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Myth vs. Reality: CAFTA Cannot "Save" Central American Textile/Apparel Industry or Safeguard the U.S. Industry After WTO/MFA Quotas End

Supporters of the proposed Central American Free Trade Agreement [1] (CAFTA) argue that the agreement would somehow shield the Central American nations from economic ruin. These sectors face a likely devastation to their textile and apparel industries and employment levels following the termination of the WTO's (World Trade Organization) Multi Fiber Arrangement (MFA) textile and apparel quota system (MFA described below). CAFTA is a proposed expansion of NAFTA-style investment, trade, and deregulation rules to Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

CAFTA proponents are aggressively advancing their misleading arguments, with a spokesperson for the pro-CAFTA lobby even telling reporters on Jan. 25 that, "If this agreement is not voted on sooner rather than later, [Central American textile] jobs increasingly are in jeopardy."[2] Central American diplomats, who have embarked on a public relations tour of the United States to promote CAFTA, have joined the fray, attempting to make the case that the agreement will provide a lifeline for the U.S. industry as well, by locking in connections between U.S. textile and fiber producers and Central American facilities. "The DR-CAFTA will give manufacturers an incentive to stay in the Western Hemisphere where they will more likely to buy U.S. inputs," the Ambassador of the Dominican Republic Flavio Dario Espinal told reporters at a recent conference. If the DR-CAFTA is not approved, "manufacturers will have very little incentive to stay around," Espinal added.[3] These claims, however, could not be farther from the truth.

The January 1, 2005 end of textile and apparel quotas will result in major job losses in Central American and U.S. apparel manufacturing whether or not a CAFTA is in effect.[4] Moreover, even if those nations' firms were not devastated, CAFTA's rules *eliminate* some existing requirements that textile and apparel products from these nations must use U.S. inputs to obtain duty-free treatment – meaning the existing connection between U.S. and Central American production is substantially reduced by CAFTA. Some common myths are explored below.

MYTH 1: CAFTA will grant new competitive advantage for Central American textiles/apparel over products from China and the few other nations expected to dominate the quota-free market.

FACT: Textiles and apparel produced in the CAFTA countries *already* enter the U.S. duty-free under the Caribbean Basin Initiative and its successor programs.

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CAFTA does not provide new tariff cuts for Central American goods. Already, most textile and apparel products enter the United States *duty-free* under the Caribbean Basin Initiative (CBI) program, which has been repeatedly renewed by Congress and would almost certainly be again.[5] Zero is zero: there simply remains no greater trade benefit beyond duty free entry that can affect these nations' imports' price competitiveness with China that could be given in CAFTA or any other vehicle. Even with this duty-free treatment, China has cheaper costs of production for the same products made in the CAFTA target nations.

CAFTA would provide duty-free treatment for goods meeting a looser rule of origin by establishing a yarn-forward arrangement, which in theory requires that inputs in the production process from the yarn level forward be supplied exclusively through the use of Central American-originating supplies. Fabrics defined as non-essential, however, could be imported from China and other countries and then exported to the United States. Even the yarn-forward rule itself has substantial exceptions, as some CAFTA countries can export a certain amount of textile and apparel to the United States with even the essential parts imported from third countries, and all CAFTA countries can use a certain amount of parts from Mexico and Canada. These arrangements, which reduce demand for U.S. or Central American content, do not provide CAFTA countries with *new* tariff-reducing benefits for the region. It just cuts demand for U.S. fabric and other inputs to make products that will *continue* to enter duty-free. [6] Renewal of the current preferences would in that sense be superior to a CAFTA from the U.S. industry perspective. (From a U.S. union perspective, maintaining the current program would keep in place the stronger labor rights provisions now in effect whereas CAFTA would weaken the status quo.)

