

GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/1108*

31 May 1985

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 2:4

Report by China

Note by the Chairman

Attached is a notification received from China as requested by the TSB, on the evolution of the textile industry in China, its relation to the restrictions in effect, and the rationale for such restrictions. This report also fulfills China's obligations under Article 2:4.

¹ The notification by China under Article 2:1 is contained in COM.TEX/SB/985

* English only/Anglais seulement/Inglés solamente

TS/140-1.1

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MISSION PERMANENTE DE LA REPUBLIQUE POPULAIRE DE CHINE
AUPRES DE L'OFFICE DES NATIONS UNIES A GENEVE
ET DES AUTRES ORGANISATIONS INTERNATIONALES EN SUISSE

G85/18

Geneva, May 22, 1985

Dear Mr. Raffaelli,

I have the pleasure in transmitting to you "China's Import Control on Textiles and Clothing" as requested in your letter TS/140-1 dated 28 September, 1984.

I avail myself of this opportunity to renew to you the assurances of my highest consideration.



Li Luye

Ambassador

Permenant Mission

of China in Geneva

Mr. M Raffaelli

Chairman

Textiles Surveillance Body

ANSWERED	DOC. ISSUED	FILED
	TS/140-1	
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CHAIRMAN TSB		

For	Action	Comments
OPER. DEPT. A		
Non-Tar. M. Div.		
Development Div.		
Tech. Coop. Div.		
Trade Pol. Div.		
Spec. Proj. Div.	X	
OPER. DEPT. B		
Econ. R. Anal. Div.		
Agriculture Div.		
Tariff Div.		
Tech. Bar. T. Div.		
Ext. Rel. Div.		
Adm. / Fin. Div.		
Trans. / Eqp. Div.		
Training Div.		
Personnel Off.		
Conference Ctr.		

CHINA'S IMPORT CONTROL ON TEXTILES AND CLOTHING

I. Evolution of the Textile Industry

1. The Importance of the Textile and Clothing Industries in China's National Economy

The textile and clothing industries occupy an important place in China's national economy. In 1983 the output value of textile industry stood at ¥RMB 95.604 billion and that of clothing industry ¥RMB 15.346 billion, accounting for 15.7% and 2.5% of the total value in the industrial sector and 8.7% and 1.4% of the total product of society respectively (see table 1). In the same year, the output of yarns was 3.27 million tons, woven fabrics 14.88 billion metres, woollen yarns 102,100 tons, woollen piece-goods 142.91 million metres (see table 2).

Investment in textile and clothing industries valued at ¥RMB 1.708 billion and 8 million respectively, together accounting for 6.1% of the total investment in the industrial sector, and 2.9% of the investment in the total state-owned economic sectors (see table 3). Employees numbered 4.235 million and 0.163 million in the textile and clothing industries owned by the state, accounting for 11.9% and 0.5% respectively of the employment in the industrial sector and 4.8% and 0.2% of the total employment in all sectors owned by the state.(1) (see table 4)

2. Recent Developments in Textile and Clothing Industries

Since the beginning of the 1980s, new changes have taken place in the relationship between supply and demand in China's domestic market. The contradiction between production and demand has changed from the shortage of textile products to diversifying products and upgrading quality to meet the need of the market. The domestic sales of cotton fabrics have been on a decrease while those of polyester-cotton blended fabrics and man-made fibre fabrics, woollen piece-goods, silk and satain, woollen yarns have been on a constant increase. Along with the changes in supply and demand in the market, production of cotton fabrics has decreased but that of polyester-cotton blended fabrics and man-made fibre fabrics has increased. The quality of the products has also been improved.

China's textile industry includes cotton, wool, silk, jute, flax and ramie, and man-made fibres. China's cotton and wool textile industries were established in the 1880s. The cotton textile sector is the largest among all the sectors in China's textile industry. Since the founding of the People's Republic of China, more equipment has been added in this sector and its output has increased substantially. However, its technique and technology are of moderate level. In 1983, China's cotton spindles numbered 21,405,600 and cotton looms 624,747. The number of spindles in woollen textile sector increased to 1,005,200 in 1983 from 130,000 in 1949.

The development of China's man-made fibre industry started very recently. Although experimental plants of viscose rayon and synthetic fibres were set up in the 1950s, not until the 1970s did China begin to invest in developing the man-made fibre industry, import new foreign petro-chemical technology and construct a number of large-sized modern petro-chemical complexes using either petroleum or gas as raw materials. Thus the development of the man-made fibre(2) industry picked up speed. The output of man-made fibres stood at 540.700 tons in 1983.

