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Why CAFTA Can't Save Central America from the Textile Quota Expiration

By Todd Tucker | January 7, 2005

Supporters of the proposed Central American Free Trade Agreement (CAFTA)—a commercial agreement between the United States, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and possibly the Dominican Republic[1]—argue that CAFTA would somehow help shield these smaller nations from the upheaval that will follow the January 1st end of the textile quota system. Some CAFTA supporters go so far as to claim that CAFTA is the only way to "save" the textile and apparel industries in these countries. A closer look at the arguments shows that far from saving Central American industries, CAFTA will place the nail in the coffin.

Since 1974, global trade in textiles and apparel has been regulated under an international agreement known as the Multifiber Arrangement (MFA). The MFA permitted developed countries to apply quota limits on imports of textile and clothing in order to manage "market disruptions" as their previously closed markets were gradually opened to developing country exports. Part of the deal that concluded the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT) and established the World Trade Organization (WTO) in 1995 was an agreement, contained in the WTO's 1995 Agreement on Textiles and Clothing (ATC), to phase out the entire quota system by January 1, 2005. Since 1995, nations have been required to gradually increase quotas and allow more imports of textiles and clothing in 1995, 1998, and 2002, although the bulk of the phase-out was backloaded and so nearly half of the initial level of MFA quotas remained until January 1st.[2]

Under the MFA quota system, each participating country imposes limits on the volume of textile and clothing that may be imported from each individual nation with which it trades. U.S. quotas cover 2,400 products from nearly 60 different countries.[3] The elimination of these quotas will greatly benefit Chinese (and to a lesser extent Indian) manufacturers, who are able to undercut their international competition, because of the combination of an undervalued currency, low wages, and outright labor repression. In an ironic twist, the majority of the developing countries that demanded the phase-out of the MFA as a means to increase their exports of textiles and clothing to rich countries are now seeking an extension of quotas or some other mechanism that can guarantee them a share of rich country markets. Faced with the projection of China's overwhelming dominance when quotas expire, countries including Turkey, and a bloc of African, Asian, Latin American, and Caribbean Basin countries have demanded measures to buffer the blow of the MFA expiration. China, with the support of a few other large developing countries, has blocked these demands.[4]

The textile and apparel sectors are responsible for a majority of exports in nearly all Central American countries.[5] If existing textile and apparel quotas are removed as scheduled, the job losses in Central American apparel manufacturing will be devastating, regardless of whether or not a CAFTA is in effect. The idea that CAFTA will provide a cushion or an alternative to the economic and social devastation of these sectors under quota elimination rests on several common myths about CAFTA and the MFA, which are analyzed below.

MYTH 1: Central America needs CAFTA to maintain its market share in the wake of the quota elimination.

FACT: Central America will lose its market share anyway, because of China's extreme cost advantages.

The ability of Chinese-made goods to beat the competition world-wide is based on China's low cost of production, due largely to the significantly lower wages in China relative to other textile- and apparel-exporting countries. Chinese government wage data sources are notoriously unreliable, but estimates by independent researchers and aid organizations show that Chinese workers are routinely paid 15 to 30 cents an hour.[6] Wages in Central America are relatively high by these standards, with workers earning a reported $1.49 per hour in Guatemala, $1.65 in the Dominican Republic, and $2.70 in Costa Rica.[7]

As shown in Table 1, even when a high estimate of the Chinese wage rate is used, China's edge in labor costs continues to make for a cheaper final product compared with Mexico and Central America, despite the higher transportation costs from East Asia.

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TABLE 1: Comparison of Suppliers' Factor Costs (to U.S.) for Men's Jeans and Cotton Ring Spun T-Shirt

	Single Pair of Men's Jeans			*Cotton Ring-Spun T-Shirt*		
Garment Producer / Exporter	Mexico	Nicaragua	Coastal China	Mexico	Honduras	Coastal China
Fabric Source	Mexico	U.S.	China	Mexico	U.S.	China
Total Fabric Cost per Garment	$3.80	$4.23	$3.24	$1.05	$1.10	$1.03
Fabric Price/Linear Yard (incl. Shipping)	$2.50	$2.78	$2.08	$0.96	$1.01	$0.92
Fabric Yield/garment (Linear Yds.)	1.5	1.5	1.6	1.1	1.1	1.1
Trim Cost per garment (incl. Pocketing/Thread)	$1.05	$1.10	$0.87	$0.19	$0.19	$0.17
Wage Rate	$2.45	$0.92	$0.88	$2.45	$1.48	$0.88
Labor Cost (Cut, Make, Finish)	$2.35	$2.17	$1.94	$0.44	$0.43	$0.36
Profit per Garment	$0.72	$0.75	$0.61	$0.17	$0.17	$0.16
FOB Cost	$7.92	$8.25	$6.66	$1.85	$1.89	$1.71
Shipping Cost per Garment	$0.04	$0.07	$0.09	$0.03	$0.03	$0.04
Total Manufacturing & Shipping	7.96	8.32	6.75	1.88	1.93	1.75

