

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/987/Add.1\*  
4 July 1984

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Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Report on Article 3:5 Action

United States/Korea

Note by the Chairman

Attached is a report received from the United States concerning its consultations with Korea on man-made fibre luggage (Category 670 part). The report has been made in accordance with the TSB's recommendation.

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<sup>1</sup> See COM.TEX/SB/953

\* English only/Anglais seulement/Inglés solamente

U.S. STATEMENT REGARDING TSB RECOMMENDATION  
ON U.S./KOREA LUGGAGE DISPUTE

1. The type of products subject to the Article 3 action by the United States for category 670 (part) are advertised, bought and sold in the trade as "nylon luggage", "nylon softsided luggage" and even "sporty nylon luggage". The key modifier is the word "NYLON". These items derive their chief characteristic from their textile components (of man-made fiber) not from their fittings, zippers, frames, locks, straps, etc. Attached are pertinent advertisements from the J.C. Penney and Sears catalogues which describe the types of luggage being offered for sale at the present time.

2. On May 3, 1984, following presentations of the United States and Korea regarding the United States' action with regard to a unilateral measure taken pursuant to Article 3:5 of the Multi-fiber Arrangement on man-made fiber luggage in Category 670 (part), the Textile Surveillance Body recommended in part that:

(a) the two parties consult again with a view to separating the products which are covered by the MFA from those which are not covered

(b) the parties reconsider the level of trade in view of the possibility of non-MFA products being considered, and

(c) that both parties take appropriate measures in order to ensure that imports of non-MFA products would not be affected.

3. The United States has carefully reviewed the types of products subject to the Article 3 action with respect to luggage of man-made fibers in Category 670 (part) and has reached the following conclusions as to the applicability of these products to Article 12 (1) of the MFA:

(1). The articles in question derive their chief characteristic from their man-made fiber textile components in which these fibers in combination represent the chief value of the fibers.

(2). Virtually all luggage, handbags and flatgoods classifiable under the Headnote to Subpart D to Part 1 of Schedule 7 of the Tariff Schedules of the United States contain some types of fittings -- locks, snaps, frames, linings, zippers, straps, etc.

(3) Headnote 3 of Subpart D to Part 1 of Schedule 7 tells the Customs Service to disregard these fittings and to determine the type (or characteristic) of the luggage (handbags, or flatgoods) by the value of the components on the exterior of the product.

(4) The TSUS legally provides for the following types of of luggage:

(a). In chief value of leather (of leather)

(b). In chief value of unspun fibrous vegetable materials  
(bamboo, willow, rattan, etc.)

(c). In chief value of textile materials:

(1) Of cotton or other vegetable fibers

(2) Of other fibers

(d). In chief value of reinforced (molded luggage) or laminated plastics (vinyls)

(e). In chief value of other materials:

- (1) Of beads, spangles or bugles
- (2) Of metal
- (3) Of paper yarns (raffia)

(5). Luggage (handbags and flatgoods) are advertised, bought and sold based on the materials which comprise the outer shell - not the fittings which are contained within. A consumer may choose between two styles of the same type of luggage based on the sturdiness of the closure, the style of the straps or locks etc., but he is first influenced by the outer shell.

(a). Leather: Consumers choose leather bags for a variety of reasons. Such bags are sturdy, prestigious, usually long-wearing and convey a certain image. These bags are advertised as leather bags and generally carry a significantly higher price tag than simulated leather bags (vinyl) or textile bags.

(b). Non-spun vegetable fibers: light, airy, used for picnic baskets, purses and carryalls. Probably not a volumn item of trade at present.

(c). Of textile Materials: Light, strong, easy to carry, can be overstuffed, usually reasonable in cost. However, do not wear as long as leather or vinyl bags and can be ripped or torn during traveling.

(d). Of plastic or vinyl: Usually made to simulate leather bags, but at a much reduced cost. Strong and durable but much heavier than textile bags. Common types are molded vinyl bags (with no give) and soft-sided vinyl bags.

3. Pursuant to the recommendation of the TSB regarding the luggage issue between the U.S. and Korea, a U.S. delegation met with representatives of the Government of Korea in Seoul on June 7 and 8 to continue the discussions on category 670 (part). The U.S. again proposed that category 670 (part) be included in the U.S.-Korean bilateral agreement and visa arrangement. Although no agreement was reached during this round of consultations on a satisfactory level for category 670 (part) or on the classification issue, both sides agreed to continue the consultations at the earliest possible date.

The consultations are presently scheduled to continue in Washington on July 10 and 11 and in New York on July 12 and 13 with discussions on the technical classification issues. The Korean team will consist of HI Cho, Director of the Americas Division of the Ministry of Trade and Industry, SY Kim, Assistant Director, the First Export Division, Ministry of Trade and Industry, SW lee, the Manager for Korea Plastics Exporters Association and two members of his association, and Mr. Kim, of the Korea Garment and Knitwear Export Association in Washington D.C.

(Attached is the schedule of these consultations)

Korea/U.S. technical consultation on made made  
fiber luggage classifications

Date	Agency to visit	Purposes
July 10(Tue) 10.00 - 16.00 11(Wed) 10.00 - 12.00	OTexA, DOC	<ol style="list-style-type: none"> <li>1) General discussion of the problems have affected man made fiber luggage exports to the United States from Korea since the introduction of import controls.</li> <li>2) To reconcile data discrepancies in man made fiber luggage import charges for Feb and Mar if such a data reconciliation can not be done at New York Seaport Customs.</li> </ol>
July 11(Wed) 14.00 - 16.30	Customs Hqs	<ol style="list-style-type: none"> <li>1) Classification guidelines currently followed by import specialists of man made fiber luggage.</li> <li>2) Administrative arrangements with regard to luggage quota charges.</li> </ol>
July 12(Thu) 10.00 - 16.00 13(Fri) 90.00 - 12.00	NY Seaport Customs	<ol style="list-style-type: none"> <li>1) Consultations with National and Regional Import Specialists regarding technical aspects of man made fiber luggage classifications.</li> <li>2) Preparation and signing of Minitue of Discussions between specialists from two countries. If this is not possible, ruling on samples on Customs Form 4313 is acceptable.</li> <li>3) Luggage samples(18 pcs) will be submitted to NY Seaport Customs luggage MIS for his pre-consultation inspection, as well as for classification ruling on Customs Form 4313.</li> <li>4) Other matters that may be necessary to enhance the understanding of U.S. luggage classification system.</li> </ol>

List of visitors coming here from Korea for technical  
consultation of man made fiber luggage  
(classifications)

Mr Cho

Director, Americas Division, Ministry of Trade & Industry

SY Kim

Assistant Director, The First Export Adivision,  
Ministry of Trade & Industry

SW Lee

Manager, Korea Plastics Exporters Association &  
two other unknown classification specialists from  
Korea Plastics Exporters Association, Seoul, Korea