Studies commissioned by the World Bank, a consistent trade liberalization advocate, show that nothing in CAFTA provides a "save" for the Central American industry. One study showed that price advantages in the U.S. import market that Central American textile exporters have through CBI (and would have from CAFTA) are almost cancelled out by the expiration of the WTO quota system. The authors concluded that Chinese textile and apparel exports would have to face a relatively high U.S. tariff equivalent – of at least 24 percent of the value of the imported good – for the Central American countries to not have the price advantages from preferential access eroded away by the quota removal.[7] Similar academic studies have made broadly comparable conclusions about Mexico's apparel future, finding that the North American Free Trade Agreement (NAFTA) would not accord Mexican apparel exporters price advantage over Chinese competitors after the WTO quota system expired – even if Chinese goods face tariffs – for the same reasons.[8]

The implication of these studies is that, even if duty-free treatment for Central American textile and apparel products meeting lax CAFTA-style rules of origin were *locked in* through a CAFTA-like pact, the Central American and Mexican industries would still likely be doomed.

MYTH 2: CAFTA will help Central America maintain its U.S. market share after quota elimination.

FACT: Central America will lose market share because China and India can produce the same goods more cheaply than Central America, even after shipping and tariff costs, and CAFTA cannot remedy this fact.

The Bush administration has gone on a rhetorical offensive, terming CAFTA an example of the United States and Central America "Uniting to Compete with China."[9] For the reasons explained above, that partnership is not a particularly enforceable example of "unity." It also dramatically underestimates the advantage of producers in Asia.

The ability of Chinese-made goods to beat the competition world-wide is based on, among other things, China's low cost of production, due largely to the significantly lower wages in China relative to other textile and apparel exporting nations. Chinese government wage data are notoriously unreliable, but estimates by independent researchers and aid organizations show that Chinese workers are routinely paid 15 to 30 cents an hour.[10] Wages in Central America are relatively high by this standard, with workers earning a reported $1.49 an hour in Guatemala, $1.65 in the Dominican Republic, and $2.70 in Costa Rica.[11] As noted by a spokesperson for J.C. Penney's, a leading U.S. importer of textile and apparel products, CAFTA "may not give enough financial incentives to stop the production erosion in Central America. If I can get something five to six days quicker out of Central America versus Asia, but the cost benefit analysis is not there, why would I go [to Central America.]?"[12] As Table 1 shows, even using a high estimate of Chinese wage rates, China's low labor costs make for a cheaper final product compared to Central America, despite higher transportation costs from East Asia.

TABLE 1: COMPARISON OF SUPPLIERS' FACTOR COSTS (TO U.S.) FOR MEN'S JEANS AND COTTON RING SPUN T-SHIRT

	Single Pair of Men's Jeans			*Cotton Ring-Spun T-Shirt*		
Garment Producer / Exporter	Mexico	Nicaragua	Coastal China	Mexico	Honduras	Coastal China
Fabric Source	Mexico	U.S.	China	Mexico	U.S.	China
Total Fabric Cost per Garment	$3.80	$4.23	$3.24	$1.05	$1.10	$1.03
Fabric Price/Linear Yard (incl. Shipping)	$2.50	$2.78	$2.08	$0.96	$1.01	$0.92
Fabric Yield/garment (Linear Yds.)	1.5	1.5	1.6	1.1	1.1	1.1
Trim Cost per garment (incl. Pocketing/Thread)	$1.05	$1.10	$0.87	$0.19	$0.19	$0.17
Wage Rate	$2.45	$0.92	$0.88	$2.45	$1.48	$0.88
Labor Cost (Cut, Make, Finish)	$2.35	$2.17	$1.94	$0.44	$0.43	$0.36
Profit per Garment	$0.72	$0.75	$0.61	$0.17	$0.17	$0.16
FOB Cost	$7.92	$8.25	$6.66	$1.85	$1.89	$1.71
Shipping Cost per Garment	$0.04	$0.07	$0.09	$0.03	$0.03	$0.04
Total Manufacturing & Shipping	7.96	8.32	6.75	1.88	1.93	1.75

Source: Frederick H. Abernathy, Anthony Volpe, and David Weil, "The Apparel and Textile Industries after 2005: Prospects and Choices," Harvard Center for Textile and Apparel Research Briefing Paper, Oct. 2004.

