

Report to the
Congressional Textile Caucus
on
the Administration's Efforts on Textile Issues

U.S. Department of Commerce

September 2002

EXECUTIVE SUMMARY

The Administration has placed a high priority on measures to improve conditions in the U.S. textile industry. Some of the highlights of the Administration's efforts include:

Trade Agreements

- We are committed to pursue the opening of foreign markets to U.S. textile/apparel products and to make reciprocal market access a priority in all future trade agreements.
- We have successfully resisted demands in the WTO by textile supplying countries to accelerate the integration of our textile quotas.

Market Access and Compliance

- We are currently working on 25 compliance issues with a variety of countries, with special attention on India, Egypt, Pakistan, China, Mexico, and Brazil.
- In July, Pakistan reduced duties on 55 textile products requested by the United States.

Transshipment

- U.S. Customs stopped \$300 million in illegal trade involving 162 factories which were closed down as a result of U.S./Hong Kong Customs joint efforts (5/01-5/02).
- CITA charged back \$28 million of trade against China's quotas last December.
- From October 1, 2001 - May 31, 2002, U.S. Customs seized \$14.2 million worth of textiles and apparel that was either transshipped or violated intellectual property rights.

Export Expansion

- U.S.A. pavilions at the Heimtextil exhibition in Frankfurt, Germany, and the International Fashion Fair (IFF) in Tokyo, Japan, earlier this year generated \$50 million in projected sales by the 39 participating U.S. companies.
- The Commerce Department has 11 additional trade promotional events specifically for U.S. textile/apparel companies scheduled over the next year.
- The United States has been named "Partner Country" for the January 2003 Heimtextil exhibition. This will be the showcase event for upcoming promotional program(s).

Trade Remedy Laws

- The United States has maintained, and will continue to maintain, its strong opposition to any weakening of antidumping (A/D) and countervailing duty rules.
- We have made clear that A/D language agreed at Doha will not limit use of our A/D laws.

Trade Adjustment Assistance

- The Administration is committed to ensure that those adversely impacted by imports receive viable career counseling, training, and placement services that result in a new job.
- We worked closely with Congress to gain improvements to Trade Adjustment Assistance in the new Trade Act.

Diversification

- We are encouraging trading partners to diversify their economies into non-textile sectors.
- We have advised Turkey that textiles could not be included in its proposed Qualified Industrial Zone.

ADMINISTRATION'S EFFORTS ON TEXTILE ISSUES

In recent years, the U.S. textile industry has gone through an exceptionally difficult period, experiencing severe losses in employment, output, and profitability. Recognizing the unique circumstances facing the textile industry, last year President Bush asked Secretary Evans and Ambassador Zoellick to work together on the issues facing the industry.

In a letter of December 6, 2001, Secretary Evans outlined to members of the House Textile Caucus areas in which the Administration intended to focus its efforts in order to improve conditions in the industry. Secretary Evans and his staff have visited several textile communities in recent months to talk with textile industry leaders and workers about the issues they face. In January 2002, Secretary Evans announced the formation of an interagency Textile Working Group (TWG), chaired by Commerce Under Secretary for International Trade Grant Aldonas, to address industry concerns.

The TWG includes senior level officials from the Departments of Commerce, State, the Treasury, Labor, and Justice, as well as from the Office of the U.S. Trade Representative and the National Security Council. The Working Group has since established seven subgroups to address the commitments made by Secretary Evans to the House Textile Caucus last December. The mandate of these subgroups is as follows:

- Ensure that textile concerns are reflected in the administration of our current trade agreements and in negotiation of new agreements, especially to open foreign markets for our textile and apparel products;
- Ensure foreign country compliance with existing agreements;
- Strengthen enforcement efforts to combat illegal transshipment;
- Implement an aggressive export expansion program and facilitate utilization of trade preference programs encouraging use of U.S. textiles, such as those with the Caribbean Basin and Africa;
- Achieve authorization of improved trade adjustment assistance programs;
- Ensure full access to trade remedy laws consistent with international rights and obligations; and
- Examine the prospects for diversification into other industries for countries overly dependent on textile exports to the United States.

The work of these subgroups has commenced and is a part of a serious and sustained Administration commitment to this effort. This report outlines accomplishments to date toward these goals and the work that lies ahead.

TRADE AGREEMENTS

The United States is committed to opening foreign markets to U.S. textile and apparel products and to making reciprocal market access a priority in all future trade agreements. As such, the TWG subgroup on Trade Agreement Negotiating Objectives is working with industry to identify foreign barriers and trade practices in the textile and apparel sector that should be key negotiating priorities. The group is also working to forestall efforts by textile exporting countries to accelerate the scheduled implementation of the WTO Agreement on Textiles and Clothing (ATC).

In our preparation for the Doha Round of tariff negotiations, we are placing strong emphasis on obtaining commitments from developing countries to lower their tariffs and to bind their tariffs at those levels. The Administration believes U.S. tariff reductions on textile products must be linked to reciprocal cuts by our trading partners, as well as to elimination of other trade distorting practices, to level the playing field for our textile manufacturers. We also intend to maintain the strength and effectiveness of our antidumping and countervailing duty laws.

In Free Trade Area (FTA) negotiations, we have made clear that trade agreements must afford U.S. textile and apparel companies significant access to foreign markets. Our approach is to obtain full reciprocity to the comprehensive market access offer we table and to insist on tough rules of origin and anti-circumvention language. We have proposed specific language dealing with cooperation to prevent illegal transshipment in the Singapore FTA, including information sharing, enforcement measures, and penalties for violators. We have held detailed discussions with Chile on its current regulatory framework, with a view toward crafting language to address these issues. We will seek similar language in the Free Trade Area of the Americas (FTAA) negotiations.

