

GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/954/Add.2*
4 May 1984

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 11:4

Restraints under the Hong Kong/United States Agreement

Information supplied by the United States

Note by the Chairman

Attached is information received from United States concerning the notification made under Article 11:4, by Hong Kong.

* English only/Anglais seulement/Inglés solamente.



UNITED STATES TRADE REPRESENTATIVE

1-3 AVENUE DE LA PAIX

1202 GENEVA, SWITZERLAND

Telephone: 32 09 70


May 3, 1984

The Honorable
Ambassador Marcelo Raffaelli
Chairman, Textiles Surveillance Body
GATT
154 rue de Lausanne
CH-1211 Geneva 21

Dear Mr. Chairman:

Attached are detailed factual statements regarding the request for consultations by the United States under paragraph 7 of the the US- Hong Kong bilateral Textiles agreement with respect to Hong Kong exports of man-made fiber underwear in Category 652 (Attachment I), and man-made fiber playsuits in category 637 (Attachment II).

Sincerely,


Robert E. Shepherd
Minister-Counselor

Attachment

ATTACHMENT I

HONG KONG: MAN-MADE FIBER UNDERWEAR:
Category 652

I. Product Description

A. Category 652 covers man-made fiber garments which are ordinarily worn under other garments and are not exposed to view when the wearer is conventionally dressed. Brassieres and body supporting garments are not included.

B. Category 652 TSUSA coverage. TSUSA numbers and descriptions in Category 652 follow:

<u>Number</u>	<u>Underwear</u>
	Knit:
	Lace or knit underwear, whether or not ornamented:
	Ornamented:
378.0545	Men's & Boys'
378.0553	Women's, Girls' & Infants'
	Not Ornamented:
	Men's & Boys':
378.6015	Briefs
378.6020	Other
378.6030	Women's, Girls' & Infants'
	Not Knit:
	Ornamented:
378.0565	Men's & Boys'
378.0576	Women's, Girls' & Infants'
	Not Ornamented:
378.6511	Men's & Boys'
378.6530	Women's, Girls & Infants'

II. Market Situation

A. Real Risk of Market Disruption

1. Market share loss

U.S. production of category 652 has trended downward since 1979 (See table 2 and Section B 2).

The decline between 1979 and 1983 is estimated at 11.0-12.5 percent. The production trend in the women's, girls' and infants' knit briefs and bikinis sector which is being impacted by imports from Hong Kong has been more severe. Production in that sector has declined by 13-16 percent between 1980 and 1983. U.S. Market share (see Table 1) in that sector has declined from 92.2 percent in 1980 to 88 percent in 1983. 1984 production in this sector is not expected to grow, and with the sharp increase of imports, U.S. market share is expected to decline sharply in 1984.

2. Import Penetration

Table II provides data on production and imports. The ratio of imports to domestic production for category 652 increased from 3.8 percent in 1978 to about 7.5 to 7.6 percent in 1983. Section B 2 below shows an estimated import to production ratio of 13.3 - 13-8 percent for the affected area.

3. Employment

Employment in the industry producing underwear declined steadily during the past decade. Production worker employment in 1983 was down 19.2 percent from 1972, from 106,000 to 85,700 workers.

4. Profits

Apparel industry profits as a percent of sales were 3.4 percent in 1983 down from 4.2 percent in 1978. The 1983 3.4 percent apparel profits compare with 4.0 percent for all manufacturing.

B. Sharp and substantial increase in Imports (See Tables 4 and 5)

1. Imports (General)

U.S. imports of Category 652 from all sources were 4,668,000 dozens in 1983, up 27.2 percent from 1982 and the highest level on record. Imports continued to increase in 1984 and were up 136.5 percent in January-March 1984 compared with a year earlier.

2. Imports and Export Authorizations from Hong Kong

Hong Kong is the largest supplier of category 652, accounting for 32 percent of the total imports. During January-March 1984, it accounted for 47 percent of the total category imports from all sources.

Imports from Hong Kong increased by 29 percent from 1982 to 1983; January-March 1984 imports were up 231.8 percent from a year earlier.