Source: Frederick H. Abernathy, Anthony Volpe, and David Weil, "The Apparel and Textile Industries after 2005: Prospects and Choices," Harvard Center for Textile and Apparel Research Briefing Paper, Oct. 2004.

It is possible to have some sense of what will happen when the quotas expire by looking at what occurred when quotas on many items, including luggage and dressing gowns, were eliminated in 2002, as part of the MFA's staggered phase-out. This change led to a 53% reduction in the average price per square meter that China received for its exports in those categories, from $6.23 before to $3.12 after quota removal. China's market share in these items skyrocketed from 2002 to 2004, up 888% in the luggage and 1,179% in the dressing gowns market. Meanwhile, Mexico's share of the U.S. luggage import market shrunk 75% over the same period. Overall, China is now claiming 72.3% of the U.S. apparel import market in those products where quotas were lifted in 2002.[8]

According to a report commissioned by the WTO, China and India are projected to capture 65% of the U.S. clothing market after the quota elimination, while Mexico and Central America's market share will shrink by close to 70% each. The report noted that China has captured a respective 77.5% and 70.4% of the clothing market in Japan and Australia, which do not observe the MFA, making such projections plausible.[9]

Studies commissioned by the World Bank, a consistent advocate for trade liberalization, have made similar conclusions. One study showed that the additional benefits that Central American textile exporters would have from preferential access to the U.S. market through a CAFTA-type arrangement are almost eliminated with the expiration of the MFA quota system. The authors concluded that Chinese textile and apparel exports would have to face a relatively high U.S. tariff equivalent—of at least 24% of the value of the imported good—for Central American countries to maintain the price advantages from preferential access after quota elimination.[10] A similar study by Texas Tech University found that the North American Free Trade Agreement (NAFTA) would not accord Mexican apparel exporters price advantages over their Chinese competitors after the MFA expires—even if Chinese goods face tariffs—for much of the same reason.[11] The implication of these studies is that, even if tariffs for Central American textile and apparel products were zeroed out under a CAFTA-like pact, the Central American and Mexican industries are still likely to be doomed.

Finally, it is worth noting that the claim that CAFTA will somehow save the Central American textile and apparel industries is based on the notion that CAFTA will provide some special new advantage for products from Central America, which could help to overcome China's cheaper costs of production for the same products. But in fact, CAFTA does not provide new tariff cuts for Central American goods. Already, most textile and apparel products enter the United States duty-free under the Caribbean Basin Initiative (CBI) program.[12] CAFTA allows such duty-free treatment for goods meeting a looser rule of origin—i.e. goods with less U.S. or Central American content[13]—but nothing in CAFTA provides new cost-reducing benefits for the region. It just eliminates the requirement of U.S. fabric and other inputs to make the products that will continue to enter duty-free.

MYTH 2: Central America's proximity to the United States gives it an advantage over China. When the quotas are eliminated, CAFTA will allow Central America to become a just-in-time provider for large U.S. retailers.

FACT: Location is not everything. Central American industry doesn't have the scale, productivity, or skill level to provide this kind of niche service.

Some have argued that retailers might prefer to import textiles and apparel from Central America even if they cost more, simply because the region is closer to the United States and therefore somehow more reliable for the just-in-time needs of large U.S. retailers.[14] In particular, some Central American manufacturers are hoping that U.S. consumers' fashion tastes will change so quickly that a margin of a few days' less shipping time—it takes 2-7 days to ship from Central America, while it takes 12-18 days to ship from China[15]—could make a substantial difference in their market share.

