ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Report on Measure Reviewed under Article 3:5

United States/China

Note by the Chairman

In accordance with the TSB's recommendation made at its meeting of 17, 18 and 21 April 1986,¹ the attached report has been received from China on its consultations with the United States with respect to Category 670L.

¹COM.TEX/SB/1151

*English only/Anglais seulement/Inglés solamente
Dear Mr. Chairman,

At its meeting of April 17 and 21, 1986, the Textiles Surveillance Body (TSB) reviewed the unilateral action taken by the United States under Article 3 of the Arrangement Regarding International Trade in Textiles (the Arrangement) on imports from the People's Republic of China (China) of certain luggage classified under category 670L. The TSB did not reach a definitive conclusion on the question of whether all luggage classified under category 670L, or a portion thereof, fell outside the definition of "textile products" set forth in Article 12, paragraph 1 of the Arrangement. The TSB also did not address the issue of the existence of market disruption in the United States market of man-made fibre luggage. The TSB was of the opinion that any restraint under the Arrangement should be carefully considered so that it would apply only to products which clearly derived their chief characteristics from their textile components and recommended in terms of paragraph 4 of Article 12 that the parties consult on this matter again and report back to it no later than 10 June 1986.

On 21-23 May 1986, China and the United States engaged in bilateral consultations, including consultations regarding category 670L. During the course of these consultations, China raised the issue that the U.S. tariff schedule classification system did not distinguish between luggage of chief value and/or chief weight of man-made fibres, and luggage neither of chief weight or chief value man-made fibres, but with an outer shell of man-made fibres. China took the position that absent this distinction, it was impossible for the United States to determine whether the imports from China in category 670L, viewed by the
United States as disrupting the U.S. market, were of chief value or chief weight man-made fibres, and similarly, whether the luggage import in category 670L currently subject to U.S. restraint are of chief value or chief weight man-made fibres. China also took the view that restraint on man-made fibre luggage are inappropriate under the Arrangement as these merchandise do not take their chief characteristics from their textile components, but are part of a broader industry including luggage of plastics and leather among other materials. The United States maintained it was confident the merchandise it classified in 670L subject to restraint were within the coverage of the Arrangement, but offered no additional information in support of this contention.

In view of the failure of the United States to provide additional information on the question of whether luggage imports from China subject to restraint are "textile products" as defined in Article 12, paragraph 1 of the Arrangement, China continues to be of the view that the U.S. restraint on these products is inconsistent with the Arrangement.

There is urgency to this matter in review of the commercial difficulties impending as a result of the U.S. action. As is known to us that the United States already put an embargo upon imports from China of man-made fibre luggage on May 29, 1986 and it is anticipated that by September 2, 1986, when the twelve-month restraint period expires, a significant volume of China's man-made fibre luggage shipment would be affected. It is therefore requested that this matter be considered by the Textiles Surveillance Body.

With the assurances of my highest consideration.

Li Zhiming
Minister-Counsellor
Deputy Permanent Representative
Permanent Mission of China