Hong Kong, through February 4, 1983, had issued export authorizations for 2,847,670 dozens, or 116.6 percent of the minimum formula level. The United States decided to call for consultations when this level was reported. By the time the request for consultations had been received by Hong Kong, however, an additional 665,433 dozen (for a total of 3,513,103 had been issued.) (See table 6).

Continued.

During January-February 1984, 85 percent of the imports of Category 652 from Hong Kong entered under TSUSA Nos. 378.0553 and 378.6030. U.S. Customs Service reports that these imports were knit briefs and bikinis for women. Most of the remainder were men's knit briefs imported under TSUSA No. 378.6015. 1/

The women's, girls' and infants' knit briefs and bikinis sector of Category 652 is more heavily impacted by imports than the category as a whole. The ratio of imports to domestic production of women's, girls' and infants' man-made fiber panties (briefs and bikinis) in 1983 is estimated between 13.3 and 13.8 percent compared with 7.5 to 7.6 percent for the category. The production, import and ratio data follow:

<u>Period</u>	<u>Production</u> -1,000 Dozens-	<u>Imports</u>	<u>Ratio</u>
1980	33,333	2,832	8.5
1981	29,371	3,382	11.5
1982	28,508	3,138	11.0
1983 (Estimated)	28,000-29,000	3,865	13.3-13.8
		4,673 AT YE/MARCH/84	

C. Values and Prices

The landed duty-paid values of Category 652 imports from Hong Kong have consistently been at levels among those of other low cost foreign suppliers. The values are well below the U.S. producer prices for comparable garments. Table III provides value and price data on the TSUSA Nos. which account for about 85 percent of the Category 652 imports from Hong Kong. These values and prices are indicative of the differences existing for the remainder of the imports from Hong Kong.

1/ General Imports by TSUSA (in 1,000 dozens)

TSUSA 378.6030: Knit, Non-Ornamented, WG&I

	<u>Yr-to-Date</u>		<u>% Change</u>	<u>83 - 84</u> <u>% Share</u>		<u>Year Ending</u>	<u>% Change</u>	<u>83 - 84</u> <u>%Share</u>	
	<u>3/83</u>	<u>3/84</u>				<u>3/83</u>	<u>3/84</u>		
World:	354	841	+137.4	100		1,539	2,654	+72.4	100
Hong Kong	187	524	+179.8	52.8	62.3	733	1,468	+100.2	47.6-55.3

TSUSA 378.0553: Knit, Ornamented, WG&I

World	324	645	+ 99.3	100		1,439	2,019	+40.3	100
Hong Kong	42	216	+413.0	13.0-33.5		82	371	+352.3	5.7-18.4
Haiti	114	132	+15.5	35.2-20.5		417	558	+ 33.8	29.0-27.6

Table I

U.S. PRODUCTION, IMPORTS AND MARKET:
 MAN-MADE FIBER UNDERWEAR
 Category 652
 -1,000 Dozen-

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Market</u> <u>1/</u>
1978	65,860	2,530	68,390
1979	70,220	2,732	72,952
1980	66,157	3,399	69,556
1981	64,206	3,971	68,177
1982	62,973	3,671	66,644
1983 (Estimated)	61,500-62,500	4,668	66,168-67,168
		5,694 FOR YE/MARCH/84	

1/ Production and imports.

Exports are not significant factor. Over 90 percent of the exports are shipped abroad as parts for assembly and returned to the U.S. under item 807. This trade ranges from 1.5 to 2.0 million dozens annually during the 1978-1983 period. These exports are included in production and imports; thus the market data tend to over state by 1.5 to 2.0 million dozens.