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However, as *The Economist* magazine noted in its recent review of the topic, "To deliver a just-in-time service, the region's suppliers must be more flexible… [an option available to] only the bigger companies that have the financial resources" to run multiple, flexible production lines. Since many of the region's textile firms are small, employing less than 100 workers, "the[ir] new year could be very grim."[16] Ironically, part of the reason that Central American firms never attained this flexibility was due to conditions placed on previous rounds of liberalization under the Caribbean Basin Initiative (CBI) that required that textile and apparel makers use certain inputs from the United States. These reduced some of the incentives to vertically integrate, according to a study by the Center for Global Studies at the University of California.[17]

Moreover, the time differential for delivery to the United States from Central America and China is rapidly shrinking due to new developments in shipping technology. China Ocean Shipping Company (Cosco), China's largest container carrier, has begun upgrading the ships on its lucrative routes to the U.S. West Coast. Its newest ships can reach the United States within 11 days, as opposed to 13 days just months before, and can carry 30% more capacity than previously. Cosco and other Chinese shipping companies are competing furiously to become among the most efficient in the world, and are expected to dominate the market by 2015.[18]

The U.S. International Trade Commission (USITC) reports that other structural problems in Central America also put the region at a disadvantage vis a vis China as a textile and apparel source for U.S. retailers. The cost of complying with the administrative requirements of current trade preference arrangements and NAFTA adds 3-5% to the cost of goods;[19] Central American workers are only half as productive as their Chinese counterparts; and middle management is reportedly far less efficient in the South than in the East.[20] Given these industry conditions, it is not clear how Central American factories are equipped to compete with their better outfitted Chinese competitors.

MYTH 3: The trade linkages between Central America and the United States—if CAFTA is passed—are strong enough to allow both to weather the coming storm.

FACT: If Central America survives the quota expiration, it will not be because of its links with the United States.

Some commentators have suggested that the United States will not allow Central American industries to fail after the quota expiration, because of the strategic importance of the region as an export market for U.S. products. One Central American apparel industry spokesperson told reporters. "We need the United States to recognize that Central America is a $12-$13 billion market. It's Florida's No. 1 export market, and they need to protect it."[21]

But such concerns are disingenuous at best. If proponents of this "Florida Factor" view are worried about fewer business opportunities for U.S. exporters, the falling dollar and likely surge in U.S. exports to the region should put those worries to rest. On the other hand, if they are concerned that the people and companies of Central America may not have enough income to be able to buy U.S. exports once most local industry has collapsed (a reasonable concern), then it makes no sense to invoke CAFTA.

While CAFTA proponents argue that the agreement will stimulate trade and investment, the agreement in practice guarantees no new markets or financing for local industry, and like NAFTA includes little in the way of a cushion for the economic blows likely to hit Central America. On the contrary, much in CAFTA would make it more difficult to adjust to the quota expiration. A genuine concern for maintaining stable, long-term export markets in Central America would require supporting not CAFTA but rather a coherent development model for the region—the kind that successful developed countries used and that CAFTA's rules on investment, the service sector, procurement, and other matters prohibit.

A decline in the dollar will reduce the value of the U.S. import market to foreign exporters dramatically.

Many Central American officials clearly had a development outcome in mind when they were in the process of negotiating CAFTA. In the Government of Guatemala's written submission to the USITC prior to CAFTA's signing, they requested that CAFTA contain very comprehensive requirements that nearly all inputs and raw materials that go into the textile and apparel production process should come from Central America, in order to provide backward linkages to other parts of the regional economy. They also envisioned that broad access to the U.S. market would allow the country's industries to achieve economies of scale.

However, as the USITC notes in its report, China is the world's largest producer of manmade fibers, and enjoys a competitive local supply of yarns, fabric, and trim, all within ready access of its factories. Ultimately, concerns about the "bottom line" won out in the final version of CAFTA, which allowed for broad use of inputs from outside the region.[22]

Indeed, if maintaining Central American consumer demand for U.S. products were the goal, CAFTA's pathetic labor standards provisions and the poor labor rights record of most CAFTA countries combine to undercut the prospect for rising wage levels for Central American workers. This record, which includes violations of child labor laws and legal barriers to the right to organize, was the subject of a recent petition to remove Guatemala from the CBI.[23]

