Reaction To McDermott Bill Harsh, Muted

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by Peter Cohn

African nations and domestic textile interests wasted no time slamming the first serious legislative attempt in the 111th Congress to overhaul U.S. trade preferences, while Bangladesh, a key player on the opposite side of the debate, was lukewarm.

The backlash against the middle-ground approach taken by Rep. **Jim McDermott**, D-Wash., amounts to a tough road ahead next year for the House Ways and Means and Senate Finance committees as they tackle a patchwork of conflicting, decades-old trade benefit programs for the world's poorest countries.

McDermott introduced legislation Wednesday that tried to inject some predictability and simplicity. Duty-free benefits for Sub-Saharan Africa and the 131-country Generalized System of Preferences would be extended as far as 2019 to provide a stable investment environment. For the first time, there would be a unified rule of origin for sourcing materials, and more countries would be eligible for duty-free treatment of textile and apparel exports.

Retail and apparel groups and anti-poverty advocates applauded McDermott for laying down an important marker. **"We'd like to see it be more generous to all the least-developed countries, but I would say we're fully supportive," said Claude Fontheim, chairman of the Trade, Aid and Security Coalition. "This is by far the best bill we've ever seen as far as preferences reform."**

Expanding apparel market access is of particular benefit to Bangladesh and Cambodia, whose rivals in Sub-Saharan Africa immediately fired off a letter Thursday to House Ways and Means Chairman **Charles Rangel** and Senate Finance Chairman **Max Baucus**.

"We are convinced that enactment of a proposal to grant duty-free treatment to apparel export giants such as Cambodia and Bangladesh would cause a massive loss of jobs in the poorest African countries and Haiti," wrote ambassadors from Botswana, Ghana, Madagascar, Malawi, Nigeria, Senegal, Sierra Leone, Tanzania and Uganda.

Rosa Whitaker runs an advocacy group that promotes development in Africa. She said it was an attempt by retailers to save money on tariffs, which ran nearly $1 billion last year on imports from Bangladesh and Cambodia. "This is not about poor people, I'm sorry," Whitaker said. "I don't know how anybody supporting this bill can go to sleep at night, honestly. I don't see why their conscience wouldn't bother them."

Stephanie Lester of the Retail Industry Leaders Association said the measure could "substantially benefit economic development in the world's poorest countries on every continent, providing jobs and opportunity for those presently with neither."

McDermott has tried to bridge the gap between the Sub-Saharan nations enjoying duty-free import benefits under the African Growth and Opportunity Act, which he helped to write, and poor countries in Southeast Asia whose benefits are restricted or nonexistent. He has tried to ameliorate the concerns of apparel-exporting African countries and others that fear the Asian competition.

"[Whitaker] doesn't want us to give anything to anybody but Africans. That's then to say poor people aren't poor people the world over," McDermott said. "And we tailored ways to do this so we didn't hurt the Africans, and her position is that it all should go to Africa. Well, Cambodia actually has better labor standards than most of the African countries, if you want to start looking at specifics."

The bill would place a 50 percent cap on the volume of exports in certain sensitive categories like trousers and knit shirts from countries that account for more than 2 percent of overall U.S. apparel imports in a given year, i.e., Bangladesh and Cambodia.

Kazi Alam, commercial counselor at the Bangladesh Embassy in Washington, called the bill a "sincere effort to help us, but we would have preferred to get" full duty-free access.
According to the U.S. Bangladesh Advisory Council, of the five largest apparel-exporting nations in Africa, all but one -- Madagascar -- has a higher per capita income than Bangladesh and Cambodia.

The import cap is based on 2007 volume, which African Coalition for Trade President Paul Ryberg noted was a peak year for imports from Cambodia. "That year was obviously chosen intentionally," he said. A Cambodian embassy official could not be reached for comment.
That cap could increase up to 10 percent each year if the Asian countries source at least 50 percent of the yarns and fabrics in affected African or other nations. And under AGOA, restrictions on imports of agricultural goods like sugar, tobacco, beef and dairy would be lifted.

That's not enough for Africa advocates, for whom textiles and apparel are the flagship industry. Even with the 50 percent cap, Bangladesh and Cambodia would be able to export almost three times as much as the amount Sub-Saharan Africa ships to the United States. National Council of Textile Organizations President Cass Johnson, whose group represents domestic companies, said that, under the bill, the import cap applies across all 20 categories of the most sensitive products. That means they could put it all into trousers, the most valuable export -- and most sensitive for U.S. producers. "I don't think anyone's interested in this bill, that's from Africa or from our industry or anyone else," Johnson said.

McDermott and advocates say its long-term extensions of AGOA and the GSP will provide a more stable investment environment. But Ryberg said that under the bill, AGOA benefits could terminate after 2015 unless there is an agreement in the Doha Round of multilateral trade talks. It uses a more restrictive United Nations definition of least-developed country, which means countries like Ghana and Kenya could lose benefits. Some of those countries could then obtain GSP benefits, but only after an investigative process to determine whether there is harm to U.S. producers.

"We want to be sending a signal of stability and continuity and instead we're sending a signal of big question marks whether AGOA goes forward beyond 2015 or not," Ryberg said.
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