The WTO Council on Trade in Goods (CTG) was asked, at last year's Doha Ministerial, to consider proposals by textile exporting nations to require the United States and other developed countries to expedite the phase-out of textile quotas. The United States successfully opposed attempts in the CTG to ratify these proposals. The CTG, therefore, made no recommendation to the WTO General Council to this effect by the July 31 deadline mandated at the Doha WTO Ministerial. We will continue to actively oppose all calls for accelerating the growth in textile quotas beyond the gradual phase-out mandated by the ATC.

We continue to resist attempts by exporting nations to obtain unilateral concessions from the United States in other contexts. Numerous countries have approached the United States seeking additional quota. With the exception of Pakistan, because of its unique role in the war on terrorism, we have denied virtually all such requests. (For example, we denied such requests from Bangladesh, Indonesia, Malaysia, and Sri Lanka last year.) We urge exporting nations to plan accordingly so that they do not use all of their quota allowance too quickly, and we resist attempts by these nations to obtain additional quota.

India has claimed that certain amendments of U.S. rules of origin for textile fabrics and made-up articles are in violation of the WTO Agreement on Rules of Origin. We maintain that our rules comply with our international obligations. At India's request, a WTO Dispute Panel challenging our rules of origin for textiles and apparel was established on June 24, 2002. The composition of the panel has yet to be decided, and there is no firm date as yet for the initial hearing. We will maintain our position and fight India's claim in the WTO dispute settlement process.

When China joined the WTO in December 2001, it became eligible for phased quota elimination by 2005. China considers the growth formulas applied to China's quotas by the United States to be too restrictive under the rules established in China's WTO accession agreement. However, we have been aggressive in maintaining China's quota growth rate for the remaining years of the ATC at the level that we consider appropriate under WTO rules. China has lodged a complaint with the WTO over our interpretation. We will defend the U.S. position and continue to carefully monitor imports of textile and apparel products from China. Under the terms of China's accession to the WTO, the United States retains the right to take textile/apparel safeguard actions against imports from China until December 31, 2008, and we will exercise that right where circumstances warrant.

The Committee for the Implementation of Textile Agreements (CITA) carefully monitors imports, domestic production, and other industry trends on an ongoing basis. In response to a substantial increase in imports, negotiations have begun with Belarus to limit entry into the United States of certain categories of women's wool apparel. Fiberglass fabric limits also are being negotiated. U.S. industry has expressed concerns to CITA over imports of fiberglass fabric, particularly from Taiwan. Commerce Under Secretary (U/S) Aldonas has personally raised these concerns with the Taiwanese Government. CITA will continue to monitor imports closely and explore available options to deal with this issue.

On December 10, 2001, the United States granted Normal Trade Relations (NTR) status to Vietnam. CITA is closely monitoring imports of textile and apparel products from Vietnam. We are aware that Vietnam has considerable potential as a supplier of textile and apparel to the United States and of recent increases in imports in certain textile and apparel categories. We have made it clear to Vietnam that we intend to negotiate a bilateral textile agreement, and we expect to commence such negotiations shortly.

MARKET ACCESS AND COMPLIANCE

The Interagency Textile Subgroup on Compliance and Enforcement has made strong progress in identifying foreign measures and practices that negatively affect U.S. textile exports. The issues range from the use of minimum import or reference pricing and other arbitrary methods of valuation, to overly burdensome and costly standards and labeling requirements, to numerous additional import taxes and charges. We have placed priority

on certain markets identified by industry, but the scope includes all markets, from A to Z. To emphasize this activity, Secretary Evans created a Textile Compliance Task Force, headed by Commerce Assistant Secretary (A/S) William Lash. Earlier this year, A/S Lash led compliance teams to Georgia, North Carolina, and South Carolina to speak to U.S. industry about market access and compliance concerns. These outreach missions have provided firsthand information about the problems facing U.S. textile exporters in foreign markets. India, Egypt, Mexico, and China top the list of problem markets. In August, A/S Lash returned with the Task Force to North Carolina to report its progress and to discuss further concerns with industry.

The Task Force is holding meetings with industry groups and individual companies to determine the extent to which foreign barriers and trade practices limit or bar U.S. textile and apparel exports. For example, USTR and Commerce meet with the American Textile Manufacturers Institute (ATMI) on a regular basis to discuss progress and areas for further investigation and action. Industry Sector Advisory Committee (ISAC) members and other industry advisors have been briefed on the Textile Working Group and have been encouraged to participate in information gathering efforts. On July 29, Under Secretary Aldonas addressed the concerns of ISAC 15 (Textiles and Apparel) members at their meeting in Cary, North Carolina.

Armed with current information about industry concerns, A/S Lash traveled to India and Singapore to discuss textile issues. In Singapore, Lash urged the government to adopt policies to prevent the transshipment of textiles and to enhance port security by adopting the U.S. Custom's Container Security Initiative. Singapore has agreed to be the Asia Pilot Project for the Initiative. In May, A/S Lash traveled to India to discuss textile marking and labeling requirements, additional import charges, subsidies, and dye testing requirements. During these meetings, Indian Government officials agreed to review and to address several of the U.S. textile industry's concerns. In late July and early August, A/S Lash traveled to China, where he raised U.S. textile and apparel companies' complaints about China's poor enforcement of intellectual property rights (IPR).

The Textile Compliance Task Force is also working with textile groups in Europe to identify market barriers and discuss ways to partner. In June, Commerce's EU Compliance Officer met with the European Textile Association to discuss ways our countries can work together to eliminate market barriers in other countries.