China's cost advantage over Central America does not end there. China's cost of production has decreased now that they no longer face the quota cost. The only cost that Chinese exports to the United States face that Central American exports do not face is the most-favored nation tariff, which varies by product and is laid out in the U.S. tariff schedule. Men's jeans imported from China, for example, face a 16.6% tariff at the U.S. border. With the $6.75 cost of production + shipping, this comes out to $7.88 landed cost, still $1.57 cheaper than the landed cost from Nicaragua – either under CBI or a proposed CAFTA.

If you use the lower wage rate of $0.30 an hour in China, the cost of production + shipping for a cotton ring-spun t-shirt becomes $1.17, as opposed to $1.93 for Honduras. The tariff that cotton ring-spun t-shirts face is 16.5%, making the landed price from China a total of $1.36, a $0.56 advantage for China over Honduras. In fact, one could use an intermediate Chinese labor rate estimate between the high rate of $0.88 an hour shown in Table 1 and the lower rate of $0.30 and still not find a cost advantage for Central American textile exports to the United States.

Due to data limitations, it is difficult to project the precise landed prices for every textile and apparel item imported from China versus Central America. However, what is undisputed is that the landed prices from China will continue to come down as the Chinese textile and apparel industry achieve economies of scale and other cost advantages as global production relocates to China and other Asian countries in the wake of the global quota phase-out. That is precisely what occurred for those textile and apparel products whose quotas were liberalized in 2002 under WTO rules, such as luggage and dressing gowns. Eliminating quotas on these items led to a 53 percent reduction in the average price per square meter that China received for its exports in these categories, from $6.23 before to $3.12 after quota removal. Simultaneously, China's market share in these items skyrocketed from 2002 to 2004, up 888 percent in luggage and 1,179 percent in dressing gowns. Meanwhile, Mexico's share of the U.S. luggage import market shrunk 75 percent over the same time. Overall, China now claims 72.3 percent of the U.S. apparel import market in all products where quotas were lifted in 2002.[13] A report commissioned by the WTO projects that China and India will capture 65 percent of the U.S. clothing market post-quotas, while Mexico and Central America's market shares will drop by close to 70 percent each. The report noted that China has 77.5 of Japan's and 70.4 percent Australia's clothing markets. These nations had no WTO quotas in place, showing the plausibility of the post-quota projections.[14]

Pro-CAFTA lobbyists who argue that CAFTA offers the prospect for new economic benefits to Central America's textile and apparel sectors – and U.S. suppliers to those plants – omit the two most vital facts. First, they fail to acknowledge that Central America's duty-free treatment under a CBI cannot be improved on through CAFTA, making their argument at best one for locking in the status quo CBI. And the argument that CAFTA makes CBI permanent is misleading. First, CBI provides advantages over CAFTA – such as rules of origin that require more U.S. imports (creating a market for U.S. industry), stronger labor rights guarantees for Latin American workers, and greater U.S. discretion in enforcement matters. But more importantly, Congress made most provisions of CBI – specifically those referred to as the Caribbean Basin Economic Recovery Act of 1983 and amended in 1990 – permanent in 1990. It would require an act of Congress to revoke CBI. It is also inconceivable that Congress would not renew the Caribbean Basin Trade Partnership Act of 2000 indefinitely, which provided NAFTA parity improvements in CBI.[15]

