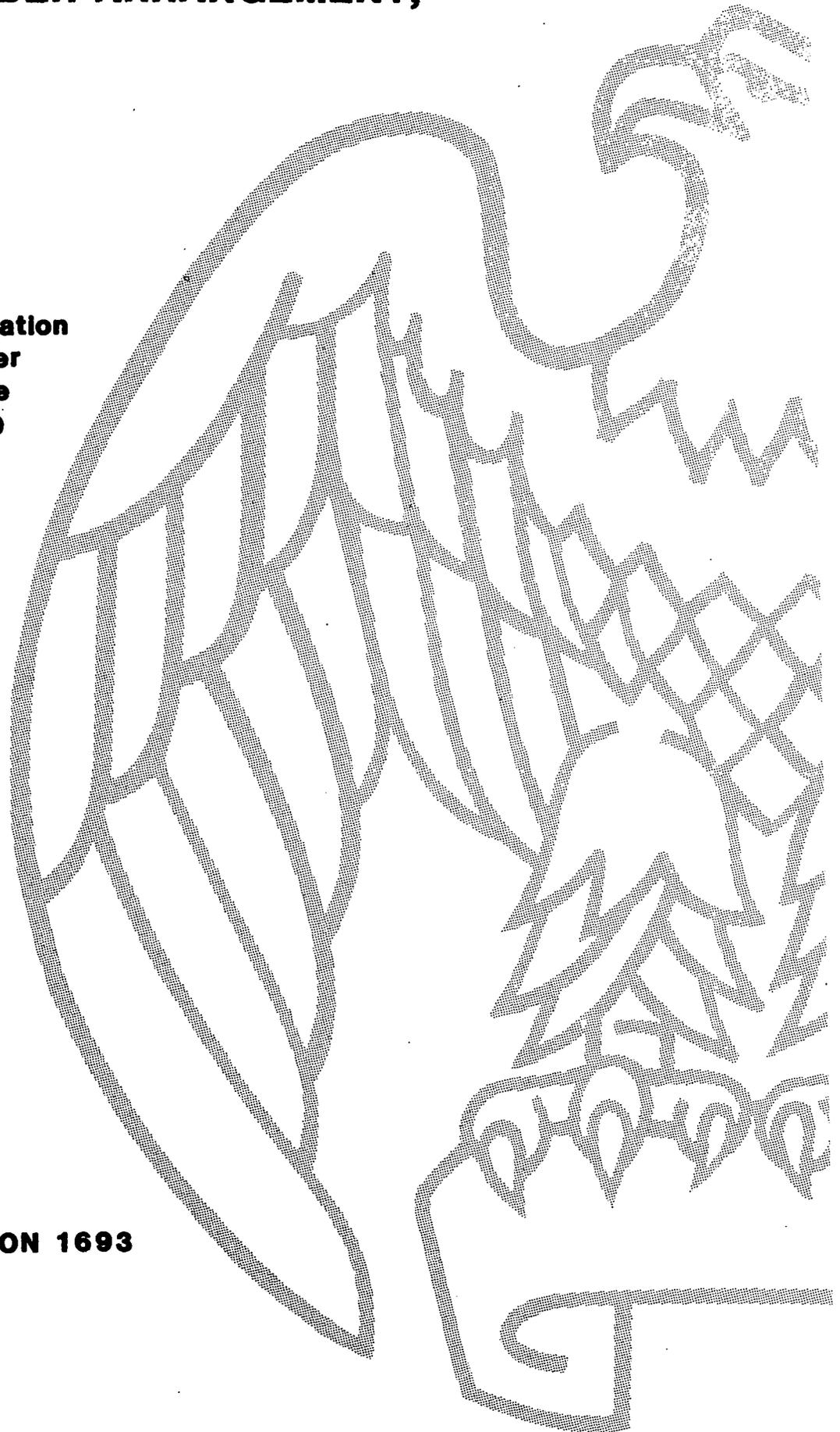


THE MULTIFIBER ARRANGEMENT, 1980-84

**Report on Investigation
No. 332-189 Under
Section 332 of the
Tariff Act of 1930**



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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Preface

The Arrangement Regarding International Trade in Textiles, known as the Multifiber Arrangement (MFA), is an international agreement that provides the basis for bilateral agreements to control textile and apparel trade among MFA participants. The current extension of the MFA will expire on July 30, 1986, and negotiations concerning extension or modification of the agreement are scheduled to start in mid-1985.

The U.S. International Trade Commission prepared this study on textile trade under the MFA under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)). It is the third such report prepared by the Commission for the purpose of providing Government officials and private parties with factual material to assist them in evaluating the functioning of the MFA. 1/

The report contains information on the origin of the MFA and a brief history of U.S. textile and apparel imports since 1974, the year of the MFA's inception. It then moves into some of the major current MFA issues, including quota growth and flexibility, recent U.S. administrative measures to tighten import restraints, and growth of imports of products not subject to MFA restraint. Profiles of the U.S. textile and apparel industries are provided as well as that of individual apparel subsectors--sweaters, gloves, body-supporting garments, women's blouses, and women's coats--which had the highest import penetration in 1983.

Each of the MFA bilateral agreements to which the United States was a party in mid-1984 and the 3 unilateral restraint actions that the United States enforced are summarized in the report, and information is presented on the restraint activities of other developed countries. The report also contains data on U.S. textile and apparel imports in terms of MFA-supplying countries and quota categories, as well as an appendix containing reference documents.

1/ United States International Trade Commission, The History and Current Status of the Multifiber Arrangement, USITC Publication 850, January 1978, and United States International Trade Commission, The Multifiber Arrangement, 1973 to 1980: Report to the President on Investigation No. 332-108 . . . , Vols. 1 and 2, USITC Publication 1131, March 1981.

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Executive Summary

On August 16, 1984, on its own motion, the Commission instituted an investigation under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)) on the Arrangement Regarding International Trade in Textiles, known as the Multifiber Arrangement or MFA. The MFA was negotiated under the auspices of the General Agreement on Tariffs and Trade (GATT), and it provides the framework through which the 41 participants negotiate bilateral agreements to provide for the orderly development of international trade in textiles and textile products of cotton, wool, and manmade fibers.

History and structure of the MFA

- o The MFA went into effect on January 1, 1974, with the basic objective of ensuring:
 - the expansion of trade in textile products particularly for the developing countries and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual markets and on individual lines of production in both importing and exporting countries.
- o The MFA, which was renewed in 1977 and in 1981 and is again up for renewal in July 1986, is the successor to other less-comprehensive multilateral textile agreements that were initiated in the early 1960's.
- o The MFA is an exception to the most-favored-nation principle of the GATT in that it allows importing countries to apply restrictions selectively in terms of products and exporting countries. Generally, GATT rules would ordinarily require no less favorable treatment to all member countries and a product-by-product determination of injury before import restraints could be imposed. Exporting countries accepted this arrangement, at least in part because it appeared to provide assurance of access to the developed country markets and to reduce the likelihood of other, less predictable, forms of trade restrictions.
- o The MFA endeavors to balance the interests of its participants by providing standards for year-to-year quota growth and flexibility for the exporting countries, but also sets forth criteria under which importing countries can negotiate or set quotas. However, when the MFA was renewed in 1977 and 1981, the developed countries negotiated authority to depart from certain MFA standards and entered into some bilateral agreements, particularly with major suppliers, which provided for reduced growth and/or flexibility.
- o The MFA also established a Textile Surveillance Board which reviews all actions taken for conformity with MFA standards and, where disputes arise, makes nonbinding recommendations to the governments involved.

- o During the first 10 years of the MFA (1974-83), U.S. textile and apparel employment declined by 15 percent, from 2,328,000 to 1,980,000, and U.S. textile output increased by an average of less than 1 percent annually. 1/ The overall quantity of imports 2/ fluctuated with no definite trend during 1974-80, but increased from 4.9 billion square yard equivalents (SYE) in 1980 to 7.6 billion in 1983 and increased to 9.8 billion SYE in 1984, or by 100 percent. As a result of imports growing at a faster rate than domestic consumption, the ratio of imports to consumption (based on the quantity of fiber used) increased from 8.4 percent in 1974 to 16.0 percent in 1983 and to an estimated 22 percent in 1984.

The administration has taken a series of steps to limit the rate of import growth, including accelerating the process of establishing new quotas; 276 were set during 1981-84.

Policy and administration of the U.S. textile and apparel trade agreements program, 1980-84

- o Although the MFA is the major instrument controlling imports of textiles and apparel, during 1980-84, actions taken by the President, the Committee for the Implementation of Textile Agreements (CITA), 3/ Congress, and other Government agencies also affected or can affect U.S. textile trade.
- o The President established new guidelines for evaluating import levels and determining market disruption or the threat thereof. He also issued an Executive order directing the Secretary of the Treasury to revise and clarify Customs regulations concerned with country-of-origin rules in order to avoid circumvention of the textile agreements.
- o The CITA handles the implementation of the U.S. textile trade agreements program on a daily basis. At the CITA's request, over 1,500 new statistical annotations were added to the Tariff Schedules of the United States Annotated (TSUSA) in order to more specifically identify items that are subject to restraints in textile agreements. Further statistical annotations were added to the TSUSA, again at CITA's request, to provide "bridge data" between the TSUSA and the Harmonized System (HS) to facilitate negotiations of quotas if the HS is adopted.

1/ Measured in terms of fiber consumed by U.S. mills, which increased from 11.1 billion pounds in 1974 to 12.0 billion in 1983.

2/ Measured in square yard equivalents (SYE). Square yard equivalents is the standard unit of measurement for all textile products and is used in the administration of the U.S. textile trade agreements program. In this system, one dozen woven shirts equals 24 SYE, 1 pound of cotton yarn converts to 4.6 SYE, and so forth.

3/ The CITA is an interagency committee responsible for the program's implementation.

- o At the direction of the Secretary of the Treasury, the U.S. Customs Service issued amendments to its country-of-origin rules that affect primarily items assembled or processed in two or more countries. The Customs Service also set up special taskforces to monitor areas of suspected fraud involving textile and apparel imports.
- o The International Trade Administration of the Department of Commerce conducted several investigations and reviewed outstanding orders on textile and apparel products under countervailing duty and antidumping statutes.
- o Congress enacted certain laws which apply to textile and apparel trade. Included is legislation providing the authority to negotiate free trade with Israel, stricter penalties for counterfeiting, and more comprehensive requirements for country-of-origin labeling.

The U.S. market

- o Consumption of textile mill products and apparel rose by 22 percent during 1980-83 to \$119 billion. Although the value of domestic producers' shipments also rose by 18 percent during the period to \$109 billion, most of the increase was due to inflation, with producers' shipments growing by only 4 percent during 1980-83 in terms of constant 1972 dollars.
- o The combined forces of low real growth in domestic production and manpower-saving technological improvements caused employment to decline significantly. During 1980-83, apparel employment declined by 95,000 workers and textile mill employment declined by 104,000 workers, to 1,169,000 and 744,000 workers, respectively. North Carolina, South Carolina, and New York, among the largest employers, also recorded the largest employment declines.
- o Although imports accounted for only 5.7 percent of the textile market and 15.4 percent of the apparel market by value, their impact on certain industry sectors was much greater. Heavily affected sectors included sweaters, gloves, body-supporting garments, women's coats, and women's blouses, all of which had import penetration levels of 43 percent or greater in 1983.

MFA coverage

- o Imports of products not restricted by the MFA, such as those of silk, linen, ramie, and jute, increased significantly. Imports of apparel made of those fibers rose by 131 percent in value during January-June 1984 compared with those in the corresponding period of 1983.
- o Products from MFA-controlled countries accounted for either 85 or 86 percent of total imports each year during 1980-83 and for 83 percent during January-June 1984. Products from developed countries which the

U.S. does not control under the MFA, notably the European countries, increased from 11 percent of the total in 1980-82 to 12 percent in 1983 and 15 percent during January-June 1984.

Effects of flexibility during 1980-84

- o China, Hong Kong, Korea, and Taiwan, the four largest suppliers of U.S. textile and apparel imports, increased their shipments by 25.2 percent between 1982 and 1983 despite being subject to tighter restrictions in their bilateral agreements with the United States than other countries. One of the reasons for this increase is the use of "flexibility," provided for in the MFA and the bilateral agreements. Flexibility, subject to certain restrictions, allows countries to expand their shipments by transferring quota from one category to another, borrowing quota from a succeeding year, or carrying forward unused quota from the prior year.
- o The use of flexibility varies widely by country and product category, with little use being made of its potential in the majority of instances. An unusual example of how flexibility can be used to increase shipments took place in 1983, when China used flexibility on 16 product categories to exceed its quotas by 531,000 dozen of various apparel products and 175,000 dozen gloves.
- o Although China's use of flexibility in 1983 is unusual, flexibility does provide exporting countries, in most cases, with the potential to increase their shipments in a given year in excess of the regular year-to-year quota increases provided for in the bilateral agreements.

The effect of quantitative restraints on the level of imports of selected items

- o Analysis of selected products during 1980 and 1983 reveals that import restraints probably were a major factor restricting imports of gloves, wool and manmade-fiber sweaters, and women's shirts during both years.
- o Restraint limits probably were not the major factor restricting imports of manmade-fiber broadwoven fabric, women's coats, cotton sweaters, and women's knit shirts in 1980 but probably were in 1983. Total import levels of cotton broadwoven fabric and body-supporting garments were probably affected more by market forces than by MFA restraints in both 1980 and 1983.

U.S. imports of textiles and apparel during 1980-June 1984

- o U.S. general imports of textiles and apparel of cotton, wool, and manmade fibers increased annually during 1980-83 from 4.9 billion to 7.4 billion SYE. During January-June 1984, imports amounted to 4.9 billion SYE compared with 3.5 billion during the corresponding period of 1983. Textiles and apparel of manmade fibers accounted for the largest segment of total imports during the entire period.

- o During 1982 and 1983, Taiwan was the largest source of imports of cotton, wool, and manmade-fiber textiles and apparel. In 1983, Taiwan provided imports of 318.1 million SYE, valued at \$468.3 million, of cotton textiles and apparel; 8.3 million SYE, valued at \$38.9 million, of wool textiles and apparel; and 859.5 million SYE, valued at \$1.4 billion, of manmade-fiber textiles and apparel. Other leading sources for these imports were Korea, Hong Kong, China, and Japan. The leading five sources accounted for 62 percent of total imports in 1983. U.S. imports from the leading five suppliers during 1983 are summarized in table 1.

Table 1.--Textiles and textile products: U.S. imports, by leading sources and by fiber types, 1983

Source and fiber	Total categories used ^{1/}	Categories with limits 85 percent or more filled:	Imports under categories with limits 85 percent or more filled--	
			Quantity	As a share of total imports
			Million SYE	Percent
Hong Kong:				
Cotton-----	42	20	478.0	75
Wool-----	22	10	35.9	94
Manmade-----	40	16	222.0	80
Korea:				
Cotton-----	37	8	24.8	14
Wool-----	21	8	10.2	55
Manmade-----	42	18	574.0	74
China:				
Cotton-----	38	21	282.0	55
Wool-----	22	8	8.0	30
Manmade-----	39	12	146.0	56
Taiwan:				
Cotton-----	39	24	243.0	76
Wool-----	22	6	3.7	45
Manmade-----	40	21	600.0	70
Japan:				
Cotton-----	41	0	-	-
Wool-----	22	0	-	-
Manmade-----	43	1	216.0	40

^{1/} Categories used represents the number of categories in which imports were reported.

Source: Compiled from official statistics of the U.S. Department of Commerce.

At the time this report was drafted, complete import data on a detailed basis were not available for 1984. During calendar year 1984, overall imports of cotton, wool, and manmade-fiber textiles and apparel totaled 9.8 billion SYE, representing a 31.7-percent increase over those in 1983. Apparel imports totaled 4.7 billion SYE, representing an increase of 21.3 percent over those in 1983; textile imports totaled 5.1 billion SYE, representing an increase of 43.1 percent.

Current status of bilateral agreements

- o As of mid-1984, the United States had bilateral agreements limiting imports of textiles with 28 countries, of which 24 were negotiated under the MFA and 4 others under the authority of section 204 of the Agricultural Act of 1956. In addition, the United States unilaterally controlled specific items from three other countries, one of which was an MFA signatory. These agreements and unilateral controls provided for limitations on approximately 6.0 billion SYE of textiles and textile products on either a specific or a consultation basis. The total quantity of shipments allowed for controlled categories during 1984 were as shown in table 2.

