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U.S.-China Economic and Security Review Commission Public Hearing
China and the WTO: Assessing and Enforcing Compliance

February 3, 2005

The American Manufacturing Trade Action Coalition (AMTAC) is a trade association founded by domestic manufacturers with the mission to preserve and create American manufacturing jobs through the establishment of trade policy and other measures necessary for the U.S. manufacturing sector to stabilize and grow.

AMTAC counts a substantial number of textile companies amongst its membership. On behalf of those members, thank you for the opportunity to testify on China's compliance with its WTO obligations and on strategies that the United States government should use to address China's shortfalls.

AMTAC's testimony today chiefly will focus on the potential and actual effectiveness of the special textile China safeguard and on the merits and ramifications of the lawsuit that is blocking the timely and effective implementation of safeguards by the U.S. government. We will also discuss the need for the U.S. government to unilaterally restrict China's access to our market as leverage to encourage China to make reforms that they otherwise would not undertake to level the playing field for U.S. manufacturers.

History of the Multi-Fiber Agreement (MFA)

Policymakers have long recognized that textile and apparel manufacturing holds a unique place in the global economy – the reason being that textiles and apparel are one of the few, if not only, products manufactured in every corner of the globe, regardless of the producing country's stage of economic development.

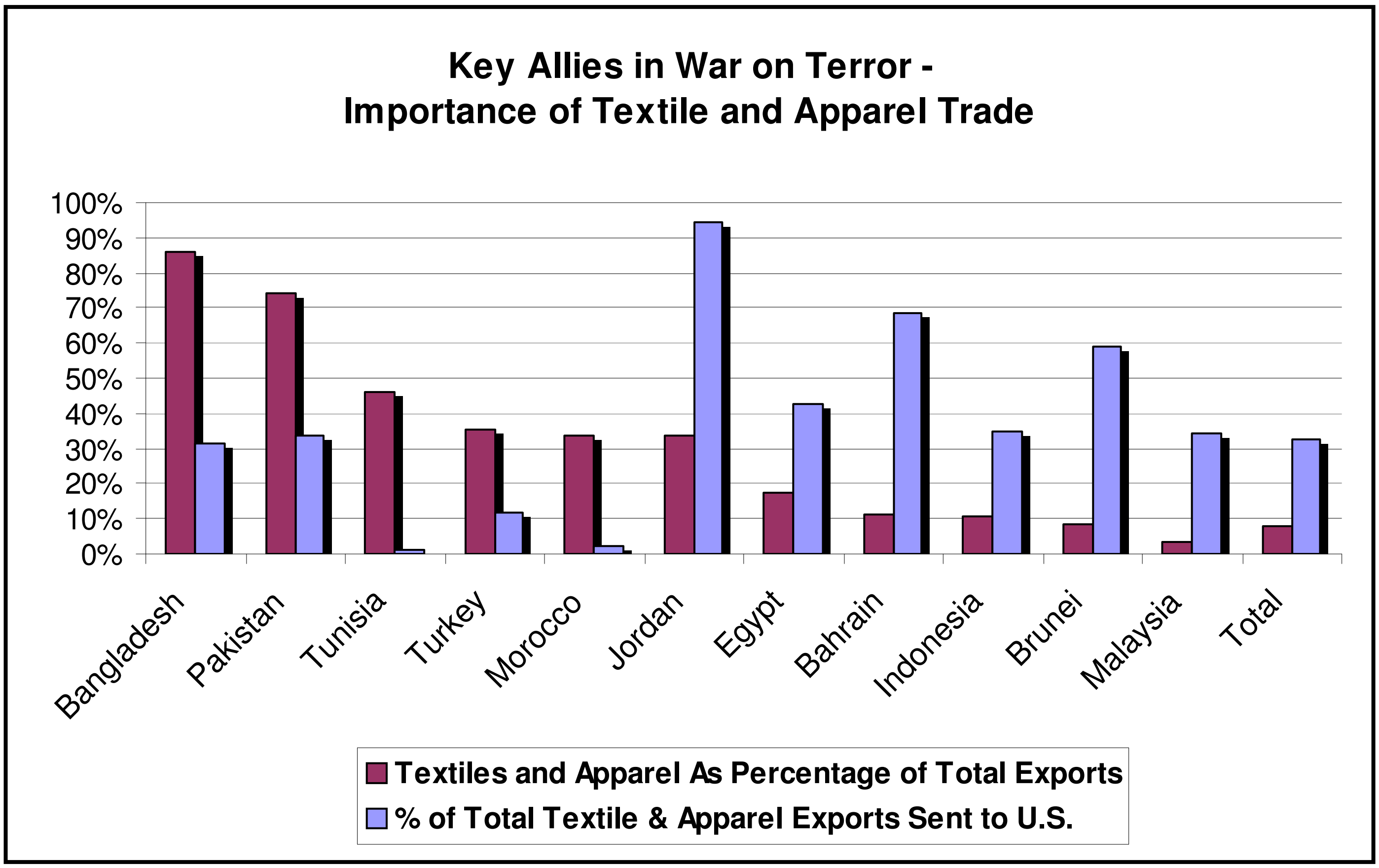
Specifically, the apparel sector is the entry-level rung for developing a manufacturing economy. Apparel manufacturing is highly attractive to developing countries because it is a sector that requires little capital investment. A country just needs sewing machines, a little bit of electrical and transportation infrastructure, imported fabric, and a large labor force to initiate production. Indeed, a human being operating a sewing machine is still the most efficient method of assembling a high-quality garment. Consequently, apparel manufacturing is a key contributor to Gross Domestic Product (GDP) and driver of export earnings in most least developed and developing countries around the world.

In contrast, textile manufacturing is a high-tech, capital-intensive industry. Millions of dollars have been poured into research and development to produce many of the fabrics in common use today. Much of the value added in this R&D comes in the dyeing and finishing sector where great expertise in chemical engineering is required. Consequently, textile manufacturing mostly has been concentrated in developed countries like the United States and Italy and large developing countries like China, India, Turkey, Taiwan and Korea.

With the demonstrated importance of the apparel sector to economic growth in the developing world evident, it was logical that the quota system of the Multi-Fiber Agreement (MFA) be constructed in a manner so that one or two large developing countries could not monopolize global trade in textiles and clothing.

In that light, the MFA has been a remarkable success. In 2003, the United States reported imports from more than 180 governmental entities. In that same year, the United Nations COMTRADE database reported that the world imported more than $392 billion worth of exported textile and apparel products in 2003. This accounted for 5.68 percent of all world imports that year. Moreover, according to the U.N. COMTRADE database, as reported by importing countries, textile and apparel products accounted for 25 percent or more of exports from 42 different countries and 5 dependencies and 10 percent or more of exports from another 32 countries and 4 dependencies.[1]

To more fully illustrate this point, as one can see in the chart below, textile and apparel trade is a key component of the economy of several important Islamic countries that are key U.S. allies in the war on terror:

