

United States Senate

WASHINGTON, DC 20510

September 18, 2006

Ambassador Susan Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Schwab:

We know your first few months as the United States Trade Representative have not been without its challenges, and we greatly appreciate your holding firm in the Doha Round negotiations and standing up for U.S. manufacturing and agriculture interests. We very much look forward to working with you and hope that we can work closely together on trade policy issues affecting the textile industry, an industry that is still vitally important to both of our states.

The Carolinas are the heart of our nation's textile industry. In most cases, the textile companies in our states are the backbone of many of our small communities, and often the only manufacturing industry in many rural areas. The textile and apparel industry is also vitally important to the overall health and security of our nation, contributing almost \$120 billion to our nation's GDP and supplying more than 8,000 products to our nation's military.

The U.S. textile sector is also one of our nation's most competitive manufacturing sectors. This industry is the third largest exporter of textile products in the world and has invested more than \$30 billion in new plants and equipment over the last ten years. We want to ensure that this strong manufacturing tradition continues and that this industry will offer stable, good-paying jobs to our constituents well into the future.

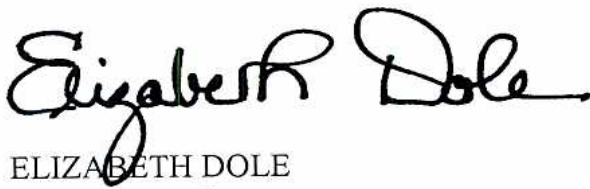
In recent weeks, we have shared with you our concerns regarding Vietnam's WTO accession terms and the recently concluded U.S.-Vietnam bilateral agreement. We believe that unless the government takes specific steps to ensure that the U.S. textile industry can be defended against a communist country that heavily subsidizes its textile and apparel sector, this agreement is likely to cause large-scale job losses in both of our states.

Like China, Vietnam has a large and heavily subsidized textile sector that utilizes anti-free market principles to under-price producers here in the United States and elsewhere. Vietnam is already one of the world's largest exporters of textiles and apparel. In fact, Commerce Department data now confirms that Vietnam is the second largest supplier, after China, in apparel products that have been removed from quota control. Over the past five and a half years, it is our understanding that Vietnam has increased its apparel exports by 1,186 percent in quota-free apparel categories and has displaced Mexico and the CAFTA countries – the number two and three suppliers.

This massive and disruptive growth was clearly aided by Vietnam's ability to artificially lower prices through its state sponsored system. Even though Vietnam agreed as part of the WTO negotiations to eliminate its WTO illegal subsidies, it did not agree to privatize its state-run apparel sector, and will still have to undergo a transition period away from a non-market economy that will take several years. We believe that it would be unreasonable to ask U.S. workers to compete with products manufactured under a state-run economy without at least providing an adequate mechanism for the industry to defend itself.

We understand that several possible solutions to this problem have been proposed, and we strongly encourage you to closely review these options and to do your utmost to resolve this problem. We look forward to working with you on this issue and thank you for your continued time and attention devoted to this important agreement.

Sincerely,



ELIZABETH DOLE
United States Senator



LINDSEY O. GRAHAM
United States Senator