

GENERAL AGREEMENT ON

CONFIDENTIAL

TARIFFS AND TRADE

TEX.SB/1383*
2 September 1987

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 3:8 and paragraph 8 of the 1986 Protocol

United States/China

Note by the Chairman

Attached is a notification received from the United States of its intention to invoke paragraph 8 of the 1986 Protocol to extend the restraint on Category 845/846 (silk blend and other vegetable fibre sweaters) for the twelve-month period beginning 29 August 1987.

* English only/Anglais seulement/Inglés solamente

TS 1140-3

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For	As	On	At
GEN. DEPT. A			X
NTM & Surv. Div.			
Development Div.			
Trade & Fin. Div.			
Tech. Coop. Div.			
Spec. Proj. Div.			
ENS Div.			
GEN. DEPT. B			
Econ. Anal. Unit.			
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Conference Off.			



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DIRECTOR GENERAL			
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Sess. / Council Aff. Div.			
CHAIRMAN TBB	X		
ENS/BATT Pol. Aff. Div.			

UNITED STATES TRADE REPRESENTATIVE

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1202 GENEVA, SWITZERLAND

Telephone: 32 09 70

August 21, 1987

The Honorable
Ambassador Marcelo Raffaelli
Chairman, Textiles Surveillance Body
GATT
Rue De Lausanne 154
1211 Geneva

Dear Ambassador Raffaelli:

This is to inform the Textiles Surveillance Body of the absence of agreement between the Governments of the United States and China on extension of the existing restraint for silk blend and other vegetable fiber sweaters (category 845/846) in accordance with paragraph 8 of Article 3 of the Arrangement. The Government of the United States, therefore, has the honor also to inform the Textiles Surveillance Body of its intention to invoke paragraph 8 of the 1986 Protocol of Extension with respect to imports of this product. The Government of China is being notified of this decision through the Embassy of the United States in Beijing.

In a letter dated August 12, 1987, in accordance with paragraph 8 of Article 3 of the Arrangement, the Government of the United States proposed extending the existing restraint level for category 845/846 for an additional year, with one percent growth, i.e., at a level of 1,001,167 dozen. At that time, the Government of the United States also informed the Government of China that the United States would be pleased to hold additional consultations on this matter at a mutually convenient time.

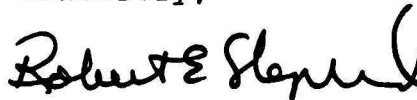
In the absence of agreement on extension of the restraint level the Government of the United States is notifying the Government of China of its intent to invoke paragraph 8 of the 1986

The Honorable
Ambassador Marcelo Raffaelli
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Protocol and to extend the restraint for a further 12-month period at the level cited above. In this notification, a copy of which is attached, the government of the United States notes that it considers this to be an exceptional case in the sense of paragraph 2 of Annex B of the Arrangement and has, therefore, accorded growth at less than 6%.

The Government of the United States also reaffirms its willingness to hold additional consultations on this matter, with a view to reaching a negotiated solution.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert E. Shepherd", with a stylized flourish at the end.

Robert E. Shepherd
Minister Counsellor

Attachment

U.S. - CHINA (845/846)

BEGIN TEXT OF DIPLOMATIC NOTE:

THE EMBASSY OF THE UNITED STATES HAS 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 RESPECTIVELY ON DECEMBER 14, 1977, DECEMBER 22, 1981 AND JULY 31, 1986 AT GENEVA (THE ARRANGEMENT). THE EMBASSY ALSO REFERS TO THE DIPLOMATIC NOTE OF AUGUST 29, 1986 FROM THE GOVERNMENT OF THE UNITED STATES TO THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA REQUESTING CONSULTATIONS ON SWEATERS OF SILK-BLENDS AND VEGETABLE FIBERS OTHER THAN COTTON (CATEGORY 845/846) AND TO VARIOUS CONSULTATIONS ON THIS SUBJECT HELD BETWEEN OUR TWO GOVERNMENTS.

THE EMBASSY FURTHER REFERS TO THE LETTER DATED AUGUST 12, 1987 FROM THE DEPARTMENT OF STATE TO THE EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA IN WASHINGTON, D.C. IN WHICH THE GOVERNMENT OF THE UNITED STATES

INFORMED THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA OF ITS DESIRE TO EXTEND THE EXISTING RESTRAINT LEVEL FOR SWEATERS OF SILK-BLENDS AND VEGETABLE FIBERS OTHER THAN COTTON (CATEGORY 845/846) FOR AN ADDITIONAL YEAR AT A LEVEL OF 1,021,167 DOZEN, OR ONE PERCENT GROWTH OVER THE PREVIOUS RESTRAINT.