U.S. PRODUCTION, IMPORTS AND MARKET:
 MAN-MADE FIBER UNDERWEAR
 CATEGORY 652, TSUSA'S 378.6030 AND 378.0553
 - 1,000 Dozen -

<u>YEAR</u>	<u>PRODUCTION</u>	<u>IMPORTS</u>	<u>MARKET</u> <u>1/</u>	<u>U.S. % OF SHARE</u>
1980	33,333	2,832	36,165	92.2
1981	29,371	3,382	32,753	89.7
1982	28,508	3,138	31,646	90.1
1983 (est)	28,000 -29,000	3,865	31,865-32,865	87.9-88.2

Table II

U.S. PRODUCTION, IMPORTS AND IMPORT/PRODUCTION RATIOS:
MAN-MADE FIBER
Category 652
(1,000 Dozens)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>I/P Ratio</u>
1978	65,860	2,530	3.8
1979	70,220	2,732	3.9
1980	66,157	3,399	5.1
1981	64,206	3,971	6.2
1982	62,973	3,671	5.8
1983 (Estimated)	61,500-62,500	4,668	7.5-7.6

Table III

CATEGORY 652: DUTY-PAID LANDED VALUES
AND U.S. PRODUCER PRICES

-U.S. Dollars per Dozens -

<u>TSUSA No. and Source</u>	<u>Value/Price</u>
<u>378.6030</u>	
Hong Kong	\$ 4.71
China	4.05
Philippines	4.93
U.S. Producer Price	5.50-6.00
<u>378.0553</u>	
Hong Kong	\$ 5.70
Macao	5.41
Philippines	6.56
U.S. Producer Price	6.70-7.25

TABLE IV

CATEGORY = 652 UNDERWEAR

SYDFAC = 16.00 FOR SYE

C COUNTRY	CALENDAR_YR		2/1984 DATA		YTD 2/1984 % CHANGE	UNITS = DOZ			YEAR ENDING		YEAR ENDING 2/1984 % CHANGE	% OF TOTAL CATEGORY
	1982	1983	YR-TO-DATE 2/1983	2/1984		2/1984	1/1984	12/1983	2/1983			
9 -WORLD-	3670574	4668328	543595	1285421	136.5	5410154	4996437	4668328	3530579	53.2	100.00	
1 HG KONG	1159234	1499434	181183	601223	231.8	1919474	1680479	1499434	980734	95.7	35.48	
1 CHINA T	287549	579504	79406	181511	128.6	681609	600510	579504	327661	108.0	12.60	
1 HAITI	453093	630146	88121	110635	25.5	652660	640724	630146	482985	35.1	12.06	
1 PHIL R	302915	507619	26095	132256	406.8	613780	557280	507619	298872	105.4	11.34	
1 MEXICO	697233	457435	34847	83751	140.3	506339	476301	457435	618886	-18.2	9.36	
1 LW WW I	255165	388023	52238	77722	48.8	413507	418870	388023	286692	44.2	7.64	
1 DOM REP	295829	381418	44243	63097	42.6	400272	386281	381418	306705	30.5	7.40	
CHINA M	14433	69229	4072	20686	408.0	85843	82490	69229	16231	428.9	1.59	

TABLE V

CATEGORY = 652 UNDERWEAR

SYDFAC = 16.00 FOR SYE

	3/1984 DATA				UNITS = DOZ							
	CALENDAR_YR		YR-TO-DATE		YTD 3/1984	YEAR			ENDING	YEAR	ENDING 3/1984	
COUNTRY	1982	1983	3/1983	3/1984	% CHANGE	3/1984	2/1984	1/1984	3/1983	% CHANGE	% OF TOTAL CATEGORY	
-WORLD-	3670574	4668328	824887	1850754	124.4	5694195	5410154	4996437	3476328	63.8	100.00	
HG KONG	1159234	1499434	265070	854938	222.5	2089302	1919474	1680479	952668	119.3	36.69	
CHINA T	287549	579504	88942	249046	180.0	739608	681609	600510	322853	129.1	12.99	
HAITI	453093	630146	133775	142589	6.6	638960	652660	640724	485930	31.5	11.22	
PHIL R	302915	507619	48484	176108	263.2	635243	613780	557280	314924	101.7	11.16	
MEXICO	697233	457435	83093	126103	51.8	500445	506339	476301	582608	-14.1	8.79	
LW WW I	255165	388023	80955	127778	57.8	434846	413507	418870	294534	47.6	7.64	
DOM REP	295829	381418	74248	105491	42.1	412661	400272	386281	312774	31.9	7.25	
CHINA M	14433	69229	4072	34645	750.8	99802	85843	82490	14599	583.6	1.75	