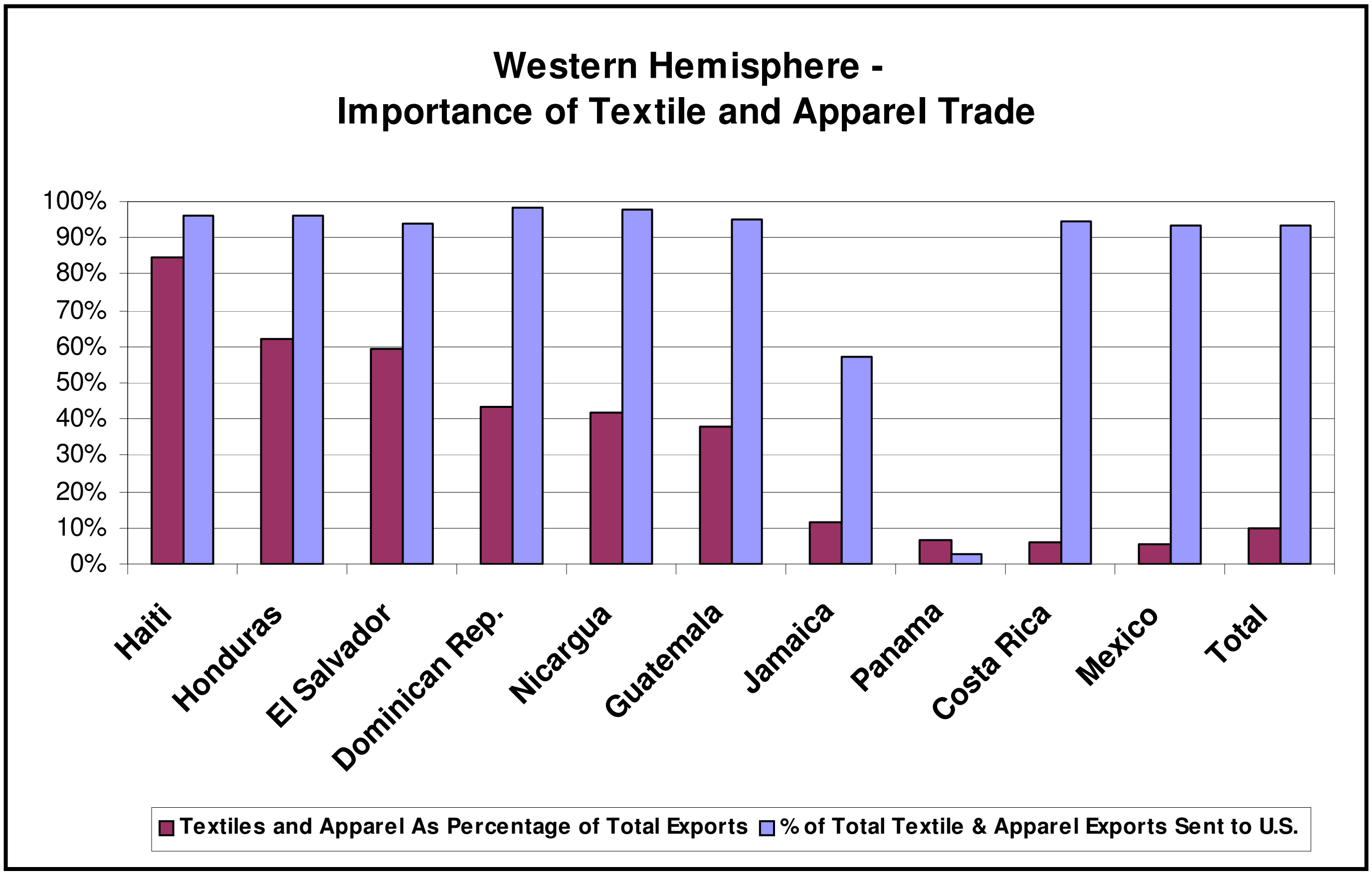


The dollar values of these exports are included in Attachment I appended to the end of this testimony. These exports support millions of jobs. For example, at the recently concluded 3rd International Textile

[1] Data in paragraph can be found in Attachment I.

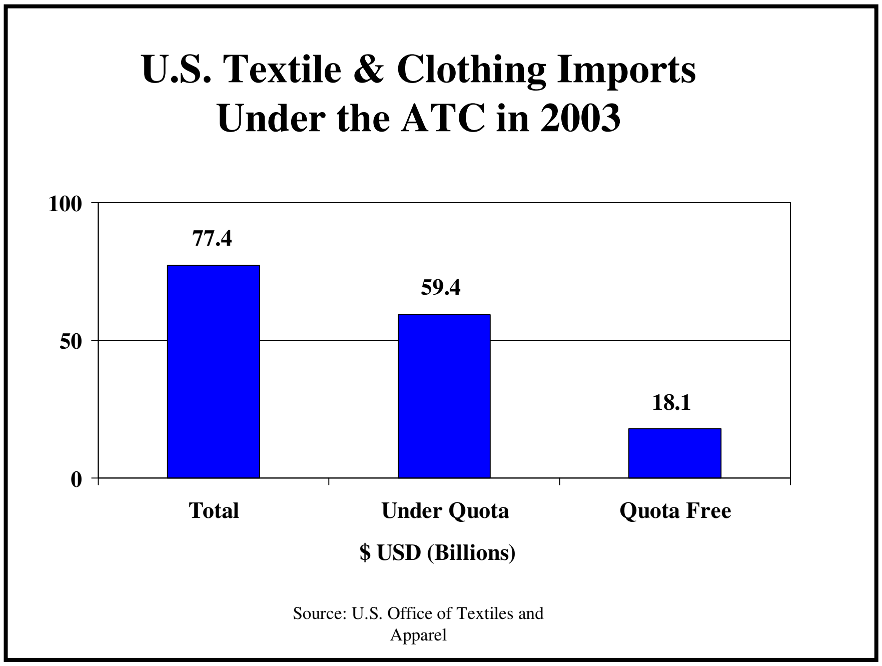
Summit sponsored by GAFTT, the Indonesian textile and apparel manufacturing sector reported that it employed 3.6 million people alone.

The same is true with many critical U.S. trading partners in North America:

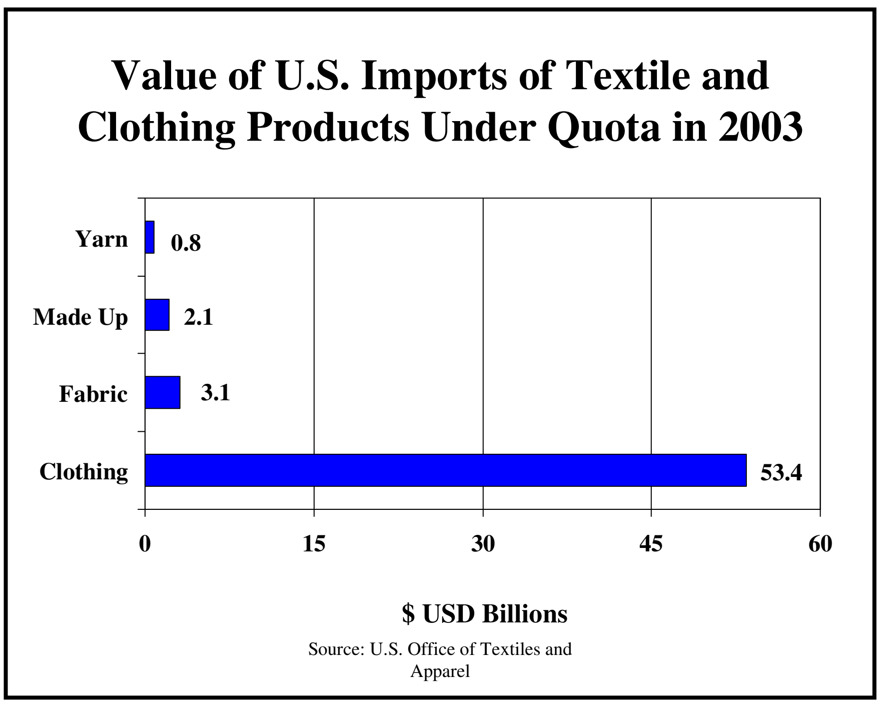


Despite the obvious success of the MFA, it was replaced in the Uruguay Round of WTO negotiations by the Agreement on Textiles and Clothing (ATC). The ATC initiated phased elimination of all quotas on textiles and clothing over a ten-year period starting in 1995. The last of these quotas were completely phased out at the beginning of 2005.

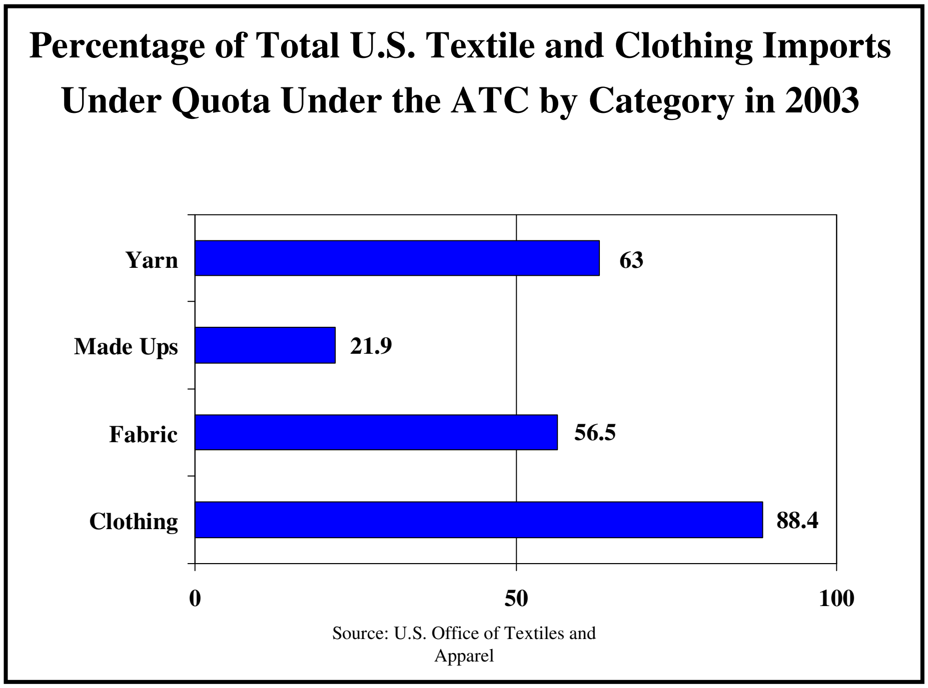
The final stage of the quota phase out will affect more than $60 billion in U.S. imports of textile and clothing products, as total imports in 2004 are up from the 2003 numbers listed in the chart on the following page:



A second chart breaks out the value of these imports by category:



The final chart shows the percentage of imports by category still under quota in 2003:



History of the Special Textile China Safeguard

No textile specific safeguard was put into place until China acceded into the WTO in late 2001. Rather than undergoing a ten-year phase out of quotas like every other country, China was granted the privilege of joining the quota phase out in lockstep. This meant that when China joined the WTO in 2002, it was given quota-free access to markets of all WTO members where quotas on textile and apparel products had been allowed to expire as of the beginning of 2002. Moreover, China subsequently received quota-free access to all WTO markets upon the expiration of all remaining quotas at the beginning of this year.