The Task Force is investigating more than 25 textile market access and compliance cases, involving more than ten countries. The task force is reviewing, inter alia, marking and labeling requirements, import fees and taxes, customs procedures and practices, standards and testing procedures, intellectual property rights, and foreign textile subsidies. A summary of key cases follows:

<p>India:</p> <p><u>Overly burdensome and costly textile dye testing standards:</u> India agreed to consider accepting U.S. certification in lieu of additional testing; the team is preparing a proposal.</p> <p><u>Additional import taxes and fees:</u> India promised to review additional fees and taxes levied on textile products.</p> <p><u>Subsidies:</u> The team has identified several export subsidy programs that provide benefits to the Indian textile and apparel industry. The team is exploring several possible options.</p> <p><u>Overly burdensome and costly marking and labeling requirements:</u> The team investigated and was unable to find any Indian regulations setting marking and labeling requirements for textiles. The team continues to work with industry and is monitoring this issue.</p>
<p>Egypt:</p> <p><u>Tariff rates in excess of WTO tariff bindings:</u> The U.S. Government (USG) has protested this action at the highest levels and intends to pursue all available avenues to ensure Egypt's compliance with its commitments.</p>
<p>Pakistan:</p> <p><u>Tariff rates in excess of WTO tariff bindings:</u> The USG addressed this issue with the Government of Pakistan. In July, tariffs on 55 of the 92 products were brought within WTO bound levels. The team is working to confirm that the remaining tariffs will be brought within WTO bound levels.</p>
<p>China:</p> <p><u>Intellectual property piracy:</u> The team has met with and advised several textile and apparel companies and associations. The task force met with industry in June to discuss ways in which the USG can address industry concerns in China and elsewhere.</p>
<p>Brazil:</p> <p><u>Excessive import taxes and fees:</u> The team provided industry with updated information on Brazil's current import taxes and fees. The fees and taxes concerning industry appear to be WTO compliant. The team will continue to monitor future developments.</p>

The Task Force has also taken a number of additional steps to address broad industry concerns, such as intellectual property rights and foreign textile subsidies. The group met with U.S. textile and apparel companies to gather information and discuss strategies to address intellectual property piracy by foreign firms, such as the unauthorized use of copyrighted or trademarked designs, patterns, names, symbols, and logos. IPR infringement costs some U.S. textile companies \$100 million or more annually in lost sales. Both the ATMI and the American Apparel and Footwear Association (AAFA) included IPR as a priority in their submissions to USTR for the Doha Trade Round. In 2001, wearing apparel was the top commodity seized by U.S. Customs for violation of

IPR laws. More than \$7.8 million of violating merchandise was seized. In 2000, U.S. Customs seized \$4.3 million and in 1999, \$3.8 million. IPR enforcement continues to be a priority for Customs in 2002.

In February, A/S Lash met with U.S. carpet industry representatives in Dalton, Georgia, to gather information about their concerns over unauthorized copying of their designs, primarily in Asia. On July 18, the Department of Commerce hosted a meeting with representatives from the Northern Textile Association (NTA) and manufacturers of home furnishings. At the meeting, industry concerns were addressed by specialists from Commerce's Office of Textiles and Apparel, the Trade Compliance Center, the Patent and Trademark Office, the Office of the Chief Counsel for International Commerce, and the U.S. Customs Service. The group discussed possible ways to address industry's IPR concerns in upcoming bilateral negotiations and the Doha Round. Plans are underway for follow-up meetings, which will include a broader spectrum of industry and government representatives. These meetings are designed to develop more comprehensive and coordinated strategies to address textile IPR issues.

The Administration has also established an interagency group to research potentially countervailable subsidies provided to foreign manufacturers and exporters in certain target countries. In India, for example, the group has identified several export subsidy programs that provide benefits to the Indian textile and apparel industry.

Industry has expressed concerns related to possible subsidies in India, as well as several other major textile exporting countries, and has asked for assistance in gathering information and evaluating possible remedies. In April, the Commerce Subsidies Enforcement Office met with ATMI representatives to discuss options available to industry regarding India. The Department is actively researching and monitoring information on subsidies in other markets.

Subsidies harm the interests of U.S. firms and workers by providing foreign manufacturers with an unfair competitive advantage. Foreign subsidy programs not only impact the ability of U.S. exporters to compete in the markets of the subsidized manufacturers, but also in third-country markets. In addition, subsidized foreign exports limit the ability of U.S. manufacturers to compete in the U.S. market. Both ATMI and the American Yarn Spinners Association (AYSA) included foreign subsidies concerns as a priority in their submissions to USTR for the Doha Multilateral Trade Negotiations.

In the coming months, the Textile Subgroup on Compliance and Enforcement will continue to take strong, proactive steps to address foreign barriers to U.S. textile exports. Based on information from industry and USG sources, a "watch list" of roughly 280 foreign trade measures and practices in more than 70 countries has been developed. The group will place priority on those barriers of greatest concern to U.S. industry, and will increase its efforts to reach out to, and anticipate the needs of, U.S. manufacturers through focused industry work groups.

TRANSSHIPMENT AND CUSTOMS ENFORCEMENT

The U.S. Customs Service is responsible for the enforcement of over 40 bilateral and multilateral agreements, laws, and directives of the Committee for the Implementation of Textile Agreements (CITA) involving the import of textiles and wearing apparel. Over the last five years, Customs has made a concerted effort to increase its enforcement activities regarding not only the circumvention of quotas and preferential trade agreements, but also the enforcement of Intellectual Property Rights affecting textiles and wearing apparel as well. The creation of the Textile Clearinghouse in 1996 in New York has allowed Customs officials to gather key pieces of data and track and analyze imports of textiles and wearing apparel from around the globe. The use of this data has been critical in targeting factories in foreign countries for visits.