Given the growing level of public protest against CAFTA in Central America and several countries hesitation to bring CAFTA to a vote, the Bush administration has begun to make threats that CBI benefits would disappear. This threat has no basis in fact or experience. These threats led Ways and Means Committee Ranking Member Charles Rangel (D-NY) to call upon the administration to desist these misleading pronouncements. As Rep. Rangel's letter pointed out, CBI is a "congressionally mandated program [whose] benefits are guaranteed on a permanent basis, unless the Congress amends current U.S. law." The Representative said he would oppose such an amendment of U.S. law, characterizing the administration's remarks as "thinly veiled blackmail."[16]

Secondly, when confronted with these facts, pro-CAFTA lobbyists then shift to arguing that the presence of restrictive tariffs and emergency safeguards against China will save the Central American industry. This surely is a bizarre position for organizations to maintain that espouse “free trade” as a “no-brainer” solution to the world’s problems.[17] But, in addition to being silly, it is also misleading. Emergency safeguards against Chinese imports can only be implemented through 2008 under the terms of the U.S.-China Bilateral Agreement that preceded the U.S. grant of permanent most favored nation status to China (PNTR). Yet, CAFTA’s many harmful provisions would stay in place indefinitely. As prices continue to spiral downwards, the 10 to 20 percent tariff that Chinese textile and apparel exports face at the U.S. border will not be enough to give Central American producers – in a CBI or a CAFTA – a competitive advantage. Any further measure that Congress or the Bush administration might try to take to impose additional restrictions on Chinese products could be WTO-illegal. Any measures that the Chinese government may try to take, such as restraining exports, are very likely to be temporary. Opportunists who are trying to take advantage of the political noise over growing Chinese imports to create an argument for CAFTA simply have no case on the merits.

MYTH 2-redux: CAFTA will help Central America maintain its U.S. market share after quota elimination.

FACT: Central America will lose with or without CAFTA because “correction” of the unsustainable U.S. trade and current account deficits will shrink the overall size of U.S. import market.

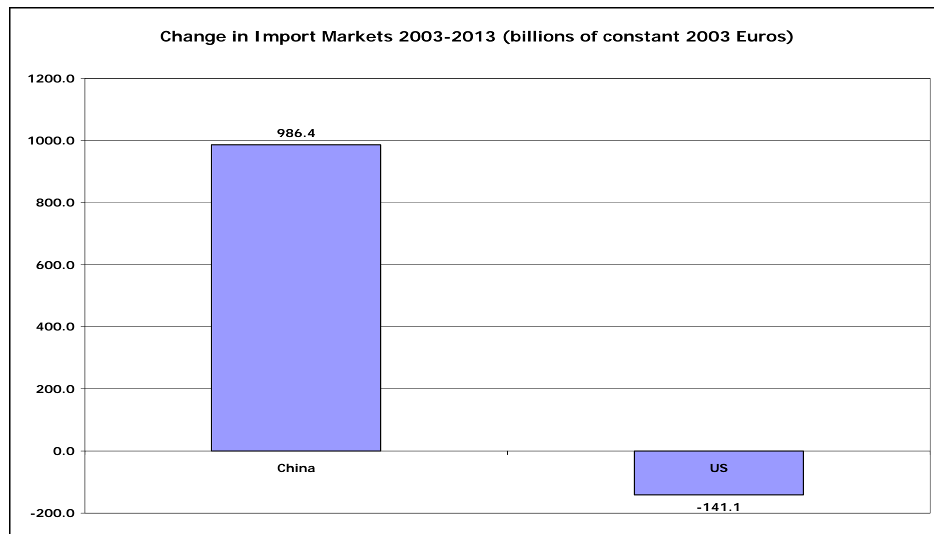
Even if conditions confronting Central American textile and apparel exporters were rosy, these companies would *still* be confronted with *diminishing opportunities* in the U.S. market. As has been widely discussed in the press and by policy makers, the United States is currently running an unsustainable trade deficit in goods of $666.2 billion – or 5.7 percent of GDP – for 2004.[18] On its current path, the U.S. current account deficit – which includes trade in goods and services as well as worker remittances, official aid, and return on investments abroad – could reach 8 percent of GDP by 2008.[19] The CAFTA is not projected to remedy this imbalance.