In return for receiving quota-free access in lockstep, China agreed that WTO members could impose safeguards on exports of its textile and apparel products if those exports threatened to disrupt or actually disrupted trade in those products.[2] These safeguards could only be imposed for a maximum of twelve

[2] The authority for a country to impose a textile-specific safeguard on China is contained in Paragraph 242 of the Working Party Report to China's accession agreement to the WTO. Paragraph 242 reads as follows:

The representative of China agreed that the following provisions would apply to trade in textiles and clothing products until 31 December 2008 and be part of the terms and conditions for China's accession:

(a) In the event that a WTO Member believed that imports of Chinese origin of textiles and apparel products covered by the ATC as of the date the WTO Agreement entered into force, were, due to market disruption, threatening to impede the orderly development of trade in these products, such Member could request consultations with China with a view to easing or avoiding such market disruption. The Member requesting consultations would provide China, at the time of the request, with a detailed factual statement of reasons and justifications for its request for consultations with current data which, in the view of the requesting Member, showed: (1) the existence or threat of market disruption; and (2) the role of products of Chinese origin in that disruption;

(b) Consultations would be held within 30 days of receipt of the request. Every effort would be made to reach agreement on a mutually satisfactory solution within 90 days of the receipt of such request, unless extended by mutual agreement;

months before needing to be renewed and the ability to impose safeguards would expire at the end of 2008.

Allowing the WTO to admit China, with its large non-market economy and immense labor force, was a strategic mistake of incalculable proportions by the United States. WTO membership gave China carte blanche opportunity to use its non-market subsidy schemes to systematically undermine the U.S. manufacturing sector.

The negotiation of the China safeguard represented a further defeat for the U.S. textile industry as China was given a three-year quota phase out instead of the ten-year phase out given to all other parties. Moreover, instead of being automatically triggered, the U.S. government was required to proactively impose safeguards – meaning that the U.S. textile industry would be reliant on U.S. government action to prevent China from using unfair trade practices to overwhelm the U.S. market. Given the U.S. government's general unwillingness to confront unfair Chinese trade practices, this reliance gave the U.S. textile industry ample reason to worry.

How the Safeguard Works

The decision to implement safeguards is made by the Committee for the Implementation of Textile Agreements (CITA). CITA is an interagency group comprised of one representative each from the Office of the U.S. Trade Representative and the Departments of Commerce, State, Treasury, and Labor. CITA decisions are made by majority vote.

The United States may implement the safeguard if Chinese imports of textile and clothing products are either disrupting the U.S. market or threatening to disrupt the U.S. market.

If implemented, the safeguard could limit the growth of Chinese imports of textile and apparel products to 7.5 percent (6 percent for wool products).

(c) Upon receipt of the request for consultations, China agreed to hold its shipments to the requesting Member of textile or textile products in the category or categories subject to these consultations to a level no greater than 7.5 per cent (6 per cent for wool product categories) above the amount entered during the first 12 months of the most recent 14 months preceding the month in which the request for consultations was made;

(d) If no mutually satisfactory solution were reached during the 90-day consultation period, consultations would continue and the Member requesting consultations could continue the limits under subparagraph (c) for textiles or textile products in the category or categories subject to these consultations;

(e) The term of any restraint limit established under subparagraph (d) would be effective for the period beginning on the date of the request for consultations and ending on 31 December of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for consultations, for the period ending 12 months after the request for consultations;

(f) No action taken under this provision would remain in effect beyond one year, without reapplication, unless otherwise agreed between the Member concerned and China; and

(g) Measures could not be applied to the same product at the same time under this provision and the provisions of Section 16 of the Draft Protocol.

The Working Party took note of these commitments.

The safeguard review process may be self-initiated by the U.S. government or be triggered by petition from a segment of the U.S. textile or apparel manufacturing sector. To date, the U.S. government has not self-initiated any safeguard cases.

Because China's accession to the WTO is a trade agreement administered by CITA, the U.S. government was not obligated to publish procedures for the private sector filing of safeguard cases. The foreign affairs exception contained in the Administrative Procedures Act gives the Executive Branch wide latitude to administer matters of foreign affairs like trade agreements.

As such, the U.S. textile industry attempted to file safeguard cases in September 2002. CITA, however, rejected these efforts with the excuse that they wanted to publish procedures for safeguard filings. Although it knew the safeguard was eligible to be used as of January 1, 2002, the U.S. government did not publish the unneeded safeguard procedures until May 21, 2003 – a delay of nearly 17 months! 110,200 U.S. textile and apparel manufacturing jobs disappeared from the time the safeguard was eligible for use until the safeguard procedures were published. To make matters worse, the unneeded safeguard filing procedures contained a four-month built-in delay from the time a petition was filed until a decision was required to be rendered.[3]

The procedures themselves do not require the U.S. textile industry to provide anything but a simple regurgitation of the import numbers and domestic production and market share figures produced by the U.S. government itself. If the government does not collect those numbers, as is true for several critical product categories, it becomes virtually impossible for the industry to file safeguard cases because it is an almost insurmountable task to collect the necessary data required by the safeguard procedures, as producers are under no obligation to report to a private sector survey request.

In addition, by publishing unnecessary procedures, the U.S. government provided an opening for the U.S. Association of Importers of Textiles and Apparel to file a lawsuit that has resulted in the threat-based safeguard process being enjoined by the U.S. Court of International Trade.

Safeguards in Practice

The U.S. textile industry and the labor union UNITEHERE have filed 17 China safeguard petitions since the publication of the safeguard procedures in May 2003.[4]

In July 2003, the first four safeguard petitions were filed. Three petitions covering knit fabric, brassieres, and dressing gowns were approved four months later. A petition covering gloves was rejected for technical reasons prior to a decision on the merits. The U.S. government formally requested consultations with China on these safeguards in late December 2003. After China refused to consult, the U.S. government limited the growth of Chinese imports in the three categories to 7.5 percent per category.

In 2004, a safeguard petition covering socks was approved in October. Though approved, the case highlighted some of the shortcomings of the safeguard process. A few years ago, the U.S. government stopped collecting production data on socks. Because of the complications in collecting data that the government itself should already have been collecting, the filing of the sock petition was delayed nearly

[3] A copy of the safeguard procedures may be found at http://otexa.ita.doc.gov/Safeguard_intro.htm.
[4] Copies of all safeguard petitions filed may be found at http://otexa.ita.doc.gov/Safeguard_intro.htm.

a year. During that delay, China was able to increase its exports to the United States from 22.9 million dozen to 42.4 million dozen – a market share loss of 234 million pair of socks for China's competitors.

Beginning in mid-October 2004, the U.S. textile industry began the process of filing the first of nine threat-based special textile China safeguard petitions filed by year's end. Three reapplications for the safeguards on knit fabric, brassieres, and dressing gowns also were filed.

The petitions on shirts, trousers, underwear, filament fabric, and combed cotton yarn cover more than $20 billion in U.S. production and nearly $40 billion worth of U.S. imports.[5] China's share of those U.S. imports is approximately $1.9 billion.

These petitions have strong support not only within the U.S. textile community, but the global textile and apparel manufacturing community as well. The Global Alliance for Fair Textile Trade (GAFTT), a coalition of 96 trade associations representing 54 different countries,[6] has strongly supported the petition filings.[7]

All of the threat-based cases and reapplications are currently enjoined by the U.S. Court of International Trade.

Effectiveness of Safeguards

Safeguards are not effective if not implemented in a timely and effective manner. As a recent study by the National Council of Textile Organizations (NCTO) shows, by the U.S. government not implementing the safeguard in a timely and effective manner, China's market share in apparel categories released from quota in 2002 exploded from less than 10 percent in 2001 to an average of more than 70 percent in 2004.[8]

The safeguards themselves also have problems. If a safeguard is implemented before October 1 of any calendar year, it only remains in effect until December 31. If a safeguard is implemented after October 1 of any calendar year, it remains in effect for twelve months. Because of these restraints, it is necessary to reapply for each safeguard on an annual basis. This creates tremendous uncertainty in the market.

Furthermore, simply implementing the safeguard is not enough. The government must also adequately enforce its laws against illegal transshipment.

A perfect example of this is Chinese exports of cotton, wool, and man-made fiber trousers as discussed in the threat-based safeguard petitions filed on cotton trousers.[9] Chinese exports of silk and vegetable fiber trousers were released from quota in 2002. U.S. imports of these products skyrocketed almost immediately compared to previous years, with nearly all of the increase coming from China. With little evidence of increased domestic consumption of products, there is a strong circumstantial case to be made that a substantial portion of these imports likely are illegal transshipments from China.

