

AMTAC

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IMPORT ADMINISTRATION

December 27, 2006

Mr. David M. Spooner
Assistant Secretary for Import Administration, Room 1870
Department of Commerce
14th Street and Constitution Ave, NW
Washington DC 20230

Re: Request for Comments on Import Monitoring Program for Vietnam

Dear Mr. Spooner,

Thank you for the opportunity to respond to your December 4, 2006 Federal register notice seeking public comments on the Import Monitoring Program for Textile and Apparel Products from Vietnam. These comments are submitted on behalf of the American Manufacturing Trade Action Coalition (AMTAC). AMTAC is a trade association founded by domestic manufacturers who are committed to maintaining manufacturing in the United States. AMTAC represents a wide range of industrial sectors including, tool and die, chemical, furniture, mold makers, metal products, packaging products, corrugated containers, lumber and luggage producers. Additionally, the single largest component of AMTAC's membership consists of producers from the textile and apparel sectors.

We believe that it is critical that the U.S. government institute a quick reaction system to address Vietnam's clear potential to damage the U.S. textile/apparel market. The need for such a system is demonstrated by Vietnam's surging trade surplus with the U.S. Since granting Vietnam normal trade relations status, the U.S. trade deficit with Vietnam has jumped from -\$592 million in 2001 to -\$5.4 billion in 2005, a negative change of 819 percent. The trade deficit in manufactured goods increased significantly over this period, with large deficits in textiles and apparel, footwear, and furniture driving the red ink.

U.S. Trade Balance with Vietnam
 numbers are in millions (\$ USD)¹

Product	2001	2005	Change	Percent Change
All Merchandise	-592	-5,438	-4,846	-819 %
All Manufactured Goods	+142	-3,996	-4,138	-2,814 %
Textiles & Apparel	-39	-2,780	-2,741	-7,028 %
Footwear	-132	-721	-589	-446 %
Furniture	-13	-683	-670	-5,154 %
Fish & Other Marine Products	-462	-553	-91	-20 %
Agricultural Products	-84	-238	-154	-183 %

Specifically, in relation to the sensitive textile and apparel sector, U.S. imports of textiles and clothing accounted for 53 percent of the \$5.4 billion U.S. trade deficit with Vietnam in 2005.

The major reason Vietnam can generate this type of impact is because they heavily subsidize their industry. Aside from China, Vietnam is the only other country with a large non-market, state-owned textile and apparel sector. Vinatex, fully owned by the Vietnamese government, is the self-proclaimed **10th largest textile and garment company in the world**. The textile and apparel sector is Vietnam's largest foreign exchange earner and employs 1.1 million people.

According to information revealed during its WTO negotiations, Vietnam is currently subsidizing its textile and apparel sector through preferential interest rates, wage controls, rent holidays, export subsidies, preferential tax rates and direct investment from the Vietnamese government. Investment in Vinatex alone totaled more than \$891 million² in the last five years with another \$1 billion in subsidies planned for 2006-2010.³

We are convinced that like China, Vietnam's ability to heavily subsidize its textile and apparel sector poses a significant threat for U.S. manufacturers. Vietnam is essentially a small-scale China, coupling state-sponsored subsidies with an undervalued currency in order to surge into international markets. To that end, we support the import monitoring program, an effort to ensure that a reasonable remedy is in place to deal with artificially low prices from Vietnam.

¹ Data from U.S. Department of Commerce, International Trade Administration

² <http://www.vfabric.com/textile/vinatexp.pdf>

³ http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?News_id=16700

Specific Comments:

1. Monitoring of specific products:

As part of the monitoring program, it is essential that the Department of Commerce (DOC) include a comprehensive list of covered products, beyond the five product groups – trousers, shirts, underwear, swimwear and sweaters – that have been identified as being of special sensitivity. It is also important the program be based on the current textile category system. The existing category system provides the most efficient means of grouping like products into simple and definable categories. Because the categories are broad groupings of tariff lines, they recognize implicitly that a single apparel producer can, and often times does, produce a wide range of apparel products at a single facility. The initial list of categories covered under the monitoring program should at least include the following:

- All product categories covered under the existing U.S./Vietnam textile bilateral.
- All product categories covered under the existing U.S./China textile bilateral.

In addition, the process should allow for the addition of items based on Vietnam's export performance. Product categories should be added if at any point Vietnam becomes one of the top ten suppliers to the U.S. or they exceed 1% of total U.S. imports in a given category. These calculations should be based on Major Shipper's data and listings published by the DOC.

2. Timing of the monitoring process:

The monitoring program should begin on January 1, 2007 in anticipation of Vietnam's accession to the WTO in early January of next year.

3. Outreach to interested parties:

AMTAC supports outreach to interested parties in this process that would include trade associations representing domestic textile and apparel manufacturers and individual U.S. companies that produce textile and apparel products. In addition to AMTAC, the list of trade associations should include the National Textile Association (NTA) and the National Council of Textile Organizations (NCTO). However, we strongly oppose any preconditions of approval or support from non-government entities in relation to the overall monitoring process or any subsequent decision on the part of the U.S. government to self-initiate an investigation.

4. Proxy Country

The selection of an appropriate proxy country for Vietnam will be critical. AMTAC believes that it is important to select a proxy country with a production and export profile similar to that of Vietnam's. This profile should be based on the fact that Vietnam is a

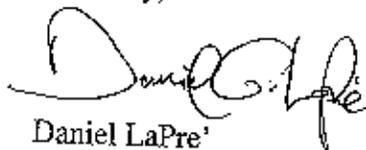
major producer and exporter of various types of apparel, while being substantially dependant on imports of component yarns and fabrics. Vietnam does not possess a highly integrated textile and apparel sector. Instead, it imports the majority of its component parts from China. Consequently, the proxy country should be one that exports a range of apparel items but does not possess a significant capacity to produce fabrics and yarns. For this reason, AMTAC believes that certain countries in Central America and the Caribbean basin would serve as the most appropriate proxy. Specifically, we would recommend either Honduras or the Dominican Republic.

In addition, it is important to ensure that the use of Chinese inputs does not hamper or skew the results. As noted above, Vietnam is almost totally dependent on China as a supplier of yarns and fabrics. However, the Chinese government subsidizes this sector. The U.S. government has already recognized this fact when it applied safeguards on Chinese exports of textile and apparel products following China's accession into the WTO. This fact has to be properly accounted for if any dumping investigations are initiated in regard to Vietnam.

In order to assure a high degree of accuracy in defining a true cost of production, the DOC should select a Central American or Caribbean surrogate because those countries rely less heavily on Chinese yarns and fabrics. These countries are noted for their free market orientation, while they share Vietnam's export profile as major apparel shippers to the U.S. apparel market. In short, it will be critical to ensure that Chinese inputs be excluded from any dumping analysis because China, like Vietnam, is a non-market economy with a heavily subsidized textile sector.

In conclusion, the establishment of an effective import monitoring program is important because Vietnam's transition from a non-market economy to a more market driven economy will likely take some time. During this transition period, they will have the ability to produce and export apparel products at prices far below fair market value. Failure on the part of the U.S. government to take adequate steps to prevent Vietnam from continuing to artificially price their apparel exports will result in the loss of tens of thousands of U.S. manufacturing jobs. For this reason, we look forward to working with you on this important matter.

Sincerely,



Daniel LaPre
Director of Congressional Relations
American Manufacturing Trade Action Coalition