

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/960/Add.1*

2 May 1984

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 3:5

Action taken by the United States towards Korea

Note by the Chairman

Attached is a statement received from the United States on the unilateral measure taken under the provisions of Article 3:5, in which imports of man-made fibre luggage (Category 670 part) from Korea has been placed under restraint for the period 9 January 1984 to 8 January 1985.

*English only/Anglais seulement/Inglés solamente



UNITED STATES TRADE REPRESENTATIVE

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May 2, 1984

The Honorable
Ambassador Marcelo Raffaelli
Chairman, Textiles Surveillance Body
GATT
154 rue de Lausanne
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Dear Mr. Chairman:

Attached is a detailed factual statement regarding the action taken pursuant to Article 3.5(i) of the Arrangement by the United States with respect to imports of man-made fiber luggage (Category 670 part) from Korea. A copy of the original request for consultations, which has been circulated to members as Tex.SB/949, is included as Appendix I.

Sincerely,

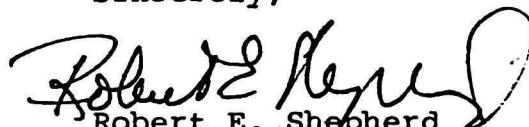

Robert E. Shepherd
Minister-Counselor

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Pursuant to Article 3 of the Arrangement with Respect to
Imports into the United States from Korea of Man-Made
Fiber (MMF) Luggage (Category 670-pt.)

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APPENDIX

KOREA: MAN-MADE FIBER LUGGAGE
Category 670 - Pt., TSUSA'S 706.4144 and 706.4152

I. Product Description

A. Articles which are designed to contain clothing and other personal effects while traveling. Traveling is construed to mean travel whether to and from the home, work site, school, vacation, etc, daily or otherwise, by any means including hiking or walking.

B. These luggage articles derive their chief characteristics from their man-made fiber textile component. Man-made fiber represents either the chief value of the fibers or 50 percent or more by weight of the product.

C. Man-made fiber luggage is imported under TSUSA Numbers 706.4144 and 706.4152. TSUSA No. 706.4144 covers backpacks. TSUSA No. 706.4152 covers other man-made fiber luggage, except luggage wholly or in part of braid.

II. Existence of Market Disruption

A. Sharp and Substantial Increase in Imports

1. World Imports

Quantity: Imports of man-made fiber luggage (principally of nylon) have increased substantially and are causing disruption in the US man-made fiber (mmf) luggage industry. Collection of quantity import data by the U.S. Census Bureau on mmf luggage began in May 1982. Imports grew from 61.9 mil pounds in 1982 1/, to 96.7 mil pounds in 1983, and were 114.5 mil pounds for the year ending March 1984. This is an increase of 85 percent over a fifteen month period. (Table 1). On a year to date basis, first quarter 1984 imports were 36.1 mil pounds, compared to 17.9 mil pounds for the same period in 1983, a 102 percent increase.

Value: In value terms (current dollars), imports of man-made fiber luggage increased 544 percent over a five year period:

In mil dollars:	<u>MMF Luggage</u>	<u>All Luggage</u>	<u>MMF % SHARE</u>
1978	32.2	201.9	15.9
1979	48.6	229.6	21.2
1980	60.9	246.1	24.7
1981	91.6	294.4	31.1
1982	144.3	336.4	42.9
1983	207.3	340.0	61.0
YE/3/84	245.5		

World imports in the first quarter of 1984 were \$76.3 mil compared to 38.1 mil for the same period in 1983.

Note: 1/ January-April/May 1982 imports estimated using value data deflated to constant dollars.

2. Imports from Korea

Quantity: Imports of mmf luggage from Korea increased from 15.3 mil pounds for the year ending May 1983 period^{1/} (first available full year's data), to 24.2 mil pounds for the year ending March 1984 period, a 58.2 percent increase in ten months (Table 1). On a year to date basis, imports from Korea were 6.7 mil pounds in the first quarter of 1984, compared to 3.6 mil pounds for the same period in 1983, an 86 percent increase. Korean share of year ending March 1984 world imports is 21.1 percent.

Value: In value terms (current dollars), imports of mmf luggage from Korea have almost tripled since 1981. Year ending March 1984 imports from Korea were \$ 66.6 mil, compared to \$37.7 mil in 1982, and \$23.8 mil in 1981. In the first quarter of 1984 imports were \$18.8 mil compared to \$9.7 mil in the same 1983 period.

