News from U.S. Rep. John Spratt (D-SC)

Assistant to the Democratic Leader
Ranking Member, Committee on the Budget
US House of Representatives – Washington, DC
www.house.gov/spratt | www.house.gov/budget_democrats

Thursday, September 09, 2004 – For Immediate Release
Contact: Chuck Fant, 202-225-5501

Spratt Introduces Bill to Protect American Textiles from Chinese Imports

WASHINGTON – U.S. Rep. John Spratt (D-SC) and the House Democratic Leadership Wednesday introduced a bill to protect American textile products from Chinese imports. The bill would allow most import quotas – set to expire on January 1 – to remain in place to restrain imports from China.

"When the General Agreement on Tariffs and Trade (GATT) was amended in 1993," said Spratt, "it called for import quotas to be phased out over ten years and eliminated altogether on December 31, 2004. My bill calls for most quotas to remain in place to blunt the impact from China.

"Foreseeing the expanded trade resulting from China's accession to the World Trade Organization, the Clinton Administration negotiated a special safeguard against imports of textiles and apparel products from China," Spratt said. "Despite 345,000 U.S. jobs lost in the textiles and apparel industry since 2001, and thousands more in jeopardy after quotas expire, the Bush Administration has failed to take advantage of the special safeguard, except for three product lines out of hundreds of import categories."

Spratt's bill, H.R. 5026, The Textiles and Apparel China Safeguard Act, calls for aggressive use of the special safeguard against imports from China. The Act has three key elements:

(1) It directs the President to make two changes to the restrictive rules issued by the Bush Administration to implement the China safeguard so that the safeguard will be meaningful for the U.S. textiles and apparel industry;

(2) It directs the President to use the special China safeguard to negotiate a comprehensive agreement by immediately entering into formal consultations with China over textiles and apparel imports that disrupt or threaten to disrupt the American market.

(3) It exercises U.S. rights under the special China safeguard by imposing restraints on imports if China does not agree on a mutually acceptable solution.

Spratt and the Democratic leaders also sent a letter to the President (attached), urging the Bush Administration to implement a safeguard for American textiles and begin formal talks with China on the matter.

"Your Administration's continued inaction threatens the U.S. textiles and apparel industries, and the 700,000 workers they employ. Since you took office, the U.S. manufacturing sector has lost 2.7 million manufacturing jobs. That number will grow unless you begin to act to save what remains of one of the largest manufacturing sectors of the U.S. economy. Now that the expiration of quotas is virtually at hand, we understand from press reports that the Administration has tentatively indicated that it will attempt to discuss this critical issue with China this week. What is needed are not informal discussions, but concrete steps as part of a comprehensive action plan," the letter stated.

The Textiles and Apparel China Safeguard Act (H.R. 5026)

Background and Explanation

On January 1, 2005, quotas on textiles and apparel products are scheduled to expire for WTO Members. Textiles and apparel industry analysts predict that China will dominate global textiles and apparel production when that happens. In the United States, some analysts have predicted that China will capture over two-thirds of the U.S. market, and according to the World Bank, China could capture as much as 50 percent of total global production, which would be a dramatic increase over current share of 17%.

China's dominance in the U.S. market will have serious consequences, but it will be devastating also for poorer developing countries that will lose their U.S. market share to China, including U.S. preference partners in Central America and sub-Saharan Africa. The impact on these countries will be another blow to the U.S. industry because many of the U.S. preference partners are heavily integrated with the U.S. industry, and use significant amounts of U.S. textiles in the apparel they make and export. According to their trade agreements with the U.S., these countries must use U.S. cloth to gain favored access to U.S. markets.

Although the textiles and apparel industry is among the largest U.S. employers in manufacturing, with a total of around 700,0000 workers, the Bush Administration has taken few steps to protect these jobs from the disruption that is almost certain when import quotas end.

As part of China's accession to the WTO, the Clinton Administration negotiated a special safeguard applicable to imports of textiles and apparel products from China. This special China safeguard gives the United States the right (1) to call for consultations with China to create a more stable market, (2) to negotiate restraints on textiles and apparel imports with China, and (3) to impose restraints on an annual basis if China does not agree and the imports are causing or threatening market disruption.

Changing Overly Restrictive Regulations

The Bush Administration issued regulations in May 2003 implementing the special safeguard. Those rules, however, are overly restrictive, constraining the safeguard and making it effectively unavailable for large segments of the U.S. industry and its workers. First, the regulations do not clearly provide the right to bring a "threat" case. In other words, the U.S. industry and its workers will have to wait until after imports from China have already caused injury – often irreparable injury – before they can bring a successful case. Second, the regulations are written in a way that significantly constrains the U.S. right to respond to market disruption from China. In many cases, Chinese imports cause market disruption not by competing directly with U.S. production, but because they supplant production that would have used inputs made by U.S. industry. In both cases, the injury to the U.S. industry and its workers is the same – lost orders and lost jobs – yet the current regulations do not provide clearly a right to use the safeguard to prevent the second kind of market disruption.

The Textiles and Apparel China Safeguard Act directs the President to rescind the restrictive interpretation of the textiles and apparel safeguard implementing regulations and replace them with regulations that:

(A) make clear that the U.S. industry and workers will not have to wait until after Chinese textiles and apparel imports have caused injury, but may use a threat case to preempt injury; and

(B) make clear that a safeguard may be imposed for market disruption that harms the U.S. industry and workers when Chinese imports displace production that uses inputs made by the U.S. industry.

In this way, the Textiles and Apparel China Safeguard Act will allow the United States to take full advantage of its rights under the special China textiles safeguard and make this safeguard a more useful tool for the U.S. industry and its 700,000 workers.

Creating a Comprehensive Approach for Import-Sensitive Products

Given the adverse impact expected on the U.S. textiles and apparel industry and its workers from immediate and wholesale elimination of textiles and apparel quotas – some estimates predict hundreds of thousands of U.S. jobs will be lost if nothing is done – a more comprehensive approach is needed. The Textiles and Apparel China Safeguard Act provides this comprehensive approach.

The Act directs the President, in effect, to negotiate a comprehensive bilateral textiles and apparel agreement with China, as allowed under the terms of China's WTO accession agreement. The special China safeguard allows China and any WTO Member to negotiate bilaterally ways to address market disruption caused by Chinese textiles and apparel. Significantly, the accession agreement does not place any limitations on the content of such settlements. The open-ended nature of the settlement provision in the safeguard provides the basis of negotiating a comprehensive textiles and apparel agreement with China. The Textiles and Apparel China Safeguard Act directs the President to negotiate such a comprehensive agreement on all products still subject to quotas.

If China proves unwilling to negotiate a comprehensive agreement, the Act directs the President to apply the import restraints provided for under the special safeguard across the board for all products eligible for the safeguard. This would mean that most imports now subject to quota would remain subject to quota until 2008.

# # #