The Textile Production Verification Team (TPVT) visit is just one effective tool that U.S. Customs uses to combat illegal transshipment. When visiting factories, Customs officials not only determine the production capacity of the factory, but also take an entry of goods that previously were entered into the United States and trace it back through the company's books and records in order to verify the country of origin or the eligibility for a trade preference.

In 2002, U.S. Customs completed Textile Production Verification Team visits to South Africa, Kenya, Lesotho, Mauritius, Macau, Taiwan, and El Salvador. For the remainder of the year, visits are scheduled to Guatemala, Panama, Nicaragua, Vietnam, and Cambodia. In addition, U.S. Customs performed joint enforcement visits in Hong Kong.

Year	Countries Visited *	Factories Verified	No Evidence of T/S	Evidence	High Risk	Low Risk	Closed	Refused Admission	% with Problems
2000	8	489	192	19	105	80	82	7	61%
2001	11	359	76	9	56	89	100	18	79%
2002	8 YTD	108	26	0	21	48	11	1	76%
Totals	23	956	294	28	182	217	193	26	69%

*Multiple trips to the same countries occurred.

During the TPVT visits, many targeted factories have been found to be permanently closed. However, merchandise continues to arrive at U.S. ports for entry into the United States. In conjunction with CITA, U.S. Customs has implemented a policy to disallow the import of merchandise from factories found to be closed, to be illegally transshipping, did not allow admission to the premises, or who were unable to provide production records.

From May 2001 through May 2002, U.S. Customs identified 162 factories that were closed. Merchandise valued at approximately \$300 million has been denied entry into the country. Also, in 2001 U.S. Customs seized almost \$17 million worth of wearing apparel

at U.S. ports of entry. In addition, \$171.6 million was detained, \$52.3 million was excluded from entry into the United States and \$15 million in penalties was issued for the period 1998-2001. In 2001, \$8.8 million worth of merchandise was excluded from entering the United States, and, in the first quarter of 2002, \$4.0 million was excluded.

Since March 2002, U.S. Customs excluded, had exported, or seized approximately \$1.78 million worth of illegally transshipped goods claiming Russian origin.

From October 1, 2001, through May 31, 2002, U.S. Customs seized \$14.2 million worth of textiles and apparel that was either transshipped or violated intellectual property rights.

U.S. Customs has established an enforcement partnership with Hong Kong Customs and Excise. As a result of this partnership, joint observation visits are conducted by U.S. Customs and Hong Kong Customs officials at factory locations in Hong Kong. Since the beginning of this partnership, in 1997, Hong Kong Customs has convicted more than 400 factories. In addition, through this partnership, in 2001 Hong Kong Customs seized \$25 million worth of illegally transshipped wearing apparel intended for the U.S. market. From January through June 2002, Hong Kong Customs seized 202 shipments worth approximately \$10 million.

In January 2002, U.S. Customs targeted 33 factories and referred them to Hong Kong Customs and Excise for enforcement visits. In April 2002, Hong Kong completed these reviews. Of the 33 factories targeted by U.S. Customs, Hong Kong authorities have taken enforcement actions against 27 of the factories (81.8 percent). It is anticipated that more initiatives of this type will be pursued with Hong Kong Customs and Excise.

In addition to Hong Kong, U.S. Customs and Mexico have a major enforcement initiative on the Southwest border. In 2001 Mexico seized \$1.4 million worth of wearing apparel based on information provided by U.S. Customs. The initiative has been enhanced and is continuing in 2002.

In Fiscal Year 2001, U.S. Customs initiated 65 illegal textile transshipment/ smuggling investigations. From October 1, 2001 through June 30, 2002, 23 new investigations were started. U.S. Customs recently concluded two major investigations involving illegal wearing apparel being smuggled into the United States from China. The first case led to \$23 million in chargebacks. The second case is moving through the court process and, once completed, additional chargebacks will be made. There have been a number of "spin-off" investigations from the original case. Initially, a customs broker pled guilty and provided information leading to other individuals involved in the smuggling of wearing apparel in order to circumvent quota and duty. U.S. Customs seized \$1.1 million in assets during the course of this investigation.

Intellectual Property Rights Enforcement

In addition to illegal textile transshipment, U.S. Customs is also actively pursuing violations of Intellectual Property Rights. In addition to the \$7.8 million of violating

wearing apparel seized in 2001, Customs continues to augment its capabilities in this area. For example, Customs recently established an analytical center at the Strategic Trade Center in Long Beach, California, to perform targeting, develop special interdiction operations, and monitor all seizure activity.

Training

U.S. Customs has established a partnership with the Center for Applied Textile Technology in Belmont, North Carolina. The Center is:

- Providing training to U.S. Customs employees. The first class was attended by 13 employees the week of July 15, 2002. Additional classes will be scheduled during FY 2003;
- Developing a technical guide on manufacturing steps for various types of apparel;
- Developing a multi-lingual video on the “Virtual Factory Tour.” This is intended to assist U.S. Customs officials in the performance of their factory visits and will be used to train African Customs officials as part of the enforcement training U.S. Customs is providing under the African Growth and Opportunity Act.

In addition, over the last six months U.S. Customs has held internal sessions to train prospective Textile Production Verification Team personnel in performing foreign factory visits. Training sessions have also been held to train port officials in the African Growth and Opportunity Act and the Caribbean Basin Trade Partnership Act.