Another example, also discussed in the cotton trouser petition, is the amount of textile and clothing exports emanating from Hong Kong and Macao. It is highly unlikely that the now small manufacturing

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[5] See Attachment II.
[6] See Attachment III for a full list of GAFFT members.
[7] See GAFTT's October 12, 2004 press release on this matter at http://www.fairtextiletrade.org/.
[8] See September 1, 2004 press release on NCTO's website, http://www.ncto.org/.
[9] A copy of the cotton trouser petition filed may be found at http://otexa.ita.doc.gov/Safeguard_intro.htm.

sector in these special administrative regions could have assembled the volume of apparel they claim. Again, this is strong circumstantial evidence that illegal transshipping may be taking place.

Last year, Congress tried to address this problem. It authorized and appropriated funding for the U.S. Customs Bureau to hire and train 70 new agents to police illegal textile transshipments. Unfortunately, the U.S. Customs Bureau failed to hire any of these agents. With tens of thousands of jobs at stake in the United States and millions more around the world, it is unconscionable that the U.S. government refuses to adequately enforce the law against illegal transshipping.

Finally, the safeguards only address imports from China. They do not cover import surges from any other country. Thus, if a country like India were to use unfair trade practices in an effort to monopolize the market, the U.S. government would not have a safeguard to combat the surge.

<u>Lawsuit Comments</u>

The lawsuit filed by the U.S. Association of Importers and Retailers (USA-ITA) is without merit as there is no private right of action relative to the enforcement, administration, or implementation of a trade agreement. Because trade agreements are matters of foreign affairs, the Executive Branch has wide latitude to use its discretionary authority to enforce, administer and implement them. The crux of the matter in this case is whether the Executive Branch has the ability to impose threat-based safeguards as part of its responsibility to enforce, administer, and implement the accession agreement between the United States and China governing China's accession to the WTO.

The language in the Working Party Report of China's accession agreement to the WTO is clear. Governments have the right to impose threat-based safeguards.

The rationale for the threat-based provision is simple. If a government was to wait several months for actual damage figures on imports entering the country, its textile and apparel industry could be irreparably crippled or destroyed during that timeframe. Consider this apt analogy. When your house catches fire, do you call the fire department immediately, or do wait to call them after your house has already burnt to the ground?

The lawsuit temporarily has stopped the threat-based China safeguard process – in essence it is preventing the textile industry from calling the fire department. In response to a motion by USA-ITA, the U.S. Court for International Trade (CIT) issued an injunction on December 30, 2004 prohibiting the U.S. government from self-initiating any threat-based safeguards and from taking any action on the safeguard petitions filed by the U.S. textile industry in late 2004. The CIT also denied the U.S. government's motion to dismiss the case.

The court injunction is causing actual damage as we speak. Heavily subsidized imports from China are surging into the U.S. market right now causing irreparable damage to the U.S. textile industry.

Every day that goes by without the imposition of safeguards, China is gobbling up more and more market share. Because its heavily subsidized prices are 76 percent below U.S. prices and 58 percent below the rest of the world's prices, once China captures market share, no one in the world has the pricing power to seize it back.[10]

[10] See NCTO press release dated December 15, 2004 at http://www.ncto.org/.

The U.S. government has given notice that it intends to appeal the injunction to the U.S. Court of Appeals for the Federal Circuit. It is imperative that the appellate court expeditiously overturns the injunction to prevent more damage from occurring.

By the extent of his actions, the judge has hijacked U.S. foreign policy and taken the safeguard process out of play. Sadly, this is indicative of the U.S. government's inability to provide effective safeguard remedies. If it's not a 17-month delay in producing the safeguard regulations, it's a set of rules that take 120 days to adjudicate, and now there is an extra layer of complexity because a judge has brought the entire process to a complete halt.

Actions Beyond Safeguards

The U.S. government must begin looking for a solution that more broadly addresses the negative impact of the expiration of the MFA. As previously noted, safeguards only can provide temporary relief, even if implemented in a timely and effective manner by the U.S. government.

Absent withdrawal from the WTO and imposition of unilateral punitive measures against China in retaliation for the use of unfair trade practices, the U.S. government must work within the structure of the WTO to fully address the economic impact of the phase out of quotas on textile and apparel products.

The best way to address the quota phase out crisis would be to have the WTO re-impose the MFA. Failing that, the United States government should strongly support the development of new instruments as part of the Doha Round that would prevent any single country from monopolizing global trade in textiles and apparel as China is poised to do.

Proposals worthy of consideration as starting points to develop these new instruments include two papers submitted to the WTO's Council on Trade in Goods in 2004. WTO paper 496, submitted by Mauritius and several other developing countries, calls for the WTO to actively monitor and address the economic impact of the quota phase out.[11] WTO paper 497, submitted by the Republic of Turkey, calls for a permanent, global safeguard mechanism.[12]

The U.S. government would be well advised to do everything in its power to make sure that Council on Trade in Goods gives fair and extensive consideration to these papers during formal meetings in 2005.

Conclusion – Grave Consequences for Failure to Take Decisive Policy Action

To wrap up, U.S. trade policy in relation to China has already caused an enormous amount of damage to the U.S. and global textile industry. The United States is on course to run $73 billion trade deficit in textiles and apparel. China is expected to account for $18 billion of that total and already controls a 25 percent import market share of the U.S. textile and apparel market. 371,000 U.S. textile and apparel manufacturing jobs have been lost in the last four years due to surging imports.

Unless restrained in a forceful and effective manner, it is likely that China will control 75 percent or more of the U.S. and 50 percent or more of the global textile and apparel market by the end of 2007. If

[11] See Attachment IV.
[12] See Attachment V.

that scenario occurs, 30 million jobs, including more than 500,000 from the United States, would be shifted from the rest of the world to China.

Other consequences of allowing China to monopolize global trade in textiles and clothing are equally disturbing.

As outlined in Attachment I, an inordinate number of countries are dependent on trade in textiles and clothing. If the U.S. government concedes Chinese monopolization of the U.S. and global textile and clothing markets, it will lose enormous policymaking influence in the world. The ability to use U.S. market access for textile and clothing as a lever of influence will effectively transfer into the hands of China, an autocracy with a non-market economy and a penchant for flouting fair international trade practices.

Moreover, the sudden shift of jobs from developing countries, including numerous key allies in the war on terrorism would likely lead to widespread economic and political destabilization. If this happens, the United States is likely to bear a significant brunt of the cost as the policeman racing to address the consequences of rapid destabilization in various regions of the world.

In addition, when a country allows one of its manufacturing sectors to be destroyed, the loss of its research and development capability in that industry will soon follow. First, a significant portion of research and development occurs on the factory floor. It is one thing to invent a product, but it is another to manufacture it in a cost-effective manner. When a country loses its factories, it loses its capability to conduct research and development on the factory floor.

Second, research and development takes significant capital investment. When companies lose profitability because the U.S. government fails to take actions against the unfair trade practices of countries like China, it becomes more and more difficult to spend the capital necessary to conduct meaningful research and development.

For decades, it has been a well-funded research and development capability that has enabled the U.S. textile industry to be a global leader in innovation. From developing spacesuits and military products to the new stain and wrinkle-resistant fabrics for everyday clothing, U.S. textile industry research and development has been the standard for the rest of the world to follow. Without decisive action by the U.S. government, U.S. research and development capability in textiles effectively will disappear in short order.

To stop this unfolding economic and political calamity, it is imperative that the United States recognize the policy problems at hand and immediately impose safeguards in a comprehensive manner covering all sensitive categories of textile and apparel products and start work on a solution in the Doha Round to prevent China from permanently monopolizing global trade in textiles and clothing.

Attachment I.