Sooner or later, this imbalance will require an “adjustment” downward in the value of the dollar. *A decline in the dollar will reduce the value of the U.S. import market to foreign exporters dramatically*. The non-partisan Center for Economic and Policy Research, using various conservative estimates of the potential decline in the dollar and the impact this could have on the domestic economy, has estimated the contraction in the size of the U.S. import market to be between $90 and $375 billion over the next decade. This future trend would be in sharp contrast to the trend from 1991-2003, when the U.S. import market expanded enormously, benefiting U.S. trading partners by nearly $780 billion, as measured in 2003 dollars.[20]

Without a growing U.S. import pie that all countries can share – as was experienced in the 1990s – Central American countries will have to fight for slices of an ever-shrinking pie predominately carved up by countries like China. There is simply no plausible scenario in which the value of U.S. imports from our Central American neighbors will continue to grow at its previous rate. In fact, Central America’s prospects for exporting to China are actually far superior to those for exporting to the United States, as China’s import market is projected to grow by 986.4 billion euros over the next decade (shown in Table 2, alongside an intermediate estimate of a reduction in the U.S. import market). Moreover, China’s rapid

growth rate will fuel consumer demand in that country, perhaps allowing Central America to continue to be a niche provider – to Asia – of specific products in which they have specialized in the past, such as denim jeans.

TABLE 2: COMPARISON-GROWTH IN U.S. & CHINESE IMPORT MARKETS OVER THE NEXT DECADE



Source: Mark Weisbrot and David Rosnick, Center for Economic and Policy Research Working Paper, forthcoming, 2005.

MYTH 3: Proximity to the United States will allow Central America to beat China by filling a niche as a just-in-time provider for large U.S. retailers after quota elimination.

FACT: Location is not everything. Central American industry doesn't have the scale, productivity or skill level to provide this kind of niche service.

Some have argued that U.S. retailers might prefer to import textiles and apparel from Central America even if they cost more, simply because the closer proximity makes the region somehow more reliable for just-in-time needs of large retailers.[21] Some Central American manufacturers are hoping that U.S. fashion tastes will change so quickly that a few days' less shipping time – it takes 2-7 days to ship from Central America, while it takes 12-18 days to ship from China[22] – could allow their more expensive products to maintain market share. However, as *The Economist* magazine noted in its recent review of the topic, "To deliver a just-in-time service, the region's suppliers must be more flexible… [an option available to] only the bigger companies that have the financial resources" to run multiple flexible production lines. Since many of the region's textile firms are small, employing less than 100 workers, "the[ir] new year could be very grim."[23]

Some have suggested that leading retailers, who support CAFTA for the access its service sector rules would give to set up stores in Central America, continue to fear the inventory risk that comes with sourcing from distant Asian locations, such as the possibility of running out of supplies during the Winter holiday shopping rush and not having enough time to replenish the orders; or alternately having too much

inventory and having to sell off stocks at firesale prices just to get obsolete fashions out the door. While some retail representatives have alluded to this in their pro-CAFTA lobbying, it is notable that at the time no major retailer is on the record denying plans to significantly scale back operations in Central America.[24]

Moreover, the shipping time from China is rapidly shrinking with developments in shipping technology. China Ocean Shipping Company (Cosco), China's largest container carrier, has begun upgrading the ships on its lucrative routes to the U.S. West Coast. Their newest ships can reach the United States within 11 days, as opposed to 13 days just months before, and can carry thirty percent more capacity than previously. New Panamax class ships designed to maximize the volume of goods on an "all water route" from China through the Panama Canal can reach U.S. East Coast ports in 23 days – down from 35 days a decade ago.[25] COSCO and other Chinese shipping companies are expected to dominate the market by 2015.[26] Add to this plans to greatly expand operations at major West Coast ports and create new ports to deal with the overflow, and transactions costs from sourcing from Asia diminish considerably.[27]

MYTH 4: Because China may impose export taxes and the United States is considering "safeguard" measures[28] against some Chinese textile and apparel products, passing CAFTA quickly will allow Central American countries a chance to get a "head start" for successful competition for a zero-protection era. CAFTA will unite our hemisphere to fight China's global dominance in the textile/apparel sector.