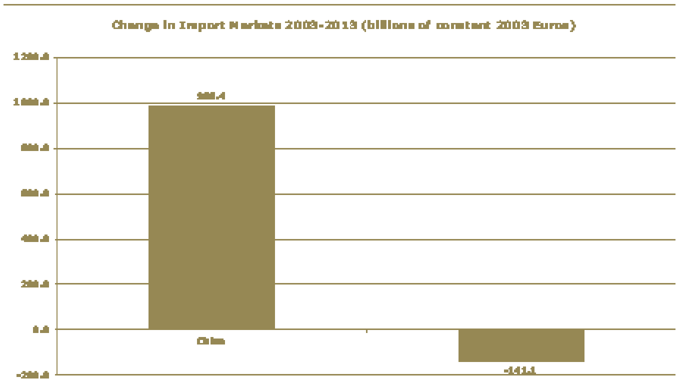
Even if conditions confronting Central American textile exporters were rosy, these companies would still be confronted with diminishing opportunities in the U.S. market. As has been widely discussed in the press and by policymakers, the United States is currently running an unsustainable trade deficit, projected to be $600 billion—or 5.5% of GDP—by the end of 2004.[24] This deficit is financed by U.S. borrowing from foreigners—primarily the central banks of China and Japan that have been accumulating dollars and thereby keeping the dollar value high. On its current path, the U.S. current account deficit—which includes trade in goods and services as well as worker remittances, official aid, and return on investments abroad—could reach 8% of GDP by 2008.[25]

Sooner or later, this imbalance will require an "adjustment" downward in the value of the dollar. A decline in the dollar will reduce the value of the U.S. import market to foreign exporters dramatically. The non-partisan Center for Economic and Policy Research, using various conservative estimates of the potential decline in the dollar and the impact this could have on the domestic economy, has estimated the decline in the U.S. import market to be between $90 and $375 billion over the next decade. This future trend would be in sharp contrast to the trend from 1991-2003, when the U.S. import market expanded enormously, benefiting U.S. trading partners by nearly $780 billion, as measured in 2003 dollars.[26]

Without a growing U.S. import pie that all countries can share—as was experienced in the 1990s—Central American countries will have to fight for slices of an ever-shrinking pie predominately carved up by countries like China. There is simply no plausible scenario in which the value of U.S. imports from our Central American neighbors will continue to grow at its previous rate.

In fact, Central America's prospects for exporting to China are actually far superior to those for exporting to the United States, as China's import market is projected to grow by 986.4 billion euros over the next decade (shown in Table 2, alongside an intermediate estimate of a reduction in the U.S. import market). Moreover, China's rapid growth rate will fuel consumer demand in that country, perhaps allowing Central America to continue to be a niche provider—to Asia—of specific products in which they have specialized in the past, such as denim jeans.

TABLE 2: Comparison of the Growth in U.S. and Chinese Import Markets Over the Next Decade



Source: Mark Weisbrot and David Rosnick, Center for Economic and Policy Research Working Paper, forthcoming, 2005.

CAFTA: No Panacea for Central America's Coming Challenges

Recent announcements by the Chinese and U.S. governments have offered some signs that the quota phase-out might not pose the abrupt instabilities that are anticipated. The U.S. government is currently considering petitions to impose safeguards on Chinese textile and apparel exports,[27] as allowed in the U.S. law that approved of China's accession to the WTO. Moreover, the Chinese government has announced that it will put a tax on its low-end exports starting in January to soften the transition after the end of quotas.[28] While these measures may buy Central America's industries some time, they do not avert their destruction in the medium to long term.

The case for CAFTA as a lifeboat for Central America after the MFA expiration is based on myths, not facts. The Central American textile and apparel industry is not able to compete with China on costs alone, and the argument that Central America's location, relationship with the United States, or alleged advantage in other sectors will save the region[29] are simply not as strong as CAFTA's advocates would like them to be.

Could Central America's textile and apparel industry survive if the United States imposes a high tariff-equivalent safeguard on Chinese goods AND investors completely refit Central American factories and retrain their Central American workforce AND the United States had a growing import market? Maybe, but the future would still pose serious competitive challenges. Could Central America prosper despite the quota expiration if other parts of its economy were internationally competitive AND trade agreements delivered on their promises AND there were a massive inflow of U.S. foreign aid? Possibly, but the evidence at hand on trade agreements such as NAFTA show that these promises have not been realized, and many types of foreign aid are actually being cut under the Bush administration.[30]

Policymakers, including those in Congress who may be asked to consider CAFTA later this year, must base their support or rejection of the commercial agreement on the world as it is, not the world as some may like it to be. If recommended policies fail because they do not yield the intended benefits in the real world, then it is the policies that are at fault, not the world. Proponents of CAFTA as a lifeboat for Central America after the MFA quota expiration should check reality before they jeopardize Central America's hopes for a more stable and prosperous future.

Todd Tucker is Research Director with Public Citizen's Global Trade Watch (www.tradewatch.org) and a regular contributor to the IRC Americas Program (online at www.americaspolicy.org).