Table 2.--Textiles and textile products: Total quantity of shipments allowed for controlled categories, by countries, 1984

(In millions of SYE)			
Country	Quantity	Country	Quantity
Barbados <u>1/</u>	2.6	Mauritius	.1
Brazil	<u>2/</u> 195.9	Mexico	283.0
China	542.1	Pakistan	<u>2/</u> 230.4
Colombia	113.2	Panama	.7
Costa Rica	10.4	Philippines	<u>2/</u> 328.7
Dominican Republic	42.7	Poland	<u>2/</u> 64.9
Egypt	56.0	Romania	<u>3/</u> 56.6
Haiti	66.4		<u>4/</u> 58.4
Hong Kong	748.4	Singapore	<u>2/</u> 333.8
Hungary	1.8	Spain <u>1/</u>	3.5
India	115.0	Sri Lanka	78.0
Indonesia	54.4	Taiwan	1,025.3
Japan	359.6	Thailand	159.9
Korea	990.0	Turkey <u>1/</u>	1.9
Macau	<u>2/</u> 57.9	Uruguay	4.2
Malaysia	31.6	Yugoslavia	1.0

1/ Unilaterally imposed restraint limit.

2/ Countries with aggregate limits. Quantities shown for other countries are the total of individual product categories under restraint.

3/ Wool and manmade fibers.

4/ Cotton.

Source: Compiled from official documents of the U.S. Department of State.

Note.--Categories not controlled by quotas and items of fibers not controlled by the MFA, e.g., silk, linen, and ramie, are not included in the above totals.

Textile trade restraints of other developed countries

- o The developed country participants in the MFA are the United States, Canada, Japan, the European Community (EC), Austria, Finland, Norway, Sweden, and Switzerland. Of these, only Japan and Switzerland do not apply MFA import restrictions. Australia and New Zealand are not current participants in the MFA, but both limit imports in some way.
- o All of the countries that have bilateral agreements limiting imports under the MFA are substantial importers and have trade deficits in textile and apparel products. The EC and the United States are the largest importers of these products and together account for about two-thirds of the total imports of textiles and apparel by all developed countries. The United States has experienced a growing trade deficit in textiles and apparel. In 1983, the U.S. deficit of \$10.45 billion exceeded the combined deficit in this sector of all other developed countries.
- o The EC has MFA bilateral agreements with 25 countries plus special agreements with several "preferential" countries in the Mediterranean area. Very strict controls on import growth (often 0.5 percent or less annually) are exercised on a group of "sensitive" textile and apparel items accounting for nearly one-half of total imports. The total dollar value of EC imports of textiles and apparel has decreased every year since 1981 as has the sector's trade deficit.
- o Imports into the other developed countries with bilateral agreements have generally been stable or declining since 1980, except for Canada, where imports in 1983 were 22 percent above those in 1980. The system used by Australia to control imports is somewhat unusual in that it utilizes a combined tariff-quota system that imposes a high specific tariff rate on all imports over the quota limit and also allocates part of the quota by tender (bid).

History and Structure of the MFA

Origin of the MFA 1/

World trade in textiles and apparel has been subject to some form of government control since the 1950's, 2/ when the growth in U.S. imports of cotton textiles, especially from Japan, generated pressure in the United States for import restraints. Under the then newly enacted Agricultural Act of 1956, the President was authorized, under section 204, 3/ to negotiate agreements with foreign governments to limit their exports of agricultural or textile products to the United States. Pursuant to this authority, the United States negotiated a 5-year voluntary restraint agreement on cotton textile exports from Japan for the period 1957-61.

However, cotton textile shipments from other countries increased rapidly, 4/ with the result that the United States began to seek a more comprehensive approach to controlling textile and apparel imports. In May 1961, the President announced an assistance program for the textile industry that included calling for a conference of the principal textile-importing and exporting countries to develop an international agreement governing textile trade. In July 1961, a textile conference was held under the auspices of the General Agreement on Tariffs and Trade (GATT) that culminated on July 21, 1961, with the drafting of the Arrangements Regarding International Trade in Cotton Textiles. The Arrangements consisted of three major sections: a statement of principles and objectives recognizing the need for cooperative action to facilitate expansion of world trade without causing disruption of individual markets; a "short-term arrangement" for the period October 1, 1961-September 30, 1962, which established circumstances and rules for restricting trade in cotton textiles; and creation of a Provisional Cotton Textile Committee to consider " . . . a long-term solution to the problems in the field of cotton textiles . . ." The arrangement was accepted by 16 countries 5/ that accounted for over 90 percent of the free world's trade in cotton textiles.

The Long-Term Arrangement Regarding International Trade in Cotton Textiles was concluded in February 1962, and set out the framework within which participating countries could regulate trade in cotton textiles. This agreement was initially in force for 5 years, but was extended twice--in 1967 and 1970--and by 1973 had 82 signatories.

1/ A more detailed history of the MFA and the textile trade agreements which preceded it may be found in The History and Current Status of the Multifiber Arrangement, USITC Publication 850, January 1978.

2/ Prior to 1941, United States and Japanese textile producers entered into interindustry agreements that limited exports of some Japanese textile products to the United States.

3/ Public Law 84-540, approved May 28, 1956, 70 Stat. 200, as amended by Public Law 87-488, approved June 19, 1962, 76 Stat. 104, 7 U.S.C. 1854.

4/ U.S. cotton textile imports increased from 492 million square yards in 1958 to 1.1 billion in 1960.

5/ These countries were Australia, Austria, Canada, India, Japan, Pakistan, Portugal, Spain, Sweden, the United Kingdom (also representing Hong Kong), the United States, and five members of the European Community--Belgium, France, Germany, Italy, and the Netherlands.

During the 1960's, the use of manmade fibers in textiles increased rapidly, and importing countries felt the need to control imports of textiles and apparel of manmade fibers in addition to those of cotton. Recognizing the need for special attention to be paid to the difficulties arising out of international trade in textiles, the GATT Council, in June 1972, set up a working party on textiles to make a factfinding study of the economic, technical, social, and commercial elements that influence world trade in textiles. In April 1973, the Council instructed the working party to identify and examine the problems that exist in international trade in textiles and to seek multilateral solutions to these problems. A progress report submitted in June 1973 to the Council served as the basis for the drafting of the Arrangement Regarding International Trade in Textiles, also called the Multifiber Arrangement (MFA).

The MFA, which entered into force in January 1974, covers trade in most textile products manufactured from cotton, wool, and manmade fibers. Article 1 provides the basic objectives of the MFA which are as follows:

to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production on both importing and exporting countries. In the case of those countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production, account should be taken of the avoidance of damage to those countries' minimum viable production of textiles.

In addition, a principal aim of the MFA is "to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products."

The MFA was considered to represent a compromise between the interests of the developed importing countries and the developing exporting countries. It enabled the importing countries to apply selective restraints on particular textile products from particular sources, under certain prescribed circumstances. The exporting countries, although generally opposing impediments to free trade, accepted the MFA, at least in part, because it appeared to provide assurance of access to the developed countries' markets and to reduce the likelihood of other, less predictable, forms of trade restrictions.

The MFA, an exception of the GATT

The MFA is an exception to the most-favored-nation principles of the GATT in that it permits import restrictions on other than a most-favored-nation basis. Under GATT rules, the United States or any other signatory country is required to provide no less favorable treatment to any one contracting party than it does to all other contracting parties and restore the balance of concessions if import restrictions are imposed. GATT rules also require a

product-by-product determination that imports were a cause of serious injury or the threat thereof to the domestic market before import restraints can be imposed. The MFA, however, allows importing countries to limit imports through negotiation of bilateral agreements and, in cases of market disruption, where agreement cannot be reached, impose limits without compensation. The MFA also provides a means to establish quota limits on products not previously restrained through calls for consultations with countries, whether or not bilateral agreements are in force with these countries. In addition, these limits may apply to one or a small number of suppliers, rather than to all suppliers as required by the nondiscrimination principle of the GATT.

Structure of the MFA

The MFA established the terms under which countries can establish controls on international trade in textiles and apparel, primarily through the negotiation of bilateral agreements between importing and exporting countries. ^{1/} Articles 2, 3, and 4 are particularly significant, as they deal with trade restrictions. Article 2 deals with phasing out of pre-MFA restrictions. Article 3 covers situations of actual market disruption and provides that if a mutually agreeable solution is not found, unilateral restraints may be imposed. Article 4 deals with situations involving the risk of market disruption. Under article 4, only bilateral agreements are recognized under the MFA, and unilateral restraints based on the risk of market disruption would fall outside of the scope of the MFA.

In an effort to assure fair treatment to the exporting countries, annex B of the MFA provides criteria for year-to-year quota growth as well as percentage standards for flexibility, i.e., shifting of quota from one year to another and for increasing the quota for individual categories within a group of several categories provided that the aggregate limit for the group is not exceeded. In practice, however, annex B standards are not always adhered to when the category in question is considered sensitive by the importing country. When the MFA was renewed in 1977 and 1981, the developed countries negotiated the authority to depart from the provisions of annex B and subsequently entered into some bilateral agreements, particularly with major suppliers, which provided for reduced growth and/or flexibility for certain products and in certain instances precluded all use of flexibility for import-sensitive categories.

A major innovation of the MFA was the creation of the Textile Surveillance Body (TSB) to supervise the functioning of the Arrangement. The TSB is composed of a chairman and eight members chosen from countries nominated by the GATT Textiles Committee and appointed by the parties to the Arrangement. The TSB receives notification of all actions taken and agreements concluded under the MFA, examines them for conformity with the MFA, discusses those in dispute with the principals involved, and offers, where appropriate, nonbinding recommendations to the governments involved. It reports at least annually to the GATT Textile Committee.

^{1/} A copy of the MFA is in app. A.

Market disruption and new restraints under the MFA

The MFA provides that an importing country may request consultations with an exporting country to establish quotas on textile products that the importing country believes are causing or threatening to cause market disruption. The factors to be reviewed in a determination of market disruption are found in annex A of the MFA, and are as follows:

the existence of serious damage to domestic producers or actual threat thereof . . . demonstrably . . . caused by . . . a sharp and substantial increase or imminent increase of imports of particular products from particular sources . . . at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country.

"Damage" is to be--

determined on the basis of an examination of the appropriate factors having a bearing on the evolution of the state of the industry in question such as: turnover, market share, profits, export performance, employment, volume of disruptive and other imports, production, utilization of capacity, productivity and investments. No one or several of these factors can necessarily give decisive guidance.

Despite the similarity of these factors to those in the U.S. escape-clause provisions, there is no process similar to that undertaken in a U.S. International Trade Commission proceeding that consists of an investigation, determination, recommendation, and Presidential review and decision. Rather, U.S. decisions on MFA matters are made largely by the interagency Committee for the Implementation of Textile Agreements (CITA), and negotiations with respect to import restrictions are conducted under the direction of the Chief Textile Negotiator, an ambassador-rank position in the Office of the United States Trade Representative.

A critical element in bilateral consultations for establishment of new quotas and in the Textile Surveillance Body's deliberations is the persuasiveness of the market disruption statements furnished by the importing countries. These statements are intended to substantiate the importing country's claim (1) of actual or threatened injury to the domestic industry and (2) that the injury is caused by a significant increase in imports or sales of imports at prices substantially below those prevailing for similar goods in the importing country. Exporting countries, as well as some U.S. importers and retailers, have, on certain occasions, claimed that the United States has failed to prove U.S. market disruption in its statements as specified in annex A, and instead, they allege that the United States has emphasized increased import levels as the key factor in requesting consultations and subsequent establishment of quotas on particular products. In a 1983 report, 1/ the General Accounting Office (GAO) stated--

1/ U.S. General Accounting Office, Implementation of Trade Restrictions for Textiles and Apparel, Report to the Chairman, Subcommittee on Ways and Means House of Representatives, Nov. 4, 1983, p. 19.

CITA's data collection procedures do not provide the current and detailed data that would better support findings of market disruption. Production data are dated, employment data are not compatible with the textile and apparel categories that are the subjects of consultation requests, and assertions in the disruption statements are vague concerning the current state of the market for the category in question.

The GAO also found that--

Although data on imports are only 2 to 3 months old at the time a request is made, production data generally range from between 10 to 24 months old. Consequently, if production has declined since the data were collected, by the time CITA makes a request the situation may have worsened considerably, to the detriment of domestic producers. Conversely, if production has increased from the time the data were collected, CITA may be making a request unnecessarily, to the detriment of importers and retailers.

However, in view of the difficulty in obtaining current industry data, particularly from the apparel industry, which is dispersed over an estimated 20,000 or more firms, the International Trade Administration of the Department of Commerce stated 1/ that--

CITA is always eager to improve the range and timeliness of the domestic market data available to it. However, it is our understanding that the United States has the most comprehensive and timely domestic market data of any major developed importing country which is a member of the MFA. The absence of current and comprehensive data may have meant that in some instances over the years no action was taken to prevent damage, rather than that action was wrongfully taken -- as has been implied by some critics of the textile program.

The significance of the market disruption statements has been growing due to the rapid increase in the number of consultation calls and subsequent new restraints established by the United States. Some of these actions have been contested before the TSB, which has sustained the U.S. position in some instances but has been critical in others. The total number of consultation calls increased from 18 in 1981 to 38 in 1982 and 112 in 1983 and totaled 109 in 1984. As a result of these calls, 276 new quotas were set during 1981-84.

MFA I--1974-77

The period immediately preceding the initiation of the MFA was generally a healthy one for the U.S. textile and apparel industries. Compared with current levels, employment was high, as shown in the following tabulation (in thousands of employees):

1/ Ibid., p. 39.

Item	1965	1967	1969	1971	1973
Textile mill products-----	925.6	958.5	1,002.5	954.7	1,009.8
Apparel-----	1,354.2	1,397.5	1,409.1	1,342.6	1,438.1
Total-----	2,279.8	2,356.0	2,411.6	2,297.3	2,447.9

U.S. mill consumption of cotton, wool, and manmade fiber, an overall quantitative measurement of textile activity, was still in the post-World War II expansion phase and had grown from 7.2 billion pounds in 1963 to 12.5 billion pounds in 1973, or by an annual average rate of 5.7 percent for the decade. In contrast, during 1973-83, there was no growth in mill fiber consumption, and mill consumption of 12.5 billion pounds was exceeded only once. Import penetration, in terms of quantity, grew slowly, from 6.7 percent in 1963 to 8.6 percent in 1973. In addition, almost 70 percent of the import growth was in manmade fiber products, which the MFA was intended to control beginning in 1974.

Given these generally positive factors, the MFA, with its duality of objectives (i.e., expansion of textile exports from developing countries based on an assured minimum growth rate balanced by provisions to be used to prevent disruption in the developed countries' markets), at the time appeared to be an acceptable compromise for both importing and exporting countries.

However, during the term of MFA I, 1974-77, trends began to change. Employment in the United States decreased, though irregularly, as shown in the following tabulation (in thousands of employees):

Item	1973	1974	1975	1976	1977
Textile mill products-----	1,009.8	965.0	867.9	918.8	910.2
Apparel-----	1,438.1	1,362.6	1,243.3	1,318.1	1,316.3
Total-----	2,447.9	2,327.6	2,111.2	2,236.9	2,226.5

U.S. mill consumption of fiber fluctuated but increased from 11.1 billion pounds in 1974 to 12.2 billion pounds in 1977, or by an annual rate of 3.3 percent, far less than that experienced during the previous decade. During 1977, imports amounted to 10.3 percent of consumption, and the annual rate of growth in imports was approximately 5.5 percent during 1974-77.

MFA II--1978-81

During MFA II, the trends of reduced employment and increased import penetration in the United States continued. U.S. textile and apparel employment continued to decline, as shown in the following tabulation (in thousands of employees):

Item	1977	1978	1979	1980	1981
Textile mill products-----	910.2	899.1	885.1	847.7	823.0
Apparel-----	1,316.3	1,332.3	1,304.3	1,263.5	1,244.4
Total-----	2,226.5	2,231.4	2,189.4	2,111.2	2,067.4

U.S. mill consumption of fibers declined from 12.4 billion pounds in 1978 to 11.5 billion pounds in 1981; import penetration at first declined from its 12.3 percent share of domestic consumption in 1978 but then reached 14.0 percent in 1981.

During the negotiations that took place during 1977 concerning extending the MFA, the United States favored a simple 4-year extension, but the European Community (EC) supported a more restrictive agreement. Ultimately the EC viewpoint prevailed, and a major feature of the 1977 document extending the MFA was the inclusion of the "reasonable departures" clause, which allowed signatories to negotiate "jointly agreed reasonable departures from particular elements (of the MFA) in particular cases." ^{1/} This language provided importing countries with the ability to depart from the 6-percent quota growth rate and other provisions of annex B of the MFA when necessary to solve specific problems. "Reasonable departures" was offered basically to recognize and support a practice that had developed within some MFA bilaterals in cases of particularly sensitive product categories. Countries had been negotiating agreed-upon restraint levels that did not comply with the growth rate provisions of the MFA. Thus, two countries might agree that sweater quotas would increase at 3 percent per annum (a reasonable departure) instead of at the MFA's stated growth rate of 6 percent per annum.