TABLE VI

HONG KONG EXPORT AUTHORIZATIONS
ISSUED IN 1984 FOR
CATEGORY 652

<u>Week Ending</u>	<u>Cumulative EA's in Dozens</u>
January 7	763,802
" 14	1,004,826
" 21	1,276,394
" 28	1,276,394
February 4	2,847,670
" 11	3,494,031
" 18	3,513,103

ATTACHMENT II

HONG KONG - MAN-MADE FIBER PLAYSUITS
Category 637

I. Product Description

A. Category 637 consists of:

1. Playsuits, sunsuits, washsuits, creepers and rompers.
2. Coveralls, overalls, and jumpsuits; boys', girls' and infants' sizes.

B. Category 637 garments may be knit or woven. Knit garments are entered under TSUSA Nos. 379.2830; 379.9220; 383.2035; and 383.8645. Woven playsuits enter under TSUSA Nos. 379.9610; 379.9615; 383.2330; 383.2335; 383.9211; and 383.9215.

C. U.S. imports from Hong Kong are women's, girls' and infants' playsuits for the most part. Approximately 55 percent of the imports knit playsuits entering under TSUSA Nos. 383.8645 and 383.2035. Approximately 20 percent are woven infants' playsuits entering under TSUSA No. 383.2330.

II. Market Situation

A. Real Risk of Market Disruption

1. Market share loss

As shown in table 1, the market for domestically produced and imported playsuits declined sharply from 1978 through 1981. Although the market strengthened in 1982 and 1983, the estimated level for 1983 is below that of any year from 1978 through 1980. The domestic producers' share of this market declined from 89 percent in 1978 to an estimated 87 percent in 1983. A further, substantial market share loss will occur in 1984.

2. Import penetration

Table II provides data on production and imports. The ratio of imports to domestic production increased from 12.4 percent in 1978 to an estimated range of 14.9 to 15.6 percent in 1983.

3. Employment

Employment in the industry producing knit playsuits declined steadily during the past decade. Production worker employment in 1983 was down 24.1 percent from 1972. Average weekly man-hours declined by 24.6 percent over the period. Employment declined two percent between 1982 and 1983.

4. Profits

Apparel industry profits as a percent of sales were 3.4 percent in 1983 down from 4.2 percent in 1978. The 1983 3.4 percent apparel profits compare with 4.0 percent for all manufacturing.

B. Sharp and Substantial Increase in Imports (See Tables 4 and 5)

1. Imports (General)

U.S. imports of Category 637 from all sources were 818,000 dozens in 1983, up 43.8 percent from 1982 and the highest level of the decade. Imports have continued to increase in 1984 and were up 44.3 percent during January-February 1984 compared with a year earlier.

2. Imports and Export Authorizations from Hong Kong

U.S. imports of Category 637 from Hong Kong increased by 247 percent from 10,086 dozens in 1982 to 34,967 dozens in 1983. Imports for the first two months of 1984 were 18,125 dozen or at a level equal to 52 percent of the total imports from Hong Kong for the entire year of 1983

Hong Kong, through February 18, 1983, had issued export authorizations for 40,810 dozens or 91 percent of the provisional minimum formula level (MFL) (See Table 6). The United States decided to call for consultation when this level was reported. By the time the request for consultations had been received by Hong Kong, an additional 4,692 dozen EA's were issued. The hold level which constitutes the basis for negotiation on an appropriate level of restraint is 45,502 dozen or 101.5 percent of the MFL. This amount is over 117 percent of the 1983 level of trade.

C. Values and Prices

The landed duty-paid unit values of Category 637 imports from Hong Kong have consistently been at levels among those of other low cost foreign suppliers. The values are well below the U.S. producer prices for comparable garments. Table III provides value and price data on the TSUSA Nos. which account for about three-fourths of the Category 637 imports from Hong Kong. These values and prices are indicative of the differences existing for the remainder of the imports from Hong Kong.