B. Evidence of Damage to the Domestic Industry

1. US Production

US Production of mmf luggage has declined substantially since 1980. Production data for mmf luggage is not collected separately by the US Census Bureau; however, the extent of the decline in the U.S. mmf luggage production can be demonstrated by analyzing trends in (a) the entire US luggage industry, and (b) U.S. consumption of mmf fabric for luggage production.

a. Trends in the US Luggage Industry

Production and employment trends in the entire US luggage industry are indicative of conditions in the mmf luggage industry. However, due to the higher degree of labor intensity in the production of mmf luggage, the impact of imports on that industry is significantly higher.

^{1/} 1982 imports from Korea, estimated using value data deflated to constant dollars are 14.2 mil pounds.

The luggage industry has contracted substantially since 1980. Total producers' shipments in current dollars declined from \$880 mil in 1980 to an estimated \$651 mil in 1983, a 26 percent decline (Table 2). In constant 1972 dollars, the decline is even more substantial, i.e. 35 percent from \$467 in 1980 to 304 million in 1983. The number of establishments producing luggage declined from 275 in 1980 to 250 in 1982 (Table 6), accompanied by a decline in employment from 16,300 to 14,000 workers (Table 3). At the same time, the ratio of imports to domestic production increased from 30 percent in 1980 to 52 percent in 1983.

b. Consumption of mmf Fabric for Production of Luggage

Production of mmf luggage can be derived from the total consumption of mmf fabric used in the production of luggage. The data for materials consumed published by the National Cotton Council show that mmf fabric consumed in the production of luggage was 29.5 mil pounds in 1979, compared with 25.1 mil pounds in 1982, a decline of 15 percent (Table 4). This decline continued in 1983.

2. Import Penetration

In order to derive a common conversion factor for comparing mmf luggage imports with US mmf luggage production, these imports were converted into pounds of mmf fabric which can then be compared to pounds of mmf fabric consumed in domestic production. A survey of the industry and the US Customs Service indicated that, considerably more than 50 percent by weight of mmf luggage imports is accounted for by fabric. The poundage of mmf fabric has, however, been calculated on the conservative basis of 50 percent for imports^{1/}. Imports of mmf luggage as measured in pounds by this conservative method indicates that imports of mmf fabric were 31 mil in 1982 and 48.4 mil pounds in 1983. The ratio of imports to domestic production was 123.7 percent in 1982, and is estimated in excess of 214 percent in 1983. (See table below). As noted above (Section II.A-2), 1982 imports from Korea were 14.2 mil pounds, contributing significantly to import penetration.

1/ In the case of imports from Korea, this conversion factor is believed to substantially understate the actual mmf fabric content.

U.S. PRODUCTION, IMPORTS AND IMPORT TO
PRODUCTION RATIO FOR MAN-MADE FIBER
FABRIC IN LUGGAGE
-1,000 Pounds-

<u>Year</u>	<u>Production</u>	<u>Imports</u>	<u>Ratio</u>
1982	25,066	31,004	123.7
1983	*est. 21.3-22.6	48,372	est. 214.2-227.2
YE/3/84		57,259	

*million pounds

C. Prices

The wholesale prices being quoted by importers of man-made fiber luggage from Korea and Taiwan are at the same levels when identical products are being offered. The Korean prices are at levels considerably below the wholesale prices of comparable U.S. produced luggage. Table 5 provides wholesale prices for certain types of man-made fiber items which are representative of the differences existing between Korean and U.S. producer wholesale prices for man-made fiber luggage.

III. Interests of the Exporting Country

Imports of man-made fiber luggage from Korea have sharply increased since 1981, an increase which has given Korea over 20 percent of the import market for these products. Although it was not possible during the consultations with Korea in February to reach a mutually satisfactory arrangement with respect to a restraint level for these products (see section IV below), the United States is prepared to resume consultations toward that end at any mutually acceptable date.

IV. Conformity with Annex B

The United States requested consultations pursuant to Article 3 of the Arrangement on January 9, 1984 (Appendix I). Imports of products in Category 670 part from Korea during the twelve month period commencing in November 1982 and ending in October 1983 were 18,435,270 lbs (see Table 1), this period being the twelve month "roll back" period specified in paragraph 1 of Annex B of the Arrangement and cited in Article 3.5(i) of the Arrangement. Since it was not possible during the 60 day period following the

request for consultations for Korea and the United States to reach a mutually acceptable agreement with respect to a restraint level for this category, the United States has set a restraint level pursuant to, and in conformity with, the provisions of Article 3.5(i). This action is without prejudice to the outcome of further consultations and, as noted earlier, the United States is prepared to resume consultations to address the problems of imports from Korea of Category 670 part at any mutually agreeable date.