MFA III--1982--July 1986

In 1981, the U.S. textile and apparel industries, along with much of the rest of the United States economy, were experiencing the effects of the 1980-82 recession. However, despite the sluggish condition of the domestic economy, U.S. imports of textiles and apparel of cotton, wool, and manmade fibers from all countries rose by 18 percent between 1980 and 1981, from 4.88 billion square yard equivalents (SYE) ^{2/} to 5.76 billion. In terms of value, imports from all countries increased by 20 percent between 1980 and 1981, to \$8.7 billion. Imports from countries covered by the MFA increased at a similar rate, by 21 percent, from 4.01 billion SYE to 4.85 billion during 1980-81. Faced with imports increasing at a much faster rate than domestic consumption, which had not increased at all during MFA II, the administration

^{1/} A copy of the Draft Protocol Extending the Arrangement Regarding International Trade in Textiles and the Conclusions of the Textile Committee, adopted December 1977, is in app. A.

^{2/} Square yard equivalents is the standard unit of measurement for all textile products and is used in the administration of the U.S. textile trade agreements program. In this system, one dozen woven shirts equals 24 SYE, 1 pound of cotton yarn converts to 4.6 SYE, and so forth.

stated that it would endeavor to relate import growth to the rate of growth of U.S. consumption. 1/

With this background, when the MFA came up for renewal in 1981, the United States, in conjunction with other developed countries, negotiated the authority to include lower growth and flexibility in its bilateral agreements, particularly with the larger suppliers. 2/ With these provisions incorporated into the document extending the MFA, the United States subsequently concluded new agreements with Hong Kong, the Republic of Korea (Korea), Taiwan, and China in which quota growth and/or flexibility were reduced.

In 1982, the first year of MFA III, imports increased by only a small amount over the 1981 level, which was at least partially related to weak demand in the U.S. market. Imports from all sources increased in quantity by 3 percent to 5.94 billion SYE, and imports from MFA-controlled suppliers increased by about 3.5 percent to 5.02 billion SYE. However, in 1983, imports from all sources increased by 25 percent over those in 1982, to 7.44 billion SYE. Although domestic consumption and production also increased from the low 1982 levels, overall import penetration reached 16 percent, with imports of certain individual products equaling or exceeding domestic production. In addition, textile and apparel employment decreased further, from 2.07 million employees in 1981 to 1.91 million in 1982 and 1983.

In response to the increased imports, the administration took a series of steps, which will be detailed in the policy and administration section of this report, to curb the rapid growth in U.S. imports of textiles and apparel. However, import growth gained in momentum in 1984. Imports from all sources during 1984 increased to 9.8 billion SYE, or by 29 percent over 1983. As of December 1984, imports' share of overall U.S. textile and apparel consumption reached an estimated 23 percent.

Other factors outside of the MFA affect U.S. textile and apparel imports--primarily world and domestic economic conditions, imports from countries not subject to MFA restraints, 3/ and imports of products not covered by the MFA-- 4/ but, since over 75 percent of U.S. textile and apparel imports are subject to MFA control, the MFA is clearly the predominant avenue for control of textile and apparel imports.

However, in October 1984, the American Apparel Association, commenting on the 27-percent increase in apparel imports during January-October 1984, stated, "the textile program is simply not working." A recent study conducted by the International Labor Organization 5/ found that--

1/ This was expressed in a letter from the President's chief of staff to Senator Strom Thurmond in December 1981, in which the President confirmed his commitment "to conclude an MFA that will allow us to relate total import growth to the growth in the domestic textile and apparel market."

2/ A copy of the Protocol Extending the Arrangement Regarding International Trade in Textiles and the Conclusions of the Textiles Committee, Adopted on 22 December, 1981, is in app. A.

3/ Developed countries other than Japan and developing countries that are small or new suppliers with which the United States does not have a bilateral agreement.

4/ Items that are in chief weight and chief value of silk or vegetable fibers other than cotton.

5/ International Labor Office, ILO Press, Aug. 28, 1984, p. 1.

Both output and employment have fallen sharply in the textile industries of the industrialized market economy countries. Output in the EEC countries for example fell 14% between 1973 and 1982 while employment declined even more -- by 39%. In the decade 1973-1982 employment in textiles fell by 495,000 in Japan, 489,000 in France, and 260,000 in the United States. On the other hand both output and employment have been rising in most developing countries. Since 1973 output in Egypt rose 33% by 1978 and in Mexico 23% by 1981. In Egypt, for example, employment in the public sector of the industry rose 12% while in the Republic of Korea overall employment in this industry rose by as much as 80%.

Despite the shift in textile output from the developed to the developing countries, statements have been made expressing concern about trade restrictions under the MFA. In December 1983, the Textile Surveillance Board reported with regard to the operation of the MFA,--1/

on the basis of notifications reviewed in 1982 and 1983, the overall picture is one of a somewhat more severe implementation of the Arrangement since the coming into force of the 1981 Protocol of Extension:

- unilateral measures . . . have been taken more frequently;
- a number of new bilateral agreements, with previously unrestrained countries had been concluded;
- coverage in terms of products under restraint has increased;
- there are more cases of growth and flexibility at [lower] levels . . . and there are a few cases of no growth or flexibility being granted;
- agreements concluded with large suppliers are again more restrictive.

Similar sentiments were also expressed by a group of textile and apparel supplying countries at a meeting held in Karachi, Pakistan, in July 1984. The text of the joint statement adopted at the conclusion of the meeting included the following:

The multilateral textile regime had consistently expanded in product and country coverage and intensified in the restrictive and discriminatory aspects. The balance between the interests of exporting and importing countries which had been struck in the MFA had become completely distorted in favor of the latter group. The multilateral disciplines painstakingly negotiated in the MFA and its current protocol of extension had been largely ignored by the importing countries which had applied new concepts in their textile trade policies that completely deviated from the original purpose of the MFA.

Testimony of the private sector

The controversy over the MFA was expressed by the main protagonists in the United States at Senate hearings held in September 1984 on the state of

1/ Textiles and Clothing in the World Economy, General Agreement on Tariffs and Trade, Geneva, July 1984, p. 13.

the U.S. textile and apparel industries and the effectiveness of the MFA. 1/ The following is a summary of the testimony given by industry groups.

Industry and labor.--Representatives of apparel and textile manufacturers testified before the U.S. Senate committees that the U.S. market cannot absorb the current rate of import growth and that these imports are therefore causing domestic plant closings and unemployment increases. 2/ In terms of solutions, they advocated a freeze on imports, 3/ the negotiation of aggregate country quotas with the major suppliers, 4/ and the establishment of an import licensing system. 5/ In addition, they advocated including silk, linen, and ramie products in the MFA to stem the large growth of these currently noncontrolled imports. 6/

Apparel and textile labor union representatives testified that during 1974-81 the MFA was effective in providing predictability and stability for the domestic market. 7/ They stated that this stability encouraged an increase in capital investment and allowed worker productivity in textiles and apparel to grow faster than in any other manufacturing industry. 8/ Since 1981, however, they argued that a surge in imports combined with this new productivity has caused extensive unemployment. 9/ Labor representatives urged the introduction of negotiated import quotas, licensed by the United States, which would limit apparel imports from low-wage countries. 10/ Like the producers, they argued in favor of including linen, silk, and ramie products in the MFA. 11/ In addition, they felt that the current annual growth provisions in the MFA should be eliminated, particularly in light of the basically static domestic apparel market. 12/

Retailers and importers.--Retailers' and importers' representatives testified that the textile and apparel industries are the most protected sector of American industry, having an extensive quota program and the highest tariffs of any major product sector. 13/ They stressed that reducing imports from the developing nations, which are also the major suppliers, would exacerbate their troubled economic conditions and lower their ability to purchase U.S. exports or repay their debt obligations. 14/ In addition, they felt that import reductions would make exports of agricultural commodities

1/ Hearings were held on the state of the U.S. industry before a subcommittee of the Senate Committee on Finance, 98th Cong., 2d Sess., Sept. 18, 1984 (Senate Hearing 98-1229); and on Textile and Apparel Imports-Free Trade or Unfair Trade?, before a subcommittee of the Senate Committee on Foreign Relations, 98th Cong., 2d Sess., Sept. 26, 1984 (Senate Hearing 98-1100). A complete list of witnesses can be found in app. B, p. B-2.

2/ Senate Hearing 98-1100, pp. 2, 4, 7, 16, 17, Senate Hearing 98-1229, p. 169.

3/ Ibid., p. 8.

4/ Ibid.

5/ Senate Hearing 98-1100, pp. 9-10, Senate Hearing 98-1229, p. 8.

6/ Senate Hearing 98-1229, pp. 8, 182, and 189.

7/ Senate Hearing 98-1100, p. 12.

8/ Ibid., pp. 23, 58.

9/ Ibid., pp. 23-24.

10/ Ibid., pp. 35 and 46-47.

11/ Ibid., p. 48.

12/ Ibid., p. 49.

13/ Ibid., p. 73.

14/ Ibid., p. 79.

vulnerable to foreign retaliation. 1/ Retailers urged that the MFA be restructured to reflect its original purpose as a short-term measure to allow importing countries to adjust to global competition without undue market disruption. 2/ They urged that products not domestically produced be excluded from future agreements. 3/ They felt that the policymaking process should be more open, include importers' opinions, include all departments of government, and be more in conformity with the overall trade and economic policies of the United States. 4/ Further, they urged that any future import relief should be expressly linked to an industry/labor commitment to improved productivity in addition to worker retraining and adjustment assistance where needed. 5/

Agricultural community.--Representatives of the agricultural community testified that U.S. agriculture is export dependent and that increased farm exports depended on increased sales to developing nations, markets in which they felt the most substantial growth potential existed. 6/ They argued that export gains could not be achieved while the textile agreement program increased protection against imports from these same nations. 7/ Of particular concern is wheat purchases by China. China boycotted the U.S. market during a textile trade disagreement in 1983 and did not purchase its full obligation under the United States-China Grain Supply Agreement in 1984. 8/

Thus, as negotiations are about to begin with respect to renewal of the MFA, it may be concluded that the "difficulties arising out of international trade in textiles" noted by the GATT in 1972 still exist and that the difficulties have intensified with increased import penetration of the developed countries' markets and increased trade restrictions adopted by the developed countries to slow import growth.

Policy and Administration of the U.S. Textile and Apparel Trade Agreements Program, 1980-84

International authority to enter into trade agreements on textiles and apparel was negotiated under the GATT and is supervised by the GATT Textile Committee and Textile Surveillance Body for the MFA. Within the United States, the President's authority is exercised through the Textile Trade Policy Group, with the Committee for the Implementation of Textile Agreements (CITA), chaired by the Department of Commerce, having responsibility for the program's implementation on a daily basis, as shown in figure 1 on the following page. In addition to this structure, the President, other Governmental agencies, and the Congress took actions during 1980-84 that significantly affect textile and apparel trade.

Administration of the U.S. textile trade agreements program

In the United States, the President has the authority to enter into both multilateral and bilateral trade agreements, including those external to the

1/ Ibid., p. 72.

2/ Ibid., p. 76.

3/ Ibid., p. 89.

4/ Ibid., pp. 89-94.

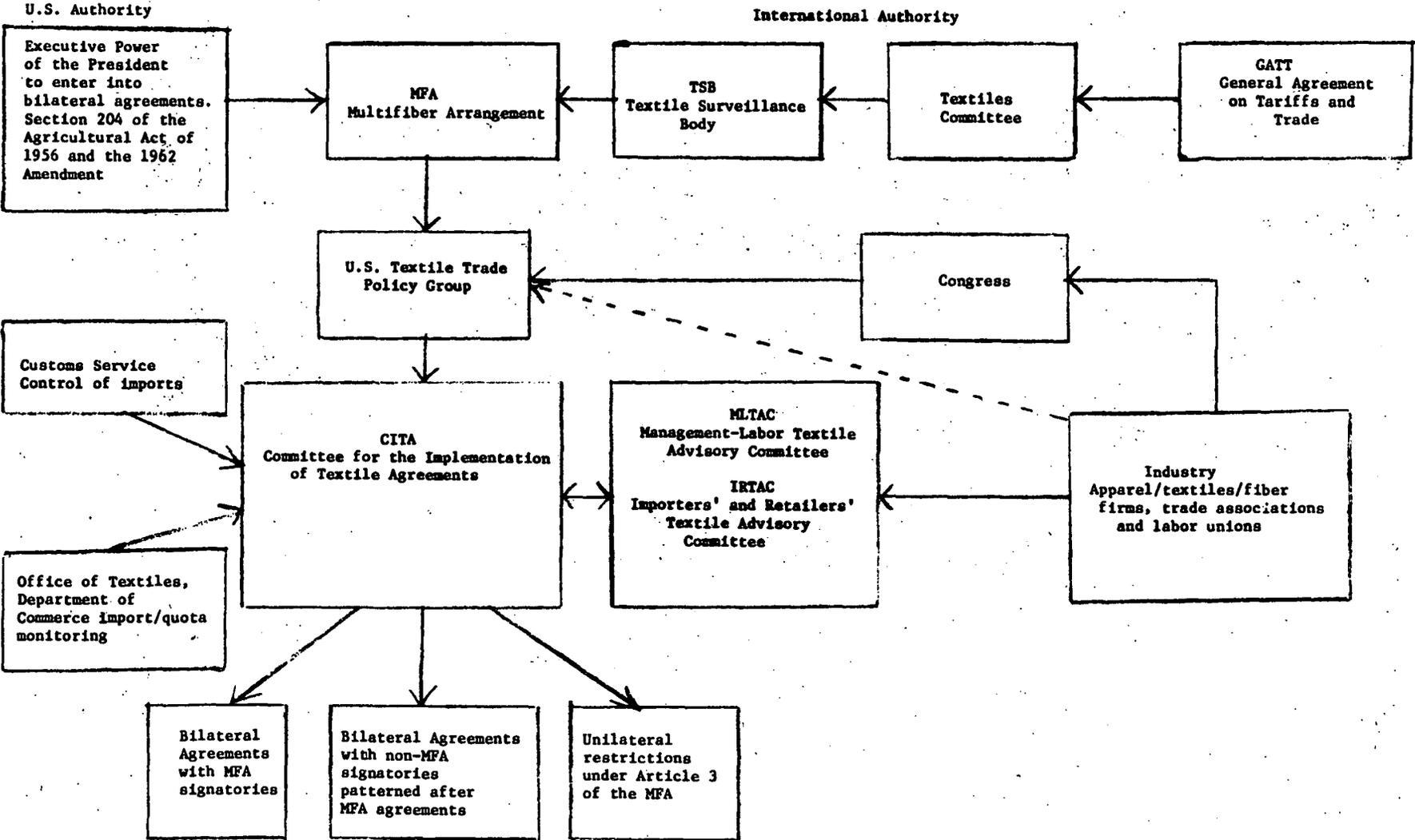
5/ Ibid., pp. 77, 91.

6/ Senate Hearing 98-1229, pp. 153-154.

7/ Ibid., pp. 154-156.

8/ Ibid.

Figure 1.--U.S. and international textile and apparel trade agreements program: Structure and lines of authority, 1984



Source: Adapted from American Apparel Manufacturers Association, The MFA and the American Apparel Industry, 1978, chart 1, p. 12.

MFA, under section 204 of the Agricultural Act of 1956 (7 U.S.C. 1854). In mid-1984, the United States had bilateral agreements containing limits on imports of textile products with 28 countries, 24 of which are MFA signatories, and had unilaterally imposed restraints on imports from three additional countries. The United States also had an agreement with Jamaica, an MFA signatory, calling for consultations only. Of the total, three bilateral agreements with MFA signatories Hungary, Indonesia, and Uruguay, two bilateral agreements with non-MFA signatories, Mauritius and Panama, and the three unilateral restraint actions against imports from Barbados, Spain, and Turkey took effect during November 1980-June 1984. 1/

On June 5, 1975, the Textile Trade Policy Group (TTPG) was established by Presidential Memorandum 2/ to set overall policy. It is composed of the Under Secretaries of Agriculture, Commerce, Labor, State, and Treasury and chaired by the United States Trade Representative. The duties of the TTPG, as set forth in the Presidential Memorandum, are as follows:

1. Advise generally with respect to policies affecting actions by the United States concerning international trade in textiles and textile products under Section 204 of the Agricultural Act of 1956, as amended, and other laws.

2. Establish procedures by which the Committee for the Implementation of Textile Agreements shall, under the policy guidance of the Textile Trade Policy Group, take actions with respect to the rights and obligations of the United States under Articles 3 and 8 of the Arrangement Regarding International Trade in Textiles, and with respect to any other matter affecting textile trade policy.

