

Prepared Testimony

By

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Import Monitoring Program

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International Textile Group ("ITG") is the majority owner of a cotton twill mill under construction in Danang, Vietnam. ITG also has 10 mills in the states of North Carolina, South Carolina and Virginia which employ a total of 3,640 Americans. I am the Chairman of ITG and control a majority of the stock in ITG.

I am not a lawyer but have been advised that the proposed monitoring program has no statutory authority and is inconsistent with the WTO rules against discrimination and with the Bilateral Agreement signed with Vietnam on May 31, 2006. It is particularly dishonorable that after negotiating an agreement with a foreign government, it was subsequently and unilaterally modified by correspondence between the Executive Branch and individual Senators. Such a bizarre event must make every nation with whom the United States has a bi-lateral or multi-lateral agreement question our reliability as a counterparty. It also sets a terrible precedent by encouraging individual members of Congress to negotiate side deals.

There is also the practical question as to who is the monitoring meant to protect. To the best of my knowledge, there are no American apparel producers whose output is truly characterized as competitive to Vietnam's exports to this country and I note that no U.S. company has come forward claiming to make such items, despite repeated publication of hearing notices in the Federal Register and in other media. The voices heard are solely those of traditionally protectionist fabric and yarn manufacturers who are not appropriate parties to complain about apparel matters. Even if they had standing, which I believe they do not, does anyone really believe that there is any prospect that they would be helped by antidumping duties on Vietnam apparel? Surely not and if not, then who is the party whose interests are potentially adversely affected by Vietnamese exports to the U.S.? I believe that at best the yarn and textile naysayers are trying to protect commercial interests that they have in other low cost countries outside the United States. It is clearly inappropriate for the Department of Commerce to engage in discriminatory monitoring of Vietnam because of such foreign interests.

If there are any U.S. producers whose U.S. interests are at risk, they should come forward and announce themselves. If any were to exist, it would represent such a small market share that it would be impossible to determine the causality between Vietnamese exports and their volume decline because there would be other imports of competitive products that also grew during the monitored period. As a result, how would you know who took the volume away from the Americans? Was it Vietnam or another low cost country? Also, why would you conclude that if Vietnam did not make the sale, it would revert to the U.S. rather than some other lower cost country?

The proposed monitoring has neither a legal nor a practical basis but has inadvertently harmed Vietnamese businesses because it has created great uncertainty on the part of potential customers for Vietnamese apparel. If there is one thing a buyer needs in making sourcing decisions, it is certainty that the product will be delivered at the agreed price and on the agreed date. Monitoring has created uncertainty which damages Vietnamese operations but has neither created nor saved one American job. It has merely diverted volume away from Vietnam to other low cost countries. This is not an appropriate role for the U.S. Department of Commerce. If monitoring continues and adversely affects ITG's operations in Vietnam, the program will likely

cost some of our 3,640 American employees their jobs because we need the cash flow from all of ITG's international activities in order to maintain our U.S. factories.

If notwithstanding all of these objections to the discriminatory monitoring the Government decides to go forward, the Department needs to have an analytical process to determine whether these companies do have enough market share in truly competitive products so that cause and effect could be determined with any meaningful degree of validity. If so, then those precise products and only those should be monitored.

ITG's Vietnamese affiliate is of course majority owned by Americans and there are other American controlled entities in the textile and apparel industry operating in Vietnam. These companies are obviously operating in a free market environment without subsidy by the Vietnamese Government. Thus they actually would be among the principal victims if the state-owned companies were unfairly subsidized. Yet there are no complaints from any of them. I would respectfully request that the Department confirm that the output of ITG's joint venture and the other U.S.-owned entities in Vietnam would not be included in any discriminatory monitoring program. This would help somewhat to alleviate the uncertainty that otherwise will adversely affect customer decisions to source products from us. The vast majority of apparel producers in Vietnam are privately owned and there is no reason to believe inappropriate subsidies are being provided to them. In addition, the Vietnamese Government will complete privatization of the apparel sector within the next year. Therefore, the textile and apparel segments of the Vietnamese economy will soon be in a free market condition. This should invalidate any worries about ongoing subsidy.

If, despite the fundamentally private sector venture of this industry in Vietnam, the Department continues to regard it as a non-market economy, there should be hearings to determine which country will serve as the proxy for Vietnam. It will not be easy to find a country with similar per capita income producing comparable items from an industry at an analogous stage of development.

In view of the serious legal, diplomatic, ethical, precedential and practical issues inherent in the proposed discriminatory monitoring and of the severe impediments to implementing any punitive action that may arise from it, I seriously question whether this exercise is a justifiable expenditure of taxpayers' money.