AT THAT TIME, THE GOVERNMENT OF THE UNITED STATES NOTED THAT IT WAS MAKING THIS PROPOSAL IN ORDER TO ENSURE THE STEADY AND ORDERLY DEVELOPMENT OF TRADE AND TO AVOID THE DISRUPTIVE EFFECTS OF A SUDDEN INCREASE IN IMPORTS. IN THE ABSENCE OF A MUTUALLY AGREED SOLUTION AND IN ACCORDANCE WITH PARAGRAPH 8 OF ARTICLE 3 OF THE ARRANGEMENT, THE GOVERNMENT OF THE UNITED STATES REQUESTED CONFIRMATION THAT EXTENSION OF THIS RESTRAINT WAS ACCEPTABLE TO THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA.

INASMUCH AS THE EXISTING RESTRAINT LEVEL WILL EXPIRE ON AUGUST 28, 1987, AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA HAS NOT AGREED TO AN EXTENSION OF THIS RESTRAINT, THE GOVERNMENT OF THE UNITED STATES HAS THE HONOR TO INFORM THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA OF ITS INTENT TO INVOKE PARAGRAPH 8 OF

THE JULY 31, 1986 PROTOCOL OF EXTENSION TO THE ARRANGEMENT. THIS ACTION IS BEING TAKEN TO ENSURE THE STEADY AND ORDERLY DEVELOPMENT OF TRADE AND TO AVOID THE EXACERBATION OF MARKET DISRUPTION WHICH WOULD OCCUR AS A RESULT OF AN IMMINENT AND MEASURABLE INCREASE IN IMPORTS OF THIS PRODUCT FROM CHINA TO THE UNITED STATES UPON EXPIRATION OF THE EXISTING RESTRAINT.

APPROXIMATELY 121,000 DOZEN OF THIS PRODUCT FROM CHINA IS CURRENTLY IN EMPARGO IN THE UNITED STATES. AN ADDITIONAL 400,000 DOZEN HAD ENTERED INTO THE UNITED STATES, BUT COULD NOT BE CHARGED TO THE LIMIT, BECAUSE THE CATEGORY HAD ALREADY EMPARGOED. THE COMBINATION OF THE QUANTITY IN EMPARGO AND THE 400,000 DOZEN STILL TO BE CHARGED REPRESENTS APPROXIMATELY HALF OF THE NEW LIMIT. THIS SHIPPING PATTERN HAS EXACERBATED THE SITUATION OF MARKET DISRUPTION IN THE UNITED STATES FOR THIS PRODUCT. FURTHERMORE, IF THE RESTRAINT LIMIT IS NOT EXTENDED FOR THIS CATEGORY, THE DISRUPTIVE SHIPPING PATTERNS THAT HAVE BEEN DISPLAYED IN THE PAST ARE LIVELY TO RECUR.

IN ACCORDANCE, THEREFORE, WITH THE PROVISIONS OF PARAGRAPH 8 OF THE 1986 PROTOCOL, THE RESTRAINT FOR CATEGORY 845/846 WILL BE EXTENDED FOR AN ADDITIONAL YEAR WITH ONE PERCENT GROWTH. THE GOVERNMENT OF THE UNITED STATES OF AMERICA CONSIDERS THIS TO BE AN EXCEPTIONAL

CASE IN THE SENSE OF PARAGRAPH 2 OF ANNEX B OF THE ARRANGEMENT AND HAS THEREFORE ACCORDED GROWTH AT LESS THAN 6 PERCENT. THE EXTENSION OF THE RESTRAINT WILL TAKE EFFECT ON AUGUST 29, 1987, AND WILL BE AT A LEVEL OF 1,001,167 DOZEN.

A DETAILED FACTUAL STATEMENT OF THE REASONS AND JUSTIFICATIONS FOR THIS ACTION, WITH CURRENT SUPPORTING DATA, IS APPENDED AT ANNEX A, WHICH IS TO BE REGARDED AS AN INTEGRAL PART OF THIS NOTE.

THE GOVERNMENT OF THE UNITED STATES REMAINS COMMITTED TO A NEGOTIATED SOLUTION TO THE PROBLEM OF MARKET DISRUPTION IN CATEGORY 845/846 CAUSED BY IMPORTS OF THESE PRODUCTS FROM CHINA.