African Growth and Opportunity Act (AGOA) Implementation

The Trade and Development Act of 2000 legislates that U.S. Customs provide enforcement and implementation training to those sub-Saharan African nations that are eligible to receive AGOA duty-free and quota-free benefits for wearing apparel. In 2001/2002 Customs has provided AGOA enforcement training for officials from the following African countries: South Africa, Mauritius, Kenya, Ethiopia, Rwanda, Uganda, Namibia, Mali, Niger, Guinea, Benin, Botswana, Swaziland, Central African Republic, Lesotho, Ghana, Guinea Bissau, Djibouti, Cameroon, Nigeria, Chad, Tanzania, Gabon, Congo, Eritrea, Senegal, Mauritania, Madagascar, and Cape Verde.

Additionally, U.S. Customs officials have provided technical assistance to 30 African nations applying to receive AGOA benefits for wearing apparel. Extensive review of applications and commitment letters presented by the African nations to the Office of the U.S. Trade Representative has been performed, and enhancements and changes to each of the commitment packages have been suggested.

Trend Analysis

The Textile Clearinghouse, located in the New York Strategic Trade Center, is currently performing an analysis of worldwide textile and wearing apparel import trends. Any anomalies found in the trade patterns will be used to target countries for Textile Production Verification (TPVT) visits during 2003. The Clearinghouse is responsible for monitoring and tracking all results of the TPVTs and targeting future companies to visit. In June 2002, Customs completed an analysis to identify companies importing from known violators. A pattern of activity was detected for five U.S. importers. These importers have been referred to the Office of Regulatory Audit, and a review of the companies' books and records is underway in two companies. Audits of the additional companies will be scheduled in the near future.

EXPORT EXPANSION

The Department of Commerce administers an aggressive export expansion program for the textile and apparel industries, which is planned and implemented in close collaboration with individual companies and industry groups. A special Exporters' Textile Advisory Committee (ETAC) offers recommendations to the Department on appropriate venues and best methods for textile and apparel companies to develop their exports and advises on practices which act as impediments to trade.

The program includes sponsorship of U.S. companies in overseas textile and apparel exhibitions, trade missions, export seminars, export counseling, and a comprehensive "Export Advantage" database offering a variety of information to U.S. exporters. A variety of events is scheduled through the middle of next year via a partnership between the Department's Office of Textiles and Apparel and the U.S. Commercial Service.

International Exhibitions

U.S.A. Pavilion at Heimtextil 2002

Held annually in Germany, Heimtextil is the largest textile trade fair in the world. The Department of Commerce sponsored three U.S.A. Pavilions at the 2002 show. Heimtextil attracts more than 90,000 trade visitors and 3,100 exhibitors from more than 76 countries. Products include upholstery and decorative fabrics (residential and commercial applications) and finished products, including bed linens, kitchen textiles, throws, blankets, pillows, area rugs, bedding, and bathroom textiles.

Twenty-three textile home furnishings companies exhibited in the U.S. Pavilions. The majority were small to medium-sized companies. Participating companies reported 736 sales leads, 7 agent agreements with 20 agent agreements pending, \$5.1 million in immediate sales, and \$28.1 million in projected sales.

U.S.A. Pavilion at the 2002 International Fashion Fair

The International Fashion Fair (IFF) is held annually in Tokyo, Japan, and is the largest trade fair for men's and women's apparel in Asia. The IFF is sponsored by the Senken Shimbun newspaper, the preeminent fashion industry daily in Japan. The show is attended by influential apparel buyers, agents, and distributors from throughout the Far East.

The Department of Commerce sponsored a U.S.A. Pavilion at the January 16-18, 2002, event. Sixteen exhibitors reported \$2.5 million in immediate sales, \$21 million in projected sales, and 800 qualified sales leads.

U.S.A. Pavilion and Partner Country at Heimtextil 2003

The United States was named "Partner Country" for Heimtextil 2003. Our theme, "Discover the Fabric and Fiber of America," will promote the U.S. textile home furnishings industry, and all of its producers and suppliers. This event will be specially featured in Heimtextil's marketing materials, in over 10 international press conferences, and throughout the show. All U.S. textile home furnishings companies will benefit from this promotion. This will be in addition to other marketing and promotion programs being designed specially for this event. U.S. textile producers will be featured in the popular Trends Pavilion, as well as the American Showcase gala reception for more than a thousand selected buyers.

Thirty U.S. companies are being recruited for the U.S. Pavilion(s) at the event, which will be held January 8-12, 2003.

CPD Düsseldorf Premier Women's Apparel Event

On August 4-6, 2002, the Department of Commerce sponsored a U.S.A. Pavilion at the CPD (Collections Premier Düsseldorf) premier women's wear show. The pavilion will showcase U.S. women's wear products. This event is the largest women's apparel trade show in Europe. No other show exhibits women's wear, young adult's wear, lingerie, swim wear, and evening wear companies with their styles all under one roof at the same time. At the last event in February 2002, over 1,800 companies and 57,000 confirmed visitors from over 90 countries that participated.

U.S. Pavilion at the International Fashion Fair (IFF), 1/15-17, 2003, in Yokohama, Japan

This is the fourth annual U.S. Pavilion at the IFF, the largest international apparel show in Japan. Twenty-five American companies are being recruited for the U.S. Pavilion. The products presented will include high-quality casual wear, sportswear, leisure wear, outerwear, and rugged outdoor apparel. For the first time, the U.S. Commercial Service in Japan will coordinate a targeted market promotion campaign for the hosiery industry and "street wear/hip hop/urban clothing" companies.