The per capita consumption of textiles has been increasing year by year, and that of cotton and man-made fibre fabrics stood at 8 metres in 1978, 10 metres in 1982 and 10.33 metres in 1983. With the improvement of the living standard of the Chinese people, the consumption of textiles will continue to increase.

3. Imports and Exports of Textiles and Clothing

China develops its textile and clothing industries mainly for the domestic consumption and at the same time, according to the demand in the foreign markets and its supplying ability, it exports certain amount of textiles to earn foreign exchange needed for developing the national economy. The export value of textiles in 1983 amounted to ¥RMB 5.731 billion and clothing ¥RMB 4.064 billion accounting for 13% and 9.3% of China's total export value respectively. In the same year, the import value of textiles and clothing amounted to ¥RMB 1.113 billion and

¥RMB 0.006 billion respectively. The main importers are Hong Kong, the United States, EEC and Japan and the main suppliers are Japan, EEC, the United States and Hong Kong (see tables 5,6,7,8):

II. Import Control on Textiles and Clothing

1. Tariff Rates

According to the stipulations in the Regulations Covering Import and Export Duties of the PRC, the tariffs for imports fall into two categories: general tariff rates and minimum tariff rates. The general tariff rates apply to the imports originating in the countries with which the People's Republic of China has not concluded trade treaties or agreements containing reciprocal favourable tariff clauses; the minimum tariff rates apply to imports originating in the countries with which the People's Republic of China has concluded trade treaties or agreements with reciprocal favourable tariff clauses therein. The above principle and tariff rates also apply to the imports of textiles and clothing. (3)

2. Licensing System

(1). China has been practicing a licensing system on imports since the founding of the People's Republic of China. The licensing system has been amended twice in 1980 and 1983. The latest Provisional Regulations on Licensing System for Import Commodities

of the People's Republic of China was promulgated in January 1984 in which import licensing system was clearly stipulated. All commodities to be imported into China shall, unless otherwise stipulated by the state, require application for the import licenses in advance. The customs shall give clearance after examination on the strength of the licenses and other certificates concened. The import licenses for textiles and clothing will be administered according to the above regulations as the case may be. As for the imports of man-made fibres (including yarns, threads, tops) and man-made fibre fabrics and blended fabrics (including piece-goods, apparel, knitted garments of man-made fibres, skirts, socks and stockings, mosquito nets), import licenses are required, and the customs clearance for those commodities will be given on the presentation of import licenses.

(2). License issuing authorities: the Ministry of Foreign Economic Relations and Trade is the authorities to issue licenses for import commodities on behalf of the State. It also empowers the administrative authorities of foreign economic relations and trade at the provincial level to issue some of the import licenses under their jurisdiction.

(3). Procedures of issuing the import licenses

The unit applying for import license is required to submit to the license-issuing authorities an application. Then an import license will be issued by the license-issuing authorities if, after examination, the formalities are found to be in good order.

(4). Criteria of eligibility for license:

Import licenses are issued in the light of the domestic production and supplying position, the requirements of the national economic development and of the market and on the availability of foreign exchange, and imports are made in the following priority order: (i) products which can not be produced domestically and for which there are requirements by the production units or in the market; (2) products which can be produced domestically but can not meet the domestic demand both in quantity and quality; (iii) raw materials for which there are temporary requirements by the users.

(5). China's import licensing system is without discrimination and all suppliers will be accorded equal treatment.

(6). Justifications for China's licensing system applied to man-made fibres and fabrics of man-made fibres:

- The industry of man-made fibres is an infant branch of the textile industry in China and is now still in the early stage of development. China does not prohibit imports of man-made fibres and products of man-made fibres. China's production of these fibres and products can not meet its domestic consumption and has to import certain amount of these fibres and products to make up the domestic shortage. The licensing system is designed to regulate the flow of imports.

- China is a developing country. With limited foreign exchange earnings, China has to give priority to imports of advanced technology and equipment for the construction of key

projects and the technical transformation of some existing industrial enterprises. To ensure adequate foreign exchange for this purpose it is , therefore, necessary to impose appropriate restrictions on the importation of some consumer goods and other products which are less essential to its economic development.

