

China: How Big A Threat?



United Textile Industry Meeting

June 10, 2003



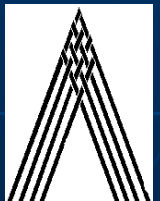
China – How Big a Threat?

- **Review: China Growth in Quota De-Controlled Categories**
- **Review: Chinese trade in similar product areas**
 - **Why the China edge?**
 - **What can be done about it?**



ATMI Analysis: *Decontrolled Apparel Categories*

- **ATMI analyzed Chinese growth into US market in all 29 apparel categories removed from quota control on January 1, 2002**
- **Key point: First time China is competing head to head without quotas with everyone else – Vietnam, Bangladesh, India, Mexico. . .**



Average Price Per Square Meter *Pre and Post Quota Removal*

	<u>2001</u>	<u>2002</u>	<u>Change</u>
China	\$5.79	\$3.24	- 44%
Rest of World	\$3.55	\$3.47	- 2%

29 apparel categories removed from quota control



Imports in Square Meters (mil)

Pre and post quota removal

	<u>2001</u>	<u>2002</u>	<u>Change</u>
China	142	554	+ 412
Rest of World	1,439	1,238	- 201

29 apparel categories removed from quota control



Imports in dollars (\$ mil)

Pre and post quota removal

	<u>2001</u>	<u>2002</u>	<u>Change</u>
China	\$824	\$1,792	+\$967
Rest of World	\$5,104	\$4,303	- \$801