U.S. Pavilion at the TECHTEXTIL International Trade Fair for Industrial Fabrics, April 8-10, 2003, in Frankfurt, Germany

The U.S. Pavilion will feature companies offering the latest in industrial fabric technology and technical fabrics. Held every two years, this prestigious international show features 900 exhibitors and 20,000 buyers from throughout the world. It is the premier international showcase for a wide variety of technical fabrics and applications, such as coating and laminating.

U.S.A. Pavilion at Decosit 2002 and DecoContract 2002

Decosit is a major international trade show for upholstery fabrics. The show will be held September 7-10, 2002, in Brussels, Belgium. It is a juried event open to manufacturers and converters of upholstery fabric. Because of its narrow focus, Decosit has evolved into one of the most important textile home furnishings shows in the world. This year, 6 U.S. companies will participate in the U.S.A. Pavilion.

DecoContract, a new trade fair for hospitality and contract textiles, will take place for the second year in conjunction with Decosit. The Department is organizing a U.S. Pavilion of American hospitality and contract textile manufacturers and suppliers to support this premier event. Existing and planned hotels and other institutional construction activities in Europe and other countries continue to provide excellent export opportunities for U.S. suppliers of these products. DecoContract is the only show of its type in Europe. The market for contract and hospitality textile products is growing, and U.S. producers are competitive in this niche market.

More than 12,000 trade visitors are expected to attend these two events.

Industry Global Showcase

We are inviting textile and apparel associations to participate in this newly designed export promotion initiative. The objective of this Global Showcase is to heighten international awareness of the U.S. textile and apparel industry and the wide array of quality products that are produced in the United States. To highlight U.S. textile and apparel products, we will sponsor a product sample exhibit at major international textile and apparel exhibitions in untapped export markets. We believe these venues have great potential for U.S. textile and apparel exports. The first exhibit will be at Intertextile in Shanghai, China, in October 2002 followed by exhibitions in Prague (Style/KABO-2/2003), Singapore (IFF - 5/2003), Russia (Heimtextil Russia - 9/2003) and Turkey (ITSE-10/2003).

Trade Missions

AGOA Study Mission

The Department of Commerce will sponsor a Study Mission to South Africa from December 8-14, 2002, for U.S. producers of fibers, yarns, threads, and fabrics. The Study Mission will take place in Durban and Cape Town South Africa. We expect up to 12

U.S. companies to participate. The purpose of the mission will be to acquaint U.S. manufacturers and African buyers with the benefits of AGOA. The proposed Study-Mission will focus on demand for U.S. apparel yarns and fabrics which can be made-up into apparel eligible for AGOA benefits. It is envisioned that this would be the first of two or three missions to the region, focusing on demand in South Africa, Mauritius, Lesotho, and other African countries involved in apparel manufacture.

CBI/CBTPA Mission

From December 2-8, 2002, the Department of Commerce will sponsor a textile trade mission to the Dominican Republic, Honduras, and Guatemala. The mission is planned to consist primarily of apparel fabric manufacturers and suppliers. However, should local market conditions or recruitment needs dictate, the mission may be modified to include other textile suppliers.

The mission's goal is to increase members' exports of apparel fabric to CBTPA countries by providing U.S. companies a vehicle to network with the supply chain for finished apparel and reinforce their existing relationships with host country businesses. The timing for this mission has been planned so that U.S. businesses can followup with recent contacts made at the CBI Apparel Sourcing show in Guatemala this past May and also the Material World show in Miami scheduled for October 2002.

Mission participants will meet individually with buyers, apparel producers, and textile mills, as well as with agents and distributors pre-selected and qualified by the U.S. Commercial Service. Meetings will take place in hotel function rooms or at local production facilities when possible. In each country there will be a mission briefing for participants on local market conditions and selling opportunities.

Trade Mission to Mexico

From October 23-25, 2002, the Commerce Department will sponsor its second trade mission for fabrics and yarns to Mexico City and Guadalajara. The United States continues to export more to Mexico than it does to all other Latin American countries combined.

Mexico is a natural market for the United States because of the tremendous receptivity it extends to U.S. suppliers. All U.S.-made textile and apparel products enter Mexico duty free. The primary objective of this trade mission is to introduce U.S. textile firms to qualified buyers and to establish agency and representation agreements. This trade mission will be open to manufacturers of apparel fabrics, decorative fabrics, and yarns.

Seminars

The textile seminar program “How To Export Successfully in a Free Trade Environment” is part of a series of export seminars that are being held in major U.S. textile and apparel centers. The seminars focus on how small and medium-sized textile and apparel producers and suppliers can develop and maintain export sales in today’s economic climate. As competition in the global marketplace increases, it is essential that U.S. textile and apparel businesses know exactly what international trade resources are available in the public and private sectors.

Speakers are brought in to discuss trading opportunities under the African Growth and Opportunity Act (AGOA) as well as the trading climate in the Caribbean Basin region under the Caribbean Basin Trade Preference Act (CBTPA). The first seminar in this series took place in Fall River, Massachusetts, on May 23, 2002, in conjunction with the Massachusetts Export Center. The next seminar in the series is in Los Angeles and will be held on September 26, 2002, at the California Fashion Mart Theater. A similar seminar is being scheduled in New York City on October 2, 2002.

“Reverse” Trade Mission

The Commerce Department will be sponsoring the Material World “Matchmaker” program as part of an effort to promote U.S. exhibitors to foreign buyers at the Material World Trade show in Miami Beach, Florida, October 7-9, 2003. This event features apparel fabrics, fibers, and yarns for use in operations in the Caribbean Basin. Using a “virtual matchmaking system,” foreign buyers will be able to set up appointments with U.S. exhibitors when they register online and subsequently meet with those businesses during the course of the show on a day of their choosing. The Material World Web site will contain a brief profile of U.S. exhibitors so that foreign buyers can arrange meetings. In addition, the Department will be staffing a Business Information Office at this event.