3. Develop policy proposals with respect to the negotiation of additional bilateral and multilateral textile trade agreements.

4. Authorize and provide for negotiation of bilateral agreements regarding international trade in textiles which it determines to be appropriate with representatives of governments of foreign countries.

The CITA was established by Presidential Executive Order No. 11651 on March 3, 1972, 3/ and now monitors the trade programs on a daily basis under the guidance of the TTPG. It is made up of representatives from the Departments of Commerce, State, Labor, and Treasury and the Chief Textile Negotiator of the United States Trade Representative's Office, and it is chaired by the Deputy Assistant Secretary for Textiles and Apparel of the Department of Commerce. As set forth in the executive order, the CITA was established to--

1/ More recently the United States signed bilateral agreements with two additional MFA signatories, the Maldives (applicable to wool sweaters only) during November 1984 and Peru during January 1985.

2/ Full text of the Presidential Memorandum of June 5, 1975, can be found in app. B, p. B-5.

3/ Full text of Executive Order No. 11651 can be found in app. B, p. B-6.

(a) . . . supervise the implementation of all textile agreements

(b) . . . take such actions or shall recommend that appropriate officials or agencies of the United States take such actions as may be necessary to implement each textile trade agreement

(c) . . . take appropriate actions concerning textiles and textile products under Section 204 of the Agricultural Act of 1956, as amended, and Articles 3 and 6 of the Long Term Arrangement Regarding International Trade in Cotton Textiles done at Geneva on February 9, 1962, as extended, and with respect to any other matter affecting textile trade policy.

The Executive order, in addition to establishing the CITA, ordered that--

(a) The Commissioner of Customs shall take such actions as the Committee, acting through its Chairman, shall recommend to carry out all agreements and arrangements entered into by the United States pursuant to Section 204 of the Agricultural Act of 1956, as amended, with respect to entry, or withdrawal from warehouse, for consumption in the United States of textiles and textile products.

(b) Under instructions approved by the Committee, the Secretary of State shall designate the Chairman of the United States delegation to all negotiations and consultations with foreign governments undertaken with respect to the implementation of textile trade agreements pursuant to this Order.

Executive policy and actions

During 1980-84, the President took certain actions relating to the textile and apparel trade programs. On December 16, 1983, the President announced new guidelines for evaluating import levels for market disruption or the threat of market disruption. 1/ Under the terms of the MFA and the bilateral agreements, new quotas may be established on imported products when predetermined import levels 2/ are reached or when market disruption or the threat thereof is found by the United States. The new guidelines provide:

additional criteria for addressing import increases in categories not presently controlled which, if met, will establish a presumption of market disruption or threat thereof. This will be done to ensure that appropriate action regarding market disruption is taken on a more timely and predictable basis. However, if market disruption or threat thereof is not demonstrated, quotas will not be imposed.

1/ The full text of the Dec. 16, 1983, press release announcing the guidelines can be found in app. B, p. B-8.

2/ Consultation levels are provided for in the bilateral agreements.

The additional criteria which will be used and which raise a presumption of market disruption or threat thereof include:

1. Total growth in imports in that product or category is more than 30 percent in the most recent year, or the ratio of total imports to domestic production in that product or category is 20 percent or more; and
2. Imports from the individual supplier equal 1 percent or more of the total U.S. production of that product or category.

Following the announcement of the new guidelines, there were significant increases in requests by the CITA for consultations to establish new quotas. In total, 277 such actions were taken during 1981-84. Of these, 241 have resulted or may be expected to result in imposition of specific restraint limits.

On May 9, 1984, the President issued Executive Order No. 12475 "in order to prevent circumvention or frustration of multilateral and bilateral agreements to which the United States is a party". The order directed the Secretary of the Treasury to issue Customs' regulations and clarifications in, or revisions to, the country-of-origin rules in order to avoid circumvention of the textile agreements. 1/ This led to revision of the "country-of-origin" rules with respect to textiles and apparel (see Customs' section) to eliminate quota avoidance through the multicountry manufacture of textile products. 2/

Modifications to the Tariff Schedules of the United States Annotated requested by the CITA

During 1983-84, at the request of the CITA, over 1,500 new statistical annotations for apparel were added to the Tariff Schedules of the United States Annotated (TSUSA). The new annotations specifically identified items which in most cases had previously been classified as "other" in various "basket" or miscellaneous provisions of the TSUSA. These new annotations identified, among other things, garments imported as parts of sets, garments imported as cut parts for assembly in the United States and certain garments in chief value of a nonquota fiber (e.g., silk, linen, or ramie) but in chief weight of cotton, wool, or manmade fiber. An example of the effect of these changes is that sweater parts that previously had been classified in MFA basket categories are now counted against specific sweater quotas that are often filled or nearly filled.

During 1984, at the request of the CITA, the TSUSA was further expanded through additional statistical provisions in connection with the proposed 1987 conversion of the TSUSA to the Harmonized System (HS). This conversion has been underway for several years under the coordination of the international

1/ For the full text of Executive Order No. 12475 see app. B, p. B-9.

2/ Customs Regulations Amendments Relating to Textiles and Textile Products, Federal Register, 49 F.R. 31248, Aug. 3, 1984, 49 F.R. 38245, Sept. 28, 1984, and 49 F.R. 8710, Mar. 5, 1985; for full texts see app. B, p. B-10.

Customs Cooperation Council, and if adopted, will provide a standardized international nomenclature system for both tariff and statistical purposes. Since there are many definitional differences between the current TSUSA and the HS, numerous additional statistical annotations were requested by the CITA and incorporated into the TSUSA to provide so-called bridge data. According to the CITA, the bridge data are necessary to facilitate negotiations of quotas if the HS is adopted.

U.S. Customs Service

During 1980-84, the Customs Service, as part of its primary function to supervise and control the physical entry of goods into the United States, issued interim amendments to its regulations pertaining to the country of origin of imports, operated special taskforces to monitor fraudulent trade, and enforced embargoes on goods entered in excess of quota limits.

Recently, new Customs regulations were drafted to clarify the rules for determining the country of origin of textiles and textile products subject to restraint agreements. Interim regulations were published in the Federal Register (49 F.R. 31248) on August 3, 1984, and comments from the public were received and analyzed. The final regulations appeared in the Federal Register (50 F.R. 8710) on March 5, 1985, and became effective on April 4, 1985.

According to Customs officials, the new regulations are designed to stop the exporting countries that are faced with tight U.S. quotas from circumventing their quotas by shipping unfinished textile and apparel products to countries with unused or no quotas for assembly or further, oftentimes minor, processing. Under prior Customs practice, such products made partly in one country and then sent to another country for assembly or finishing were often charged against the second country's quotas. Under the new regulations, the products are charged against the quota of the country where they last underwent a substantial transformation by means of substantial manufacturing or processing operations. ^{1/} Imports from Hong Kong are particularly affected by the ruling because approximately 80 percent of that country's knitwear is reportedly made from panels or pieces knit in southern China. For example, sweaters assembled in Hong Kong from garment sections knit to shape in China, which previously counted against Hong Kong's quotas, now will count against the significantly smaller sweater quotas for China.

Special task forces, called Operation Tripwire, were set up in 1981 to monitor areas of suspected fraudulent activity in textile-apparel importation. During January 1981-September 1984, 40 million dollars' worth of merchandise that was either counterfeit, improperly classified, underweight, or shipped through a second country for purposes of quota evasion was seized by the Customs Service. Of the total, 30 million dollars' worth was seized during the 12 months ending September 31, 1984.

In general, when a quota from an individual country was filled, additional imports were embargoed in bonded warehouses for the remainder of the year,

^{1/} The full text of the regulation can be found in app. B, p. B-10. A detailed description of what is meant by "substantial manufacturing or processing operations" can be found at p. B-24.

unless flexibility provisions were used. 1/ Because of the rapid increase in imports in 1984, many quotas were filled early, resulting in a total of 51 embargoes as of December 5, 1984, on imports from a wide range of countries and products.

U.S. Department of Commerce

During 1980-84, the Department of Commerce, as the main administrative arm of the CITA, monitored textile imports and provided the CITA with statistical data on the quota program for use during negotiations. On a continuing basis, Commerce is charged with determining in specific cases if market disruption or the threat thereof has occurred within the context of the MFA.

Unless the United States and the exporting country have previously agreed upon a level of imports that will trigger negotiations on import quotas, calls for such consultations, under the terms of the MFA, require a positive determination of market disruption or the threat thereof. Information for such determinations is provided by the Department of Commerce's Office of Textiles and Apparel (OTEXA). In addition, a presentation of these determinations is made before the Textile Surveillance Body of the GATT when the exporting country requests a review of a particular restraint action.

The International Trade Administration of the Department of Commerce is responsible for determining if a foreign government is subsidizing its exports to the United States when countervailing duty petitions are filed by a domestic industry or may undertake such action on its own initiative. If the finding is in the affirmative, additional U.S. tariffs may be imposed equal to the subsidies received on those products. 2/ During 1984, a textile-manufacturing association and two domestic labor unions filed countervailing duty petitions, under section 303 of the Tariff Act of 1930, against 13 countries, which together accounted for about 15 percent of the total quantity of U.S. textile and apparel imports. 3/ All final determinations are expected during March and April 1985. Preliminary determinations on these petitions were announced in December 1984 and January 1985. Findings as of mid-April 1985 are shown in table 3.

1/ See section on quota growth and flexibility for a detailed explanation of flexibility provisions.

2/ Where the countries under investigation have signed the GATT Subsidies Code, the cases are governed by title VII of the Tariff Act of 1930, and a determination of material injury or threat thereof to the domestic industry must be made by the USITC in addition to the determination on subsidizing by the Department of Commerce before countervailing duties can be imposed. None of the petitioned countries here were signatories to that agreement at the time the cases were filed, although Indonesia, the Philippines, Portugal, and Turkey have since agreed to the GATT subsidies code.

3/ Countervailing duty cases were filed against Argentina, Colombia, Indonesia, Malaysia, Mexico, Panama, Peru, the Philippines, Portugal, Singapore, Sri Lanka, Thailand, and Turkey.

Table 3.--Textiles and apparel: Countervailing duty investigation determinations, by sources, 1984

Source	Certain textile products		Certain apparel products	
	Findings	Bounty or grant Percent ad valorem	Findings	Bounty or grant Percent ad valorem
Argentina-----	Affirmative <u>1</u> /--	4.53	Affirmative <u>1</u> /--	<u>2</u> / 15.87
Colombia-----	Investigation suspended. <u>1</u> /	-	Investigation suspended. <u>1</u> /	7.93
Indonesia-----	Petition withdrawn <u>3</u> /--	-	Petition withdrawn. <u>3</u> /	-
Malaysia-----	Negative <u>1</u> /----	-	Negative <u>1</u> /----	-
Mexico-----	Affirmative <u>4</u> /--	3.7	Not in petition.	-
Panama-----	Petition withdrawn. <u>5</u> /	-	Petition withdrawn. <u>5</u> /	-
Peru-----	Affirmative <u>1</u> /--	<u>6</u> / 22.28	Affirmative <u>1</u> /--	<u>6</u> / 19.91
Philippines----	Petition withdrawn. <u>3</u> /	-	Petition withdrawn. <u>3</u> /	-
Portugal-----	Petition withdrawn. <u>7</u> /	-	Petition withdrawn. <u>7</u> /	-
Singapore-----	Negative <u>1</u> /----	-	Negative <u>1</u> /----	-
Sri Lanka-----	Affirmative <u>1</u> /--	5.00	Affirmative <u>1</u> /--	3.06
Thailand-----	Investigation suspended. <u>1</u> /	-	do- <u>1</u> /----	1.23
Turkey-----	Petition withdrawn. <u>3</u> /	-	Petition withdrawn. <u>3</u> /	-

1/ Final determination; for details of determinations see Federal Register, 50 F.R. 9816-80, Mar. 12, 1985.

2/ Certain subsidies were withdrawn during the investigation, therefore the cash deposit required is 9.87 percent ad valorem on the certain apparel products from Argentina.

3/ Final determination, Federal Register, 50 F.R. 15208-13, Apr. 17, 1985.

4/ Final determination, Federal Register, 50 F.R. 10824-31, Mar. 18, 1985.

5/ Final determination, Federal Register, 49 F.R. 47425-26, Dec. 4, 1984.

6/ Certain subsidies were withdrawn during the investigation, therefore the cash deposit required is 2.88 percent on certain textile products and 0.0 percent on certain apparel products from Peru.

7/ Final determination, Federal Register, 49 F.R. 49690-2, Dec. 21, 1984.

Source: U.S. Department of Commerce, International Trade Administration.

Note.--Cotton inspectors' gloves from Sri Lanka were withdrawn from the investigation.

During 1984, countervailing duty orders were in effect on specific products from several countries. For Brazil, Pakistan, and Sweden, signatories to the GATT Subsidies Code, an affirmative determination of material injury or threat thereof was required by the Commission in addition to the subsidy finding of the Department of Commerce. A list of all textile and apparel products subject to countervailing duties as of December 1984 is provided in table 4.

Table 4.--Textiles and apparel: Countervailing duties in effect as of December 1984, by sources ^{1/}

Source	Product	Additional deposits being collected ^{2/} Percent ad valorem
Argentina-----	Wool-----	7.15
Brazil-----	Certain cotton yarn ^{3/-} -----	2.72
Pakistan-----	Cotton shop towels-----	12.67
Peru-----	Cotton sheeting and sateen.	2.12
Peru-----	Cotton yarn-----	5.55
Sweden-----	Viscose rayon staple fiber. ^{3/} -----	10.48

^{1/} A countervailing duty order is also in effect on cordage from Cuba, although the United States is not currently trading with Cuba.

^{2/} Deposits are collected by the Customs Service only from those firms that were found to be subsidizing their exports of the stated product.

^{3/} This item was subjected to an investigation by the U.S. International Trade Commission under sec. 104(b)(1) of the Trade Agreements Act of 1979 (19 U.S.C. 1671 note). The Commission determined that revocation of the outstanding countervailing duty order would materially injure or threaten to materially injure an industry in the United States.

Source: U.S. Department of Commerce, International Trade Administration.

In addition, the Department of Commerce is responsible, under Title VII of the Tariff Act of 1930, for determining if a country's exports are being imported into the United States at prices less than their fair market value. In such cases, the Commission must also determine if a domestic industry is being materially injured or threatened with material injury by the subject imports. When both dumping and injury are found, an antidumping order is issued to offset the margin of dumping. Such affirmative determinations were made in cases concerning certain exporters of specific products, as seen in the following tabulation:

Source	Product	Deposit being collected
		Percent ad valorem
China-----	Geige polyester/cotton printcloth.	22.4
	Shop towels-----	30.1-36.2
Finland-----	Rayon staple fiber-----	0.0
France-----	Rayon staple fiber-----	24.00
Italy-----	Rayon staple fiber-----	18.6
	Spun acrylic yarn-----	0.66-48.05
Japan-----	Spun acrylic yarn-----	18.3-29.1
	Fish netting-----	4.4-18.3
	Impression fabric-----	6.9-10.1

Congressional actions

On October 30, 1984, an omnibus trade bill, the Trade and Tariff Act of 1984 (Public Law 98-573) (the 1984 act) was enacted. Of particular significance to textile and apparel trade, Title IV of the 1984 act provides the authority to negotiate a free-trade agreement on both goods and services between the United States and Israel. 1/ The 1984 act, which encompasses all products, including textiles and apparel, stipulates that the agreement should phase out tariffs in such a way so as to minimize market disruption.

In addition, Title I of the 1984 act provides for tariff schedule amendments for certain coated fabrics, gloves, apparel sets, hovercraft skirts, disposable surgical sponges, and sterile gowns. Title V renews and modifies the Generalized System of Preferences, which has provided domestic authority for duty-free entry of non-MFA textiles and apparel (and other products) from certain developing countries. 2/

Anticounterfeiting legislation, the Trademark Counterfeiting Act of 1984 (Public Law 98-473, ch. XV), 3/ provides both criminal and civil penalties for unauthorized merchandising or importing of trademarked goods and services. Under the legislation, plaintiffs can seek seizures of disputed goods and the penalties can include both heavy fines and prison sentences. An investigation by the Commission 4/ determined that an estimated \$1 billion of domestic and export sales in the wearing apparel and footwear industries were lost because of foreign counterfeiting, passing off, and copyright and patent infringement during 1982.

1/ Full text of title IV, Public Law 98-573, can be found in app. B, p. B-26.

2/ Full text of title V and title I, secs. 111, 113, 122, 168, and 169 of Public Law 98-573, can be found in app. B, p. B-26.