29 apparel categories removed from quota control

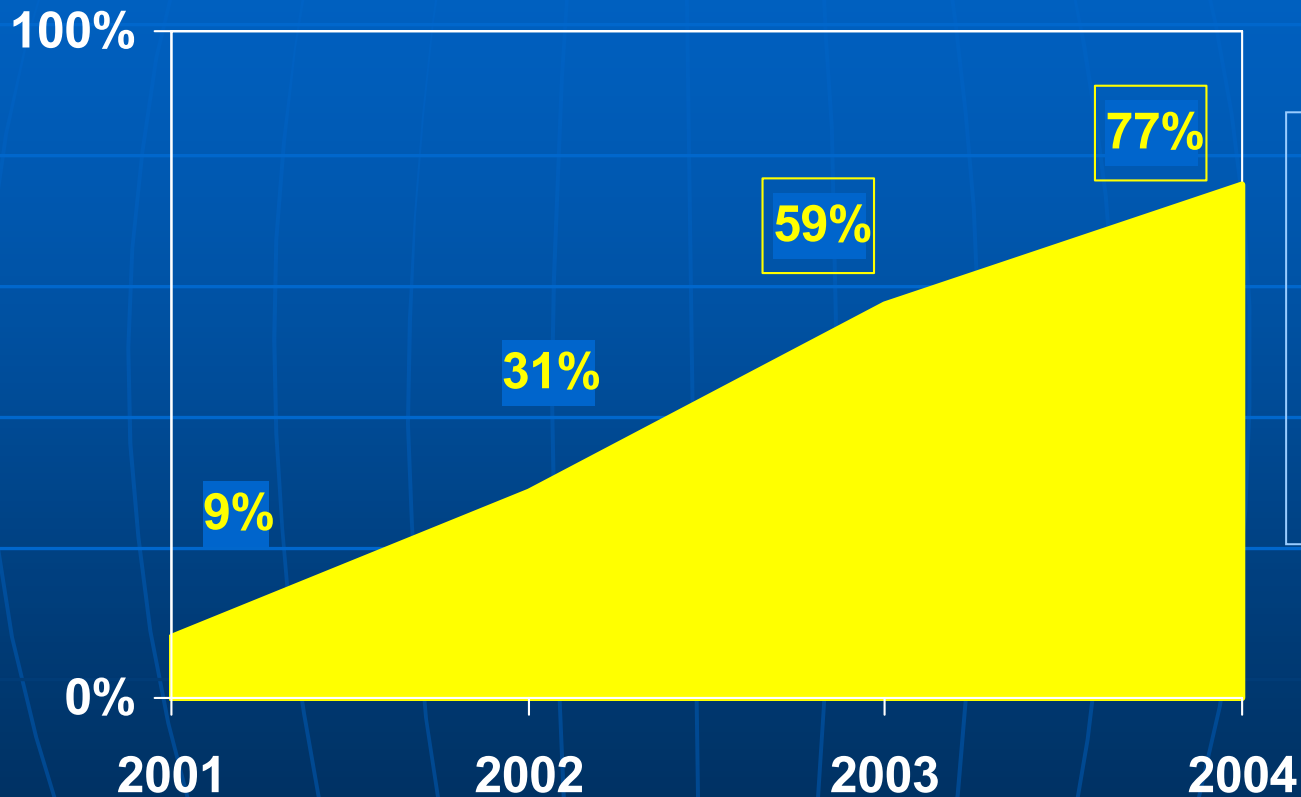


China Growth: Sensitive Categories

- Imports from China have gone up an average of 600 percent in sensitive decontrolled categories over the past year!



China's Share of Apparel Removed From Quota in 2002

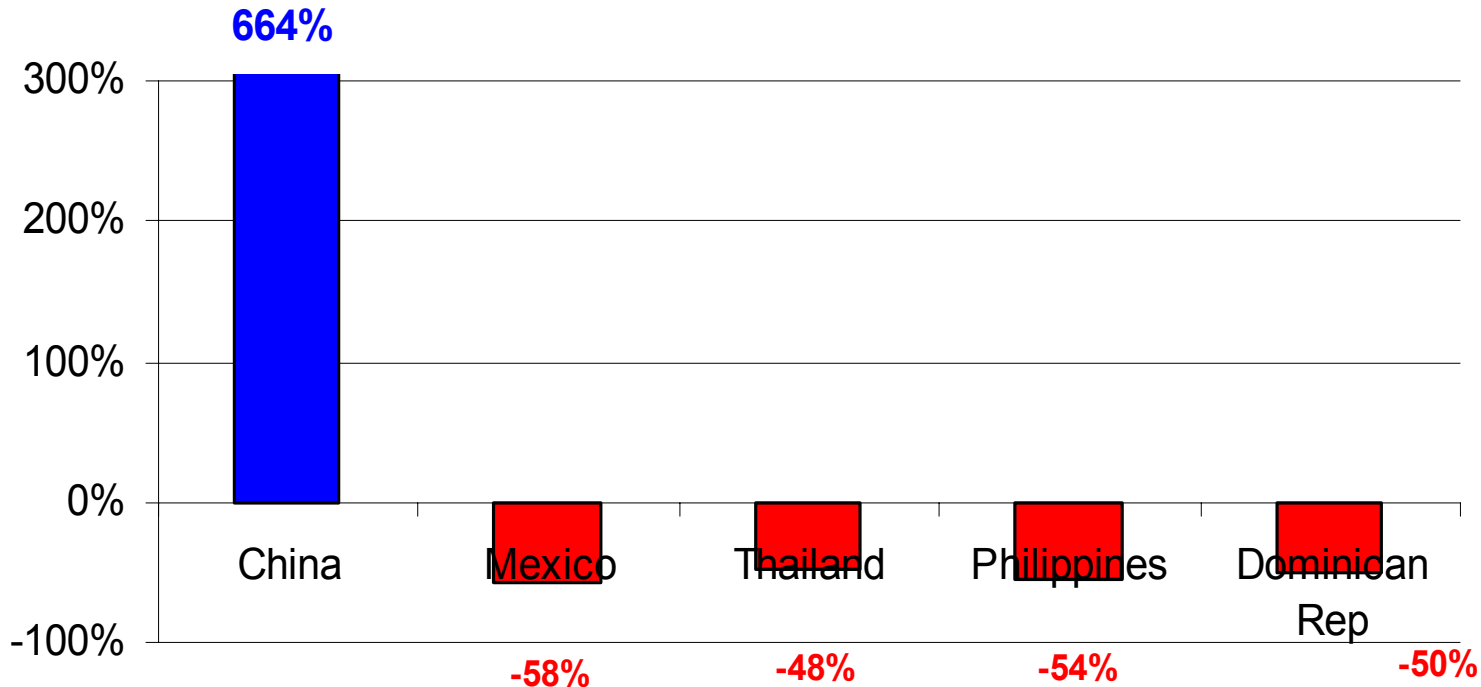


In first 15 months, China gained import share at a rate of 6 percentage points a quarter



