

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

CONFIDENTIAL
TEX.SB/3005*
18 July 1994

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

**Amendment of the bilateral agreement between
the EC and the People's Republic of China**

Note by the Chairman

Attached is a notification received from the EC of an amendment of its bilateral agreement with the People's Republic of China, regarding the introduction of an agreed limit on Category 28.¹

¹The bilateral agreement and previous amendments are contained in COM.TEX/SB/1473, 1559, 1651 and 1839.

*English only/Anglais seulement/Inglés solamente

BASKET EXIT LIMITATION

Category: 28

Units: 000 pieces

Country: China

(a)	Date when new limit was agreed	7 April 1994
(b)	Basket Exit Level	10,404
(c)	Provisional limit introduced pending outcome of consultations	8,753 (for 3 months)
(d)	Level of new agreed limit	53,000
(e)	First year of application of new limit	1994
(f)	Annual growth	3%
(g)	Date when consultations were requested	25.3.94
(h)	Recorded imports at date of request	30,596
(i)	Period covered by (h)	(6 months 1/1/93-30.6.93)
(j)	Imports during previous year	35,010 (1992)

ref: basket

AGREED MINUTE

1. Delegations of the European Community and the People's Republic of China met in Beijing from 6 April 1994 to 8 April 1994 in accordance with Articles 6 and 16 of their bilateral Agreement on trade in textiles initialled on 9 December 1988 as amended and extended by the Exchange of Letters initialled in Brussels on 8 December 1992.
2. As a result of these consultations, the two parties agreed as follows :
 - a) China will limit its exports of products of categories 28, 68 and 97 to the Community as follows :

categories	Units	Quantitative limits years	
		1994	1995
28	000pcs	53.000	54.590
68	Tonnes	15.000	15.525
97	Tonnes	1.600	1.656

- b) The annual limits for the year 1994 are to be applied prorata as set out below :

28	000pcs	40.948	from 25 March 1994
68	Tonnes	11.589	from 25 March 1994
97	Tonnes	1.433	from 8 February 1994

Products shipped from China before the above-mentioned dates shall not be deducted from the limits established for each of the above-mentioned categories.

- c) It is understood that the provisions of the Agreement which concern exports of products subject to the quantitative limits established in Annex III thereto and in particular those relating to the double checking system and flexibility (Article 5 of the Agreement) are also applicable to the products subject to the quantitative limits mentioned in subparagraphs a) and b) above.

Beijing, 7 April 1994

For the Delegation of the
People's Republic of China

For the Delegation of the
European Community

F. C. ...

Situation in the Community Market
of category 28 products (knitted trousers, bib and brace overalls, breeches and shorts)

Imports from China

Total imports of category 28 products into the Community increased dramatically from 1989 to 1992 from 38 mio to 208 mio pieces also due to new types of products under this category which became successful in the market. China fully benefitted from this market development and, during the same period of three years, increased its exports to the Community by even more than 7 times from 4 mio to 35 mio pieces or by an average of more than 100% per year.

China is number one MFA-supplier of the Community since many years and continued to expand its dominant position in the EC market with further increase in the first 6 months of 1993 by more than 60%, a level four times higher than the average growth of all other extra EC suppliers. Consequently, China increased its share in total Ec imports to 22% in the first 6 months 1993 as compared to only 11% in 1989. At the same time China occupies one third of imports from all MFA countries having concluded a bilateral agreement with the EC.

An important factor contributing to the extremely high import increases in the Community of category 28 products originating in China are their prices. The import prices of Chinese products are very low and they have even considerably gone down in 1993. The average price of category 28 products imported from China in 1993 was less than half of the corresponding average price of extra Ec imports and only a little more than one third of the average price for European products under the same category.

Although consumption in the Community is still increasing - of course at a much lower level than before - the continuous extremely high increases in Chinese exports of category 28 products to the Community, China's high and growing share in the European market for this type of product and the very low Chinese prices have led to a disruption of the EC market and caused serious difficulties for the European industry.

This is demonstrated by the fact that Ec production which could not benefit from the increase in consumption since 1991, has decreased in the first 6 months of 1993 by more than 10%. The market loss within the EC has worsened by a reduction of the Ec industry's exports in the first 6 months of 1993. The resulting reduction of employment has been considerable.

In view of these serious difficulties of the European industry caused by the continuously and strongly increasing imports from China and in order to avoid a further deterioration of the economic and social situation, the Community has to request the opening of consultations according to Article 6 of the bilateral Agreement ECChina on trade in textiles.

CHINA/EC : category 28 (1000 pcs)I. Trade

Year	<u>EC Imports</u>			<u>EC Exports</u>
	Extra EC	China	% of Extra	Extra EC
1989	38225	4275	11.2	13799
1990	65500	7928	12.1	17165
1991	142604	19321	13.6	23530
1992	208070	35010	16.8	28366
1-6/92	115166	19038	16.5	15539
1-6/93	140367	30596	21.8	15063

The basket threshold level in 1992 (7130) was already exceeded by almost 4 times and in 1993 (10404) by almost 200% after 6 months only.

II. Prices

Comparison of average prices of category 28 products
(ECU/pcs) :

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1-6/93</u>
EC exports to industrialised countries	7.76	8.01	7.24	6.26
EC imports from :				
* Extra EC countries	4.14	3.63	3.43	2.86
* China	3.06	3.15	2.80	2.35

III. EC Market Situation

<u>Year</u>	<u>Production</u>	<u>Consumption</u>	<u>Import Penetration</u> <u>Extra-EC</u>	<u>China</u>
1989	19630	44056	86.8	9.7
1990	23027	71362	91.8	11.1
1991	23810	142884	99.8	13.5
1992	23657	203361	102.3	17.2
1-6/92	13326	112953	102.0	16.9
1-6/93	11915	137219	102.3	22.3