

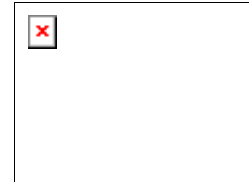


China responds to the quotas debate

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America's textile industry is trying to get the US administration to impose quotas on Chinese textile imports into America. But a revealing editorial in the People's Daily shows Beijing sees the mounting crisis as part of the free trade process. Indeed, quotas may well not slow down American consumer's desire to buy Chinese-made clothing.



The bid by the leaders of America's textiles industry to get the Washington DC administration to impose quotas on Chinese textile imports into America has so far not solicited a formal response from China.

However, an editorial in the influential state-run newspaper, the People's Daily, has revealed Beijing's attitude to the mounting crisis.

The People's Daily, which is a mouthpiece for the Communist Party and the government, believes that: "World economic restructuring has meant that many countries play changing roles in production. But now, with some US manufacturers claiming bankruptcy and dismissing employees, many Americans are blaming China for the crunch their country is feeling."

However, the paper sees the process of rising Chinese imports to the US as "simply a part of the larger restructuring phenomenon."

This statement follows the news that US furniture makers were seeking similar quotas against Chinese wooden furniture imports.

The pain being felt in America's textiles industry is continuing - on July 30th, Pillowtex Corporation of North Carolina filed for bankruptcy. Pillowtex was reportedly one of the 10 biggest textile manufacturers in the US. The company claims that it cannot compete with Chinese imports and has laid off 6,000 workers.

China though sees this as part of the free trade process, one that following China's accession to the WTO, the PRC is part of. A consequence of this has been that labour-intensive industries have migrated to locations where labour is available and cheap. Consumers in wealthier countries get lower prices but it obviously hurts the domestic industry.

The government in Beijing is quick to make a distinction between the notion that China is the problem and not sourcing. Chinese made products are often made in factories owned by American firms and much of the profit resulting from this shift in production goes to US investors.

A growing number of analysts believe that even if quotas are imposed they won't do much except push prices up for consumers and costs for retailers. Additionally, American experts argue that any quotas will just slow down a much needed process of innovation and upgrading.

Protecting America's textile producers will simply lead to their longer-term stagnation

in a protected market. It is also worth considering whether the quotas would make much difference anyway - they haven't always done so in other sectors. Take crayfish.

America has imposed import duties of 2323 per cent on crayfish tail meat since 1997 to try and protect the local industry - mostly based in Louisiana. Although the US tax hit Chinese producers, it didn't stop them. China exported around 8,000 tonnes of crayfish tail meat to the US in 2002, while Louisiana produced only 500 tonnes.

Importers buy crayfish live from rural producers in China for under RMB3 per half kilogram; wholesalers resell them for RMB3.50-5. This is below Louisiana prices.

Companies which process and export crayfish have other costs too - labour, freezing and shipping. The intensive process of separating and shelling the tails by hand is far cheaper in China than in the US.

Frozen Chinese crayfish tails in New Orleans supermarkets sell for around US\$4 for a pack of just under half-a-kilogram even with hefty import duties imposed compared to US\$8 for crayfish that come from a few miles up the road.

A similar economic calculation in the textiles business indicates that quotas may well not slow down American consumer's desire to buy Chinese-made clothing.

Expert Analysis

[The Clothesource Guide to the World after 2004](#)

What's the world going to be like after 2005? 2002, the last quarter particularly, has been loaded with events that either define the post-2005 world more clearly, or give strong clues about the kind of political decisions governments are likely to make, or the way that trading is likely to develop. Yet it appears that the picture is still not clear for many industry professionals, with profound misunderstandings about what is happening right now, what is definitely going to happen, and what is still in the area of speculation. So here is [The Clothesource Guide to the World after 2004](#), an essential report to life after quota has been lifted.

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Seneca House, Buntsford Hill Business Park, Bromsgrove, Worcs, B60 3DX, UK.
VAT No: GB785642391. REGISTERED IN ENGLAND No: 4307068.
Tel: +44 (0)1527 573600 Intl. 011-800-1234-JUST (5878) Toll Free US/Canada.
Fax: +44 (0)1527 577423. Email: info@aroq.com