Sensitive Categories - ATMI Safeguard Request

Luggage: 20% average tariff



Change in China's share over past 15 months

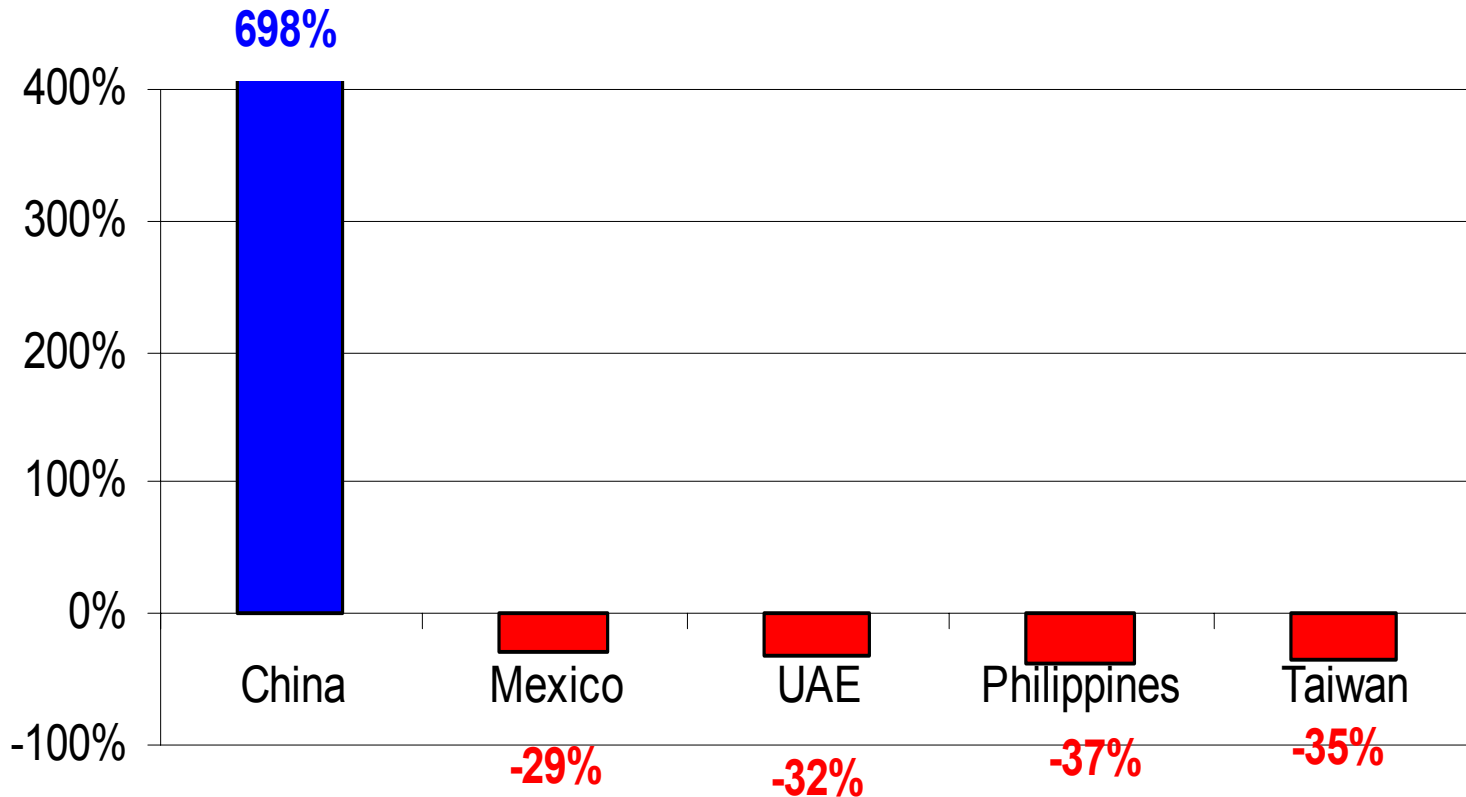