UN COMTRADE Database: Textile and Apparel Exports by Country

(as reported by importing country [World] for year 2003)

Ranked by percentage textile and apparel exports

Exporter	Textile & Apparel Trade Value	Total Exports	Percent Textile & Apparel Exports
Lesotho	$428,083,650	$431,798,569	99.14%
FS Micronesia	$14,680,530	$16,207,670	90.58%
Bangladesh	$6,616,629,644	$7,324,807,962	90.33%
Haiti	$316,344,364	$357,968,981	88.37%
Cambodia	$1,963,558,055	$2,258,315,947	86.95%
Maldives	$106,798,227	$128,950,318	82.82%
N. Mariana Isds	$7,455,046	$9,079,491	82.11%
China, Macao SAR	$2,189,913,388	$2,694,240,382	81.28%
Mali	$164,513,939	$204,245,175	80.55%
Western Sahara	$456,830	$575,156	79.43%
Pakistan	$6,957,559,941	$9,312,215,732	74.71%
Honduras	$2,742,124,464	$3,677,044,216	74.57%
Burkina Faso	$116,997,791	$158,599,629	73.77%
Benin	$138,047,571	$194,583,535	70.95%
El Salvador	$1,904,370,166	$2,895,211,052	65.78%
Chad	$59,084,687	$92,508,480	63.87%
Sri Lanka	$2,715,955,651	$4,298,047,374	63.19%
Madagascar	$381,350,198	$605,661,284	62.96%
Nicaragua	$509,932,978	$821,196,961	62.10%
Mauritius	$998,137,557	$1,676,764,989	59.53%
Nepal	$352,427,674	$592,668,026	59.46%
Tokelau	$12,510,929	$22,262,477	56.20%
Palau	$1,516,677	$2,708,552	56.00%
Uzbekistan	$870,761,929	$1,632,564,444	53.34%
Guatemala	$1,919,787,060	$3,642,586,566	52.70%
Mongolia	$271,028,771	$559,151,583	48.47%
Tunisia	$3,705,945,131	$7,837,834,940	47.28%
Morocco	$3,350,698,021	$8,231,017,598	40.71%
Latvia	$393,702,298	$970,624,388	40.56%
Lao People's Dem. Rep.	$146,844,479	$375,777,962	39.08%
Turks and Caicos Isds	$9,921,983	$25,532,316	38.86%
Falkland Isds (Malvinas)	$7,770,717	$20,120,607	38.62%
Dominican Rep.	$2,254,614,346	$5,873,149,611	38.39%
TFYR of Macedonia	$349,815,085	$923,970,230	37.86%
Jordan	$645,150,152	$1,723,332,459	37.44%
Turkey	$15,649,013,906	$42,369,217,919	36.93%
Tajikistan	$183,578,635	$527,982,763	34.77%

Cape Verde	$7,487,808	$22,082,653	33.91%
Turkmenistan	$225,018,694	$710,226,818	31.68%
Swaziland	$165,058,897	$522,639,943	31.58%
Fiji	$160,298,092	$524,583,579	30.56%
Togo	$48,512,581	$174,393,454	27.82%
Guinea-Bissau	$1,592,734	$5,784,572	27.53%
Albania	$124,008,669	$475,386,667	26.09%
Myanmar	$694,352,459	$2,719,201,441	25.54%
Romania	$5,188,719,354	$20,353,122,819	25.49%
Saint Lucia	$4,300,774	$16,976,972	25.33%
Kyrgyzstan	$77,651,932	$312,856,227	24.82%
Bulgaria	$1,711,516,022	$6,902,081,214	24.80%
Vietnam	$4,326,722,215	$17,800,924,875	24.31%
China, Hong Kong SAR	$13,094,388,575	$55,589,928,239	23.56%
Egypt	$1,599,567,363	$6,852,236,120	23.34%
India	$12,220,973,567	$53,424,017,238	22.88%
Kenya	$240,718,775	$1,087,459,415	22.14%
Dem. People's Rep. of Korea	$139,817,057	$642,627,661	21.76%
Rep. of Moldova	$190,655,142	$891,752,077	21.38%
Greece	$2,218,228,223	$10,983,468,054	20.20%
Niue	$102,740	$547,033	18.78%
Afghanistan	$25,819,493	$143,477,452	18.00%
Portugal	$5,045,134,457	$30,580,920,847	16.50%
Lithuania	$988,472,907	$6,354,047,221	15.56%
China	$81,830,027,469	$567,099,306,010	14.43%
Tuvalu	$229,407	$1,594,370	14.39%
Samoa	$3,326,905	$24,330,382	13.67%
Uganda	$16,509,805	$123,530,610	13.36%
Norfolk Isds	$283,770	$2,134,422	13.29%
Uruguay	$242,422,626	$1,843,231,109	13.15%
Belize	$18,368,604	$141,428,558	12.99%
Jamaica	$186,710,747	$1,470,138,581	12.70%
Burundi	$930,718	$7,448,345	12.50%
Croatia	$618,255,143	$5,036,029,674	12.28%
Peru	$813,367,194	$6,780,353,455	12.00%
Bahrain	$288,058,779	$2,471,252,565	11.66%
United Republic of Tanzania	$62,496,212	$537,988,904	11.62%
Br. Indian Ocean Terr.	$299,073	$2,612,910	11.45%
Ethiopia	$21,690,099	$196,470,392	11.04%
Bosnia Herzegovina	$150,398,019	$1,362,337,234	11.04%
Malawi	$44,924,569	$413,752,557	10.86%
Namibia	$45,622,493	$421,960,808	10.81%
Indonesia	$7,126,820,534	$67,246,611,415	10.60%
Italy	$26,314,132,679	$258,625,953,757	10.17%
Syria	$544,385,636	$5,404,760,288	10.07%
Zambia	$60,854,567	$619,428,515	9.82%
US Misc. Pacific Isds	$9,332,150	$102,825,389	9.08%
Serbia and Montenegro	$203,158,663	$2,276,537,275	8.92%
Zimbabwe	$124,461,260	$1,398,057,318	8.90%
Free Zones	$2,911,382,380	$32,773,825,996	8.88%

Brunei Darussalam	$364,310,635	$4,204,321,415	8.67%
Occ. Palestinian Terr.	$1,275,249	$15,008,327	8.50%
Estonia	$484,067,473	$5,703,924,149	8.49%
Costa Rica	$645,135,996	$7,667,465,906	8.41%
Saint Pierre and Miquelon	$76,749	$932,873	8.23%
Colombia	$865,295,387	$10,616,963,813	8.15%
Andorra	$6,676,388	$82,048,195	8.14%
Panama	$125,925,288	$1,676,392,850	7.51%
Malta	$234,212,274	$3,136,214,437	7.47%
Thailand	$5,421,293,182	$73,659,641,844	7.36%
Pitcairn	$113,341	$1,552,641	7.30%
New Zealand	$766,886,957	$10,654,243,674	7.20%
Cook Isds	$393,311	$5,612,214	7.01%
Sao Tome and Principe	$737,846	$10,683,238	6.91%
Other Asia, nes	$11,321,895,809	$171,681,285,267	6.59%
Rep. of Korea	$11,703,135,243	$180,023,997,857	6.50%
Luxembourg	$596,290,339	$9,427,718,751	6.32%
Christmas Isds	$727,507	$11,700,697	6.22%
Poland	$3,028,035,202	$48,992,659,083	6.18%
Philippines	$2,851,695,176	$46,571,069,145	6.12%
Saint Helena	$605,266	$9,932,406	6.09%
Mexico	$9,494,724,507	$160,702,777,459	5.91%
Slovenia	$692,246,374	$12,197,119,362	5.68%
Paraguay	$84,462,288	$1,573,318,548	5.37%
Czech Rep.	$2,554,786,151	$48,094,956,375	5.31%
Bhutan	$3,033,626	$58,510,546	5.18%
Central African Rep.	$8,763,763	$169,878,058	5.16%
Senegal	$16,229,199	$322,759,091	5.03%
Slovakia	$1,071,852,299	$21,681,584,712	4.94%
Spain	$6,227,145,073	$126,591,175,102	4.92%
Cyprus	$58,825,746	$1,207,049,316	4.87%
Australia	$2,853,103,661	$60,078,811,633	4.75%
Belgium	$7,769,723,194	$165,489,703,795	4.69%
Israel	$1,347,291,828	$28,865,057,875	4.67%
Lebanon	$35,666,334	$804,494,613	4.43%
Belarus	$336,120,733	$8,061,699,032	4.17%
Denmark	$1,976,857,065	$48,223,588,655	4.10%
Sierra Leone	$7,602,132	$192,542,334	3.95%
Hungary	$1,539,815,407	$39,655,873,986	3.88%
Ukraine	$730,777,879	$18,896,553,495	3.87%
Cameroon	$103,868,755	$2,707,012,323	3.84%
Armenia	$21,229,280	$557,042,849	3.81%
Mozambique	$33,196,575	$890,251,710	3.73%
Bolivia	$53,327,959	$1,438,653,686	3.71%
Timor-Leste	$109,255	$3,094,571	3.53%
Austria	$2,760,274,993	$78,316,025,789	3.52%
France	$11,407,358,540	$326,668,078,821	3.49%
Sudan	$82,108,102	$2,409,509,462	3.41%
Mayotte	$55,565	$1,767,247	3.14%
Netherlands	$6,154,073,149	$198,554,070,981	3.10%

