



## **Textile-Related Trade Issues Facing Congress in 2001**

Good afternoon. Once again, it is a great pleasure to join you for your meeting today. I greatly appreciate the invitation, and always look forward to a visit with the Members and staff of the ITCB.

I would like to provide you today with an overview of the textile-related trade issues Congress will face in 2001. How the new Congress and administration address those issues will depend largely on the dynamics Erik will describe for you next. I will set the stage, Erik will give you some idea how the play will go.

### **Fast track**

I suppose we must begin, as usual, with a brief discussion of "fast track". Both presidential candidates and all of the trade leadership in both the House and the Senate talk about the need for "fast track" and how they will pursue it early in the year. Not only is fast track needed to complete the FTAA talks and to give impetus to a new liberalization round at the WTO, it will also be important to smoothing the way for congressional approval of FTAs now in the works with Chile and Singapore. Those FTAs will of course have textile and apparel provisions, and if they are not considered by Congress under fast track, those provisions could be problematic. You only need to look at the battle over the textile and apparel provisions of the Africa Growth and Opportunity Act and the Caribbean Basin Trade Partnership Act to know that without fast track, Congress can seriously dilute otherwise good provisions in the effort to win approval of the initiative. While the FTAs now under negotiation are not covered by fast track, it will be possible for Congress to cover them if it so chooses when it drafts a fast track bill.

The biggest controversy will likely continue to be the need to stipulate labor and environmental provisions within the fast track negotiating authorization. As Erik will explain in more detail in a few minutes, the new make up of Congress makes it much more likely that there will be such provisions in fast track legislation if it is to stand any chance of passage. And even a President Bush will likely conclude that, if fast track is to happen, he will need to work with the Democrats to devise language that keeps trade sanctions to a minimum.

So the good news is that everyone wants fast track, it could happen this time, thereby protecting small amounts of textile trade liberalization from Congressional mischief. The bad news is that it will also likely force the United States to pursue labor and environment goals in future trade negotiations.

## **Jordan FTA**

A trade agreement that Congress will need to consider next year is the recently-negotiated free trade agreement with Jordan. As you no doubt know, this agreement liberalizes U.S. textile and apparel tariffs over a 10-year period, using Breaux-Cardin rules of origin. Tariffs are eliminated at various points over the 10-year period depending on their current levels. In other words, textile tariffs, which tend to be lower than apparel tariffs, will not have to wait the full 10 years to disappear.

What will prove controversial next Congress is the agreement's labor and environment provisions. The FTA includes labor and environment provisions within the body of the agreement, and therefore technically enforceable with trade sanctions. The FTA will not be considered under fast track procedures, so Congress could amend it. Some elements of the business community are already stating that they intend to press for elimination of these provisions from the main body of the agreement. At the same time, the FTA is being touted by the Clinton administration as the model for other FTAs, most notably those now under negotiation with Singapore and Chile. So whether the labor and environment provisions in the Jordan FTA survive Congressional scrutiny will be important for the future of those agreements.

What happens is also important for members of the ITCB. The Clinton administration appears to be "picking off" various U.S. trading partners – those who argue the labor and environment provisions in the Jordan agreement will not be difficult for them to meet – into acceding to them and thereby effectively supporting the concept that there is a role for trade agreements in protecting the environment and promoting labor objectives. It will be harder for other countries to fight off this effort at the WTO as more of these FTAs include similar provisions. If this keeps up, inevitably textile trade liberalization will be linked to labor issues in a more direct way.

## **Vietnam Trade Agreement**

The trade agreement reached with Vietnam will also need to be approved by Congress next year. Fortunately, it includes neither labor nor environmental provisions, and it will be covered by "left over" fast track authority.

The big question now outstanding is whether the next Administration will feel that it cannot get that agreement approved by Congress unless it is accompanied by a textile bilateral agreement. Clearly, there are some members of the Senate who can succeed in holding the Senate's approval of the agreement up unless it is accompanied by a textile bilateral. The textile industry has been pressing the Clinton administration to get going on negotiating such an agreement.

However, to do so now, before most-favored-nation tariffs have taken effect and given textile trade a chance to seek its own level, would be to restrict imports from Vietnam at levels wholly unrelated to their actual ability to ship to the U.S. market. Negotiators would be guessing at what levels to set quotas. So far, U.S. Trade Representative Charlene Barshefsky has taken this view and held to it, despite pressure from the textile lobby.

It is unclear what a new president will do, especially if he is under pressure from U.S. exporters to move the trade agreement quickly. My personal view is that Jessie Helms or Fritz Hollings will insist that their support for the agreement is contingent on it being accompanied by a strong textile bilateral. Given the tenuous majority Republicans will hold in the Senate next year and Lott's likely endorsement of the idea, the demand could increase pressure on the Administration to deliver the bilateral quicker than it otherwise would want to.

## **ATPA**

Congress will also consider legislation to renew the Andean Trade Preferences Act. For those of you not familiar with it, the ATPA provides reduced or duty-free treatment for certain products imported into the United States from Colombia, Bolivia, Ecuador and Peru. Textile and apparel products are not now eligible for benefits.

The ATPA expires December 3, 2001. As part of the Congressional effort to renew it, it is likely that Congress will consider expanding the ATPA to cover textiles and apparel, along the lines of the recently-enacted Caribbean Basin Trade Partnership Act. As you know, that Act provides duty-free and quota-free treatment for imports of apparel made with U.S. yarn and U.S. fabric, and certain amounts of apparel made with regional yarn and fabric.