10% - 78%



Sensitive Categories - ATMI Safeguard Request

Dressing Gowns: 8%-16% tariff



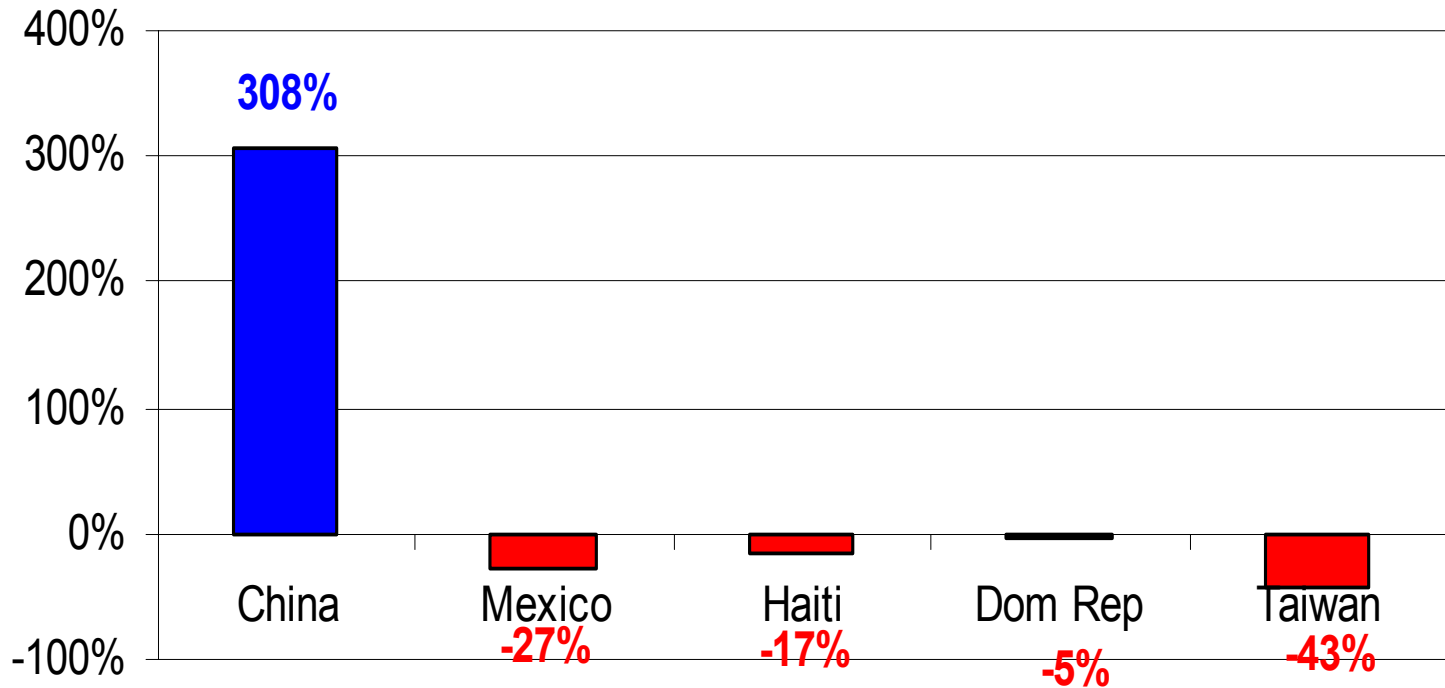
Change in
China's
Share
Over Past
15 months