TABLE I

U.S. Production, Imports and Market:
Playsuits, Sunsuits & Washsuits,
Man-Made
Category: 637

(1,000 Dozens)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Market</u> <u>1/</u>
1978	6,201	768	6,969
1979	5,967	665	6,632
1980	5,811	716	6,427
1981	4,872	642	5,514
1982	5,354	569	5,923
1983 (Estimated)	5,250 - 5,500	818	6,068 - 6,318

1/ Production and Imports

Exports are not a significant factor in calculating the size of the U.S. domestic market for this product. In fact, exports of these type garments are not sufficiently large enough to have provisions in the export schedule of the U.S. and are reported under other apparel.

TABLE II

U.S. PRODUCTION, IMPORTS AND IMPORT/PRODUCTION RATIOS:
PLAYSUITS, SUNSUITS & WASHSUITS, MAN-MADE
Category: 637
(1,000 Dozen)

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>I/P Ratio</u>
1978	6,201	768	12.4
1979	5,967	665	11.1
1980	5,811	716	12.3
1981	4,872	642	13.2
1982	5,354	569	10.6
1983	5,250 - 5,500	818	14.9 - 15.6
		996*	

* Year Ending March 1984

TABLE III

CATEGORY 637: DUTY-PAID LANDED VALUES AND
U.S. PRODUCER PRICES
-U.S. Dollars per Dozen-

<u>TSUSA No. & Source</u>	<u>Value/Price</u>
<u>383.2330 - Infants' playsuits, woven</u>	
Hong Kong	\$ 11.14
Haiti	12.38
U.S. Producer Price	13.75-14.25
<u>383.8645 - W.G.I. playsuits, knit</u>	
Hong Kong	\$ 45.38
Philippines	43.07
U.S. Producer Price	55.00-60.00
<u>383.2035 - W.G.I. playsuits, knit, orn.</u>	
Hong Kong	\$ 24.42
Taiwan	23.02
U.S. Producer Price	30.00-35.00

TABLE IV

CATEGORY = 637 PLAYSUITS

SYDFAC = 21.30 FOR SYE

COUNTRY	2/1984 DATA		UNITS = DOZ		YTD 2/1984 % CHANGE	YEAR		ENDING		YEAR ENDING 2/1984		
	CALENDAR_YR		YR-TO-DATE							%		
	1982	1983	2/1983	2/1984		2/1984	1/1984	12/1983	2/1983	CHANGE	% OF TOTAL CATEGORY	
-WORLD-	568839	818190	220096	317674	44.3	915768	857706	818190	600748	52.4	100.00	
CHINA T	203006	286514	96956	124165	28.1	313723	297927	286514	208526	50.4	34.26	
PHIL R	256509	308330	66057	60044	-9.1	302317	308016	308330	248393	21.7	33.01	
CHINA M	33367	107894	28236	98703	249.6	178361	134242	107894	57133	212.2	19.48	
HG KONG	10086	34967	9584	18125	89.1	43508	40711	34967	16868	157.9	4.75	

TABLE V

CATEGORY = 637 PLAYSUITS

SYDFAC = 21.30 FOR SYE

COUNTRY	CALENDAR_YR		YR-TO-DATE		YTD 3/1984 % CHANGE	YEAR		ENDING 1/1984	YEAR ENDING 3/1984		% OF TOTAL CATEGORY
	1982	1983	3/1983	3/1984		3/1984	2/1984		3/1983	% CHANGE	
-WORLD-	568839	818190	291892	469833	61.0	996131	915768	857706	596342	67.0	100.00
CHINA T	203006	286514	114972	152447	32.6	323989	313723	297927	193330	67.6	32.52
PHIL R	256509	308330	104194	93438	-10.3	297574	302317	308016	256682	15.9	29.87
CHINA M	33367	107894	30486	160090	425.1	237498	178361	134242	57183	315.3	23.84
HG KONG	10086	34967	10253	28256	175.6	52970	43508	40711	15903	233.1	5.32
HAITI	32225	20554	5210	18301	251.3	33645	26711	23164	23069	45.8	3.38

TABLE VI

HONG KONG EXPORT AUTHORIZATION ISSUANCE
IN 1984 FOR CATEGORY 637

<u>WEEK ENDING</u>	<u>CUMULATIVE ISSUED</u>
January 7	23,621
" 14	35,126
" 21	38,941
" 28	39,037
February 4	40,122
11	40,660
18	40,810
25	45,252
March 3	45,502