Colombia is even now pressing Congress hard to pass legislation that would give it textile and apparel benefits similar to those extended to the Caribbean. The rationale for pursuing this liberalization is echoes that for the CBI: the enhanced CBI program is siphoning away business from textile and apparel manufacturers in Colombia, promising massive unemployment and political instability at a time when the government there has its hands full fighting insurgencies and drug lords. A powerful argument to do something.

## **Technical Corrections to Trade and Development Act of 2000**

There is still talk about making technical corrections to the Trade and Development Act of 2000, which you will remember is the bill that includes the Africa Growth and Opportunity Act and the Caribbean Basin Trade Partnership Act. It also includes provisions reducing, at least temporarily, certain wool fabric tariffs.

The need to renew the ATPA will provide a vehicle for Congress to take on these technical corrections if it chooses to do so. Some corrections that will be sought include changing the definition of merino wool that will qualify for benefits under AGOA. Currently, the law extends benefits to sweaters in chief weight of cashmere, or 50 percent or more by weight of merino wool measuring 18.5 microns in diameter or finer. This clearly excludes a lot of sweaters, but “correcting” it to increase the micron count will be a tough battle. It is already viewed as much more than a “technical correction.”

The big fear in pursuing a corrections bill is that it will open a “Pandora’s box” in the form of an effort by the textile industry to ensure that products attempting to qualify for duty-free and quota-free benefits cannot be dyed and finished in the CBI region. Thus, because there is such great opportunity for mischief, Congressional staff has been reluctant to pursue a much-needed technical corrections bill so far. Whether they will tack one on to the ATPA is an open question.

## **China**

Let’s assume China makes it into the WTO by June next year (if not sooner). Congress intends to take an active role in ensuring that China lives up to the terms of the bilateral agreement with the United States. We fully expect the textile industry to do likewise, and at the first opportunity begin to file trade cases against China.

As you know, there are several ways it can do so, assuming the terms of the bilateral agreement with the United States find their way fully into the Protocol of Accession. First, the textile industry can file traditional antidumping/countervailing duty cases. Second, it can file a safeguard under the special, 12-year safeguard for China. A successful filing, which would allege that imports of particular textile or apparel products from China alone are causing or threatening to cause market disruption, for example, could result in new tariffs and quotas.

## **Trade Laws**

Which brings me to U.S. trade law generally. You have all probably heard about the so-called Byrd Amendment, but if not, let me briefly describe this new

provision, which is actually law now. It was slipped into the Agriculture appropriations bill at the last minute by, as you might have guessed, Senator Robert Byrd from West Virginia, and ultimately signed by President Clinton. It gives to U.S. petitioners any dumping or countervailing duties collected from successful cases. The monies are supposed to be used for things like plant and equipment expenditures, research and development, a variety of employment-related expenses, environmental equipment, acquisition of technology, and raw materials and other inputs. While it does not specifically provide for offsetting companies' legal expenses incurred in bringing such trade cases, by freeing up financial resources in these other areas, U.S. producers will certainly have money they can divert to their lawyers to bring new cases. We worry that these cases will include ones affecting textile or apparel products. We have already discovered that Milliken has hired a very aggressive trade law firm, well known for filing steel antidumping petitions.

Now, a number of countries including the European Union, have indicated they will challenge the Byrd amendment at the WTO. You should know that there are also a large number of U.S. industries, largely exporters, who fear copycat provisions in foreign dumping laws. They fought the Byrd amendment when it was still pending before Congress and participated in an unsuccessful effort to repeal it. That repeal effort will go forward again next year.

What this means is that Congress will probably be forced to open next year another Pandora's box, that containing trade laws. Staff and leadership have in the past avoided hearings and legislative initiatives aimed at U.S. trade laws because they know that once the subject is active, it would be hard to control "bad" changes – like the Byrd amendment, which has been a proposal "out there" for some years. But now it looks like they may be forced to deal with the issue.

Some Congressional planners may try to put it off until after the WTO rules on the amendment, assuming the WTO finds it illegal. They worry that taking up a repeal effort before that will "cost" something worse than the Byrd amendment. They worry that we cannot take away the Byrd amendment without giving the steel industry, for example, some other tweak to the trade laws that it will like – and importers will hate.

Whatever the approach, U.S. trade laws will be an active subject next year, if not because of the Byrd amendment, then because of a growing list of WTO panel findings against the U.S. Section 201 law. A group was organized earlier this year called the Consuming Industries Trade Action Coalition – CITAC – that intends to press for a bill of its own that would "fix" the trade laws to make them friendlier to consuming industries, including U.S. retailers. This of course would benefit those of your exporting textile and apparel products to the United States. The idea is, basically, to force the U.S. government agencies processing dumping and CVD actions to evaluate the impact of duties on consuming

sectors. If the cost to those sectors is greater than the benefit to U.S. producers, the duties cannot be imposed.

To be honest, this legislation will be very difficult to pass. But if we can build at least a public relations momentum behind it, it may be useful in forcing the next Administration to agree to discuss trade laws at the WTO.

### **Conclusion: So What?**

We just came through a long and difficult, but ultimately successful, two years of Congressional consideration of several controversial textile-related trade initiatives. We are all pretty tired, I admit, but thrilled that we actually accomplished something at last.

But as Erik will now describe, the odds of having an equally successful year next year are not as good, given the makeup of Congress. But I assure you we will be as fully engaged as ever.

Thank you once again for the opportunity to be with you today. I look forward to working with you through the year next year to promote textile trade liberalization as often as we can.