

Globalization and Restructuring in Rural America: Policy Issues and Future Research Directions

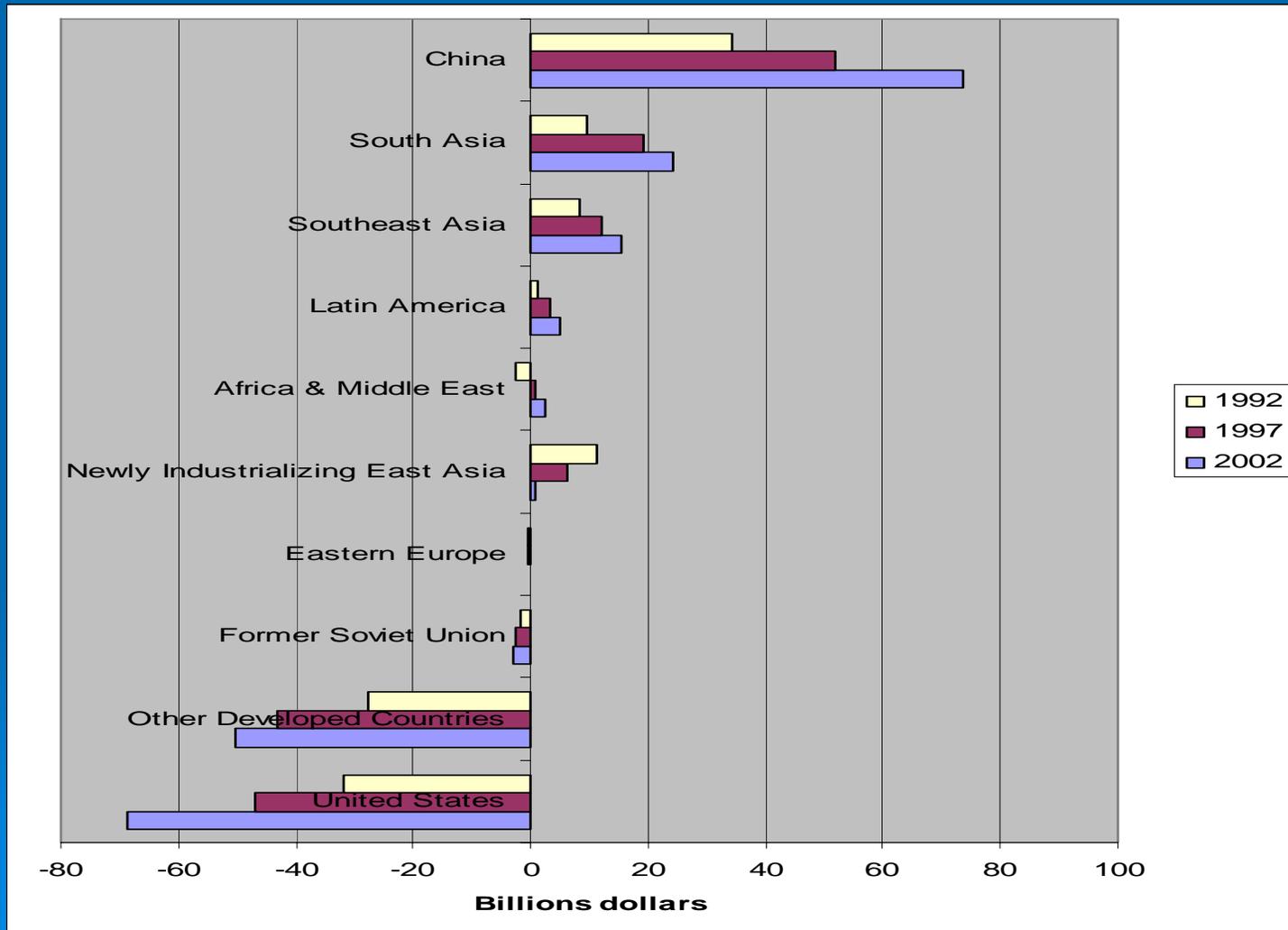
Free Form Panel Discussion
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The contextual policy and trade background

- UR Agreement on Textile and Clothing
 - Backloading of MFA quota removal
 - Complete removal on 1/1/2005
- China's WTO Accession Agreement
 - Textile-specific safeguards through 2008
 - Transitional safeguards through 2013
 - China, a non-market economy in antidumping case until 2016
- Central American Free Trade Agreement
 - Pending currently

