

103.4 - Relevant Trade Issues – A Changing Industry

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Over the past 20 plus years China had become the major source of a wide range of textile/apparel products imported into the United States. China was not a member of the GATT and therefore was not an active participant in the Uruguay Round negotiations. The outcome of the Uruguay Round was the creation of the World Trade Organization (WTO). The two components of the WTO relative to textiles and apparel were a reduction in tariffs and the removal of all quantitative restraints (quotas). This activity occurred over a ten-year period ending December 31, 2004.

During this ten-year period, China did become a member of the WTO. There was an effort to have China to have to adhere to a ten-year phase out of quotas beginning upon their accession to the WTO, since they would automatically get the benefits of quota liberalization upon entry without having had to do anything prior to their entry. China objected to this and wanted to be grand fathered in. A compromise was reached such that China would be grand fathered in, would get all the benefits other countries had already received, but would be subject to a textile specifics safeguard mechanism that had been part of a pre-existing US/China bilateral agreement.

This mechanism allowed for any WTO member country to re-impose quotas on any textile/apparel product that the importing country deemed to be disrupting or threatening to disrupt the market for that product in the importing country.

In mid 2003, the US published a procedure describing how the US would implement the special safeguard mechanism. In late 2003, the US re-imposed quotas on three products that were deemed to be disrupting our market. In 2005, when all quotas were removed, imports from China in a number of products soared and the US subsequently took safeguard actions on a number of other products.

Not only were these imports disruptive to the US market, but also the safeguards and/or threat of safeguards became disruptive to trade because of the uncertainty created by the safeguards/threat thereof. In mid-2005, the US and China began a discussion to try to come up with a solution to minimize this disruption/uncertainty.

After months of difficult, intense negotiations, we reached an agreement in November. The safeguard mechanism is in place through 2008, so this agreement runs from Jan. 1, 2006 through December 2008. The agreement contains specific quota levels on a defined group of products, annual growth rates, customs cooperation language and other factors to make the agreement work. The US did not agree that it would not take any additional safeguard actions, but agreed to exercise restraint in doing so.

The discussion includes other textile/apparel trade related issues.