

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

CONFIDENTIAL

TEX.SB/3006*

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 68.¹

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

*English only/Anglais seulement/Inglés solamente



EUROPEAN COMMISSION

DIRECTORATE GENERAL I

EXTERNAL ECONOMIC RELATIONS

Sectoral commercial questions

Negotiation and management of textile agreements; clothing and other industries

1315

Brussels,
Ref: DP/jm - raffl
I-D-1

06.07.94

011219

Dear Ambassador,

With regard to the Agreement on trade in textile products between the European Community and China negotiated under Article 4 of the Arrangement and initialled on 9 December 1988, as amended by the Exchange of Letters initialled on 8 December 1992, I have to inform you of the following.

During the course of 1993, imports of babies' garments, (Category 68) from China into the Community exceeded the level at which the Community could ask for consultations with a view to establishing a Community limit under the provisions of Article 6 of the Agreement. Since the Community considered that there was a real risk of market disruption in this case, consultations were held on 7 April 1994 under Article 16 of the Agreement. As a result of these consultations, and in accordance with the provisions of the Agreement, China agreed to limit its exports as follows:

<u>Category</u>	<u>Unit</u>	<u>1994</u>
68	Tonnes	15,000 *)

*) The limit for 1994 is applied pro rata from 25 March to 31 December 1994.

These new limits contained in the Agreed Minute annexed to this letter are herewith communicated under Article 4, paragraph 4 of the Arrangement, as a modification to the Community's Agreement with China.

Yours sincerely,

Dorian Prince

RECEIVED
13 JUL 1994

Enc.

Ambassador M. RAFFAELLI
Chairman,
Textiles Surveillance Body, GATT
Centre William Rappard
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CH-1211 GENEVA 21

TsB

BASKET EXIT LIMITATION

Category: 68

Units: Tonnes

Country: China

(a)	Date when new limit was agreed	7 April 1994
(b)	Basket Exit Level	1,747
(c)	Provisional limit introduced pending outcome of consultations	3,204 (for 3 months)
(d)	Level of new agreed limit	15,000
(e)	First year of application of new limit	1994
(f)	Annual growth	3.5%
(g)	Date when consultations were requested	25.3.94
(h)	Recorded imports at date of request	7,528
(i)	Period covered by (h)	6 months 1/1/93-30.6.93
(j)	Imports during previous calendar year	12,816 (1992)

ref: basket1

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. Cingolani *Heinrich*

Situation in the Community Market
of category 68 products (babies' garments and clothing accessories)
Imports from China

The Community's imports of category 68 products increased by more than 53% in only three years (from 1989 to 1992) or by an average of 15,4% per year. During the same period China being already number one supplier of the EC in 1989, has more than doubled its exports to the Community and has taken one fifth of the Community market.

In 1993 China has consolidated its position as the Community's biggest supplier of babies' garments with an increase of its imports by another 13,1% in the first 6 months and with a tendency of higher increase in the second half of the year. China raised its share in total EC-imports in only three years from 26% in 1989 to 39% in the first half of 1993. China's share in imports from all MFA countries having concluded a bilateral agreement with the EC has reached almost 50%.

This continuous very high increase in Chinese exports of category 68 products to the Community has caused serious difficulties for the European industry. EC production which in spite of the considerable import increases referred to above could participate to a limited extent in the growth of consumption during the period 1989 to 1992, has shrunk dramatically during 1993. This development caused considerable losses in employment and the closure of companies.

In this context it has to be taken into account that the average prices of the products originating in China are exceptionally low; their level has even been reduced during last years. The average import price of category 68 products imported from China in 1993 has been 36% lower than the corresponding average price of total extra EC imports and represented only a quarter of the average price for European products of this type.

China's high share in the European market for category 68 products amounting to more than 25% in 1993 and the very low Chinese prices in addition to the shrinking EC-consumption have led to a disruption of the EC market. Therefore, a further high growth of Chinese exports to the Community would cause economic and social consequences, which would no longer be acceptable.

In view of the serious economic and social situation of the European industry and in order to avoid a further deterioration of this situation, but also in view of the necessary coherence of the Community's textile policy which foresees quantitative restrictions for a number of third countries which are much smaller suppliers of category 68 products than China, the Community has to request the opening of consultations according to Article 6 of the bilateral Agreement EC/China on Textiles.

AnnexCHINA/EC : category 68 (tonnes)**I. Trade**

Year	<u>EC Imports</u>		% of Extra	<u>EC Exports</u>
	Extra EC	China		Extra EC
1989	22774	6025	26.5	4540
1990	29029	9297	32.0	5473
1991	37570	13655	36.4	5956
1992	34968	12816	36.7	5651
1-6/92	17545	6655	37.9	2789
1-6/93	19313	7528	39.0	3130

The basket threshold level in 1992 (1878 t) was already exceeded by almost 6 times and in 1993 (1747 t) by 330% after 6 months only.

II. Prices

Comparison of average prices of category 68 products
(ECU/kg) :

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1-6/93</u>
EC exports to industrialised countries	37.97	36.87	36.96	38.30
EC imports from :				
* Extra EC countries	15.36	15.73	15.68	15.51
* China	9.62	11.19	10.76	9.98

III. EC Market Situation

Year	<u>Production</u>	<u>Consumption</u>	<u>Import Penetration</u>	<u>China</u>
			Extra-EC	
1989	28263	46497	49.0	13.0
1990	30786	54342	53.4	17.1
1991	32822	64834	57.9	21.1
1992	36292	65609	53.3	19.5
1-6/92	17492	32248	54.4	20.6
1-6/93	13303	29486	65.5	25.5