3/ Full text of ch. XV, Public Law 98-473, can be found in app. B, p. B-38.

4/ United States International Trade Commission, The Effects of Foreign Product Counterfeiting on U.S. Industry: Final Report on Investigation No. 322-158 . . ., USITC Publication 1479, January 1984, pp. 29-34.

Product-labeling legislation enacted during 1984 ^{1/} requires more obvious labeling of an imported product's country of origin and the identification of imported products in advertising or mail-order materials. Also, apparel products manufactured in the United States must be labeled as such to further enable the ultimate consumer to distinguish domestic from imported ones.

U.S. Market

Textile industry

Apparent consumption of textile mill products rose by 19 percent during 1980-83 to \$54.7 billion. Domestic shipments of textile mill products ^{2/} increased by 17 percent, from \$46.0 billion in 1980 to an estimated \$54.0 billion in 1983. ^{3/} Most of the increase, however, was due to inflation rather than real growth. In constant 1972 dollars, domestic shipments increased by only 2.5 percent during 1980-83, as shown in the following tabulation:

<u>Year</u>	<u>Textile mill shipments</u> <u>(million 1972 dollars)</u>
1972-----	28,064
1977-----	30,347
1979-----	30,889
1980-----	29,511
1981-----	28,694
1982-----	27,360
1983-----	^{1/} 30,260

^{1/} Estimated.

Of the major industry sectors, only cotton-weaving mills experienced a significant decline in the value of shipments during 1980-83 (14 percent to \$4.5 billion in 1983). The other major sectors, except knit fabric mills, experienced increases, particularly during 1983, with the general improvement of economic conditions in the United States. Shipments of the wool-weaving and finishing industry rose by 46 percent during 1980-83 to \$1.0 billion; floor-covering industry shipments rose by 22 percent to \$7.0 billion; and shipments by manmade-fiber-weaving mills rose by 21 percent to \$9.5 billion, as seen in table 5.

^{1/} Public Law 98-417 enacted Sept. 24, 1984; the full text of Title III which amends the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 is found in app. B, p. B-42.

^{2/} Domestic shipments correspond to Standard Industrial Classification (SIC) 22, which includes fabrics, yarns, threads, knitting mill products, floor coverings, and miscellaneous textile goods.

^{3/} Estimated by the U.S. Department of Commerce, International Trade Administration.

Table 5.--Textile mill products: U.S. producers' shipments by selected sectors, 1980-83

(In millions of dollars)

SIC No.	Selected textile industry sectors 1/	1980	1981	1982	1983 2/
221	Cotton-weaving mills-----	5,245	5,285	4,075	4,508
222	Manmade-fiber-weaving mills---	7,851	8,726	7,940	9,476
223	Wool-weaving and finishing----	699	844	876	1,024
2257,2258	Knit fabric mills-----	4,834	4,633	4,021	4,789
226	Textile-finishing (except wool)-----	4,360	4,796	4,970	5,800
227	Floor coverings-----	5,764	5,909	5,797	7,036
2281,2283	Yarn mills-----	4,593	4,874	4,542	5,142

1/ Does not include miscellaneous textile products, outerwear produced in knitting mills, threads, and other fabricated textile products.

2/ 1983 shipments for SIC 226 were estimated by the United States International Trade Commission; 1983 shipments for other sectors were estimated by the U.S. Department of Commerce, International Trade Administration.

Source: U.S. Department of Commerce, Bureau of the Census, except as noted.

Earnings for the textile mill industry, which includes profits on finishing imported fabric, followed the trends of shipments. According to the Bureau of the Census, after-tax profits fluctuated from \$977 million in 1980 to \$1.2 billion in 1981 and then declined to \$851 million in 1982 before rising to \$1.6 billion in 1983.

Employment in the textile mill industry declined significantly during 1980-83. Total employment in SIC 22 declined by 12 percent during the period, from 847,700 persons in 1980 to 743,500 persons in 1983. The employment decline was felt most heavily in the major textile-producing States. Employment in North Carolina, the nation's largest producer, declined by 22,000 during 1980-83 to 223,600 workers, and employment in South Carolina declined by 23,000 workers during the period to 113,600 in 1983. Approximately 48 percent of the 1983 work force in the textile mill products industry were women, significantly less than the 81 percent female work force in the apparel industry.

Employment in each of the sectors declined. Cotton-weaving mill employment declined by 17 percent during 1980-83, or by approximately 26,000 workers to 124,100 persons. Manmade-fiber-weaving mills employed almost 25,000 fewer workers, declining by 21 percent in employment during 1980-83 to 91,400 workers. In addition, employment in knit fabric mills decreased by an estimated 23 percent during the period to 41,900 workers. These changes in employment may be seen in table 6.

Table 6.--Textile mill products: Number of employees,
by selected sectors, 1980-83

(In thousands)

SIC No.	Selected industry sectors 1/	1980	1981	1982	1983
221	Cotton-weaving mills-----	150.0	142.8	128.8	124.1
222	Manmade-fiber weaving mills-----	116.2	111.1	95.7	91.4
223	Wool-weaving and finishing mills-----	19.1	19.0	17.1	17.4
2257,2258	Knit fabric mills 2/-----	54.2	49.4	42.9	41.9
226	Textile-finishing (except wool)-----	73.7	70.4	65.0	63.5
227	Floor coverings-----	54.4	52.2	46.8	48.7
228	Yarn and thread mills-----	125.0	121.1	110.7	111.9

1/ Does not include miscellaneous textile products, outerwear produced in knitting mills, and other fabricated textile products.

2/ Partially estimated by the staff of the U.S. International Trade Commission.

Source: U.S. Department of Labor, Bureau of Labor Statistics, except as noted.

Overall, during 1980-83, the number of production workers declined by 13 percent to 641,100. The hourly wage of textile production workers increased from \$5.07 in 1980 to \$6.18 in 1983. This was higher than the \$5.37 per hour paid to apparel production workers but significantly lower than the average of \$8.82 paid in 1983 for workers in all manufacturing.

To better compete in both the domestic and foreign markets, the U.S. industry has been modernizing its spinning, weaving, and finishing equipment. New capital expenditures went from \$1.5 billion in 1980 to \$1.6 billion in 1982, and productivity, as measured in constant 1972 dollar output per worker, rose from \$34,801 per worker in 1980 to \$40,672 per worker in 1983. Technological advances in recent years have included computer-guided equipment to mix and load raw fibers in the beginning stages of processing, new yarn preparation systems, high-speed shuttleless looms, and energy-saving wet processing equipment for the cleaning, dyeing, and finishing stages of fabric production. These overall advances have been accompanied by increased specialization, as mills concentrate on high-volume products and deemphasize low-volume products, which do not lend themselves to new, high-speed production equipment. The modernization, coupled with economies of scale and competitively priced domestic fiber, has made U.S. producers competitive, both on cost and quality, with foreign manufacturers for many types of manmade-fiber fabrics and some types of medium- and better quality cotton fabrics as well. In other product areas, lower and medium-grade cotton fabrics have been imported primarily from such countries as Pakistan and China, which have not only low-cost labor, but locally grown cotton. Finer, lightweight manmade-fiber fabrics have been imported primarily from Japan and Korea.

Overall, imports of textile mill products rose by 24 percent during 1980-83 to \$2.5 billion, accounting for 4.6 percent of apparent consumption by value in 1983. Recent appreciation of the U.S. dollar compared with other currencies, contributed to a significant export decline, and textile imports exceeded exports in 1981. Exports of textiles during 1980-83 decreased by \$0.9 billion to \$1.6 billion in 1983, or by of 37 percent, as shown in table 7.

Table 7.--Textile mill products: 1/ U.S. producers' shipments, imports for consumption, exports of domestic merchandise, apparent consumption, and employment, 1980-83

Item	1980	1981	1982	1983
Producers' shipments				
million dollars--	47,282	50,264	47,791	<u>2/</u> 53,984
Imports-----do-----	2,034	2,466	2,201	2,524
Exports-----do-----	2,488	2,326	1,766	1,559
Apparent consumption-----do-----	46,828	50,404	48,266	54,949
Ratio of imports to apparent consumption-----percent--	4.3	4.9	4.6	4.6
Ratio of exports to producers' shipments-----percent--	5.3	4.6	3.7	2.9
Total employment				
1,000 persons--	848	823	749	744

1/ Textiles classified under SIC 22; includes some apparel wholly manufactured in knitting mills.

2/ Estimated by the U.S. Department of Commerce, International Trade Administration.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

The largest single end use of textile materials in the United States in 1983 was for apparel production, which accounted for approximately 45 percent of the materials consumed in terms of square yards, with the remainder being divided between industrial and home-furnishing uses. 1/ Thus, although imported textiles accounted for only 5.7 percent of the 1983 textile mill products market by value, the industry was affected by foreign competition in the form of imported apparel made from foreign fabrics.

Taken separately, the impact of textile mill product imports varied significantly among the industry sectors. In terms of quantity, 1983 imports exceeded U.S. consumption in the silk broadwoven fabric market, a product area not covered by the MFA, but amounted to less than 1 percent of consumption of knit fabrics or textile fabrics for tires. Wool broadwoven fabrics had an import penetration of 17 percent. In the two largest sectors, cotton broadwoven fabrics and manmade-fiber broadwoven fabrics, imports in 1983 accounted for 21 and 5 percent of the markets, respectively, as seen in table 8.

1/ National Cotton Council of America, Cotton Counts Its Customers, 1984.

Table 8.--Selected textile mill product groups: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1983

Textile mill product groups	Production	Imports ^{1/}	Exports	Apparent consumption	Ratio of imports to consumption Percent
Broadwoven fabrics ^{2/} :					
Of silk----1,000 square yards--:	1,250	25,398	1,471	25,177	100.9
Of cotton-----do-----:	4,192,000	1,092,707	137,201	5,147,506	21.2
Of wool-----do-----:	143,500	29,904	863	172,541	17.3
Of manmade fibers-----do-----:	11,460,700	593,380	246,585	11,807,495	5.0
Total-----do-----:	15,797,450	1,741,389	386,120	17,152,719	10.2
Coated, filled or laminated fabrics-----do-----:	771,000	60,819	110,654	721,165	8.4
Webs, wadding, batting and non-woven fabrics----1,000 pounds--:	1,430,000	31,676	82,353	1,379,323	2.3
Narrow fabrics-----do-----:	550,000	10,709	35,761	524,948	2.0
Filament yarn of manmade fibers-----do-----:	3,836,800	64,782	253,979	3,647,603	2.0
Sewing thread-----do-----:	146,000	2,440	12,806	135,634	1.8
Spun yarn-----do-----:	5,995,000	104,679	42,340	6,057,339	1.7
Knit fabrics-----do-----:	1,507,000	3,003	16,303	1,493,700	.2
Textile fabrics for tires--do-----:	660,000	1,341	28,877	632,464	.2

^{1/} Includes unfinished fabrics imported for further processing in the United States.

^{2/} Does not include jute fabric, an item not produced in the United States, or vegetable-fiber fabrics other than cotton, such as linen.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Cotton broadwoven fabrics

Apparent U.S. consumption of cotton broadwoven fabrics increased by 6 percent during 1980-83 to over 5.1 billion square yards, valued at \$5.8 billion. Much of this increase occurred during 1983, when both production and imports rose sharply in response to the improved U.S. economy and the demand for both home furnishings and industrial fabrics increased. In addition, natural fibers such as cotton continued to show increased popularity in many apparel items. Imports accounted for 21 percent of the market by quantity in 1983, up from 15 percent in 1980. U.S. production of cotton broadwoven fabrics dropped sharply, from 4.5 billion square yards in 1980 to 3.8 billion square yards in 1982, before recovering to 4.2 billion square yards in 1983, representing an overall 1980-83 decrease of 7 percent. The value of U.S. producers' shipments of cotton broadwoven fabrics, which includes the value of domestically woven and finished goods as well as imported grieger ^{1/} fabric finished in the United States, rose to an estimated \$5.4 billion ^{2/} in 1983.

Employment in both the weaving and finishing sectors declined significantly during the period. According to the Bureau of Labor Statistics, employment in SIC 221, cotton-weaving mills, decreased from 150,000 workers in 1980 to 124,100 in 1983, or by 17 percent. In cotton-broadwoven-fabric-finishing plants, SIC 2261, employment declined by 15 percent during the period to 25,400 workers in 1983. Hourly wages for production workers were \$6.44 in the weaving mills and \$6.64 in the finishing plants compared with \$6.18 for all textile mill product workers in 1983.

New capital expenditures in cotton-weaving mills increased significantly during 1980-82, from \$217.5 million in 1980 to \$307.4 million in 1982, or by 41 percent. A large portion of this increase reflected the industry's effort to increase productivity by replacing older shuttle looms with new high-speed shuttleless equipment. The newer looms are not only faster, but in most cases considerably wider as well, thereby significantly increasing the mills' output per machine.

U.S. imports for consumption of broadwoven fabrics wholly or in chief value of cotton, although declining in 1982, increased by 41 percent overall during 1980-83 to 1.1 billion square yards, valued at \$566 million, in 1983. Imports of printcloth and sheeting showed the greatest increases during 1980-83, with printcloth imports rising by almost 150 percent and those of sheeting rising by 36 percent to 263 million and 329 million square yards, respectively. In terms of domestic production, both decreased. The U.S. production of printcloth declined by 5 percent during 1980-83 to 470 million square yards, and that of sheeting declined by 19 percent to 380 million in 1983.

U.S. imports of cotton broadwoven fabrics as a percentage of apparent consumption increased significantly. Although fluctuating through the period, import penetration rose from 16 percent of the market in 1980 to 21 percent in 1983, as seen in table 9.

^{1/} Grieger goods refer to fabrics as they come from the loom without further processing such as bleaching, dyeing, or printing.

^{2/} Partially estimated by the staff of the U.S. International Trade Commission.

Table 9.--Broadwoven fabrics of cotton: 1/ U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1980-83

Year	Production	Imports <u>2/</u>	Exports	Apparent consumption	Ratio of imports to consumption
	1,000 square yards				Percent
1980-----	4,457,000	772,548	377,498	4,852,050	15.9
1981-----	3,913,000	1,079,303	216,433	4,775,870	22.6
1982-----	3,794,000	836,500	170,744	4,459,756	18.8
1983-----	4,192,000	1,092,707	137,201	5,147,506	21.2

1/ Production and exports are reported in terms of chief weight cotton and imports are reported in terms of chief value cotton.

2/ Includes unfinished fabrics, imported for further processing in the United States.

Source: Compiled from official statistics of the U.S. Department of Commerce.

In terms of value, imports rose by 31 percent during 1980-83 to \$566 million. Imports from the three leading suppliers, Hong Kong, China, and Taiwan, all increased significantly during the period, together accounting for 45 percent of the value of imports. Imports from China and Pakistan are significantly lower priced than those from other sources, valued at an average of \$0.31 per square yard compared with \$0.61 per square yard for all other imports in 1983. Imports from China, the largest supplier in terms of quantity, rose by 72 percent in value during 1980-83, to \$79 million, as seen in table 10.

Table 10.--Broadwoven fabrics of cotton: U.S. imports for consumption, by principal sources, 1980-83

(In thousands of dollars)

Source	1980	1981	1982	1983
Hong Kong-----	76,153	108,891	73,235	104,343
China-----	46,041	86,545	73,735	79,169
Taiwan-----	33,224	51,471	52,051	69,932
Japan-----	33,128	46,955	54,636	64,978
Korea-----	27,474	37,741	25,115	46,078
Pakistan-----	23,372	36,658	21,179	24,257
Brazil-----	4,420	17,022	11,081	23,773
Peru-----	27,648	37,989	28,249	20,488
Thailand-----	7,764	18,564	21,946	18,801
India-----	31,018	28,017	14,919	13,966
All other-----	123,031	133,891	105,724	100,599
Total imports-----	433,273	603,744	481,870	566,384

Source: Compiled from official statistics of the U.S. Department of Commerce.

Transportation costs for moving cotton broadwoven fabrics from foreign ports to the U.S. port of entry averaged about 6 percent of the foreign value and was equivalent to approximately one-half the average applicable duties. The range of transportation costs is generally from 4 to 10 percent of the foreign value, depending on the country of origin and the unit value of the fabrics.

U.S. exports of cotton broadwoven fabrics decreased steadily during 1980-83, by 64 percent in quantity and value, to 137 million square yards, valued at \$189 million in 1983. Exports to Canada, by far the leading market, declined by 25 percent in value during the period to \$59 million in 1983. Exports to major EC countries--the United Kingdom, France, Italy, and Germany--declined by 80 percent in value during the period to \$53 million in 1983, due in part to both the increasing strength of the U.S. dollar and the new European production capacity for denim and corduroy fabrics.