South Africa	$898,549,548	$31,013,187,633	2.90%
Kiribati	$59,744	$2,150,089	2.78%
Rwanda	$696,898	$25,155,715	2.77%
Germany	$17,873,959,110	$663,379,469,494	2.69%
Nauru	$506,064	$19,096,857	2.65%
United Kingdom	$6,872,688,832	$265,125,614,322	2.59%
Fr. South Antarctic Terr.	$178,869	$7,051,805	2.54%
USA	$16,645,151,068	$681,156,158,578	2.44%
Niger	$2,474,549	$107,279,001	2.31%
Brazil	$1,568,974,953	$70,316,025,789	2.23%
Iran	$547,564,296	$24,589,509,837	2.23%
Malaysia	$2,638,924,461	$124,023,056,941	2.13%
United Arab Emirates	$908,117,218	$43,009,706,122	2.11%
Cote d'Ivoire	$92,273,410	$4,376,859,489	2.11%
Europe EU, nes	$95,244	$4,588,358	2.08%
Dominica	$585,905	$28,375,693	2.06%
Switzerland	$2,208,681,682	$107,582,806,562	2.05%
Anguilla	$133,817	$6,586,706	2.03%
Gambia	$364,498	$18,273,235	1.99%
Azerbaijan	$34,303,964	$1,772,732,196	1.94%
Eritrea	$263,249	$14,385,449	1.83%
Guyana	$8,799,258	$483,011,082	1.82%
Cocos Isds	$32,248	1,822,752	1.77%
Ecuador	$77,675,149	$4,405,367,412	1.76%
Mauritania	$5,186,545	$299,714,414	1.73%
Other Africa, nes	$159,045	$9,216,024	1.73%
Kazakhstan	$166,684,714	$10,044,948,219	1.66%
Montserrat	$69,259	$4,365,700	1.59%
Japan	$7,153,982,756	$456,586,654,405	1.57%
Oman	$161,027,597	$10,318,033,968	1.56%
Argentina	$413,967,598	$26,639,639,526	1.55%
Canada	$4,067,860,705	$277,253,837,838	1.47%
Comoros	$64,760	$4,571,818	1.42%
Oceania, nes	$68,814	$4,923,221	1.40%
Tonga	$119,279	$9,057,318	1.32%
Saint Kitts and Nevis	$773,698	$64,724,803	1.20%
Sweden	$1,159,166,069	$98,938,719,441	1.17%
Wallis and Futuna Is.	$3,899	$333,617	1.17%
Faeroe Isds	$1,023,422	$93,791,114	1.09%
Barbados	$3,209,813	$298,924,718	1.07%
Finland	$532,044,210	$51,042,684,128	1.04%
Russian Federation	$1,263,667,489	$122,551,040,081	1.03%
Iceland	$15,409,732	$1,513,603,734	1.02%
Singapore	$917,416,180	$90,313,736,799	1.02%
Ireland	$860,676,201	$110,083,024,111	0.78%
Chile	$134,365,269	$17,775,857,931	0.76%
Qatar	$94,964,985	$13,444,890,906	0.71%
Botswana	$14,548,329	$2,112,147,985	0.69%
Western Asia, nes	$100,205	$18,036,019	0.56%
Georgia	$5,201,954	$962,575,592	0.54%

Ghana	$9,288,034	$1,731,130,489	0.54%
Neutral Zone	$4,648	$877,137	0.53%
Somalia	$180,740	$34,412,170	0.53%
Grenada	$44,038	$8,617,506	0.51%
Areas, nes	$259,279,563	$50,828,539,591	0.51%
Guinea	$3,548,767	$705,890,588	0.50%
Br. Virgin Isds	$1,784,811	$358,858,310	0.50%
Neth. Antilles	$5,793,853	$1,198,221,322	0.48%
Djibouti	$46,029	$10,558,862	0.44%
Other Eurpe, nes	$466,941	$107,894,583	0.43%
Norway	$209,360,373	$59,256,950,177	0.35%
Bunkers	$122,702	$38,756,947	0.32%
Antigua and Barbuda	$1,184,210	$402,181,844	0.29%
Bahamas	$3,300,670	$1,241,865,735	0.27%
Kuwait	$48,758,225	$18,932,253,285	0.26%
Yemen	$8,869,472	$3,488,991,500	0.25%
Suriname	$1,142,696	$470,550,312	0.24%
Gibraltar	$389,922	$169,126,565	0.23%
Vanuatu	$87,249	$38,924,000	0.22%
Venezuela	$51,246,445	$24,559,575,123	0.21%
Bermuda	$947,295	$455,694,224	0.21%
Saudi Arabia	$162,059,817	$79,780,388,210	0.20%
Special Categories	$95,629,814	$48,648,964,636	0.20%
Nigeria	$43,546,387	$22,257,923,024	0.20%
Marshall Isds	$298,486	$160,274,769	0.19%
Cuba	$1,723,975	$992,478,996	0.17%
French Polynesia	$289,770	$175,435,419	0.17%
Liberia	$1,324,334	$1,108,287,997	0.12%
New Caledonia	$640,938	$549,932,685	0.12%
Saint Vincent and the Grenadines	$47,226	$50,016,819	0.09%
Iraq	$6,149,984	$8,494,161,029	0.07%
Seychelles	$153,391	$262,764,040	0.06%
Rest of America, nes	$6,771	$11,887,530	0.06%
Solomon Isds	$74,094	$158,032,546	0.05%
Greenland	$55,852	$122,875,606	0.05%
Trinidad and Tobago	$2,258,369	$5,597,846,721	0.04%
Dem. Rep. of the Congo	$248,982	$1,150,692,630	0.02%
Aruba	$265,064	$1,234,776,941	0.02%
Libya	$2,879,495	$14,405,729,620	0.02%
Cayman Isds	$94,832	$723,836,417	0.01%
Algeria	$2,608,030	$22,347,953,356	0.01%
Papua New Guinea	$158,900	$2,276,054,601	0.01%
Gabon	$192,915	$3,842,470,124	0.01%
Angola	$197,484	$8,482,449,455	0.00%
Congo	$44,108	$2,263,761,192	0.00%
Equatorial Guinea	$27,731	$2,840,937,825	0.00%
Aggregate Total	$392,717,704,544	$6,918,366,625,987	5.68%

<u>Attachment II.</u>

2003 U.S. Production and Import Data for China Safeguard Petition Categories

Sources: OTEXA – http://otexa.ita.doc.gov and U.S. Census Bureau – www.census.gov

(Data in Millions $USD)

Category #'s		Product Description	U.S. Production	World Imports	Chinese Imports
1.	347/348	M&B and W&G cotton trousers	8,221.300 *	11,376.204	280.220
2.	647/648	M&B and W&G man-made fiber trousers	*	3,452.882	296.789
3.	447	M&B wool trousers	*	310.878	13.894
4.	338/339	M&B and W&G cotton knit shirts	6,325.200 **	10,848.005	197.835
5.	638/639	M&B and W&G man-made fiber knit shirts	**	3,642.711	188.274
6.	340/640	Non-knit cotton and man-made fiber shirts	**	2,729.569	136.004
7.	352/652	Cotton and man-made fiber underwear	2,827.600 ***	3,146.099	120.126
8.	620	Other synthetic filament fabric	2,133.400	239.799	6.571
9.	301	Combed cotton yarn	218.478	162.904	4.510
	Totals		19,725.978 ##	35,908.772	1,244.223
1.	350/650	Cotton and man-made fiber dressing gowns	***	541.332	199.313
2.	349/649	Cotton and man-made fiber brassieres	***	1,529.692	419.702
3.	222	Knit fabric	1,391.524	784.606	42.871
	Totals		##	2,855.630	661.886
	Totals for both sets of categories		21,117.502	38,764.402	1,906.109

* -- $8.2213B is the U.S. production value for all M&B and W&G trousers, including production for export.
** -- $6.3252B is the U.S. production value for all M&B and W&G shirts, including production for export.
*** -- $2.827B is the U.S. production value for all underwear, brassieres, and dressing gowns, including production for export.

-- $19.725978 billion is the U.S. production value for all trousers, shirts, underwear, brassieres, dressing gowns, other synthetic filament fabric, and combed cotton yarn, including production for export.

Attachment III.

GLOBAL ALLIANCE for FAIR TEXTILE TRADE (GAFTT)

