Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Modification under Article 3:5

Request by United States to China under Article 3:3

Note by the Chairman

Attached is a copy of the revised diplomatic note and market statement sent by the United States to China in connection with the request for consultations made under Article 3:3 on Category 670L.

* English only/Anglais seulement/Inglés solamente

1 The notification on the measure taken by the United States under Article 3:5 is contained in TEX.SB/1193.
The Honorable
Ambassador Marcelo Raffaelli
Chairman, Textiles Surveillance Body
GATT
Rue De Lausanne 154
1211 Geneva

Dear Mr. Chairman:

Further to my letters of October 23, 1985 and January 27, 1986, I am enclosing a copy of a revised diplomatic note and market statement which was delivered to the Government of the Peoples Republic of China on October 4, 1985 in connection with the earlier September 3 request under Article 3.3 of the Arrangement for consultations on man-made fiber luggage (category 670L).

The revised note and statement were submitted to replace the September 3 documents in order to provide up-dated data with respect to the latest import figures and a revised rollback level consistent with the official date of delivery of the original Article 3.3 request. The revised rollback level is, as given in my January 27 letter to you, 12,024,805 pounds, rather than 10,848,153 pounds as set forth in the September 3 diplomatic note.

Sincerely,

Robert E. Shepherd
Minister-Counselor

Enclosure
I have the honor to refer to the arrangement regarding international trade in textiles, with annexes, done at Geneva on December 20, 1973, and extended by protocols adopted December 14, 1977 and December 22, 1981 at Geneva (the arrangement).

My government has noted the sharp increase in imports of man-made fiber luggage from China. This luggage is entered in tariff schedule of the United States annotated (TSUS) numbers 706.3420, 706.4144, and 706.4152, which comprise category 670-L. Year ending July 1985 data show imports from China in Category 670-L of 13,271,595 pounds.

After careful review, my government has concluded that imports from China in this part-category are causing market disruption in the United States and are threatening to impede the orderly development of trade as contemplated under Article 3 of the arrangement. A detailed factual statement of the reasons and justification for this conclusion, with current data, is given in the enclosed market statement. Accordingly, the government of the United States requests consultations with the government of the People's Republic of China to discuss an appropriate level of restraint for Chinese exports in Category 670-L to the United States.

In accordance with Article 3 of the arrangement, to which both the government of the United States and the government of the People's Republic of China are parties, if our governments are unable to agree on a mutually satisfactory solution to this matter within 60 days, my government reserves the right to restrain imports of man-made fiber luggage in Category 670-L produced in China and imported during the 12-month period beginning on the date of receipt of this request, to a level not less than the level of United States' imports from China during the first 12 of the most recent 14 months, i.e., year ending June 1985. This level is 12,042,805 pounds.

My government would appreciate the views of the government of the People's Republic of China with respect to the situation pertaining to the export of man-made fiber luggage in Category 670-L to the United States.

My government will shortly propose a time and venue for consultations.

Enclosure: Annex A

Market statement

China Category 670L - Luggage, Man-made Fiber September 1985

Summary and Conclusions

U.S. imports of Category 670-L luggage from China during the year ending June 1985 were 11,315,400 pounds. Six times the imports of 1,967,800 pounds a year earlier. Imports for the first six months of 1985 were 7,159,000 pounds, almost seven times the January - June 1984 imports. More than the 5,732,000 pounds imported in all of 1984. China was the third largest supplier of man-made fiber luggage during the first six months of 1985 when it accounted for 13 percent of the total imports.
The U.S. Market for Category 670-Luggage is severely disrupted by imports and the high volume and rapid rise in imports from China have contributed to this disruption.

Production and Imports

U.S. production of man-made luggage is measured by the fabric consumed by the luggage producing establishments while imports are measured by the fabric content of imported luggage.

The fabric consumed by the U.S. luggage manufacturers dropped sharply from 36 million pounds in 1982 to 30 million in 1984. Imports of fabric from all sources contained in non-braided luggage, increased from an estimated 62 million pounds in 1981 to 143 million in 1984. In 1984, approximately 300,000 pounds of luggage was imported under TSUSA No. 785.3400 which also included man-made fiber handbags and flat goods. These latter imports are not included in the tables covering imports.

Annex A

Import Penetration and Market Shares

The ratio of imports to production of category 670-luggage sharply increased from 172 percent in 1982 to 477 percent in 1984. The ratio would have been higher if braided luggage imported under TSUSA No. 785.3400 had been included. The U.S. producers share of the market for domestically produced and imported luggage declined from 36.7 percent in 1982 to 17.3 percent in 1984.

Wholesale Prices, Chinese and U.S. Producers

Imports of man-made fiber luggage from China entered at low duty-paid values, resulting in wholesale prices well below those of comparable U.S. produced luggage.

Table I

U.S. Imports of Man-Made Fiber Luggage from China and Total

<table>
<thead>
<tr>
<th></th>
<th>CHINA</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>753</td>
<td>48,741</td>
<td>49,494</td>
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<td>1983</td>
<td>1,324</td>
<td>95,387</td>
<td>96,711</td>
</tr>
<tr>
<td>1984</td>
<td>5,732</td>
<td>137,967</td>
<td>143,699</td>
</tr>
</tbody>
</table>

Year-Ending June

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>1,967</td>
<td>144,639</td>
</tr>
<tr>
<td>1985</td>
<td>11,815</td>
<td>98,323</td>
</tr>
</tbody>
</table>

Note: Data prior to 1985 do not include imports of man-made fiber braided luggage. This is estimated to have been 300,000 pounds in 1984.
### TABLE II

U.S. PRODUCTION, IMPORTS AND IMPORT RATIOS, 
MAN-MADE FIBER FABRIC IN LUGGAGE 
- MILLION POUNDS -

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PRODUCTION</th>
<th>IMPORTS</th>
<th>IMPORT/ PRODUCTION RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>36</td>
<td>62 1/</td>
<td>172.2</td>
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<tr>
<td>1983</td>
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<td>1984</td>
<td>30</td>
<td>143</td>
<td>476.7</td>
</tr>
</tbody>
</table>

1/ PARTIALLY ESTIMATED.

### TABLE III

U.S. PRODUCTION, IMPORTS AND MARKET 
MAN-MADE FIBER FABRIC IN LUGGAGE 
- MILLION POUNDS -

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PRODUCTION</th>
<th>IMPORTS 1/</th>
<th>MARKET 2/ SHARE PERCENT</th>
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<td>1982</td>
<td>36</td>
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<td>1984</td>
<td>30</td>
<td>143</td>
<td>173</td>
</tr>
</tbody>
</table>

1/ PARTIALLY ESTIMATED.

2/ US EXPORTS ARE NOT A SIGNIFICANT FACTOR IN DETERMINING THE MARKET.