TRADE REMEDY LAWS

Rules Negotiating Group

The United States is committed to maintaining the strength and effectiveness of the antidumping and countervailing duty laws. The starting point for our consideration of the contributions to the Rules Group is the Ministerial Declaration. The directive of this group is to “clarify and improve” disciplines under the Agreements, “while preserving the basic concepts, principles and effectiveness of these Agreements and their instruments and objectives, taking into account the needs of developing and least-developed

participants.” Furthermore, the mandate here goes beyond maintaining the basic concepts and principles by stressing the possibility for improvements in disciplines on trade distorting practices. The United States has an affirmative agenda based primarily on extending and strengthening the trade discipline rules and bringing others up to the same high standards of due process and transparency that are respected under U.S. law.

To date three formal meetings have been held, with two more scheduled before December. Several countries have tabled papers for the Rules Negotiating Group. These papers have been helpful in beginning the process of identifying Members’ interests in the initial phase of the negotiating process.

Textiles - “Particular Consideration”

The United States has made clear that the U.S. agreement at Doha to exercise “particular consideration” before initiating antidumping investigations on textile products from less developed countries will not limit the use of our trade remedy laws. This text does not change the standard for initiating a dumping case on textiles. The United States successfully deflected the use of more restrictive language in earlier drafts. Also, at U.S. insistence, this provision is limited to a period of two years after expiry of our quota agreements.

Representatives of the Import Administration have briefed U.S. industry in detail on the Administration’s efforts in this respect, explaining that we believe that our current stringent and transparent initiation process for antidumping cases already constitutes “particular consideration.” The Industry Sector Advisory Committee for Textiles and Apparel (ISAC 15) was recently provided an in-depth briefing on these issues.

Trade Remedies

We have met separately with U.S. textile industry representatives to explain antidumping and countervailing duty procedures and analyze options available to the industry under U.S. trade remedy laws. In response to industry’s request for assistance in gathering information and evaluating possible remedies, the Import Administration has been working closely with the Office of Textiles and Apparel (OTEXA) to gather information on and analyze foreign textile subsidy practices. U.S. industry has expressed concerns related to possible subsidies in several major textile exporting countries. Our research is focused on potentially countervailable subsidies that may be provided to textile manufacturers and exporters in these countries. As noted above, for India, specifically, we are aware of several export subsidy programs that are providing benefits to its textile and apparel industry and we are considering options to address these programs.

Although developing countries are currently exempt from the prohibition on export subsidies, and many will remain so for the foreseeable future, the WTO Agreement on Subsidies and Countervailing Measures provides for possible ways to address the trade distortions caused by export subsidies for countries not currently subject to the

prohibition. We are continuing to explore several possible WTO strategies to address the problem of such textile subsidies.

TRADE ADJUSTMENT ASSISTANCE

Chris Spear, Assistant Secretary for Policy, Labor Department, lead agency for the subgroup, joined Under Secretary Aldonas in North Carolina earlier this year, meeting with former textile employees, employers, and training institutions regarding Trade Adjustment Assistance. Discussions were in the context of the Administration's commitment to ensure that those adversely impacted by imports receive viable career counseling, training, and placement services that result in a new job.

The Administration has supported extension and improvement of the Trade Adjustment Assistance Program and has worked closely with Congress to achieve this goal. The following outlines some of the central features of The Trade Act of 2002 that the Administration has considered to be particularly relevant.

Summary

The authorizations for the Trade Adjustment Assistance (TAA) program and the NAFTA-TAA program expired on September 30, 2001. The 2002 Trade Act consolidates and streamlines the preexisting programs and expands eligibility to workers whose firms shift production to any country that has a free trade agreement with the United States and to a narrowly defined group of secondary workers. It combines the best features of the existing TAA and NAFTA-TAA programs to provide effective, comprehensive, and timely reemployment assistance to workers adversely affected by international trade. It promotes more rapid reemployment and enhances workers' access to more comprehensive services. It also adds new features to enhance effectiveness. The consolidated program is authorized for a period of five years until October 1, 2007.

Consolidating the best features of the existing TAA and NAFTA TAA programs

The Act consolidates the two programs by establishing a uniform set of requirements and expanding eligibility to workers affected by shifts in production to countries covered by free trade agreements and certain secondary workers.

The law establishes a consolidated program with a single set of eligibility requirements for workers adversely affected by imports or by a shift in production of their firm to a country with a free trade agreement with the United States. The Act also extends eligibility to certain secondary workers that directly supply component parts for the import-impacted goods of the primary firm. In addition, eligibility is expanded to some downstream workers impacted by trade with Mexico and Canada. Consistent with current law, eligibility is confined to workers in firms that produce articles impacted by trade.

The Act triggers immediate provision of rapid response and basic adjustment services and streamlines petition approval process.

The law provides for the petition to be filed with the Governor, triggering immediate

rapid response and basic readjustment services available under the Workforce Investment Act (WIA), facilitating coordinated planning and more rapid reemployment for workers.

The Act reduces by one-third the time period for the Secretary of Labor to review a petition.

TAA provides a 60-day period for review of a petition. NAFTA-TAA allows a total of 40 days – 10 days for review by the Governor and 30 days for the Secretary. The legislation provides for a 40-day review by the Secretary and eliminates the 10-day Governor's review. Cutting the petition certification time means workers receive benefits and services sooner.