FACT: Even with the proposed tariffs and safeguards, nothing in CAFTA would make Central American export prices competitive with that of Chinese exports. ***Policies other than CAFTA are required to counter the demise of the Central American and other developing country textile and apparel industries and to counter the related China trade imbalance crisis.***

As described above, there simply is nothing in CAFTA that deals with the 'China problem." Members of Congress concerned about the huge, unsustainable U.S. trade deficit, of which Chinese imports are a significant part, need to develop a trade deficit and China policy – with a range of possible options such as dealing with the false advantage creating by China holding down the value of its currency vis-à-vis the dollar, putting into place assorted restraints on Chinese imports or initiating trade cases that require China to meet its WTO obligations and accept more U.S. imports. . Members of Congress concerned about the widely-documented projected demise of the Central America, Caribbean, African, Turkish and other developing country textile/apparel industries (which will lose market share given elimination of the global quota system because China can produce the same goods more cheaply)need to develop a policy to remedy this problem – with a range of possible options from reviving the developing country initiative in 2004 to extend the quota system to putting into place sizeable countervailing duties against Chinese imports. The only policy that certainly will not affect either problem is CAFTA.

While the possibility exists for the United States to invoke safeguards against Chinese products, this is only until 2008. CAFTA proponents staking their hopes on the possibility of invoking safeguards are both short-sighted and dependent on the ability of the U.S. textile industry to secure these measures against China. This loophole is not a sustainable solution to Central America's coming challenges.

What circumstances actually would be required for Central America's textile and apparel industry to survive on the basis of exporting to the United States? As demonstrated above, the provisions of the proposed CAFTA are not the answer. Necessary conditions would include that:

o the United States impose a high tariff-equivalent safeguard on Chinese goods, AND
o investors completely re-fit Central American factories and retrain workforces for just-in-time production, AND
o the U.S. import market continue to grow despite the current lack of sustainability of the trade deficit.

Absent those improbable outcomes, with or without CAFTA, Central American export prices cannot be competitive with Chinese exports.

BACKGROUND: TEXTILE & APPAREL TRADE AND THE WTO'S MFA QUOTA SYSTEM

Since 1974, global trade in textiles and apparel has been regulated under an international agreement known as the Multifiber Arrangement (MFA). The MFA permitted developed countries to apply quota limits on imports of textiles and clothing in order to manage "market disruptions" as their previously closed markets were gradually opened to developing country exports. Part of the deal that concluded the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade (GATT) and established the World Trade Organization (WTO) in 1995 was an agreement, contained in the WTO's 1995 Agreement on Textiles and Clothing (ATC), to phase out the entire quota system by January 1, 2005. Since 1995, nations have been required to gradually increase quotas and allow more imports of textiles and clothing, including in 1995, 1998, and 2002, although the bulk of the phase-out was backloaded and so nearly half of the initial level of MFA quotas remain.[29]

Under the current MFA quota system, each participating country imposes limits on the volume of textiles and clothing that may be imported from each individual nation with which it trades. U.S. quotas cover 2,400 products from nearly 60 different countries.[30] The elimination of these quotas will greatly benefit Chinese (and to a lesser extent Indian) manufacturers, who are able to undercut their international competition because of the combination of an undervalued currency, low wages, and outright labor repression. In an ironic twist, the majority of developing countries, who demanded the phase-out of the MFA as a means to increase their exports of textiles and clothing to rich countries, are now seeking an extension of quotas or some other mechanism that can guarantee them any share of rich country markets, given the projection of China's overwhelming dominance when quotas expire. China, with the support of a few other large developing countries, has blocked these demands made by Turkey, and a bloc of African, Asian, Latin American and Caribbean Basin countries.[31]

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Publication Date: Feb. 14, 2005; updated May 11, 2005.