5% -
32%



Sensitive Categories - ATMI Safeguard Request

Brassieres: 17% tariff



Change in
China's
Share
Over 15
Months

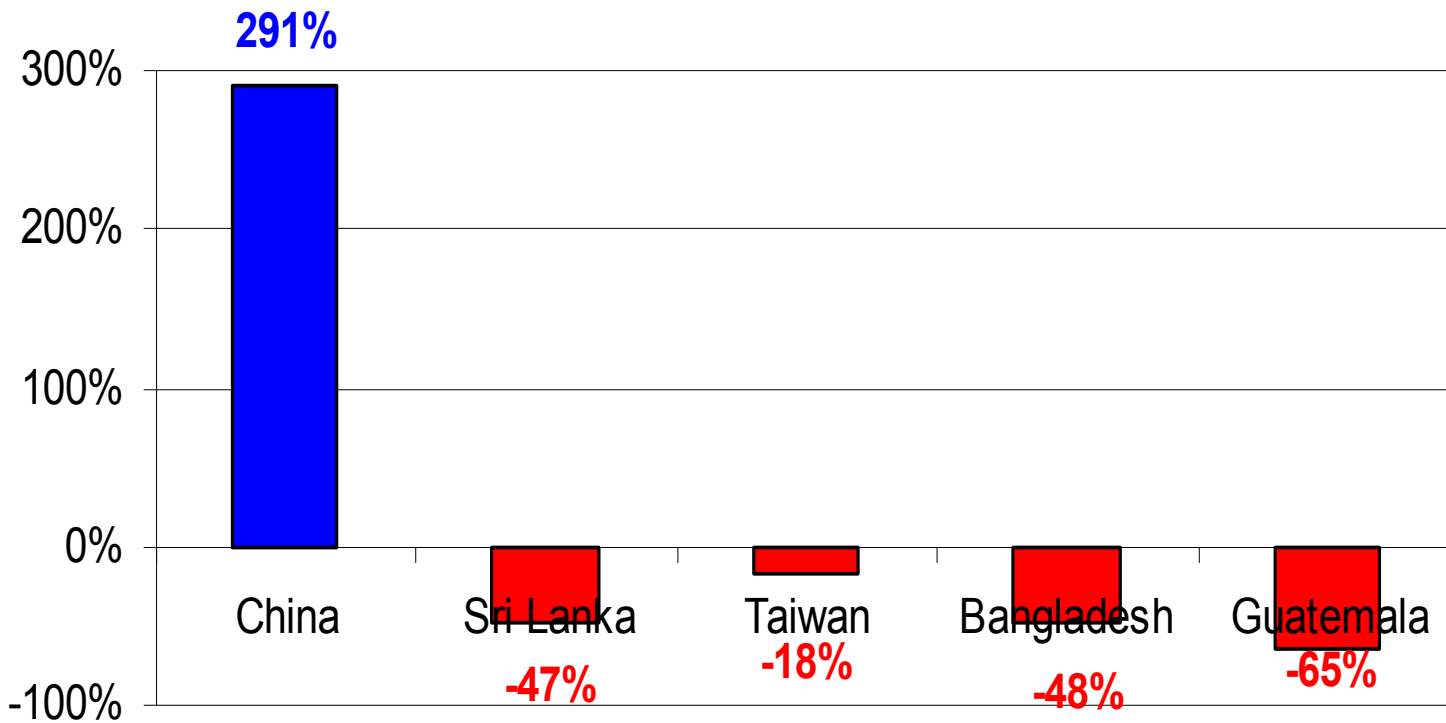


5% -
32%



Sensitive Categories - ATMI Safeguard Request

Gloves: 20% average tariff



Change in
China's
Share
Over 15
months



10% -
42%



Here is a list of all the major textile and apparel exporters to the U.S. except one:

Mexico	Canada	Pakistan	Haiti	Luxemburg
Korea	India	Taiwan	Bahrain	Bulgaria
Thailand	Indonesia	Bangladesh	Jordan	Mauritius
Honduras	Turkey	Hong Kong	Australia	Romania
Philippines	El Salvador	Dom. Rep.	Jamaica	Saudi Arabia
Sri Lanka	Germany	Israel	Lesotho	Argentina
Vietnam	Costa Rica	Brazil	Uzbekistan	Maldives
Malaysia	Macao	Japan	South Africa	Oman
Egypt	Portugal	United Kingdom	Singapore	Kenya
France	Burma	Russia	Mongolia	Poland
UAE	Spain	Nicaragua	Netherlands	Brunei
Belgium	Colombia	Nepal	Peru	Turkmenistan
Syria	Czech Rep	Switzerland	Greece	Swaziland
Qatar	Ukraine	Finland	Hungary	Fiji
Madagascar	Austria	Morocco	Sweden	Estonia
Sweden	Estonia	Ecuador	New Zealand	Belarus
Moldova	Slovenia	Denmark	Belize	Ireland

