USA
ITA

UNITED STATES ASSOCIATION OF IMPORTERS OF TEXTILES AND APPAREL

HEADQUARTERS:
13 EAST 16TH STREET, 6TH FL.
NEW YORK, NY 10003
212-463-0089
FAX: 212-463-0583

2100 L STREET, NW
SUITE 210
WASHINGTON, D.C. 20037
202-638-7640
FAX: 202-419-0487

Statement of the U.S. Association of Importers of Textiles and Apparel

Before the Committee on Finance

United States Senate

On S.3495—A bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam

July 12, 2006

USA-ITA strongly supports S. 3495, legislation to confer permanent normal trade relations status on Vietnam upon its accession to the World Trade Organization. Since the implementation of the Bilateral Trade Agreement in December 2001, Vietnam has been making steady progress toward reform of its legal system to bring it into conformity with international norms. With its accession to the WTO, additional access to this developing market will be available to U.S. firms, including full trading rights, rights to distribution and retail services, and the benefits of improved compliance and protection of intellectual property rights.

USA-ITA, established in 1989, is the largest U.S. trade association of importers of textile and apparel products, with offices in New York and Washington, D.C. Our members, many of whom are currently sourcing from Vietnam, include all of the most well known brand names and top retailers in the country, as well as manufacturers, importers, distributors, and related service providers, such as shipping lines and customs brokers.

To join the WTO, Vietnam has had to negotiate market access agreements with the United States and 27 other WTO members. The U.S. was the last country to conclude a bilateral with Vietnam and by all accounts drove the hardest bargain. Moreover, textiles was one of the very last issues to be resolved and was almost the deal-breaker.

The U.S. textile industry sought a textile safeguard mechanism, following the "precedent" set with China, which has a textile safeguard through 2008, as a condition of its WTO accession. But parallels between Vietnam and China are hard to draw. China had agreed to the post-WTO safeguard process under a textile agreement reached with the U.S. in the mid-1990s. In contrast, the 2003 U.S.-Vietnam textile agreement clearly provides the quotas will be removed when Vietnam accedes to the WTO. China is also a much larger supplier, with strong vertical capabilities. Vietnam's smaller production relies extensively upon imported inputs, including cotton and manmade fibers – much of which comes from the United States. For China, textile trade is hardly its largest export earner. But for Vietnam, apparel is a key export, accounting for a disproportionate share of trade. Plus, while there was multilateral support for a safeguard for China, that is not the case for Vietnam. Europe and Canada canceled their quotas on Vietnam last year, showing no inclination to demand a safeguard for Vietnam. Further, unlike China, much of Vietnam's apparel export industry is the result of foreign investment; those countries accounting for that investment have no reason to support a safeguard for Vietnam.

However, the U.S. industry identified for U.S. negotiators evidence that Vietnam subsidized its industry, arguing that provided an unfair advantage for which safeguards would be an appropriate remedy. It was an argument that drew the serious attention of U.S. negotiators. Subsidies, such as tax holidays or preferred financing, if conditioned on exporting the manufactured goods or using local content, are prohibited under WTO rules. The U.S. negotiators presented Vietnam with an ultimatum: eliminate the textile subsidies upon accession or there is no deal – and quotas continue. Vietnam acquiesced. This is ground-breaking: no other developing country and no other industry in Vietnam has had to agree to immediate and unconditional elimination of prohibited subsidies.

The U.S. Government also insisted upon an unprecedented enforcement mechanism, to ensure that if Vietnam did maintain or establish new prohibited subsidies, the United States could reimpose all quotas, with those quotas to remain in force for up to a year, at the levels that were in place when the quotas were lifted (with no increase for any trade established since then). While this mechanism is not what USA-ITA would have crafted, it clearly reinforces the commitment by Vietnam to comply with opening its market and with the elimination of subsidies. The U.S.-Vietnam agreement signed on May 31 therefore includes a unique, expedited process: a 60 day consultation period and then, if no resolution, referral to a neutral arbitrator who will have only 120 days to render a decision. This provision likely ensures that if a violation were found, Vietnam would quickly eliminate the measure in order to avoid the reimposition of quotas. Thus, an unfair trading practice is eliminated and Vietnam (and the U.S. importing community) are spared the disruptive, trade restricting safeguards China accepted. This is a true example of a win-win solution.

USA-ITA respectfully urges the Committee to quickly report S. 3495 favorably to the full Senate, to ensure that U.S. business will fully and immediately benefit upon Vietnam's accession to the WTO.