III. Foreign Exchange Reserves

China's total foreign exchange reserves fell to US \$ 14.42 billion (including US \$ 380 million bonds) at the end of 1984 from US \$ 16.674 billion in September 1984, down by US \$ 2.254 billion. This was due to an increase of imports. In 1984, China's exports amounted to ¥RMB 58.06 billion and imports ¥RMB 62.06 billion, with a deficit of ¥RMB 4 billion. China's policy of opening to the outside world will speed up the growth of its foreign trade. Its imports will increase in the years to come.

Imports of textiles are treated similar to all other consumer goods. However, with a view to developing the process of the industrialization, priority is given to imports of capital goods and high technology. This , of course, includes advanced textile machinery, equipment and technology.

Notes:

- (1). There are no statistics available for employees in the collective and individual textiles and clothing enterprises. The figures of employees in clothing provided in the previous submissions covered state-owned, collective and individual enterprises. But employees for collective and individual enterprises were estimated only.
- (2) "Man-made fibres" refers to raw fibres only.
- (3) A revised Tariff of Import and Export Duties of the People's Republic of China was announced in March 1985. The English version of the publication will be submitted to the TSB as soon as it is available.

TABLE 1. OUTPUT VALUE OF TEXTILES AND CLOTHING INDUSTRIES
AND THEIR SHARES IN TOTAL INDUSTRIAL SECTOR AND TPS

Year	Value (RMB 100 million)				Percentage in total		Percentage in total	
	Textiles	Man-made	Cotton	Clothing	Textiles	Clothing	Textiles	Clothing
	<u>industry</u>	<u>fibres</u>	<u>textiles</u>	<u>industry</u>	<u>industry</u>	<u>industry</u>	<u>industry</u>	<u>industry</u>
1981	856.02	53.46	517.91	147.24	16.5	2.8	9.4	1.6
1982	866.85	57.65	495.31	141.94	15.5	2.5	8.7	1.6
1983	956.04	65.33	539.84	153.46	15.7	2.5	8.7	1.4

Source: State Statistical Bureau of the People's Republic of China, Statistical Year Book, 1981, 1983 & 1984.

TABLE 2. OUTPUT OF TEXTILES PRODUCTS

Product	Units	1982	1983
Man-made fibres	Tonnes	517,000	540,700
Yarns	Tonnes	3,354,000	3,270,000
Woven fabrics	Metres	15.35 billion	14.88 billion
Knitted cotton products (cotton yarn equivalent)	Tonnes	635,300	614,200
Towels	Pieces	1,284 million	1,297 million
Socks and stockings	Pairs	8,343.7 million	7,269 million
Woollen yarns	Tonnes	92,500	100,210
Woollen piece goods	Metres	126.69 million	142.91 million
Woollen blankets	Pieces	13.79 million	16.22 million
Gunny bags	Pieces	500 million	551 million
Silk	Tonnes	37,100	36,900
Silk products	Metres	914 million	999 million

Notes: 1. "Yarns" include cotton yarn, blended cotton yarn and man-made fibre yarn.

2. "Woven fabrics" include cotton fabrics, cotton blended fabrics, man-made fibre fabrics and canvas.

Source: State Statistical Bureau of the People's Republic of China, Statistical Year Book, 1984.

TABLE 3. INVESTMENT IN TEXTILES AND CLOTHING INDUSTRIES AND THEIR
SHARES IN STATE-OWNED INDUSTRIAL SECTOR AND TOTAL SECTORS

Year	Investment (RMB 100 million)				Percentage in state-owned industrial sector		Percentage in total state-owned sectors	
	Textiles industry	Cotton, wool, jute, flax, ramie & silk	Man-made fibres	Clothing industry	Textiles industry	Clothing industry	Textiles industry	Clothing industry
1981	19.86	11.49	8.37	0.16	9.2	0.07	4.5	0.04
1982	21.16	12.19	8.57	0.18	8.1	0.07	3.8	0.03
1983	17.08	7.70	9.38	0.08	6.1	0.03	2.9	0.01

Source: State Statistical Bureau of the People's Republic of China, Statistical Year Book, 1981, 1983 & 1984.

TABLE 4. EMPLOYMENT IN THE STATE-OWNED TEXTILES AND CLOTHING SECTORS AND THEIR SHARES IN THE STATE-OWNED INDUSTRIAL SECTOR AND TOTAL SECTORS

Year	Employees (1,000)			Percentage in state-owned industrial sector		Percentage in total state-owned sectors	
	Textiles industry	Man-made fibres	Clothing industry	Textiles industry	Clothing industry	Textiles industry	Clothing industry
1981	3,890	207	152	11.4	0.4	4.1	0.2
1982	4,121	216	157	11.8	0.4	4.8	0.2
1983	4,235	246	163	11.9	0.5	4.6	0.2

Source: State Statistical Bureau of the People's Republic of China, Statistical Year Book, 1981, 1983 and 1984.

