonas said such numbers alone would not be sufficient for U.S. makers to prove the case for safeguards. "You can't bring a case in here based on an analogy," he said. Rather, manufacturers would have to marshal specific evidence of such a threat, for example, providing data such as showing that China has been adding capacity to produce certain goods.

Chinese officials have complained that imposing safeguard restrictions would deny them the fruits of their decision to open their own market to competition and enter the global trading system -- access to the world's most lucrative market.

Aldonas said Chinese officials should not be surprised by the imposition of emergency limits, noting that the safeguards measure was a key provision that gained Senate blessing of China's WTO entry.

Aldonas met on Thursday in the southern Chinese city of Xiamen with Vice Premier Wu Yi to discuss a host of trade issues. He planned several meetings with officials from China's commerce and finance ministries in Beijing.

On previous trips to China and before his departure from Washington last week, Aldonas has suggested that Beijing has the ability to massage trade frictions with the United States by voluntarily curbing exports. But in the interview Sunday, he pointedly denied that he was seeking to negotiate voluntary caps, saying such barriers to trade would violate WTO rules.

Ultimately, he added, Chinese officials would be loath to press textile producers to limit shipments, given that access to the American market was sold here as the ultimate prize for China's agreeing to live by the rules of the global trading body.

LOAD-DATE: September 13, 2004