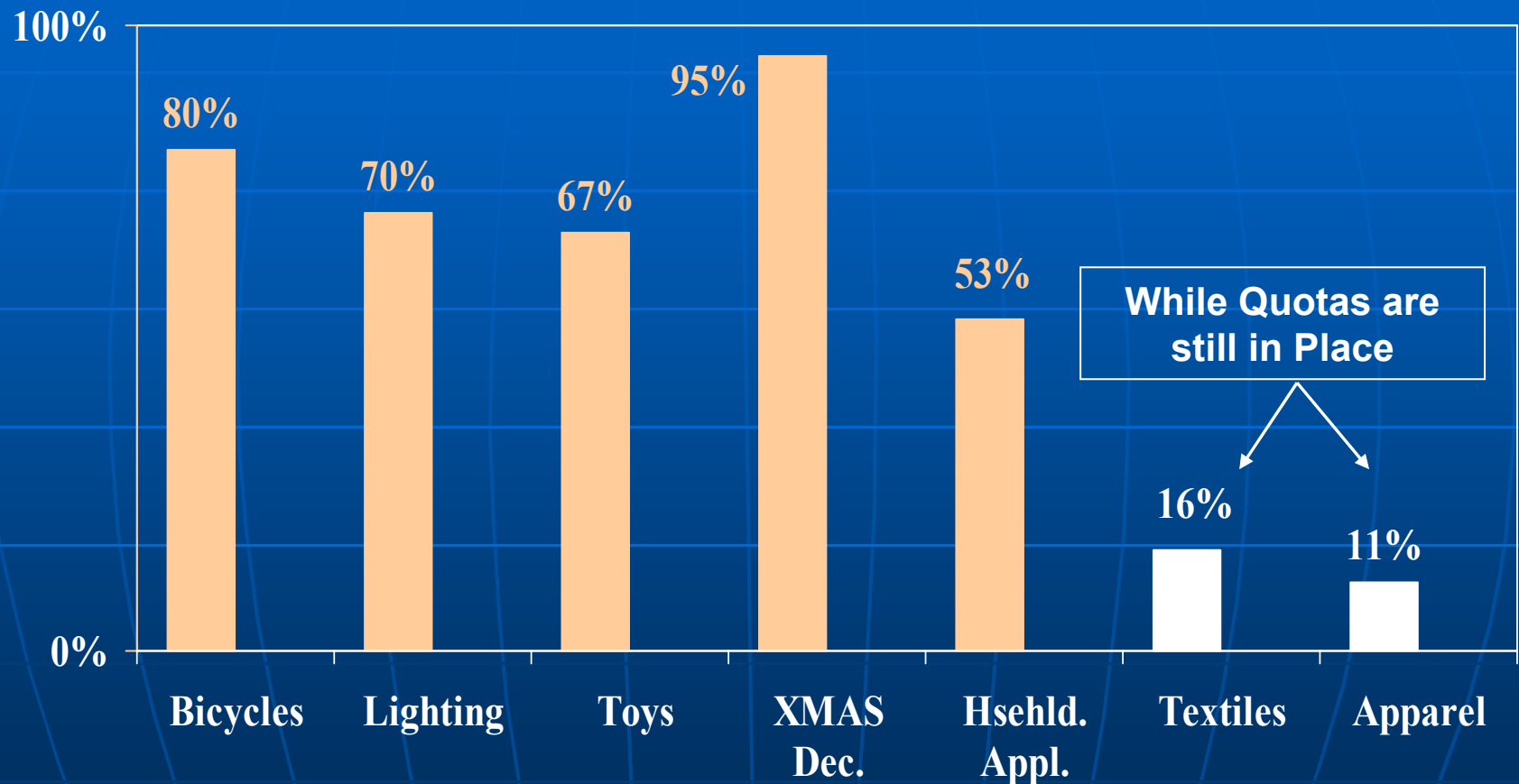


The one country that is missing – China – increased its exports of textiles and apparel to the U.S. more than every other country in the world combined.

China increased its exports by a RECORD 2.8 billion square meters. 96% of China's increase was in quota de-controlled categories.