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[1] The Central America Free Trade Agreement was signed May 28, 2004, but has not been brought to the U.S. Congress for consideration. To find out more on this agreement, please visit www.tradewatch.org.

[2] Martin Vaughan, "Pro-CAFTA Business Alliance Lobbying House Members," *Congress Daily PM,* Jan. 25, 2005.

[3] Rossella Brevetti, "Ambassadors From Central America, Dominican Republic Urge Action on FTA," *BNA No. 27*, Feb. 10, 2004.

[4] The sector responsible for a majority of exports in nearly all Central American countries. *(See* U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004)

[5] U.S. Department of Commerce, "A Guide to the Caribbean Basin Initiative," Briefing Paper, May 1994)

[6] *See* U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004, at 34 through 37; and Office of the U.S. Trade Representative, "CAFTA Facts: Textiles in CAFTA: Details of the Argument," CAFTA Policy Brief, Feb. 2005.

[7] Çaglar Özden and Gunjan Sharma, "Price Effects of Preferential Market Access: The Caribbean Basin Initiative and the Apparel Sector," The World Bank, Feb. 2004. The study examined the additional value of the price received by apparel exporters in the CAFTA countries under the Caribbean Basin Initiative (CBI), under which the United States unilaterally allowed select textile and apparel exports from eight countries to enter the country duty- and tariff-free.

[8] José E. Lopez and Jaime E. Malaga, "Effects of MFA Quota Expiration: Declining U.S. Cotton Exports to Mexico?," Texas Tech University, 2003.

[9] Office of the U.S. Trade Representative, "CAFTA-DR Briefing Book: Textiles: Uniting to Compete with Asia," CAFTA Policy Brief (forthcoming), Feb. 2005.

[10] AFL-CIO, "Section 301 Petition of American Federation of Labor and Congress of Industrial Organizations Before the Office of the United States Trade Representative," Mar. 16, 2004, at 46. This number is for female workers in the interior of China, and it is for dollars paid per hours actually worked, as observed in several on-site studies. The official minimum wage is announced on a sub-federal basis, and varies greatly. Firms typically report to the central government that they comply with these regulations, but violations of wage and hour regulations are so frequent that observance of the law is the exception.

[11] According to numbers for 2002. U.S. International Trade Commission, **"**Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market (Investigation No. 332-448, sent to USTR in June 2003)," Publication 3671, Jan. 2004, at 3-7.

[12] Kristi Ellis, "Change in the Wind at AAFA's Meeting," *Women's Wear Daily*, March 1, 2005

[13] Mark Levinson, "The Global Apparel and Textile Industry: The Coming Shakeup," UNITE-HERE PowerPoint Briefing, Nov. 2004.

[14] Hildegunn Kyvik Nordås, "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing," World Trade Organization Discussion Paper No. 5, 2004, at 23 and 30.

[15] For more information on CBI, CBERA and CBTPA, see Department of Commerce Fact Sheet, "Frequently Asked Questions about CBI," Department of Commerce Website.

[16] Rep. Charles B. Rangel, "Rep. Rangel Reacts to Reported 'Threat' from Administration Official to CAFTA Countries," Press Statement, March 22, 2005.

[17] "*NAM President John Engler Calls CAFTA "No Brainer,"* National Association of Manufacturers Press Release, April 7, 2005. Based on study by Chi Nguyen, "CAFTA-DR A Winner for U.S. Manufacturing," National Association of Manufacturers Briefing Paper, April 2005.

[18] Paul Blustein, "2004 Trade Deficit Hits an All-Time High," *The Washington Post,* Feb. 10, 2005.