ENCLOSURE: ANNEX A

ANNEX A

MARKET STATEMENT
CATEGORY 845/846 -- SILK-BLEND AND
-- OTHER VEGETABLE FIBER
-- SWEATERS

SUMMARY AND CONCLUSIONS

CHINA WAS CALLED ON CATEGORY 845/846 -- SILK-BLEND AND OTHER VEGETABLE FIBER SWEATERS -- IN AUGUST 1986. FOLLOWING A FAILURE TO REACH A NEGOTIATED SOLUTION TO THIS MATTER A RESTRAINT LEVEL OF 991,254 DOZEN WAS IMPOSED FOR THE PERIOD AUGUST 29, 1986 THROUGH AUGUST 29, 1987. CHINA'S IMPORTS REACHED 1,899,780 DOZEN FOR THE ELEVEN MONTHS ENDING JUNE 1987, EVEN WITH REDUCED MONTHLY IMPORT LEVELS FOR THE FOUR MONTHS AFTER CHINA'S GOODS WERE EMBARGOED ON FEBRUARY 18, 1987. CHINA'S ELEVEN MONTH TOTAL WAS NEARLY DOUBLE THE ANNUAL RESTRAINT LEVEL AND ACCOUNTED FOR 19 PERCENT OF TOTAL CATEGORY 845/846 IMPORTS. IN THE ABSENCE OF RESTRAINTS, INDICATIONS ARE THAT THERE WILL ONCE AGAIN BE A SHARP AND SUBSTANTIAL INCREASE IN IMPORTS OF CATEGORY 845/846 SWEATERS.

IMPORTS OF SILK-BLEND SWEATERS AND SWEATERS OF VEGETABLE FIBERS OTHER THAN COTTON HAVE INCREASED DRAMATICALLY IN THE LAST TWO YEARS. MOST SILK-BLEND SWEATER IMPORTS ARE SILK/RAYON BLENDS; MOST VEGETABLE FIBER SWEATER IMPORTS ARE RAMIE/COTTON BLENDS ALTHOUGH RAMIE/RAYON, RAMIE/ACRYLIC, RAMIE/COTTON/RAYON, RAMIE/ACRYLIC/COTTON AND LINEN/COTTON BLENDS ARE ALSO BEING IMPORTED. MOST OF THE CATEGORY 845/846 IMPORTS FROM CHINA ARE RAMIE/COTTON SWEATERS.

IMPORTS OF SILK-BLEND AND OTHER VEGETABLE FIBER SWEATERS COMPETE WITH DOMESTICALLY PRODUCED COTTON AND MAN-MADE FIBER SWEATERS. THE U.S. MARKET FOR COTTON AND MAN-MADE FIBER SWEATERS, CATEGORY 345/645/646, HAS BEEN DISRUPTED BY IMPORTS. THE REMOVAL OF RESTRAINTS AND THE RESULTING IMMINENT AND MEASURABLE INCREASE OF IMPORTS OF SILK BLEND

AND OTHER VEGETABLE FIBER SWEATERS FROM CHINA WOULD EXACERBATE THE MARKET DISRUPTION AND IMPEDE THE STEADY AND ORDERLY DEVELOPMENT OF TRADE.

IMPORT PENETRATION AND MARKET SHARE

THE RATIO OF IMPORTS TO PRODUCTION IN CATEGORY 345/645/646, COTTON AND MAN-MADE FIBER SWEATERS, INCREASED TO 151 PERCENT IN 1986. THE SHARE OF THIS MARKET HELD BY DOMESTIC MANUFACTURERS DROPPED TO 40 PERCENT IN 1986. WHEN 1986 IMPORTS OF THE DIRECTLY COMPETITIVE CATEGORY 845/846 PRODUCTS

ARE INCLUDED, THE IMPORT TO PRODUCTION RATIO JUMPS TO 272 PERCENT AND THE DOMESTIC MANUFACTURERS' SHARE OF THIS MARKET FALLS TO 27 PERCENT.

U.S. IMPORTS OF CATEGORY 845/846 DURING AUGUST-DECEMBER 1986 WERE 4,531 THOUSAND DOZEN. DURING THE FIRST HALF OF 1987 IMPORTS REACHED 5,353 THOUSAND DOZEN. THE ELEVEN MONTH CUMULATIVE TOTAL REACHED 9,884 THOUSAND DOZEN REPRESENTING 44 PERCENT OF TOTAL COTTON, MAN-MADE FIBER, SILK-BLEND, AND OTHER VEGETABLE FIBER SWEATER IMPORTS.