China's Share of U.S. Imports

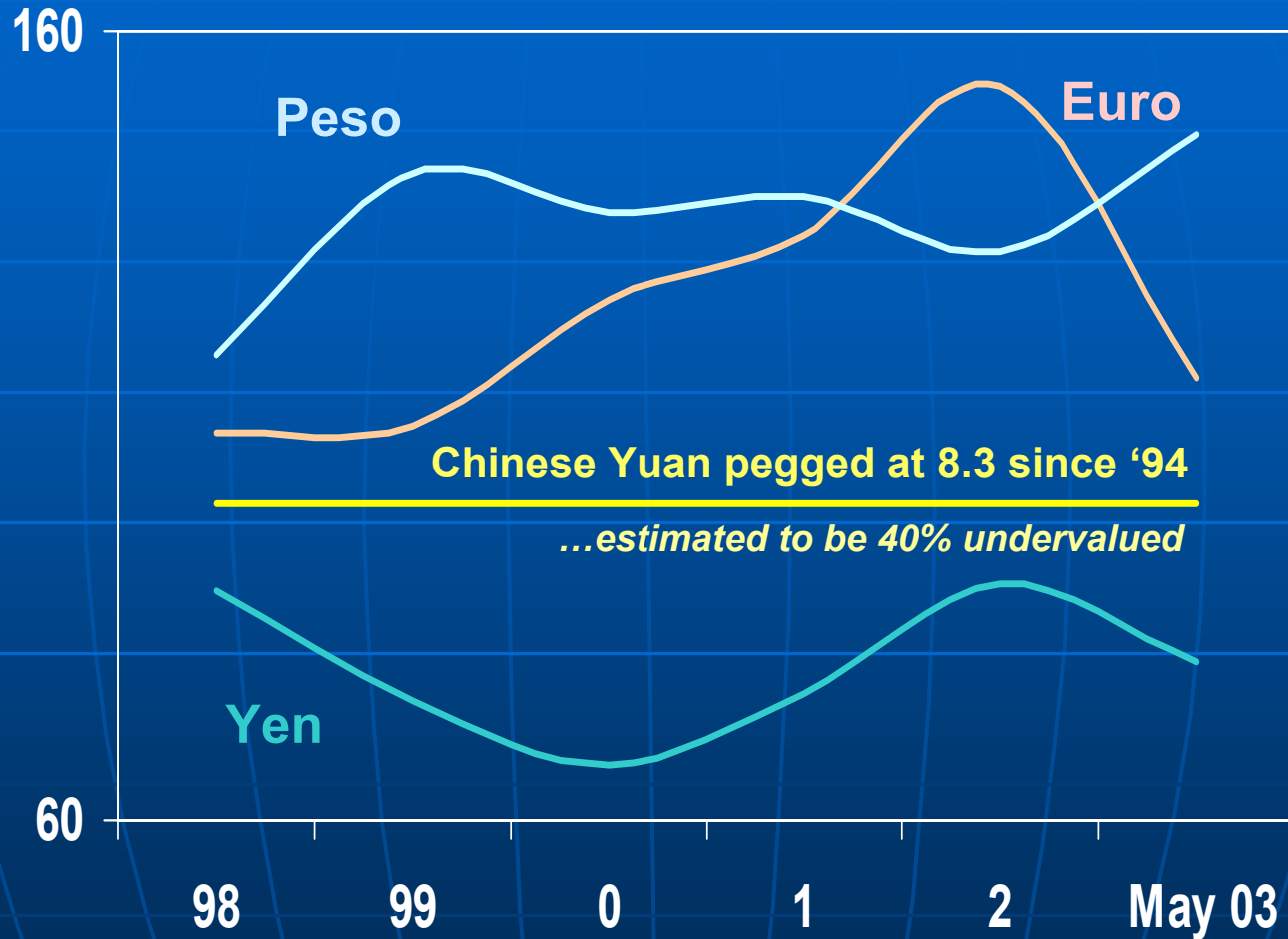


Why is China Unbeatable?

- China's currency, which is pegged, is estimated to be 40 percent undervalued. This gives China an enormous artificial cost advantage
- Over 50% of China's textile sector and 25% of apparel sector is state-owned and subsidized
- Unlimited labor supply: China needs to find jobs for 15 million new workers a year



China's Illegally Pegged Currency



What Can Be Done?

- 1. US government to effectively use the WTO textile safeguard & support its use**
- 2. US government to remain steadfast in its negotiating position and allow NO TPLs in CAFTA**
- 3. Chinese Currency Manipulation: US government to pressure China to float its currency**