Manmade-fiber broadwoven fabrics

Consumption of manmade-fiber broadwoven fabrics rose by 13 percent during 1980-83 to 11.8 billion square yards, valued at \$13.3 billion. Production during the period rose by 6 percent in quantity, to 11.5 billion square yards, with fabrics of manmade-fiber/cotton blends showing the largest increase. In terms of total value, which includes fabric finishing on goods woven domestically as well as the finishing of imported fabric, shipments rose by 27 percent during 1980-83 to an estimated \$13.1 billion. ^{1/} The quantity of imports for consumption doubled to 593 million square yards during the period, and exports declined by 61 percent to 247 million square yards in 1983. Overall, imports rose from 2.8 percent of the U.S. market for manmade-fiber broadwoven fabrics in 1980 to 5.0 percent in 1983.

As in cotton woven fabrics, employment in both manmade-fiber-weaving and finishing mills declined. Employment in SIC 222, manmade-fiber weaving mills, decreased from 116,200 workers in 1980 to 91,400 in 1983, or by 21 percent. In manmade-fiber finishing plants, SIC 2262 employment declined by 16 percent to 23,500 workers. Hourly wages for production workers were higher than those in the cotton woven fabric industry, averaging \$6.59 in the weaving mills and \$6.86 in the finishing plants compared with \$6.44 and \$6.64, respectively, in the cotton industry.

As in the cotton fabric sector, however, the use of more productive technology in all phases of manmade-fiber fabric production increased significantly, with new capital expenditures averaging \$383 million per year in manmade-fiber-weaving mills during 1980-82. For both cotton and manmade-fiber broadwoven fabric sectors together, the number of shuttleless looms in place went from 38,681 in the beginning of 1980 to 53,602 at the end of 1983, increasing from 15 to 28 percent of the total looms during the period.

Imports for consumption of broadwoven fabrics wholly or in chief value of manmade fibers increased by 100 percent during 1980-83, to 593 million square yards, valued at \$587 million. Import penetration rose continuously during the period, rising to 5 percent of apparent consumption in 1983, as seen in table 11.

^{1/} Estimated by the staff of the U.S. International Trade Commission.

Table 11.--Manmade-fiber broadwoven fabrics: 1/ Production, U.S. imports for consumption, exports of domestic merchandise, and apparent consumption, 1980-83

Year	Production	Imports	Exports	Apparent consumption	Ratio of imports to consumption
	1,000 square yards				Percent
1980	10,774,100	296,375	635,364	10,435,111	2.8
1981	11,025,200	431,823	511,484	10,945,539	3.9
1982	9,760,400	455,516	316,850	9,899,066	4.6
1983	11,460,700	593,380	246,585	11,807,495	5.0

1/ Production and exports are reported in terms of chief weight of manmade fiber, and imports are reported in terms of chief value manmade fiber.

Source: Compiled from official statistics of the U.S. Department of Commerce.

In terms of value, U.S. imports of manmade-fiber broadwoven fabrics increased by 45 percent during 1980-83, to \$587 million. Imports from the two largest suppliers, Japan and Korea, which were primarily lightweight polyester filament fabric used in women's blouses and dresses, rose by 78 percent to \$392 million, or two-thirds of the imports. Imports from Italy, which were primarily wool and manmade-fiber blends for apparel, although rising slightly in quantity, decreased by 15 percent in value during the period, to \$94 million. Imports from low-price fabric suppliers, Taiwan and China, together increased by over 600 percent in value to \$28 million in 1983, as seen in table 12.

Table 12.--Manmade-fiber broadwoven fabrics: U.S. imports for consumption, by principal sources, 1980-83

(In thousands of dollars)

Source	1980	1981	1982	1983
Japan	168,600	263,912	256,624	275,744
Korea	51,738	72,825	92,630	116,472
Italy	111,138	135,127	94,184	94,096
Taiwan	3,098	5,997	9,968	22,923
West Germany	11,158	22,942	13,404	16,048
France	20,861	12,723	13,861	15,110
Brazil	5,502	7,788	7,416	8,177
China	750	2,317	5,428	5,314
Switzerland	9,178	6,411	4,977	5,050
Canada	3,285	4,250	3,688	4,920
All other	18,969	26,782	21,861	22,876
Total imports	404,277	561,074	524,041	586,730

Source: Compiled from official statistics of the U.S. Department of Commerce.

Exports of manmade-fiber broadwoven fabrics decreased significantly during 1980-83, by 61 percent in quantity and by 47 percent in value, to 247 million square yards, valued at \$388 million. Exports to Canada, the major market, declined by 24 percent to \$106 million in 1983. Exports to the major European markets--the United Kingdom and Italy--together declined by 67 percent in value during the period to \$42 million in 1983.

Apparel industry

Apparent U.S. consumption of apparel rose by 27 percent during 1980-83 to \$64.2 billion, with domestic shipments of apparel (SIC 23) increasing from \$45.8 billion in 1980 to an estimated \$55.4 billion in 1983, 1/ or by 20 percent. Despite these increases, little real growth occurred during 1980-83, as most of the increase reflected higher manufacturing costs, raw-material costs, and interest expenses. In terms of 1972 dollars, U.S. producers' shipments of apparel (SIC 23) increased by only 6.4 percent during 1980-83, as shown in the following tabulation:

<u>Year</u>	<u>Apparel shipments</u> <u>(million 1972 dollars)</u>
1972-----	27,809
1977-----	30,549
1979-----	29,763
1980-----	29,717
1981-----	30,018
1982-----	30,908
1983-----	<u>1/</u> 31,617

1/ Estimated.

In line with the slow growth pattern, both the number of U.S. apparel employees and the number of establishments declined. Bureau of Labor Statistics data show that apparel production took place in approximately 23,500 establishments in 1983, a decrease from 23,650 in 1980. Average annual employment in the apparel industry declined by 8 percent, from 1,264,000 persons in 1980 to 1,169,000 in 1983, and the number of production workers declined by 9 percent during the period, to 989,000 in 1983. The unemployment rate for apparel workers was 12.4 percent in 1983 compared with the 11.2-percent unemployment rate experienced by all manufacturing workers.

Within the major apparel groups, shipments of women's and misses' outerwear, rose by 31 percent during 1980-83 to an estimated \$18.7 billion; shipments of men's and boys' furnishings rose by 11 percent to \$13.2 billion; and shipments of children's outerwear, a much smaller industry, rose by 36 percent, to \$2.8 billion as shown in table 13.

1/ Estimated by the U.S. Department of Commerce, International Trade Administration.

Table 13.--Apparel: U.S. producers' shipments, by selected sectors, 1980-83

(In millions of dollars)

SIC No.	Selected apparel industry sector 1/	1980	1981	1982	1983 2/
233	Women's and misses' outerwear-----	14,311	16,093	18,246	18,690
232	Men's and boys' furnishings (other than suits and coats)-----	11,809	12,575	12,676	13,150
231	Men's and boys' suits and coats-----	2,807	3,024	3,056	3,040
236	Children's outerwear-----	2,030	2,143	2,729	2,760
234	Women's and children's undergarments-----	2,995	3,217	3,319	3,590

1/ Includes only selected apparel items made of textile materials. Apparel of fur, leather, or plastic, apparel accessories, other textile apparel, and other textile mill products are excluded.

2/ Partially estimated by the staff of the U.S. International Trade Commission from data of the U.S. Department of Commerce, International Trade Administration.

Source: U.S. Department of Commerce, Bureau of the Census, except as noted.

Employment in the major apparel industry sectors, however, fell significantly during 1980-83, with some recovery during 1983, particularly in the manufacture of outerwear. Overall, the number of employees in the women's outerwear industry declined by 7 percent during 1980-83, to 387,900 workers, and those in men's furnishings (excluding suits and coats) declined by 10 percent to 324,700 workers, as seen in table 14.

Table 14.--Apparel: Number of employees, by selected sectors, 1980-83

(In thousands)

SIC No.	Selected apparel industry sector 1/	1980	1981	1982	1983
233	Women's and misses' outerwear-----	416.7	411.3	386.1	387.9
232	Men's and boys' furnishings (other than suits and coats)-----	361.8	348.3	322.3	324.7
231	Men's and boys' suits and coats-----	77.2	76.7	75.3	70.6
236	Children's outerwear-----	64.4	64.5	61.4	59.6
234	Women's and children's undergarments-----	89.5	89.8	83.5	84.0

1/ Includes only selected apparel made of textile materials. Apparel of fur, leather, or plastic, apparel accessories, other textile apparel, and other textile mill products are excluded.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The hourly wage of apparel production workers during 1983 averaged \$5.37 compared with \$8.82 for all manufacturing. U.S. apparel wage rates, however, remained significantly higher than the 1984 textile industry hourly wages of \$1.89 in Korea, \$1.65 in Hong Kong and Taiwan, and \$0.26 in China. ^{1/} This disparity is significant since labor, on the average, accounts for as much as one-third of the wholesale value of U.S.-produced apparel.

Productivity, as measured by the output of SIC 23 (in 1972 dollars), increased from \$23,510 per worker in 1980 to \$27,046 per worker in 1983. Much of this increase is attributed to improved production planning and work flow and simplification of production methods. In addition, the development and use of technological improvements during the past decade, such as computerized grading and marking systems, computerized cutting and automated fabric spreading machines, programmable, automatic sewing machines (for such operations as forming and attaching pockets and belt loops), and fabric-edge guided automatic sewing machines have also helped to increase productivity. ^{2/}

Although this improved technology in the apparel industry increased productivity in recent years, the improvement has not sufficiently closed the price gap between U.S. and major foreign producers. In the short run, the industry will probably experience limited productivity improvement, because many manual operations are involved, fabric handling currently cannot be fully automated, and fashion and seasonal changes often dictate small production runs. Moreover, the U.S. industry's fragmented structure, consisting of a large number of small companies that often lack adequate capital, limits its use of capital-intensive production methods. U.S. Department of Commerce data indicate that annual capital expenditures in the industry during 1982 averaged \$668 per production worker, up from \$538 per production worker in 1980, but still significantly lower than the \$3,466 per production worker spent for all manufacturing in 1982.

Slightly more than one-half of the apparel establishments are located in the Northeast, especially in New York. However, the South, which has one-half as many plants as the Northeast, is the largest employer, with about 40 percent of the industry's workforce compared with about 30 percent in the Northeast. Apparel plants in the South employ, on the average, more than twice as many workers as those in the Northeast, primarily reflecting the South's newer and larger plants and its greater number of men's apparel firms, which usually operate on a larger scale than the more fashion-oriented women's apparel producers. Overall, almost 81 percent of the apparel labor force are women and 19 percent are minority workers.

U.S. imports played an increasingly significant role during the period, rising from 12.8 percent of U.S. apparent consumption in 1980, by value, to 15.4 percent in 1983. (If duties, insurance, and freight costs are included, the value of imports would account for almost 20 percent of domestic consumption in 1983). Overall apparel imports increased by 52 percent during 1980-83 to almost \$9.9 billion, and exports declined by 31 percent to \$1.1 billion, as seen in table 15.

^{1/} Werner Associates, Inc.

^{2/} American Apparel Manufacturers Association, Apparel Manufacturing Strategies, 1984, p. 45.

Table 15.--Apparel and other textile products: 1/ U.S. producers' shipments, imports for consumption, exports of domestic merchandise, apparent consumption, and employment, 1980-83

Item	1980	1981	1982	1983
Producers' shipments 2/				
-----million dollars-----	45,782	49,823	53,406	3/ 55,435
Imports-----do-----	6,492	7,691	8,432	9,897
Exports-----do-----	1,620	1,651	1,271	1,114
Apparent consumption 2/-----do-----	50,654	55,863	60,567	64,218
Ratio of imports to apparent consumption-----percent-----	12.8	13.8	13.9	15.4
Ratio of exports to producers' shipments-----percent-----	3.5	3.3	2.4	2.0
Total employment 4/				
-----1,000 workers-----	1,264	1,244	1,164	1,169

1/ Represents apparel and related homefurnishings other than floor coverings and miscellaneous fabricated textile products classified under SIC 23.

2/ Preliminary data from the 1982 Census of Manufactures indicate that approximately \$8.3 billion, or 15.5 percent, of the apparel industry's shipments in 1982 were accounted for by miscellaneous receipts (such as sales of scrap materials), sales of products purchased and resold without further processing, and contract receipts. Resales and contract receipts may represent a duplication in terms of product shipments, as they are collected in some instances both from the seller or contractor and from the reseller or jobber. Thus, in terms of products available to the market, both the producers' shipments and the apparent consumption shown may be overstated.

3/ Estimated.

4/ U.S. Department of Labor, Bureau of Labor Statistics.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Another estimate of import penetration, provided by the Textile Economics Bureau, combines yarns and fabric imported for apparel production with imported finished apparel for an import ratio in terms of the weight of fiber used. On this basis, the fiber import penetration ratio resulting from apparel imports and imported yarn and fabric used to manufacture apparel rose from 23.7 percent in 1980 to 44.6 percent during January-September 1984, as seen in table 16.

Transportation costs incurred to bring garments to the United States accounted for about 6.5 percent of the value of the apparel at the foreign port. Once landed in the United States, imports and domestic merchandise are carried primarily by truck due to the relatively small size of individual shipments, transporting garments on hangers or other special handling required for many garments, and the large number of retail destinations. Freight costs are generally paid by the retailer with the trucking costs for imported items reportedly being somewhat higher than that for domestic merchandise due to the considerable congestion and loading costs at the ports.

Table 16.--Apparel: 1/ U.S. producers' shipments, imports for consumption, exports of domestic merchandise, and apparent consumption, 1980-83, January-September 1983, and January-September 1984

Item	1980	1981	1982	1983	January-September--	
					1983	1984
U.S. producers' shipments of materials for manufacture into apparel-----million pounds--	4,359	3,895	3,502	3,900	2,950	2,563
U.S. imports of:						
Yarn for apparel-----do----	107	201	186	287	195	284
Fabric for apparel-----do----	262	398	343	461	337	465
Finished apparel-----do----	885	983	1,044	1,258	969	1,222
Total-----do----	1,254	1,582	1,573	2,006	1,501	1,971
U.S. exports of finished garments million pounds--	313	249	158	146	108	116
Apparent apparel consumption---do----	5,300	5,228	4,917	5,760	4,343	4,418
Ratio of imports to consumption percent--	23.7	30.3	32.0	34.8	34.6	44.6

1/ Represents raw-fiber equivalent of cotton, wool, and manmade-fiber products available for domestic apparel production. All data are estimated.

Source: Compiled from data of the Textile Economics Bureau, Inc.

Apparel is imported not only by import brokers or trading companies, but also by retailers working directly with foreign manufacturers and U.S. apparel producers. In a survey of domestic clothing producers conducted by the American Apparel Manufacturers Association (AAMA), ^{2/} 37 percent of the 177 respondents were obtaining part of the apparel they sold from offshore sources and an additional 6 percent were planning to begin offshore sourcing during the coming year. Responding apparel producers indicated that 16.4 percent of their sales dollars were from garments that were wholly foreign made. An additional 6.4 percent of their sales came from garments cut in the United States, sewn and finished offshore, and imported back into the United States under Tariff Schedules of the United States (TSUS) item 807.00. ^{3/} Completed apparel imports for consumption entering under TSUS item 807.00 increased by 19 percent during 1980-83, to \$638 million.

Since imported apparel, overall, is priced lower than domestic products, a more meaningful indicator of the level of imports is the import penetration by quantity. Imports accounted for a wide range of market penetration levels, ranging from almost 64 percent of the women's sweater market to only 1 percent of the hosiery market. As seen in table 17, some of the more heavily affected product areas were sweaters, gloves, body-supporting garments, coats, and blouses.

^{1/} Bureau of the Census, 1982 Census of Manufactures, Preliminary Report Industry Series, 1984.

^{2/} AAMA, Apparel Manufacturing Strategies, 1984, p. 90.

^{3/} This provision states that duty on articles assembled abroad wholly or partly with U.S.-fabricated components be applied to the full value of the imported article less the value of the U.S.-made components. For the most part, the duty is assessed on the value added abroad.