U.S. General Imports of Luggage, TSUSA'S 706.4144 AND 706.4152 1/ IN POUNDS

	<u>MAY-DEC 82</u>	<u>1983</u>	<u>YE OCT 83</u> <u>Rollback</u>	<u>YE 3/84</u>	<u>% SHARE</u> <u>YE 1983</u>	<u>Restraint</u>
TOTAL	49,493,913	96,711,139	88,172,046	114,987,009	100.0	
Taiwan	36,404,301	68,828,448	63,837,713	83,247,144	72.4	58,004,491
REP Korea	9,748,255	21,127,007	18,435,270	24,242,762	21.1	Nov 29, 1983-Nov 28, 1984 18,435,270 Jan 9, 1984-Jan 8, 1985
Hong Kong	1,401,129	2,836,770	2,360,335	3,293,154	2.9	
Mexico	709,776	1,772,928	1,626,801	1,912,527	1.7	
China, M.	753,469	1,324,225	1,157,031	1,385,767	1.2	
Japan	147,835	248,606	264,198	332,701	0.3	

1/ TSUSA 706.4150 before January 1, 1984

2/ Data collection began May 1, 1982

LUGGAGE: U.S. PRODUCTION, EXPORTS, IMPORTS FOR CONSUMPTION, AND APPARENT CONSUMPTION, 1978-1983

<u>Year</u>	<u>Production</u>	<u>Export</u>	<u>Imports</u>	<u>Apparent Consumption</u>	<u>Ratio Of Imports to Consumption</u>	<u>Ratio of Imports to Production</u>
	-- MILLION DOLLARS --				-- PERCENT --	
1978	622.3	42.5	201.9	781.7	26	32
1979	728.7	49.0	229.6	909.3	25	32
1980	808.1	57.0	246.1	997.2	25	30
1981	740.2	51.8	294.6	982.8	30	40
1982	683.0	41.4	336.4	990.7	34	48
1983	651.0	34.0	340.0	956.3	36	52

TABLE 3

Average number of employees, total and production workers, in all manufacturing and the average number of employees, total, production workers, and women employees, engaged in the production of luggage, 1978-82

Year	All manufacturing			Luggage					
	Production and related workers			Total employees		Production and related workers		Women employees	
	Total employees	Share of total	Share of total	Number	Share of total	Number	Share of total	Number	Share of total
		Number	manu- facturing employees		Number	manu- facturing employees	Number	luggage employees	Number
	Thousands	Thousands	Percent	Thousands	Percent	Thousands	Percent	Thousands	Percent
1978----	20,505	14,734	71.9	17.3	.1	13.3	76.9	9.3	53.8
1979----	21,040	15,067	71.6	18.0	.1	14.1	78.3	9.8	54.4
1980----	20,285	14,214	70.1	16.3	.1	12.2	74.8	8.7	53.4
1981----	20,170	14,020	69.5	15.2	.1	11.6	76.3	8.0	52.6
1982----	18,853	12,790	67.8	14.0	.1	10.3	73.6	7.4	52.9

Source: Compiled from official statistics of the U.S. Department of Labor, U.S. Bureau of Labor Statistics.

U.S. CONSUMPTION OF MAN-MADE FIBER FABRIC
IN LUGGAGE PRODUCTION
-Millions Pounds-

<u>Year</u>	<u>Consumption</u>
1979	29.5
1980	28.9
1981	27.3
1982	25.1

CATEGORY 670-Part, Man-Made Fiber Luggage
Wholesale Prices for Korean and U.S.
Produced Items

Item and Source
Tote Bags

Wholesale Prices

Korea	10.25
U.S.	14.30

Garment Carrier

Korea	17.30
U.S.	33.05

Garment Bag

Korea	12.50
U.S.	20.00

Unstructured Garment Bag

Korea	6.73
U.S.	9.58

U.S. LUGGAGE INDUSTRY: ECONOMIC INDICATORS

Number of Establishments

1977 - 298
1980 - 275
1982 - 250

Employment

All Employees

1977 - 17,300
1980 - 16,300
1982 - 14,000

Production Workers

1977 - 13,800
1980 - 12,200
1982 - 10,300

Production (Current Dollars - Millions)

1977 - 585.3
1980 - 808.1
1983 - 651.0

Imports (Current Dollars - Millions)

1977 - 112.5
1980 - 246.1
1983 - 340.0

Exports (Current Dollars - Millions)

1977 - 41.2
1980 - 57.0
1983 - 34.7

Apparent Domestic Consumption (Current Dollars - Millions)

1977 - 681.9
1980 - 997.2
1983 - 956.3

Import to Domestic Production Ratio (Percent)

1977 - 24
1980 - 32
1983 - 52

Import to Domestic Consumption Ratio (Percent)

1977 - 20
1980 - 25
1983 - 36