RESOURCES

Citizens' Trade Campaign Page on CAFTA
http://www.citizenstrade.org/cafta.php

Sweatshop Watch Page on MFA
http://www.sweatshopwatch.org/global/analysis.html

General Glut's Globalization Weblog (Useful resource on trade deficit)
http://globblog.blogspot.com/

U.S. Trade Representative's Page on CAFTA
http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA-DR/Section_Index.html

IN SPANISH

Centro de Estudios Internacionales (Nicaragua)
http://www.ceinicaragua.org.ni/

Encuentro Popular (Costa Rica)
http://www.encuentropopular.org/

Fundación Nacional para el Desarrollo (El Salvador)
http://www.funde.org/

ENDNOTES

1 The Central America Free Trade Agreement was signed May 28, 2004, but has not been brought to the U.S. Congress for consideration. To find out more on this agreement, please visit www.tradewatch.org.

2 Agreement Establishing the World Trade Organization, Annex 1A: Agreement on Textiles and Clothing, Article 2, 1994, at 86-89.

3 David R. Francis, "Will China Clothe the World?" *Christian Science Monitor*, Aug. 5, 2004.

4 WTO, "Goods council starts final review of textiles accord," Official Summary of Meeting, Oct. 10, 2004; Scott Malone, "The Top 10 Stories of 2004: Don't Quota Me #3," *Women's Wear Daily*, Dec. 7, 2004.

5 See U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004.

6 AFL-CIO, "Section 301 Petition of American Federation of Labor and Congress of Industrial Organizations Before the Office of the United States Trade Representative," March 16, 2004, at 46. This number is for female workers in the interior of China, and it is for dollars paid per hours actually worked, as observed in several on-site studies. The official minimum wage is announced on a sub-federal basis, and varies greatly. Firms typically report to the central government that they are in compliance with these regulations, but violations of wage and hour regulations are so frequent that observance of the law is the exception.

7 According to numbers for 2002. U.S. International Trade Commission, "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market (Investigation No. 332-448, sent to USTR in June 2003)," Publication 3671, Jan. 2004, at 3-7.

8 Mark Levinson, "The Global Apparel and Textile Industry: The Coming Shakeup," UNITE-HERE PowerPoint Briefing, Nov. 2004.

9 Hildegunn Kyvik Nordås, "The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing," World Trade Organization Discussion Paper No. 5, 2004, at 23 and 30.

10 Çaglar Özden and Gunjan Sharma, "Price Effects of Preferential Market Access: The Caribbean Basin Initiative and the Apparel Sector," The World Bank, Feb. 2004. The study examined the additional value of the price received by apparel exporters in the CAFTA countries under the Caribbean Basin Initiative (CBI), under which the United States unilaterally allowed select textile and apparel exports from eight countries to enter the country duty- and tariff-free.

11 José E. Lopez and Jaime E. Malaga, "Effects of MFA Quota Expiration: Declining U.S. Cotton Exports to Mexico?," Texas Tech University, 2003.

12 U.S. Department of Commerce, "A Guide to the Caribbean Basin Initiative," Briefing Paper, May 1994.

13 See U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004, at 34 through 37.

14 Enrique Iglesias, "CAFTA: Trade is Better than Isolation," *The Miami Herald*, Dec. 21, 2004; Fred Abernathy and David Weil, "Apparel Apocalypse?: The Americas' Textile Industries Won't Die When Quotas Do," *The Washington Post*, Nov. 18, 2004; UNCTAD Secretariat, "Assuring Development Gains from the International Trading System and Trade Negotiations: Implications of ATC Termination on 31 December 2004," Note to Trade and Development Board TD/B/51/CRP.1, Sept. 30, 2004.

15 U.S. International Trade Commission, "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market (Investigation No. 332-448, sent to USTR in June 2003)," Publication 3671, Jan. 2004, at 3-5.

16 "Losing Their Shirts; Textiles," *The Economist*, Oct. 16, 2004. The U.S. International Trade Commission (USITC) gave further evidence of this in its report on the competitiveness of U.S. trading partners: "U.S. apparel imports from the CA/DR region consist mostly of high-volume, low-unit-valued garments, such as basic knit shirts, pants, underwear, and nightwear. Such garments have relatively low labor content and predictable consumer demand. Their production involves large and standardized runs, simple sewing tasks, and few styling changes, which together help offset the higher cost of labor in the region vis-à-vis Asia." U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004, at 33.

17 Richard P. Appelbaum, "Assessing the Impact of the Phasing Out of the Agreement on Textiles and Clothing on Apparel Exports on the Least Developed and Developing Countries," Center for Global Studies Report, University of California at Santa Barbara, May 10, 2004, at 46.