96 Trade Groups from 54 Countries Supporting the Principles of the Istanbul Declaration – Fair Trade for a Safer World

Argentina – Federacion Argentina de Industrias Textiles (FADIT-FITA)
Austria – Association of the Austrian Clothing Industry
Austria – Fachverband der Textilindustrie Osterreichs (Die Textilindustrie)
Austria – Eurocoton
Austria – Vereinigung Textilindustrie
Austria – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Bangladesh – Bangladesh Textile Mills Association (BTMA)
Bangladesh – Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)
Bangladesh – The Federation of Bangladesh Chambers of Commerce and Industry
Bangladesh – Bangladesh Terry Towel & Linen Manufacturers and Exporters Assoc.
Belgium – Federation Belge de L'Industrie Textile (FEBELTEX)
Belgium – Eurocoton
Belgium – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Belgium – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
Bolivia – Asociacion Nacional de Textileros de Bolivia
Bolivia – Federacion Textil Andina
Botswana – Botswana Export Development and Investment Authority (BEDIA)
Bulgaria – Association of Apparel and Textile Exporters in Bulgaria
Bulgaria – Bulgarian Association of Textile and Clothing
Bulgaria – Bulgarian Industrial Chamber
Bulgaria – Bulgarian Chamber of Commerce and Industry
Chile – Instituto Textil de Chile – Asociacion Gremial
Colombia – Asociacion Colombiana de Productores Textiles (ASCOLTEX)
Colombia – Federacion Textil Andina
Costa Rica – Costa Rica Textile Chamber
Costa Rica – Textile Quota Council
Czech Republic – Association of Textile-Clothing-Leather Industries
Dominican Republic – Dominican Free Zones Association (ADZONA)
Denmark – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Ecuador – Asociacion Textil del Ecuador (AITE)
Ecuador – Federacion Textil Andina
El Salavador – Union de Industrias Textiles
France – Eurocoton
France – Federation Francaise des Industries Lainiere et Cotonniere (FFILC)
France – Union Francaise des Industries de l'Habillement (UFIH)
France – Union des Industries Textiles (UIT)
France – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
France – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
Germany – Eurocoton
Germany – Industrievereinigung Garne – Gewebe Technische Textilen
Germany – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Ghana – Gold Coast of Ghana
Greece – Association des Industries Cotonnieres de Grece
Greece – Hellenic Fashion Industry Association
Greece – Eurocoton
Greece – Panhellenic Union of Cotton Ginners and Exporters
Indonesia – Himpunan Pengusaha Kecil & Koperasi - Tekstil and Produk Tekstil (HPKK-TPT)
Indonesia – Asosiasi Industri Rakyat (AIR)
Indonesia – API DKI JAYA – Indonesian Textile Association of Greater Jakarta
Israel – The Manufactures' Association of Israel, Fashion & Textile Industries Assoc.
Italy – Associazione Italiana Industrie della Filliera Tessile Abbigliamento (AIIFTA)
Italy – Associazione Tessile Italiana (ATI)
Italy – Eurocoton
Italy – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Italy – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
Ivory Coast – Agency for the Promotion of Exports (APEX-CI)
Jordan – Jordan Garments, Accessories & Textile Exporters Association (JGATE)
Kenya – Kenya Apparel Manufacturers Exporters Association
Kenya – Kenya Association of Manufacturers – Textile Sector (KAM)
Latvia – Association of Textile and Clothing Industry
Lesotho – Lesotho Textile Exporters Association
Lithuania – Lithuanian Apparel and Textile Industry Association
Madagascar – Madagascar Export Promotion Association (GEFP)
Mauritius – Mauritius Export Processing Zone Association (MEPZA)
Mauritius – Mauritius-US Business Association (MUSBA)
Mexico – Camera Nacional de la Industria Textil (CANAINTEX)
Mexico – Cámara Nacional de la Industria del Vestido (CNIV)
Mexico – Cámara Mexicana de la Industria Textil Central
Mexico – Cámara Textil de Occidente
Namibia – Namibian Investment Authority
Nepal – Garment Association of Nepal (GAN)
Netherlands – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Norway – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Paraguay – Cámara Textil Paraguaya
Peru – Comité de Confecciones de la Sociedad Nacional de Industrias del Perú
Peru – Comite Textil de la Sociedad Nacional de Industries del Peru
Peru – Federacion Textil Andina
Philippines – Confederation of Garments Exporters of the Philippines
Poland – The Gdynia Cotton Association
Poland – Polish Textile and Clothing Chamber
Poland – Polish Chamber of Textile Industry
Poland – Union of Employers of Textile Industry
Portugal – Federation of Portuguese Textile and Clothing Industry (FITVEP)
Portugal – Textile and Apparel Association of Portugal (ATP)
Senegal – Agency for the Promotion of Investments and Exports (APIX)
Slovenia – Chamber of Commerce and Industry of Slovenia, Textiles, Clothing and Leather Processing Association
South Africa – Clothing Trade Council of South Africa (CloTrade)
South Africa – Export Council for the Clothing Industry in South Africa
South Africa – South African Textile Industry Export Council (SATIEC)
South Africa – Textile Federation of South Africa (TEXFED)
Spain – Agrupacion Espanola de Desmotadores de Algodon (AEDA)
Spain – Asociacion Industrial de Proceso Algodonero (AITPA)
Spain – Consejo Intertextil Espanol
Spain – Eurocoton
Spain – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
Sri Lanka – Joint Apparel Association Forum
Sri Lanka – National Apparel Exporters Association
Swaziland – Swaziland Investment Promotion Authority (SIPA)
Swaziland – Swaziland Textile Exporters Association (STEA)
Switzerland – Eurocoton
Switzerland – Swiss Spinning Committee
Switzerland – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Switzerland – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
Tanzania – Tanzania Investment Center (TIC)
Tunisia – Federation Nationale de Textile (FENATEX)
Turkey – Turkish Textile and Raw Materials Exporters Association (ITKIB Textiles)
Turkey – Turkish Ready Wear and Garments Exporters Association (ITKIB Apparel)
Turkey – Turkish Clothing Manufacturers Association (TGSD)
Turkey – Turkish Textile Employers Association (TUTSIS)
Turkey – Eurocoton
Turkey – Joint Committee of the Textile Finishing Industry in the E.U. (CRIET)
Turkey – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
United Kingdom – Joint Comte. of the Textile Finishing Industry in the E.U. (CRIET)
United Kingdom – International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk (AIUFFAS)
United States – American Manufacturing Trade Action Coalition (AMTAC)
United States – American Yarn Spinners Association (AYSA)
United States – National Cotton Council (NCC)
United States – National Council of Textile Organizations (NCTO)
United States – National Textile Association (NTA)
Uruguay – Asociacion de Industrias Textiles del Uruguay
Venezuela – Asociacion Textil Venezolana (ATV)
Venezuela – Federacion Textil Andina
Zambia – Export Board of Zambia
Zambia – Textile Producers Association of Zambia

Attachment IV.

WORLD TRADE ORGANIZATION

G/C/W/496/Rev.1
22 November 2004

(04-5051)

Council for Trade in Goods Original: English

POST-ATC ADJUSTMENT-RELATED ISSUES

Initial Submission on Post-ATC Adjustment-related Issues from
Bangladesh, Dominican Republic, Fiji, **Jamaica**, Madagascar, Mauritius, **Mongolia**, **Nepal**, Sri Lanka and Uganda

Revision

The following communication, dated 29 September, is being circulated at the request of the above-mentioned Delegations.

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1. The textile and clothing industry is of vital importance for the economy of many developing countries due to its contribution to GDP, incomes, employment and exports. The Agreement on Textiles and Clothing (ATC) adopted during the Uruguay Round constituted an important step in the process of integrating this sector within the multilateral trading system.

2. The ATC was devised to ensure the smooth integration of the textiles and clothing sector in the multilateral trading system by addressing the restrictions on trade in textiles and clothing, and to ensure that developing countries benefited from an increased participation in the system. During these ten years of the implementation of the ATC, there have been mixed results for producers of textiles and clothing throughout the developing countries.

3. There is a number of documents in available literature on the impact of the elimination of the quota system and further liberalisation of the sector. While, overall the studies suggest that the elimination of quotas and further liberalisation of the sector may be beneficial for developing countries as a whole and for the global economy in terms of efficiency gains and consumer welfare, they also indicate that there will be winners and losers. However, available information already indicates that the predicament of the LDCs and other small and vulnerable economies are already very serious. The textiles and clothing industry in these countries will have to undergo major restructuring to meet the challenges for surviving in a fiercely competitive environment. The attendant adjustment costs will be enormous with staggering implications for the LDCs and other small and vulnerable economies having significant impacts in terms of economic and social disruptions. This calls for concerted efforts by the

international community and the development as well as trading partners to identify and implement relevant measures with a view to solving the problems of those countries.

4. It should be pointed out that all the analytical work done so far has focused mainly on the global effects of the liberalisation of trade in the textiles and clothing sector. There is now more than ever before a need for a more focused and disaggregated analysis at country level in order to assess the magnitude of the adjustment process in the affected developing countries. Indications are clear that the prospects of the LDCs and other small and vulnerable economies in particular, will worsen by the end of the phase- out in the coming months. Therefore, urgent measures should be put in place to address the concerns of the losers in the system and ensure smooth transition in order to avoid the disastrous economic and social conditions in these countries upon the expiry of the ATC agreement.

5. Assumptions and estimates made in one of the studies place the loss of jobs worldwide around 27 million. In the same breath, it is now known that job loses especially for women will be highest. The textiles and clothing sector has been predominantly the sector offering the largest job opportunities for female employment. Alternative employment for females in as large numbers as in this sector are practically inexistent. Furthermore, job losses as a result of contraction and closures of textiles and clothing factories will compound the problems of unemployment, thereby creating social unrest and increasing poverty.

6. Activities will be disrupted not only in this sector per se but will also induce negative multiplier effects permeating throughout other sectors in the respective countries. While the direct contribution of this sector to the overall economic growth and development is high, one should not underestimate its linkages to other related economic sectors, such as banking and insurance, transport and logistics and other service providers, particularly in the small enterprise segment. The overall economic and social consequences can therefore be very disastrous.

