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U.S., Europe ready to eliminate textile quotas despite critics

By Jane Bussey

MIAMI _ In less than 200 days, the United States and the European Union will sweep away all quota restrictions on apparel imports from developing countries in a sustained effort to boost the fortunes of Third World nations.

But a coalition of U.S. and international textile industry groups is staging a last-ditch effort _ from drumming up congressional support to holding a summit in Brussels, Belgium, this week _ to avert this long-planned move.

With a deadline looming, the battered U.S. industry has forged the first significant international effort against eliminating quotas. They warn that as the world rushes toward free trade in apparel, China and perhaps India will win by monopolizing exports at the expense of developing countries from the Caribbean Basin to Bangladesh and Turkey.

"We are looking at it as a train wreck with imports from China," said Karl Spilhaus, the president of the Northern Textile Association, based in Boston, in a conference call with reporters last week.

Under the quota system, developed countries like the United States set country-by-country limits on imports, sometimes giving preference to some trading partners. But Chinese textile and apparel exports to the United States have ballooned from 2.2 billion square meters in 2001 _ the last year before quotas on Chinese products began to phase out _ to 8.3 billion square meters in 2003.

During this time, industry executives complain, prices of Chinese goods have fallen by 70 percent, undercutting competitors.

"This is not a local issue," said Ziya Sukun, executive director of the Turkish textile and apparel trade association, which supports the textile industry effort. "It is a global and international problem."

Starting Tuesday, industry executives from 16 countries will meet in Brussels for a three-day Summit on Fair Trade in Clothing and Textiles to chart a plan of action.

Last week, 117 members of Congress signed a letter sent to President Bush, asking him to endorse an emergency meeting of the World Trade Organization to discuss the expiration of textile and apparel quotas.

U.S. trade officials, retailers and apparel buyers _ who place orders for apparel around the globe but increasingly in China _ scoff at the effort. They noted that both the United States and the European Union have formally notified the WTO they intend to move forward with the quota elimination, under the terms of the WTO's Agreement on Textiles and Clothing.

"This is an exercise in futility," said Erik Autor, vice president of the National Retail Federation. "The quotas are going to end on Jan. 1, and they should end on Jan.1."

"Look, we don't like the situation," said Autor, acknowledging that it has created uncertainty. But he blamed the textile industry for failing to prepare for global competition during the past 10 years and for ending 85 percent of quotas in one dramatic deadline.

"They created this huge cliff," Autor said.

The issue presents a risk for Caribbean Basin countries, which have become significant suppliers of trousers, underwear and other apparel to the United States under special trade preferences first extended in the Reagan administration.

But the Central American countries have not formally endorsed the U.S. textile industry drive. In the past, they have insisted that their assembly industry can compete with China with the negotiated but not yet approved Central American Free Trade Agreement.

The international textile industry effort began in March. Two Washington-based groups, the National Council of Textile Organizations and the American Manufacturing Trade Action Coalition, along with the Turkish textile and apparel trade association, hammered out an agreement. The Istanbul Declaration called for a three-year extension of the quotas.

The battered U.S. textile and apparel industries, which have lost 336,000 jobs since Bush took office, insist that no one foresaw the advent of Chinese trade power when the original agreement to eliminate quotas was made.

When the 1994 apparel deal was worked out, as part of the Uruguay round of global trade talks that created the World Trade Organization, China was simply an observer. It joined the WTO in 2001.

There is growing frustration internationally over the perception that China uses export subsidies and other unfair business practices. An artificially undervalued yuan makes goods cheap to export, while the lack of dollars in the hands of private companies hinders imports. Chinese banks extend generous loans to local factories that they often write off.

"No one envisioned China coming into the WTO and playing by a different set of rules," said Robert DuPree, vice president of the National Council of Textile Organizations. "We need the support of the administration."

The Bush administration, however, insists that there is no going back and that the country has a mechanism to protect the U.S. industry against import surges.

"The United States intends to abide by its international obligations that were negotiated more than a decade ago to phase out the remaining quotas by the end of this year," said Christopher A. Padilla, spokesman for the Office of the U.S. Trade Representative.

Padilla said the administration had already helped the textile mills with safeguarding measures that clamp down on explosive Chinese import growth.

"The textile industry filed three petitions, and we accepted those petitions," Padilla said. Only a small number of quotas have been lifted so far. Some 85 percent of quotas remain to be lifted Jan. 1.

But the Istanbul Declaration effort has grown. Industry groups from 40 more countries have endorsed the declaration, saying their survival is at stake. In some countries, officials have queried the industry on the quota extension proposal.

Textile groups from Mexico, Argentina and a handful of other Latin American countries have endorsed the effort.

Mexico has already seen its apparel industry lose out to China, despite having the most generous trade benefits under the North American Free Trade Agreement. Not only has China's growth in apparel exports to the United States surpassed the Mexican rate, but Chinese imports are crowding aside Mexican-made clothing inside Mexico.

Still, the apparel industry, fully behind the lifting of quotas, insists that CAFTA will help Central America. (The agreement is unlikely to be approved before November presidential elections.)

"You have an incentive system in Central America that works," said Stephen Lamar, senior vice president at the American Apparel and Footwear Association. "CAFTA is going to promote enough apparel production down in the region."

But Lamar admitted the transition could be rough.

"I don't think anyone knows which countries are ultimately going to be the losers and winners in this global environment," he said.

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