Table 17.--Selected apparel sectors: 1/ U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, 1983

Apparel sectors	Production	Imports	Exports 2/	Apparent consumption	Ratio of imports to consumption
Women's sweaters-----	7,204	12,624	41	19,787	63.
Gloves-----	18,551	20,276	1,534	37,293	54.
Body-supporting garments-----	21,366	13,291	9,325	25,332	52.
Men's sweaters-----	3,503	3,011	24	6,490	46.
Women's coats-----	7,852	5,751	299	13,304	43.
Women's shirts and blouses-----	58,021	42,068	1,498	98,591	42.
Men's coats-----	7,853	4,810	508	12,155	39.
Women's trousers and shorts-----	37,525	20,062	720	56,867	35.
Men's shirts-----	64,986	33,482	2,815	95,653	35.
Women's suits-----	1,090	530	66	1,554	34.
Playsuits-----	8,535	2,716	3/	11,251	24.
Skirts-----	10,168	3,037	108	13,097	23.
Men's trousers and shorts-----	47,461	11,648	1,916	57,193	20.
Men's suits-----	1,128	266	29	1,365	19.
Handkerchiefs-----	17,774	4,207	123	21,858	19.
Robes-----	3,826	717	137	4,406	16.
Neckwear-----	4/ 6,500	948	155	7,293	13.
Dresses-----	20,473	3,107	1,419	22,161	14.
Nightwear-----	22,992	2,799	507	25,284	11.
Underwear-----	128,124	12,233	4,247	136,110	9.
Hoisery-----	309,420	3,735	4,693	308,462	1.

1/ Includes only apparel made of textile materials; products of leather, fur and plastic are excluded.

2/ Includes parts of garments which will be assembled offshore and subsequently reimported into the United States.

3/ Exports not available, but believed to be negligible.

4/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Sweaters

U.S. consumption of sweaters rose by 25 percent in quantity and 39 percent in value during 1980-83, to 26 million dozen, valued at almost \$2 billion. This increase was due in part to the growth of cotton sweater purchases for year-round wear and the availability of machine-produced sweaters with intricate patterns, including those with a hand-knit appearance. Most of the increase was supplied by imports, particularly during 1981-83, with imports climbing to a record 59.5 percent of the domestic market in 1983.

U.S. producers' shipments increased by 21 percent in 1981 from a 12-year low in 1980 and then rose by only 2 percent during 1981-83 to 10.7 million dozen, valued at \$980 million. The knit outerwear industry, SIC 2253, which includes approximately 75 percent of sweater production by quantity, ^{1/} decreased from 837 establishments in 1980 to 790 in 1983. Total employment in the industry declined from 69,300 workers in 1980 to 62,200 workers in 1983, and the number of production workers decreased from 59,400 to 53,100 over the same period. Wages for these production workers rose from \$4.69 per hour in 1980 to \$5.52 per hour in 1983 compared with \$5.37 in 1983 for the apparel industry as a whole.

Significant technological advances have taken place in the U.S. sweater industry. Computer-aided patterning and control systems have become increasingly sophisticated and more widely used. These systems can produce intricately patterned sweater samples and change styles in production significantly faster than older methods, reducing idle machine time and allowing firms to react quickly to market trends. Capital expenditures in the knit outerwear industry on new machinery and equipment rose from \$35.9 million in 1980 to \$52.7 million in 1982. Trade sources indicate these investments continued in 1983, with both large and small firms making purchases. For new machinery, U.S. sweater manufacturers are dependent on imports, with virtually all of the new equipment coming from Japan, Switzerland, West Germany, and Italy.

As seen in table 18, sweater imports for consumption increased by 25 percent during the period, with all of the increase occurring in the most recent 3 years. They totaled 15.6 million dozen, valued at \$984 million, in 1983. Imported sweaters accounted for 63.8 percent of the women's, girls', and infants' sweater consumption, 46.4 percent of the men's and boys', and 59.5 percent of total consumption during 1983. By fibers, the market most heavily impacted by imports was wool sweaters, where imports accounted for 67.5 percent of consumption. The cotton sweater industry had the lowest level of import penetration, with imports accounting for 30.3 percent of consumption in 1983. Domestic cotton sweater production grew significantly during 1980-83, from 423,000 dozen to 1,949,000 dozen. Cotton sweater producers benefited from a combination of the increased popularity of cotton and the restriction of imports by low cotton sweater import quotas, which were based on historic low levels of cotton sweater trade. Overall, however, cotton represented only 18 percent of total domestic production. In manmade-fiber sweaters, by far the largest market by fiber, imports accounted for 59.4 percent of consumption.

^{1/} The remainder of the knit outerwear are classified as women's and children's outerwear not elsewhere classified; SIC 2339 and SIC 2369, respectively.

Table 18.--Sweaters: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, by end-users and by fibers, 1980-83

Item	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 dozen				Percent
Total:					
1980-----	8,658	132	<u>1/</u> 12,496	<u>1/</u> 21,022	59.4
1981-----	10,464	122	<u>1/</u> 12,420	<u>1/</u> 22,762	54.6
1982-----	10,602	83	<u>1/</u> 13,463	<u>1/</u> 23,982	56.1
1983-----	10,707	65	<u>1/</u> 15,635	<u>1/</u> 26,277	59.5
End user:					
Men and boys:					
1980-----	3,069	81	2,237	5,225	42.8
1981-----	3,643	78	2,255	5,820	38.7
1982-----	3,596	50	2,990	6,536	45.7
1983-----	3,503	24	3,011	6,490	46.4
Women, girls, and infants:					
1980-----	5,589	51	10,259	15,797	64.9
1981-----	6,821	44	10,164	16,941	60.0
1982-----	7,006	33	10,473	17,446	60.0
1983-----	7,204	41	12,624	19,787	63.8
Fiber:					
Cotton:					
1980-----	423	43	509	889	57.3
1981-----	950	39	471	1,382	34.1
1982-----	1,471	36	741	2,176	34.1
1983-----	1,949	33	834	2,750	30.3
Wool:					
1980-----	1,148	13	2,555	3,690	69.2
1981-----	1,537	19	2,293	3,811	60.2
1982-----	1,742	15	2,588	4,315	60.0
1983-----	1,390	10	2,866	4,246	67.5
Manmade fibers:					
1980-----	7,087	76	9,372	16,383	57.2
1981-----	7,977	64	9,384	17,297	54.3
1982-----	7,389	32	9,604	16,961	56.6
1983-----	7,368	22	10,748	18,094	59.4

1/ Includes imports of non-MFA fibers such as silk, linen, and ramie. In 1983, such imports accounted for nearly 8 percent of sweater imports.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports for consumption from Hong Kong and Taiwan have accounted for about half the quantity increase since 1981, with those from Hong Kong alone rising by 33 percent to 3.8 million dozen, valued at \$318 million, in 1983, as seen in table 19.

Table 19.--Sweaters: U.S. imports for consumption 1/, by principal sources, 1980-83

(In thousands of dollars)

Source	1980	1981	1982	1983
Hong Kong	195,783	241,452	272,637	318,832
Taiwan	231,563	232,036	218,066	253,474
Korea	130,774	159,884	157,512	175,735
China	50,149	36,219	57,866	53,055
Italy	23,068	21,491	23,047	35,229
United Kingdom	23,078	24,545	27,623	34,178
Mexico	7,639	9,129	8,658	12,211
Sri Lanka	655	5,113	6,395	9,635
Mauritius	2,091	9,070	10,927	7,895
Philippines	4,193	7,045	8,526	7,366
All other	33,419	41,670	52,181	76,817
Total	702,412	787,654	843,438	984,427

1/ Includes imports of non-MFA fibers such as silk, linen, and ramie.

Source: Compiled from official statistics of the U.S. Department of Commerce.

The four major suppliers--Hong Kong, Taiwan, Korea, and China--accounted for 86 percent of the 1983 imports by quantity and filled, or nearly filled, their 1981-83 sweater quotas. Faced with tight quotas, particularly for cotton sweaters, foreign manufacturers have shifted to fibers not subject to MFA restrictions, such as silk, ramie, and linen blends. Imports of silk and silk blend sweaters rose from 60,000 dozen in 1980 to almost 1.2 million dozen in 1983, valued at \$99 million, with those from Hong Kong accounting for 70 percent of the total and an additional 26 percent coming from Korea and China. In addition, imports have increased from quota-free countries such as Italy and the United Kingdom, where favorable exchange rates have enhanced their price competitiveness, and from new suppliers, notably Sri Lanka and Mauritius.

Total sweater exports were small compared with imports and declined during 1980-83. Exports decreased by 51 percent in quantity and by 54 percent in value during 1980-83, to 65,000 dozen, valued at \$2.7 million. Major export markets for completed sweaters were Canada and Japan; some sweater parts were exported to Costa Rica and Mexico for assembly, returning to the United States under TSUS item 807.00.

Gloves

Apparent U.S. consumption of gloves of textile materials declined by 13 percent during 1980-82, to 35.0 million dozen pairs, and then increased by 7 percent during 1983, to 37.3 million dozen pairs, valued at \$291 million, as the improved U.S. economy increased the demand for work gloves. Cotton gloves, which account for 80 percent of the market, declined by 12 percent in consumption during the period, to 29.7 million dozen pairs in 1983. Domestic production of all textile gloves also declined, by 29 percent during 1980-83,

to 18.6 million dozen pairs, valued at \$215 million. In the declining textile glove market, imports accounted for a rapidly increasing share, rising from 38.5 percent of consumption by quantity in 1980 to 54.4 percent in 1983. Overall, textile glove imports increased by 31 percent during 1980-83, to 20.3 million dozen pairs, valued at \$86.8 million.

Employment in SIC 2381, fabric dress and work gloves, declined significantly during 1980-83, decreasing by 32 percent to 8,400 workers. Hourly wages for production workers in the industry rose from \$4.29 per hour in 1980 to \$5.05 in 1983. ^{1/}

Imports of manmade-fiber gloves showed the greatest increase, in part because of the tight quotas on cotton gloves; such imports increased by 55 percent during 1980-83, to 5.7 million dozen pairs, and accounted for 73.4 percent of the manmade-fiber glove market. In the small, wool glove market, imports accounted for virtually all the sales, as seen in table 20.

Table 20.--Gloves of textile materials, including leather-fabric combinations: ^{1/} U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, by fibers, 1980-83

Item	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 dozen pairs				Percent
Total:					
1980-----	26,040	2/ 1,309	3/ 15,503	40,234	38.5
1981-----	25,765	2/ 1,534	3/ 17,036	41,267	41.3
1982-----	19,157	2/ 1,174	3/ 16,994	34,977	48.6
1983-----	18,551	2/ 1,534	3/ 20,276	37,293	54.4
Cotton:					
1980-----	22,661	695	11,687	33,653	34.7
1981-----	22,395	727	13,316	34,984	38.1
1982-----	17,160	555	13,106	29,711	44.1
1983-----	16,287	865	14,236	29,658	43.0
Wool:					
1980-----	31	4	118	145	81.4
1981-----	31	29	196	198	99.0
1982-----	17	11	207	213	97.2
1983-----	21	3	254	272	93.4

See footnotes at end of table.

^{1/} Employment and wage data for SIC 2381 are based on unpublished statistics of the Bureau of Labor Statistics and may not be as reliable as their published data on other industries.

Table 20.--Gloves of textile materials, including leather-fabric combinations: 1/ U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, by fibers, 1980-83--Continued

Item	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 dozen pairs				Percent
Manmade fibers:					
1980-----	3,348	121	3,670	6,897	53.2
1981-----	3,339	172	3,480	6,647	52.4
1982-----	1,980	140	3,645	5,485	66.5
1983-----	2,243	176	5,703	7,770	73.4

1/ Excludes gloves of rubber or plastic.

2/ Includes exports for which fabric content was not specified.

3/ Includes small amount (less than 1 percent) of imports of silk and linen.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Production data include all leather-fabric combination gloves; trade data include those leather-fabric combination gloves where the area of the leather is not over 50 percent of the surface area of the gloves, exclusive of applied cuffs.

In terms of value, imports of textile gloves rose by 37 percent during 1980-83, to \$86.8 million. The Philippines, China, Hong Kong, and Taiwan were the principal sources, together accounting for 80 percent of the imports in 1983. Imports from the Philippines, primarily manmade-fiber gloves, rose by 46 percent during 1980-83, to \$24 million. In addition, imports from Pakistan and Indonesia, virtually all cotton products, increased dramatically, together rising from \$0.6 million in 1980 to \$3.3 million in 1983, as seen in table 21.

Table 21.--Gloves of textile materials, including leather-fabric combinations ^{1/}: U.S. imports for consumption, by principal sources, 1980-83

(In thousands of dollars)

Source	1980	1981	1982	1983
Philippines-----	16,591	17,913	21,820	24,162
China-----	11,668	15,350	16,759	17,919
Hong Kong-----	12,758	15,286	15,265	14,610
Taiwan-----	9,955	11,094	9,390	12,359
Japan-----	2,476	2,767	2,667	3,069
Haiti-----	1,353	2,391	1,673	2,167
Sri Lanka-----	1,076	1,416	1,901	2,159
Pakistan-----	597	811	927	1,730
Korea-----	1,472	1,794	2,145	1,582
Indonesia-----	2	-	-	1,537
All other-----	5,448	4,184	4,899	5,472
All countries-----	63,396	73,006	77,446	86,766

^{1/} Includes those leather-fabric combination gloves where the area of the leather is not over 50 percent of the surface area of the gloves, exclusive of applied cuffs.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Exports of textile gloves, although low in volume compared with imports, rose by 21 percent during 1980-83, to almost \$12 million. Exports to Barbados, Haiti, and the Philippines, primarily cut parts for assembly or further processing, accounted for 58 percent of the exports by value. Major markets for completed gloves were Canada and West Germany.

Body-supporting garments

Apparent U.S. consumption of body-supporting garments, including brassieres, girdles, and garters, declined fractionally during 1980-83 to 25.3 million dozen, valued at \$1,070 million, with imports accounting for 52.5 percent of consumption, by quantity. Brassieres, which make up 83 percent of the market, declined to 21.1 million dozen, valued at \$853 million, but had a higher penetration of imports, accounting for 58.5 percent of consumption. Domestic production of brassieres showed little growth in quantity during 1980-83, going from 17.7 thousand to 17.8 thousand dozen. In value, production rose from \$641 million in 1980 to \$766 million in 1983.

Brassieres and other body-supporting garments, classified under SIC 2342 (brassieres, girdles, and allied garments), were manufactured in an estimated 158 establishments in the United States (excluding Puerto Rico) in 1983, down from 166 establishments in 1980. The average establishment in the industry operated on a significantly larger scale than that for the overall apparel industry (SIC 23), employing an average of 100 persons. Moreover, the

body-supporting garment industry was more concentrated in terms of shipments, with the 20 largest firms accounting for about two-thirds of the industry's shipments.

Average employment (excluding Puerto Rico) in the body-supporting garment industry decreased by about 9 percent during 1980-83, from 17,800 to 16,200 persons, with women making up almost 80 percent of the work force. The average hourly earnings of production workers in the industry increased by 20 percent, from \$4.39 in 1980 to \$5.28 in 1983, compared with an 18-percent increase for all apparel manufacturing, from \$4.56 to \$5.37.

Approximately one-third of the body-supporting garments and 35 percent of the brassieres made in the United States in 1983 came from Puerto Rico, where labor costs were significantly lower for these highly labor-intensive products. ^{1/} Puerto Rican production of body-supporting garments during 1983 totaled 7.2 million dozen, valued at \$352 million, out of which 6.2 million dozen were brassieres, valued at \$311 million. The number of establishments making body-supporting garments in Puerto Rico declined from 60 in 1980 to 51 in 1983. Average employment declined by 10 percent during 1980-83, from 9,100 to 8,224 persons. The average hourly wage rate for apparel production workers in Puerto Rico was \$3.88 in 1983 compared with \$3.39 in 1980.

Unit prices of domestic brassieres rose from \$36.21 per dozen in 1980 to \$39.81 in 1983, or by only 10 percent; this price was significantly less than that for other apparel. This was, in part, due to an effort by producers, in light of flat consumer demand, to maintain prices through the use of offshore labor in addition to the Puerto Rican manufacturing. In 1983, approximately 9.7 million dozen brassieres, or 55 percent of U.S. producers' shipments, consisted of garments sewn and finished offshore from parts cut in the United States. These products were then imported into the United States under TSUS item 807.00.

Most of the imported body-supporting garments during 1980-83 entered under TSUS item 807.00. About 60 percent of their import value represented the duty-free value, i.e., the value of the U.S.-fabricated components, as shown in the following tabulation (in millions of dollars):

^{1/} Puerto Rico, although a Commonwealth of the United States, was not subject to the Federal minimum wage rate for many years. In 1977, an amendment to the Fair Labor Standards Act mandated automatic staged wage increases, resulting in apparel minimum wage rates on the island becoming equal to those on the mainland as of Jan. 1, 1981.

Year	Total imports	807.00 imports	Duty-free value	Ratio of duty-free value to total 807.00 value
1980-----	153.2	131.4	77.5	60.0
1981-----	168.5	142.4	87.9	61.7
1982-----	164.3	135.9	84.9	62.5
1983-----	182.5	144.8	<u>1/</u> 90.3	<u>1/</u> 62.4

1/ Estimated by the staff of the U.S. International Trade Commission.