DUTY-PAID VALUE AND U.S. PRODUCER PRICE

APPROXIMATELY 94 PERCENT OF THE IMPORTS OF CATEGORY 845/846 FROM CHINA DURING THE FIRST HALF OF 1987 ENTERED UNDER TSUSA NUMBER 384.5317 -- WOMEN'S, GIRLS' AND INFANTS' KNIT SWEATERS, OF VEGETABLE FIBER OTHER THAN COTTON, EXCLUDING THOSE SWEATERS ASSEMBLED IN HONG KONG FROM KNIT-TO-SHAPE COMPONENT PARTS KNITTED ELSEWHERE, NOT ORNAMENTED. THESE SWEATERS ENTERED THE U.S. AT LANDED DUTY-PAID VALUES BELOW U.S. PRODUCERS' PRICES FOR COMPARABLE SWEATERS.

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 -- TABLE I
 -- CATEGORY 845/846: U.S. IMPORTS OF SILK-BLEND AND 1/

-- OTHER VEGETABLE FIBER SWEATERS FROM CHINA
 -- AND THE WORLD
 -- - 1,000 DOZEN -

PERIOD	MONTHLY CHINA	CUMULATIVE TOTAL CHINA	WORLD
1986			
AUGUST	86,422	86,422	460,183
SEPTEMBER	183,146	269,568	1,327,874
OCTOBER	294,133	563,701	2,329,761
NOVEMBER	353,296	916,797	3,434,012
DECEMBER	287,058	1,203,855	4,531,233
1987			
JANUARY	302,492	1,506,347	5,799,830
FEBRUARY	208,586	1,714,933	6,673,664
MARCH	97,141	1,812,074	7,276,622
APRIL	34,089	1,846,163	7,954,761
MAY	20,841	1,867,004	8,909,377
JUNE	32,776	1,899,780	9,883,895

1/ PRIOR TO AUGUST 1, 1986 THERE WERE NO TARIFF PROVISIONS THAT BROKE OUT APPAREL CONTAINING 70 PERCENT OR MORE BY WEIGHT SILK.

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 -- TABLE II
 -- CATEGORY 345/645/646: U.S. PRODUCTION, IMPORTS AND
 -- IMPORT/PRODUCTION RATIOS OF COTTON AND MAN-MADE
 -- FIBER SWEATERS
 -- - 1,000 DOZEN -

PERIOD	PRODUCTION	IMPORTS	I/P RATIO
1972	10,314	8,238	79.9
1977	10,670	9,440	88.5
1982	8,860	10,271	115.9
1983	9,268	11,614	125.3
1984	9,907	12,241	123.6
1985	10,619	13,892	130.8
1986	9,601	14,497	151.0
1986	9,601	26,116 1/	272.0

1/ INCLUDES AUGUST-DECEMBER 1986 SILK-BLEND AND OTHER VEGETABLE FIBER SWEATER IMPORTS SEASONALLY ADJUSTED AT AN ANNUAL RATE. THIS METHOD WAS USED TO EXCLUDE DATA COLLECTED PRIOR TO AUGUST 1, 1986 WHEN THERE WERE NO TARIFF PROVISIONS THAT BROKE OUT APPAREL CONTAINING 70 PERCENT OR MORE BY WEIGHT SILK.

TABLE III
CATEGORY 345/645/646: U.S. MARKET AND DOMESTIC
MANUFACTURERS' SHARE

PERIOD	MARKET 1/ - 1,000 DOZEN -	DOMESTIC MANUFACTURERS' SHARE - PERCENT -
1972	18,552	55.6
1977	20,110	53.1
1982	19,131	46.3
1983	20,882	44.4
1984	22,148	44.7
1985	24,511	43.3
1986	24,098	39.8
1987	35,717 2/	26.9

1/ MARKET FOR DOMESTICALLY PRODUCED AND IMPORTED COTTON
AND MAN-MADE FIBER SWEATERS.

2/ INCLUDES AUGUST-DECEMBER 1986 SILK-PLANT AND OTHER
VEGETABLE FIBER SWEATER IMPORTS SEASONALLY ADJUSTED AT
AN ANNUAL RATE.

TABLE IV
CATEGORY 845/846: DUTY-PAID IMPORTS VALUES
AND U.S. PRODUCERS' PRICE FOR COMPARABLE PRODUCTS
- U.S. DOLLARS PER DOZEN -

ISUSA NO. AND SOURCE	VALUE/PRICE
384.5317	
CHINA	86.31
U.S. PRODUCER COTTON SWEATER PRICE	240.00 - 248.00
U.S. PRODUCER MAN-MADE FIBER SWEATER PRICE	174.00 - 180.00