7. The unbalanced distribution of the benefits of the liberalisation in this sector is cause for serious concern. The losers in this process have seen their market share shrink drastically while the few winners have seen phenomenal growth. If this trend remains uncorrected, the Doha Round would be utterly disappointing for these countries. How will the objectives of placing their needs and interests “at the heart of the Doha Programme” be achieved? Paragraph 2 of the Doha Ministerial Declaration recalling the Preamble of the Marrakesh Agreement, enjoins WTO Members to “continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules and well-targeted, sustainably financed technical assistance and capacity-building have important roles to play”.

8. The post-ATC adjustments are fundamental to addressing and reinvigorating production and competitiveness in the LDCs and other small and vulnerable economies. In particular, the small suppliers will face acute hardship in adjusting to the new situation. The economic transition will be difficult and painful if one considers that they already have to face a high level of indebtedness and high costs of inevitable social safety nets to cushion the shock of these adjustments. Corrective measures need therefore be adopted and implemented within WTO and other related agencies within the framework of policy coherence among concerned institutions in order to enable the textiles and clothing sector of the adversely affected countries to adapt to the increasingly challenging market conditions.

9. The new market environment implies that there is ability and capacity to supply products on more competitive terms. This requires restructuring and modernising the textiles and clothing industry in these countries. However, the lack of resources and capacity to address issues of international competitiveness constitute serious set back if measures are not taken within the multilateral trading system to support the countries for both mitigating the adverse impact of trade liberalisation and withstanding the stiff competition from major players in the international market.

10. Keeping in view the aims and objectives of the WTO of contributing "to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand", the Marrakesh Agreement recognizes the need for positive efforts to ensure that developing countries, and especially the least developed among them, will participate in the growth in international trade commensurate with their needs for development.

11. As part of its mandate for overseeing the functioning of the WTO Multilateral Trade Agreements, the Council for Trade in Goods (CTG) has had within the purview of its work the oversight of the implementation of the ATC. With the expiry of the ATC and the integration of the textiles and clothing sector in the multilateral trading system, the CTG will now have to play an even more important function in this particular sector. Positive measures will need to be identified and put in place to address the difficult predicament of the LDCs and other small and vulnerable economies. In this context, it is the considered view of the LDCs and other small and vulnerable economies that an urgent work plan be undertaken by the CTG.

12. Based on the above considerations, it is of utmost importance that the WTO, through the work of the CTG, undertakes an in-depth analysis of the adjustment-related issues and costs that may arise in various developing countries that are affected as a result of the phase-out of the quota system under the ATC. There is a need to ensure a smooth transition and minimising the disruptions resulting from the adjustment process.

13. With this in mind, the following proposals are made:

- **The WTO Secretariat should carry out a study aiming at identifying the adjustment-related issues and costs that may arise with the phase-out of the ATC, including recommendations on measures to address such issues. This study should look at the global impact of the phasing-out of the ATC agreement in a disaggregated manner at country level for the LDCs and other small and vulnerable economies who are the losers in the process;**

- **The CTG should establish a Work Programme to discuss with a view to finding solutions to the problems identified as above as well as those raised by Members in relation to the adjustment-related issues costs concerning the ATC phase-out.**

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Attachment V.

WORLD TRADE ORGANIZATION

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Council for Trade in Goods Original: English

TURKEY'S CONTRIBUTION TO THE DEBATE ON POST-ATC RELATED-ISSUES

The following communication, dated 25 October 2004, is being circulated at the request of the Delegation of Turkey.

Textile and clothing sector is one of the most global industries in the world today. It constitutes a major source of income and employment for many countries, especially for the developing ones. This sector also plays a crucial socio-economic role in many of countries' development efforts, by offering entry-level jobs for unskilled labor. The clothing sector in particular employs a larger number of workers, the majority of which are female as also indicated in the Discussion Paper of the WTO.

Businesses engaged in this sector vary from small and medium size enterprises employing labor-intensive methods of production, to highly automated and technologically advanced, large scale units. However, in many countries, textile and clothing sector is dominated by small-scale enterprises.

For more than forty years, textiles and clothing sector has received more comprehensive and persistent protection than any other industrial sector. Integration of trade in textiles and clothing into the GATT system was one of the hardest-fought issues during the Uruguay Round and in this regard, the Agreement on Textiles and Clothing (ATC) is considered one of the biggest achievements for the developing countries.

Even though the rationale of the quota system was to provide a temporary relief so that the quota imposing countries' industries could adjust for international competition on their own, many developing and the least developed countries, with the help of a guaranteed market share, have been able to use the system to develop their textile and clothing exports.

At present, for a good number of the developing countries, the sector is the main source of export revenue, accounting in some instance for as much as 90% of manufacturing exports. Depending on the country, the sector also accounts for 20-60% of manufacturing jobs. These figures are more than enough to show how some countries' economies are dependent on this sector. This fact is often compounded by the dependence on European Union and/or the United States' markets, which together absorb the lion's share of world textile and clothing imports.

Today, just a few months before the end of the ATC, it can be clearly put forward that the sustainability of textiles and clothing sectors are at stake in many developing and the least developed countries.

In the third integration period of the ATC, the WTO members have witnessed a dramatic transformation of global production and sourcing patterns in this sector.

In some of the liberalized quota categories in the US market the increase of Chinese products soared as high as 800% in 2002. Also, the unit price decline in those liberalized categories was around 60%. This is also true for the EU market. In some individual categories, the expansion of market share has multiplied several times over with an average unit price reductions of up to 75%.

Nevertheless, developments in the Japanese textile and clothing market between 1990 and 2002 display another sign of such dramatic change in that period. The share of Japanese imports originating from a single country soared from 31% to 79%.

Numerous credible studies on the implications of the quota phase-out have shown, by the removal of quotas by 2005, global textile and clothing trade will be monopolized by a WTO member with an estimated share of 50% or more. It is also important to stress that the quantitative restrictions that will be eliminated by 2005, cover both the most sensitive and the highest value-added products. As a result of this, more than 30 million jobs around the world are estimated to be lost to a few in a short span of time.

The textiles and clothing sector takes substantial place in Turkey's economy and foreign trade as well. It constitutes the largest industry and accounts for 10% of GDP, 22,6% of manufacturing output, and %21 of employment in manufacturing sector. Turkey's exports of textile and clothing products contributed 34.4% to total merchandise exports in 2003. The EU has traditionally been the main market, followed by the United States.

The comprehensive report of the Textiles Monitoring Body on the implementation of the ATC during the third stage of integration process draws WTO members' attention to the fact that the post-ATC period will bring about important trading opportunities and challenges that the WTO members will have to face. It is very clear that full implementation of the ATC is fundamental to the credibility of the multilateral trading system. However, the current data indicate that market dominance will limit the opportunities only for a small number of countries, whereas the great challenges are going to be left to the rest. In that case, the economic and social disruption will be significant for many developing and the least developed countries.

It should also be noted that the prospective problem, besides the least developed ones, is in the interest of many developing countries. To that end, it should permanently be kept in the WTO agenda unless an urgent satisfactory solution is generated for all countries that will be affected negatively.

The ambitious agenda of ongoing market access negotiations for non-agricultural products under Doha Development Agenda too, necessitates an urgent full review of global textile and clothing production, export and market circumstances so as to develop appropriate remedies within the multilateral trade system. In this respect, the ongoing market access negotiations for non-agricultural products provide us with an opportunity to develop appropriate trade policies that will be needed from 2005 onwards.

All of the WTO member countries have a responsibility to address the justifiable concerns of the developing as well as the least developed countries about the sustainability of their economic growth and its main components such as textile and clothing exports.

Turkey strongly believes that the answer to the question of how the major challenges ahead are going to be handled should be given by the all WTO countries in compliance with their WTO commitments and by developing appropriate remedies within the multilateral trade system.

It is obvious that there are rules in place in order to protect domestic markets against unfair trade practices. Likewise, there is a strong need for the establishment of such mechanisms to protect the market shares of the developing countries in their export markets.

At this stage, various options; from a monitoring mechanism that will concentrate on the threat of market distortions to a unique safeguard mechanism that has a self-triggering structure and aiming at smooth functioning of trade in the major export markets and avoiding unfair practices can be discussed towards a comprehensive and exhaustive solution under a WTO work program.

Consequently, new mechanisms should urgently be developed to ensure smooth transition to the quota free trading environment if international trade is to stay as the engine of sustainable development. There is no doubt that timely and fully implementation of the WTO commitments is vital for the credibility of the multilateral trading system. Likewise, it should also be kept in mind that all WTO members are in need to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. Moreover, it is WTO member countries' commitment to continue their positive efforts to ensure that developing countries, and especially the least developed among them, secure a market share in the growth of world trade commensurate with the needs of their economic development. In this respect, the new mechanisms should make the WTO more flexible while responding to the needs of many developing countries timely and efficiently. This will, in turn, definitely enhance the credibility of the WTO system.

The complexity of the challenges that many developing countries will face, of course, requires policy coherence between the WTO and other relevant international organizations. However, it is clear that the WTO is the sole address to solve problems originating from the conduct of trade relations among its members in matters related to the WTO agreements and other associated legal instruments.