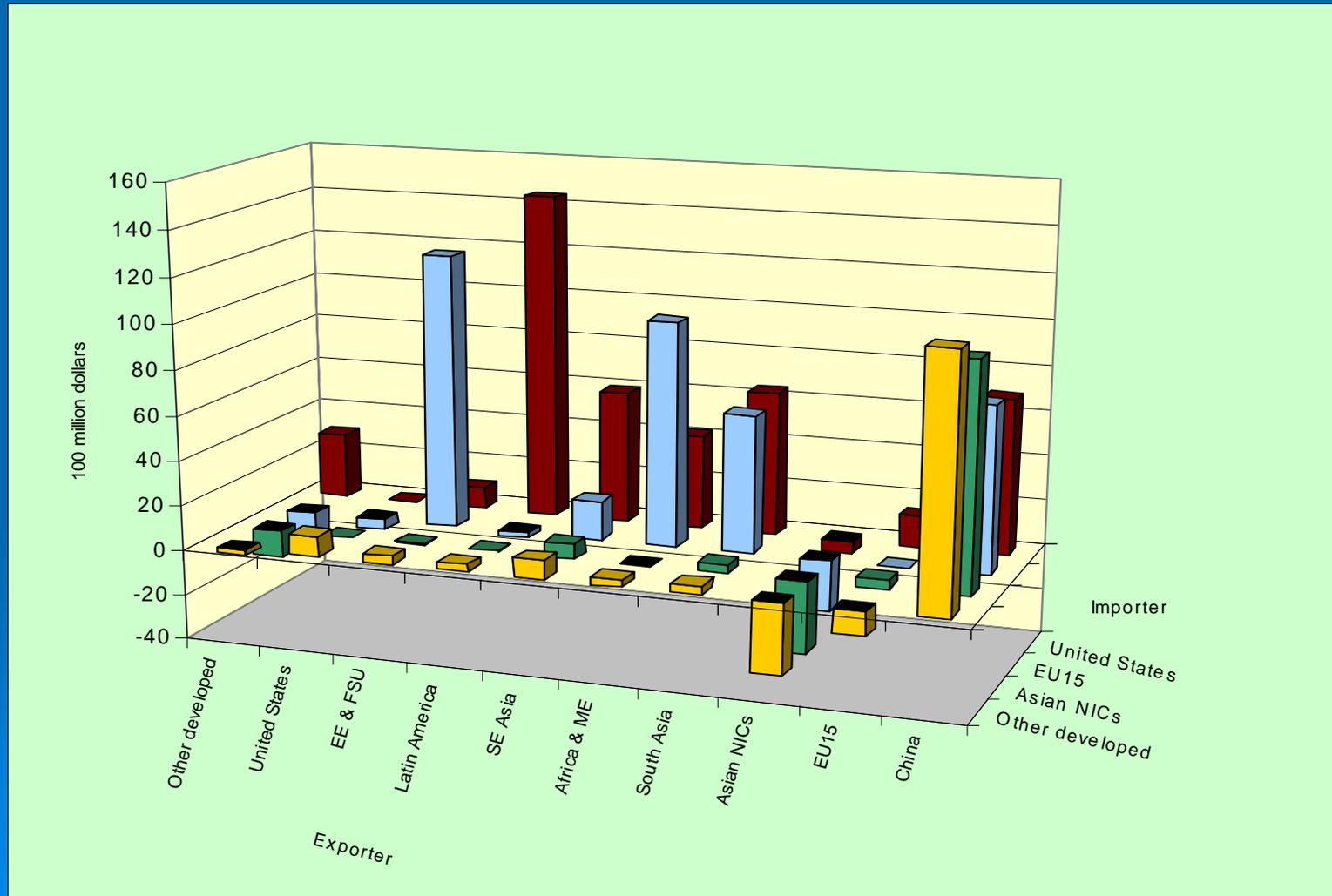
The evolving world structure of net trade in textiles and apparel



The evolving world structure of net trade in textile and apparel

- China, a dominant supplier even before its entry into the WTO
 - All net supplying nations increased their exports between 1992-2002, but the NICs
 - The developed countries are the largest markets for textile and apparel
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Changes in the global network of textile and clothing exports to high-income areas between 1992 and 2002



Changes in the global network of textile and apparel exports

- **China** became an increasingly important supplier to all high-income nations, especially to Asian NICs & to developed countries not imposing import quotas
- **United States:** largest growth market was LA, followed by China, SA, SEA, AF_ME
- **EU:** largest growth market was EE, followed by AF_ME, China, SA.
- **NICs** progressively lost competitiveness in the high-income markets

WTO-sanctioned, textile-specific safeguards

➤ U.S. safeguards

- 11/03: knit fabrics, brassieres, robes & gowns
- 5/05: 7 categories, including shirts, trousers underwear, and combed cotton yarn

EU threats

- 4/05: Investigation into 9 product categories
- Currently: Emergency talks about textile safeguards on T-shirts and flax yarn

➤ Turkish and Argentine safeguards

China's economic expansion of textile and clothing exports appears relentless

- Safeguards, only a temporary instrument
 - If and when imposed, safeguards will only encourage further consolidation and economies of scale in China
- Vertical integration throughout the supply chain
 - Another primary source of Chinese competitiveness
- Market forces eventually will prevail
 - Irrespective of shifts in current policies, China is poised to expand its exports in the foreseeable future

The U.S. Administration's strategic response to textile safeguards

- Legally permissible
- A way to stem anti-import, anti-Chinese sentiment
- A source of leverage on other issues
 - theft of U.S. intellectual property
 - Chinese manipulation of exchange rate
- A vehicle for generating legislative support for CAFTA

CAFTA, a high-payoff agreement

- A way to level the playing field for U.S. exporters in a market of 44m consumers
 - A means to rectify the U.S./CAFTA-member tariff imbalances
 - PTAs currently provide a competitive edge for Canada, EU, and various South American countries
- Impact of a duty-free CAFTA market
 - Farm exports to rise \$1.5 billion
 - Manufactured products to rise \$1.0 billion
- Strengthen fragile democracies
 - Good governance & creation of institutional capacity
 - Narrows corruption, blunts the power of terrorists
 - Provides a way out of poverty & builds stability