[19] Nouriel Roubini and Brad Setser, "The US as a Net Debtor: The Sustainability of US External Imbalances," New York University Briefing Paper, Nov. 2004, at 5.

[20] Mark Weisbrot and Dean Baker, "Fool's Gold: Projections of the U.S. Import Market," Center for Economic and Policy Research Briefing Paper, Jan. 2004.

[21] Enrique Iglesias, "CAFTA: Trade is Better than Isolation," *The Miami Herald,* Dec. 21, 2004; UNCTAD Secretariat, "Assuring Development Gains from the International Trading System and Trade Negotiations: Implications of ATC Termination on 31 Dec. 2004," Note to Trade and Development Board TD/B/51/CRP.1, Sept. 30, 2004.

[22] U.S. International Trade Commission, "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market (Investigation No. 332-448, sent to USTR in June 2003)," Publication 3671, Jan. 2004, at 3-5.

[23] "Losing Their Shirts; Textiles," *The Economist,* Oct. 16, 2004. The U.S. International Trade Commission (USITC) gave further evidence of this in its report on the competitiveness of U.S. trading partners: U.S. apparel imports from the CA/DR region consist mostly of high-volume, low-unit-valued garments, such as basic knit shirts, pants, underwear, and nightwear. Such garments have relatively low labor content and predictable consumer demand. Their production involves large and standardized runs, simple sewing tasks, and few styling changes, which together help offset the higher cost of labor in the region vis-à-vis Asia." U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004, at 33.

[24] Peggy Carter, vice president of corporate affairs at Sara Lee Branded Apparel, told the *Chicago Tribune* that "There will not be a rush, at least with Sara Lee, to see how fast you can get to China." She noted that some operations would be left behind in Central America despite a spate of recent factory closings there. But as noted in a recent study by the Harvard Center for Textile and Apparel Research, which looked at the inventory risks to sourcing from China, "The ultimate impact of the removal of quotas on the global network of firms supplying the US and European markets rests on volitional choices taken by private players along the supply chain and public entities in developed and developing nations." While some of these private, corporate actors have downplayed the *rate* of their transfer of sourcing from Central America to Asia, none have contradicted the overall *trend. See* Hugh Dellios, "Textile Quotas: Mexico's market threatens to unravel," *Chicago Tribune,* Dec. 31, 2004; and Frederick H. Abernathy, Anthony Volpe, and David Weil, "The Apparel and Textile Industries after 2005: Prospects and Choices," Harvard Center for Textile and Apparel Research Briefing Paper, Oct. 2004.

[25] Eric Lipton, "New York Port Hums Again, With Asian Trade," *New York Times*. Nov. 22, 2004.

[26] P.T. Bangsberg, "Cosco adds 8,000-TEU ships to Long Beach service," *Journal of Commerce,* Oct. 1, 2004; P.T. Bangsberg, "Cosco Pacific, on an aggressive growth path, eyes investment in U.S. and European container terminals," *Journal of Commerce,* July 19, 2004.

[27] John Greenwood and Rip Watson, "Prince Rupert's portal of opportunity," *National Post,* Jan. 14, 2005.

[28] The U.S. government is currently considering petitions to impose safeguards on Chinese textile and apparel exports, as allowed in the U.S. law that approved of China's accession to the WTO; while the Chinese government has announced that it will put a tax on its low-end exports starting in January. "Importers, Gov't Duel on Safeguards," *Women's Wear Daily, Dec. 21, 2004;.* Keith Bradsher, "China Relents, and Promises Textile Tariffs," *The New York Times,* Dec. 13, 2004.

[29] Agreement Establishing the World Trade Organization, Annex 1A: Agreement on Textiles and Clothing, Article 2, 1994, at 86-89.

[30] David R. Francis, "Will China Clothe the World?" *Christian Science Monitor*, Aug. 5, 2004.

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