18 P.T. Bangsberg, "Cosco adds 8,000-TEU ships to Long Beach service," *Journal of Commerce*, Oct. 1, 2004; P.T. Bangsberg, "Cosco Pacific, on an aggressive growth path, eyes investment in U.S. and European container terminals," *Journal of Commerce*, July 19, 2004.

19 While the U.S. apparel industry expects the costs of complying to be "substantially less" under CAFTA, they have noted that "it's too early to tell." Given the complex rules of origin in CAFTA, it is not clear that these kinds of transaction costs will diminish a great deal. See U.S. International Trade Commission, "U.S.-Central America-Dominican Republic

Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004.

[20] U.S. International Trade Commission, "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market (Investigation No. 332-448, sent to USTR in June 2003)," Publication 3671, Jan. 2004, at 3-6, 8 and 34.

[21] See Doreen Hemlock, "Press is on to save apparel industry in Caribbean from Asian competition," *Sun Sentinel*, Dec. 8, 2004.

[22] The general allowance is that 10% of the total weight of the "essential" parts of most products can come from outside the region, and specific allowances are made for greater use of fibers, yarns, and fabrics from outside the region in other products. The bar is set even lower for footwear: shoes can be imported into the United States from Central America duty-free, even if the most labor-intensive parts (such as "uppers") come from third countries such as China. The U.S. textile industry estimates that the looseness of these provisions will cost them $1 to $1.2 billion a year in losses from inputs they currently export to Central America, to the benefit of Chinese input providers. See U.S. International Trade Commission, "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market (Investigation No. 332-448, sent to USTR in June 2003)," Publication 3671, Jan. 2004, at 3(24)-3(25) and Appendix 1, I-8; and U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004, at 34 through 37.

[23] Washington Office on Latin America and U.S. Labor Education in the Americas Project, "Petition before the U.S. Trade Representative to remove Guatemala from the list of beneficiary developing countries under the Generalized System Of Preferences ("GSP") and from the list of beneficiary countries under the Caribbean Basin Economic Recovery Act ("CBI")," Dec. 13, 2004. Some Central American industry leaders have tried to obscure this record by saying that, "Social responsibility will be our biggest bet against China. [Companies] may be able to get it cheaper somewhere else, but we can offer them assurances that their products are made by workers in good working conditions." (See "Honduran textile industry sees CAFTA as key to competing in 2005," *Inside U.S. Trade*, Dec. 23, 2004.) As documented by WOLA and U.S. LEAP, these are contradicted by the actual record of these countries to date.

[24] Paul Blustein, "Trade Deficit Falls, But Big Gap Persists," *The Washington Post*, Nov. 11, 2004.

[25] Nouriel Roubini and Brad Setser, "The US as a Net Debtor: The Sustainability of US External Imbalances," New York University Briefing Paper, Nov. 2004, at 5.

[26] Mark Weisbrot and Dean Baker, "Fool's Gold: Projections of the U.S. Import Market," Center for Economic and Policy Research Briefing Paper, Jan. 2004.

[27] "Importers, Gov't Duel on Safeguards," *Women's Wear Daily*, Dec. 21, 2004.

[28] Keith Bradsher, "China Relents, and Promises Textile Tariffs," *The New York Times*, Dec. 13, 2004.

[29] Robert Reich, former labor secretary under Clinton, claimed this recently when he suggested that the benefits that would accrue to Central American agriculture under CAFTA would outweigh the costs to a devastated textile manufacturing sector post-quota removal. The U.S. International Trade Commission, the agency tasked with making trade projections for the government, concluded the opposite when it found that "U.S. [agricultural] exports are likely to rise substantially" after the Central American market is opened, while agricultural imports into the United States will barely change. Aid organizations have also estimated that Central America's rice industry—composed mostly of small-scale farmers—will be buried by cheap imports from the United States, which would make it a virtual repeat of the experience of Mexican corn farmers under NAFTA. See Robert Reich, "Afta NAFTA Comes CAFTA," *The American Prospect*, Dec 8, 2004; U.S. International Trade Commission, "U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects (Investigation No. TA-2104-13)," Publication 3717, Aug. 2004, at 50 through 51; and Carlos Galián, "A Raw Deal for Rice Under DR-CAFTA," Oxfam Briefing Paper 68, Nov. 2004.

[30] As was recently revealed by the *New York Times*, the Bush administration has recently cut foreign aid aimed at providing sustenance to millions of poor people around the world by about $100 million.

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