The Act requires early enrollment in training as a condition for extended income support to accelerate adjustment by workers.

The law requires enrollment in training by 16 weeks after separation or eight weeks after certification. It also permits extension of the enrollment period under extenuating circumstances. The rationale is that the earlier workers enroll in training, the sooner they will obtain the requisite skills to get back to work at suitable jobs. NAFTA-TAA has a similar enrollment requirement, while TAA has none.

The Act tightens the criteria for waivers of the requirement that a worker be enrolled in training to receive income support.

TAA provides broad authority for waivers while NAFTA-TAA permits no waivers. Broad waivers can result in delaying the acquisition of new skills and the reemployment of workers; however, prohibiting any waivers can result in unnecessary enrollment or hardship. The Act harmonizes these criteria to maintain the primary purpose of income support – to assist workers while they are participating in training. It allows only limited waivers under prescribed circumstances.

Adding new features to enhance program effectiveness

The Act enhances the provision of employer-based training.

The law incorporates the on-the-job training (OJT) requirements of the WIA and adds customized training as allowable training. In OJT, the employer hires the worker and the program pays up to 50 percent of the worker's wages to cover the costs of providing training to the worker on the job and to compensate for the lower productivity of the worker until the appropriate job-related skills are acquired. Under customized training, workers are trained according to specifications provided by an employer(s). The employer commits to hiring workers that successfully complete the special training. These provisions promote training that has strong links to employers and that most often result in job placement.

DIVERSIFICATION

The State Department chairs the diversification subgroup whose members include representatives from the Department of Commerce, the U.S. Agency for International Development (USAID), U.S. Trade Representative, the Central Intelligence Agency, the Trade and Development Agency (TDA), and the Overseas Private Investment Corporation (OPIC). The subgroup has undertaken two major tasks - encouraging countries that are overly dependent on textile and apparel exports to diversify into other industrial sectors, and an analysis of the long-term effect on international trade of elimination of import quotas at the end of 2004.

State has contacted over 65 of our embassies abroad and tasked them with performing an analysis, from both the host government/industry's point of view and the embassy's point of view, of the likely consequences to the country's textile and apparel export sector of the elimination of quotas. State also sought the embassies' assessments of host country prospects for diversification into other industrial sectors to mitigate the shock to their industry (and economy) of quota removal. In keeping with the vital importance of textile and apparel exports to the local economies, the embassy reporting on this issue has been very thorough and insightful.

Based on embassy reporting and extensive conversations with U.S. importers and retailers, the subgroup has identified 18 countries with which to engage in a more intensive dialogue on the subject of diversification from textiles into other industrial sectors. Some of these countries, such as Hong Kong and Korea, are developed economies that have faced the necessity of transitioning low-wage, low-skill workers to other industries in the past. The experiences of these countries may provide useful insights into how other countries might approach a similar transition process. Others are the least developed economies, which face a serious downturn in their textile and apparel sectors, or possibly their economy as a whole, when textile quotas are eliminated. In the case of the poorer countries, we are exploring ways in which USAID, TDA, and OPIC can provide assistance. Any initiatives implemented by the latter two agencies, due to their basic charters, could potentially provide business opportunities for American companies as well as promoting diversification.

In addition to tasking our embassies to undertake this analysis, State has conducted extensive interviews with representatives of American firms engaged in international textile trade to assess likely post-2004 trading patterns. It is clear that sourcing decisions by American textile and apparel importers and retailers have been and are currently driven to a large degree by quota constraints. Many purchase goods from as many as 40 to 60 countries. This exceeds by an order of magnitude the number of countries from which these firms, in the case of the large retailers, purchase other consumer goods. These interviews indicate that many of the major importers will quickly cut in half, by

late 2005 or early 2006, the number of countries from which they source textiles. The number could drop to one-quarter to one-third the present number of countries by 2010. This information is being used to inform countries of the seriousness and urgency of the diversification issue.

We continue to actively encourage our trading partners to diversify their economies into areas outside of textile and apparel production. For example, we have encouraged Turkey, in recent bilateral economic consultations, to look seriously to other product sectors and have indicated that the United States could not consider the inclusion of textiles in the Qualified Industrial Zone proposal currently being discussed by the two countries.

CONCLUSION

The Administration has embarked on an aggressive, coherent program to assist our textile industry, consistent with the commitments outlined by Secretary Evans in his letter to members of the Textile Caucus. The Administration intends to follow through vigorously on those commitments.

We are committed to a continual process of consultation with the textile and apparel industries and with the Congress regarding the activities of the Textile Working Group. Secretary Evans spoke at the annual meeting of the American Textile Manufacturers Institute in March, highlighting the Administration's program of assistance to the industry, and elaborated on that program in discussions with members of the House Textile Caucus in July.

Most recently, on July 29, Commerce Under Secretary Aldonas briefed over 100 industry and congressional representatives on these activities at Cary, North Carolina. From August 13-14, Assistant Secretary William Lash followed up with a visit to North Carolina to discuss market access and compliance issues with industry leaders. In September, Under Secretary Aldonas will hold further discussions with the American Yarn Spinners Association and the National Textile Association, in connection with his speaking engagements at the annual meetings of those groups.

Commerce Deputy Assistant Secretary Jim Leonard is involved in an ongoing process of visitations to individual textile manufacturing firms to hear industry concerns and provide information in detail on the Administration program. Assistant Secretary for Trade Development Linda Conlin will be emphasizing the importance the Administration attaches to improving conditions in the industry in visits with textile manufacturers later this year.

The Administration welcomes suggestions and comments on these activities from all interested parties and stands ready to refine the work program to best meet the needs of our industry and its workers.