TABLE 5. PRODUCTION AND EXPORTS OF TEXTILES AND CLOTHING
AND SHARE OF EXPORTS IN PRODUCTION

year	Production (RMB 100 million)		Exports(RMB 100 million)		Share of exports in production	
	Textiles	Clothing	Textiles	Clothing	Textiles	Clothing
1981	856.02	147.24	44.77	31.13	5.2	21.1
1982	866.85	141.94	46.30	36.14	5.3	25.5
1983	956.04	153.46	57.31	40.64	6	26.5

Notes: 1. The expression "textiles" is limited to textile yarns, fabrics, made-up articles and related products under division 65 of SITC; "clothing" is limited to articles of apparel and clothing accessories under division 84 of SITC.

2. China's clothing production is still underdeveloped. Purchased garments account for a very small portion of the clothing consumption in the whole of China and people depend very much on self-made and made-to-order garments in meeting their needs of clothing.

Sources: State Statistical Bureau of the People's Republic of China, Statistical Year Book, 1981, 1983 and 1984.

China's Customs Statistics, 1982, 1983 and 1984.

TABLE 6. VALUE OF IMPORTS AND EXPORTS OF TEXTILES AND CLOTHING

year	(1) Division 26,SITC Textile fibres & their wastes		(2) Division 65,SITC Yarns, fabrics, made-up articles & related products		(3) Division 84,SITC Articles of apparel & clothing accessories		(2) & (3)	(2) & (3)
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
(RMB 100 million)								
1981	44.16	7.61	23.12	44.77	0.26	31.13	23.37	75.89
1982	27.74	10.99	15.79	46.29	0.14	36.14	15.92	82.43
1983	16.41	13.26	11.13	57.31	0.06	40.64	11.19	97.95

Source: State Statistical Bureau . of the People's Republic of China, Statistical Year Book, 1981,1983

China's Customs Statistics 1982, 1983 and 1984.

TABLE 7. CHINA'S EXPORTS TO THE MAIN IMPORTING
COUNTRIES AND AREAS AND THEIR SHARES, 1983

Country & area	Textile fibres & their wastes		Yarns, fabrics, made-up articles & related products		Articles of apparel & clothing accessories	
	<u>Exports(RMB 10,000)</u>	<u>percentage</u>	<u>Exports(RMB 10,000)</u>	<u>percentage</u>	<u>Exports(RMB 10,000)</u>	<u>percentage</u>
Hong Kong	19,612.43	14.8	255,463.06	44.6	117,869.83	29
U.S.A.	1,976.28	1.5	39,152.59	6.8	109,437.24	26.9
EEC	46,751.45	35.2	55,400.80	9.7	46,003.80	11.3
Japan	38,252.09	28.8	51,254.25	8.9	46,200.47	11.4
Others	26,041.75	19.6	171,856.53	30	86,880.66	21.4
Total	132,636	100	537,127	100	406,392	100

Source: China's Customs Statistics 1984.

TABLE 8. CHINA'S IMPORTS FROM THE MAIN SUPPLIERS AND THEIR SHARES, 1983

Country & area	Textile fibres & their wastes		Yarns, fabrics, made-up articles & related products		Articles of apparel & clothing accessories	
	<u>Imports(RMB 10,000)</u>	<u>percentage</u>	<u>Imports(RMB 10,000)</u>	<u>percentage</u>	<u>Imports(RMB 10,000)</u>	<u>percentage</u>
Japan	13,848.08	8.4	38,542.40	34.6	53.55	9.4
Hong Kong	109.82	0.2	23,879.06	21.5	407.78	71.9
EEC	12,911.89	7.9	5,593.57	5	6.52	1.1
U.S.A.	8,404.36	5.1	4,208.19	3.8	9.03	1.6
Australia	31,213.92	19	4,950.16	4.4		
Pakistan	23,851.91	14.5	1,229.47	1.1		
Others	73,747.02	44.9	32,947.15	29.6	90.12	16
Total	164,087	100	111,320	100	567	100

Source: China's Customs Statistics 1984.