Import penetration fluctuated during 1980-83, with imports accounting for an average of 51.2 percent of the body-supporting garment market and 57.6 percent of the brassiere market during the period. Overall, the most heavily affected market was manmade-fiber brassieres, where 1983 imports accounted for 57.9 percent of the units compared with 18.5 for the cotton items, as seen in table 22.

Table 22.--Body-supporting garments: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1980-83

Item	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	<u>1,000 dozen</u>				<u>Percent</u>
Total body-supporting garments:					
1980-----	21,711	8,652	12,742	25,801	49.4
1981-----	21,612	10,047	13,455	25,020	53.8
1982-----	20,298	7,728	12,247	24,817	49.4
1983-----	21,366	9,325	13,291	25,332	52.5
Total brassieres:					
1980-----	17,689	<u>2/</u> 8,107	<u>3/</u> 12,012	21,594	55.6
1981-----	17,650	<u>2/</u> 9,592	<u>3/</u> 12,675	20,733	61.1
1982-----	16,629	<u>2/</u> 7,309	<u>3/</u> 11,490	20,810	55.2
1983-----	17,761	<u>2/</u> 9,007	<u>3/</u> 12,331	21,085	58.5
Cotton brassieres:					
1980-----	1,769	890	135	1,014	13.3
1981-----	1,942	1,121	98	919	10.7
1982-----	<u>1/</u> 1,829	716	137	1,250	11.0
1983-----	<u>1/</u> 2,131	943	270	1,458	18.5
Manmade-fiber brassieres:					
1980-----	15,920	5,468	11,874	22,326	53.2
1981-----	15,708	7,297	12,573	20,984	59.9
1982-----	<u>1/</u> 14,800	5,712	11,346	20,434	55.5
1983-----	<u>1/</u> 15,630	6,885	12,040	20,785	57.9

1/ Estimated from data from the National Cotton Council of America.

2/ Includes exports for which fabric content was not specified.

3/ Includes small amount (less than 2 percent) of imports of silk and linen.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Over 90 percent of all body-supporting garments imported during 1980-83 consisted of brassieres. Imports of brassieres totaled 12.3 million dozen (\$167 million) in 1983, an increase from 11.5 million dozen (\$152 million) in 1982 but down from 12.0 million dozen (\$142 million) in 1980. Virtually all the imported brassieres were made from manmade-fiber fabric. The principal foreign supplier of brassieres continued to be the Philippines, with 22 percent of the quantity and 17 percent of the value of total imports in 1983. Other large suppliers included Costa Rica, the Dominican Republic, Mexico, and Haiti, which together accounted for 67 percent of the quantity and 65 percent of the value of total imports in 1983. China showed the most rapid growth, with shipments growing from 2,000 dozen, valued at \$23,000, in 1980 to 436,000 dozen, valued at \$5.8 million, in 1983, as shown in the table 23.

Table 23.--Brassieres: U.S. imports for consumption, 1/ by principal sources, 1980-83

(In thousands of dollars)				
Source	1980	1981	1982	1983
Philippines-----	27,375	27,354	24,829	28,351
Costa Rica-----	17,420	16,840	17,798	24,154
Dominican Republic-----	20,415	23,180	23,053	23,734
Mexico-----	24,896	24,414	19,442	18,194
Haiti-----	11,301	14,195	10,838	13,772
Barbados-----	7,549	8,401	9,725	10,463
Hong Kong-----	6,128	4,830	6,085	6,718
Honduras-----	7,744	9,082	10,520	6,660
China-----	23	2,245	6,809	5,848
Jamaica-----	4,760	5,923	3,506	5,014
All other-----	14,800	19,508	19,410	23,765
Total-----	142,411	155,972	152,015	166,673

1/ Includes imports of non-MFA fibers such as silk and linen.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Of the major U.S. suppliers whose shipments of manmade-fiber brassieres were subject to specific quotas (MFA category 649), Costa Rica and the Dominican Republic were the only ones to fill more than 90 percent during 1981-83. Although Haiti filled its quota (which also included a negligible amount of cotton brassieres) in 1981, it filled only 74 percent in 1982 and 80 percent in 1983. The Philippines, after filling 85 percent of its quota in 1981, filled only 66 percent in 1982 and 70 percent in 1983. Mexico filled over one-half of its quota in 1981 but filled only about 38 percent during 1982 and 1983.

U.S. exports of body-supporting garments totaled 9.3 million dozen (\$85.9 million) in 1983, representing a 7-percent drop compared with such exports in 1981. The 1983 export total, however, was 8 percent above the 1980 total. Brassieres accounted for virtually all the exports of body-supporting

garments, and in 1983, exports of brassieres amounted to 9.0 million dozen, valued at \$80.4 million. Nearly all the exports consisted of cut parts, as the principal export markets were the Dominican Republic, Mexico, Costa Rica, and Haiti.

Women's coats

U.S. consumption of women's, girls' and infants' coats and jackets (hereinafter, women's coats) rose significantly during 1980-83, increasing by 38 percent, to 13.3 million dozen, valued at approximately \$2.9 billion, with manmade fiber coats showing the greatest increase. U.S. production during the period rose by 33 percent, to 7.8 million dozen, valued at approximately \$2.2 billion, in 1983. Imports represented a growing share of the total women's coat market, rising to a high of 43.2 percent of the market in 1983. In the cotton coat and jacket market, imports accounted for 71 percent of consumption in 1983.

Both the number of establishments and the number of employees in the U.S. coat industries declined during 1980-83, according to data of the Bureau of Labor Statistics. In SIC 2337, women's and misses' suits and coats, the number of establishments declined by 12 percent during 1980-83, to 1,211. In the considerably smaller children's suit and coat industry, SIC 2363, the number of establishments declined by 33 percent during the 4 years, to 81 establishments in 1983. Employment in the women's and misses' suit and coat industry during the period declined by 14 percent, to 56,700 workers, and employment in all children's outerwear, SIC 236, declined by 7 percent, to 59,600 workers. Hourly wages for production workers in 1983 were \$5.95 in women's and misses's suits and coats and \$4.80 in all children's outerwear, compared with \$5.37 for all apparel manufacturing.

Capital expenditures in women's and misses' suits and coats, SIC 2337, rose from \$28.9 million dollars in 1980 to \$38.9 million in 1982. Some firms are making use of computerized equipment for the time-consuming task of marking fabric before cutting, and semiautomatic sewing machines for attaching pockets, zippers and labels. Most of the productivity improvements, however, have come through process engineering, or improving the flow of work through the plant.

U.S. imports rose by 41 percent during 1980-83, to 5.7 million dozen, valued at \$731 million, accounting for 43.2 percent of the market, by quantity, in 1983. Import penetration in both the manmade-fiber coat market and the wool coat market showed increases during the 3 years, to 38.4 and 18.1 percent of their respective markets, as seen in table 24.

Table 24.--Women's, girls', and infants' coats and jackets: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, by fibers, 1980-83

Item	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 dozen				Percent
Total:					
1980-----	5,895	1/ 339	2/ 4,093	9,649	42.4
1981-----	7,051	1/ 345	2/ 4,832	11,538	41.9
1982-----	7,638	1/ 292	2/ 5,436	12,782	42.5
1983-----	7,852	1/ 299	2/ 5,751	13,304	43.2
Cotton 3/:					
1980-----	516	37	1,381	1,860	74.3
1981-----	702	77	1,781	2,406	74.0
1982-----	782	64	1,717	2,435	70.5
1983-----	742	52	1,688	2,378	71.0
Wool:					
1980-----	1,164	73	188	1,279	14.7
1981-----	1,118	25	192	1,285	14.9
1982-----	1,165	13	186	1,338	13.9
1983-----	1,250	15	273	1,508	18.1
Manmade fibers:					
1980-----	4,215	104	2,384	6,495	36.7
1981-----	5,231	159	2,715	7,787	34.9
1982-----	5,691	141	3,407	8,957	38.0
1983-----	5,860	152	3,554	9,262	38.4

1/ Includes coats of other fibers (silk, ramie, and linen) and coats for which fiber content was not specified.

2/ Includes down coats but not coats of other fibers such as silk, ramie, and linen for which data were not collected prior to January 1985.

3/ Includes cotton suit coats, manufactured or traded as parts of suits. Suit coats of other fibers manufactured or traded as parts of suits are treated as suits for MFA classification purposes.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Coats and jackets in chief value of down or feathers, but in chief weight of cotton or manmade fibers, are now restricted by separate quota categories under the MFA. Down coats increased in consumer popularity considerably during 1980-83, and imports of these coats, primarily from Korea and Taiwan, increased by 66 percent during the 3 years, to 236,000 dozen, valued at \$92.5 million.

Overall, imports of women's coats were supplied mainly by Korea, Taiwan, and Hong Kong, which together accounted for 54 percent of the dollar import value in 1983. Imports from Korea, the single largest supplier, rose by 95 percent during 1980-83 to \$163 million. China became the fourth largest supplier, with coat imports from this rapidly growing apparel source rising by 200 percent during the period, to \$72 million in 1983, as seen in table 25.

Table 25.--Women's, girls', and infants' coats and jackets: U.S. imports for consumption, 1/ by principal sources, 1980-83

(In thousands of dollars)

Source	1980	1981	1982	1983
Korea-----	83,370	113,894	125,616	162,870
Taiwan-----	89,534	109,233	118,699	119,396
Hong Kong-----	98,712	104,051	115,910	114,001
China-----	23,960	59,701	83,729	71,809
Japan-----	40,339	51,419	52,578	48,547
Singapore-----	11,532	24,926	31,835	29,113
Thailand-----	6,591	8,867	16,415	20,635
Philippines-----	11,605	14,232	19,554	17,553
Sri Lanka-----	5,959	5,778	13,340	16,128
Italy-----	6,603	7,445	8,393	12,203
All other-----	97,051	109,076	107,185	118,275
Total imports--	475,256	608,622	693,254	730,530

1/ Includes imports of non-MFA fibers such as silk, linen, and ramie.

Source: Compiled from official statistics of the U.S. Department of Commerce

Exports during 1980-83 declined by 12 percent in quantity, to 299,000 dozen, valued at almost \$19 million. Major export markets, mostly for cut garment parts for assembly, were the Dominican Republic, Costa Rica, Colombia, and Mexico.

Women's shirts and blouses

Apparent U.S. consumption of women's, girls', and infants' shirts and blouses (hereinafter, women's shirts) rose by 20.5 percent during 1980-83 to 98.6 million dozen, valued at \$5.8 billion. Domestic production, growing at a slower rate, increased from 51.1 million dozen in 1980 to 58.0 million dozen, valued at \$4.3 billion, in 1983, or by 13.5 percent, by quantity. Overall, 1983 imports represented 42.7 percent of the market, up from 39.8 percent in 1980. Import penetration in 1983 was the highest for the relatively small market of women's knit wool shirts, almost 80 percent; the women's woven cotton shirt market had an import penetration ratio of 60 percent.

During 1980-83, the industry showed an increase in the number of establishments but a decrease in employment, indicating some fragmentation of the industry. In SIC 2331, women's and misses' shirts, the number of establishments increased from approximately 1,250 in 1980 to 1,280 in 1983, or by 2 percent, but total employment declined from 62,300 to 59,900 workers, or by 4 percent. Similarly, in SIC 2361, a category that includes both children's blouses and children's dresses, the number of establishments rose by 7 percent during 1980-83, to 463, but employment decreased by 8 percent to 25,000 workers. The major producing States were New York, California, and Pennsylvania, which together accounted for 60 percent of the women's and

misses' shirt shipments. Hourly wages for production workers were \$4.78 in 1983 in the women's and misses' shirt industry and \$4.91 in the children's, considerably lower than the \$5.37 paid in the apparel industry as a whole.

In 1983, almost 70 percent of the women's shirt market was accounted for by manmade-fiber garments, with most of the remainder being cotton garments. By fabric construction, approximately 58 percent were knit, and the remainder, woven.

For cotton shirts, although imports have risen since 1983, the import penetration ratio remained at about 55 percent of the market. Within the cotton shirt market, imports represented 60.5 percent of the knits and 49.1 percent of the wovens.

The import penetration of wool shirts declined from 57 percent in 1980 to 49 percent in 1983, although overall volume was small. The women's knit wool shirt market had a high import penetration ratio, with shirts from Hong Kong accounting for virtually all of the imports' 78.9-percent penetration level. In the even smaller woven wool shirt market (less than 500,000 dozen per year) imports represented only 3.8 percent of the market.

Import penetration in the women's manmade-fiber shirt market rose from 32.3 to 36.5 percent during 1980-83. Imports accounted for 44.4 percent of knit manmade-fiber shirt consumption, but only 24 percent of the woven shirt market.

Overall, apparent consumption of women's shirts increased by 16.8 million dozen. Of these, 9.5 million dozen were imported garments, as seen in table 26.

Table 26.--Women's, girls', and infants' shirts and blouses: U.S. production, exports of domestic merchandise, imports for consumption, and apparent consumption, 1980-83

Item	Production	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 dozen				Percent
Total:					
1980-----	51,106	1/ 1,799	1/ 32,528	81,835	39.8
1981-----	50,762	1/ 1,682	1/ 34,495	83,575	41.3
1982-----	58,003	1/ 1,201	1/ 36,408	93,210	39.1
1983-----	58,021	1/ 1,498	1/ 42,068	98,591	42.7
Construction:					
Knit:					
1980-----	31,707	903	21,745	52,549	41.4
1981-----	29,940	615	22,062	51,387	42.9
1982-----	33,211	402	24,055	56,864	42.3
1983-----	31,503	455	26,644	57,692	46.2
Woven:					
1980-----	19,399	896	10,783	29,286	36.8
1981-----	20,822	1,067	12,433	32,188	38.6
1982-----	24,792	799	12,353	36,346	34.0
1983-----	26,518	1,043	15,424	40,899	37.7
Fiber:					
Cotton:					
1980-----	11,019	313	13,285	23,991	55.4
1981-----	11,392	337	13,769	24,824	55.5
1982-----	14,208	259	14,674	28,623	51.3
1983-----	13,744	245	16,193	29,692	54.5
Wool:					
1980-----	574	158	551	967	57.0
1981-----	560	39	664	1,185	56.0
1982-----	575	16	433	992	43.7
1983-----	636	25	597	1,208	49.4
Manmade fibers:					
1980-----	39,513	1,029	18,387	56,871	32.3
1981-----	38,810	788	19,611	57,633	34.0
1982-----	43,220	448	20,946	63,718	32.9
1983-----	43,641	513	24,770	67,898	36.5

1/ Includes shirts and blouses of other fibers, including silk, linen, and ramie, which are not restricted by the MFA, and exports for which fiber content was not specified.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports for consumption came primarily from Hong Kong, Taiwan, and Korea which together accounted for almost 60 percent of the 1983 dollar imports. Imports from Hong Kong rose by 46 percent during 1980-83, to \$459 million, and those from China, the fourth largest supplier, rose by 250 percent, to \$110 million, as seen in table 27.

Table 27.--Women's, girls', and infants' shirts and blouses: U.S. imports for consumption, 1/ by principal sources, 1980-83

(In thousands of dollars)

Source	1980	1981	1982	1983
Hong Kong	315,724	416,174	432,324	459,487
Taiwan	194,815	191,119	214,336	248,403
Korea	90,339	141,163	159,520	200,840
China	31,420	36,147	71,951	110,207
India	81,702	92,955	71,003	100,911
Singapore	43,493	49,782	56,756	63,954
Japan	31,462	37,998	32,041	52,111
Sri Lanka	20,250	28,392	35,387	46,189
Macau	29,229	27,350	30,821	39,004
Thailand	16,864	19,599	24,847	30,690
All other	139,754	142,753	150,156	189,313
Total	995,052	1,183,432	1,279,142	1,541,109

1/ Includes imports of non-MFA fibers such as silk, linen, and ramie.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Exports declined by 17 percent in quantity and 13 percent in value during 1980-83, to 1.5 million dozen, valued at \$37.4 million, in 1983. The exports, mostly shirt parts for offshore assembly and reimportation under TSUS item 807.00, were sent primarily to the Dominican Republic, Mexico, Haiti, and Costa Rica.

MFA Coverage

MFA coverage by fiber

The MFA covers imports of textiles and apparel of cotton, wool, and manmade fibers, or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight, or 17 percent or more by weight of wool, of the product. However, U.S. imports of textile products that are in chief weight and chief value of silk or vegetable fibers other than cotton (e.g., linen, ramie, and jute) are not subject to restrictions under the MFA, unless they are 17 percent or more by weight of wool. In addition, there are some miscellaneous, usually low-trade, items of textiles and apparel that, although theoretically subject to MFA control, have not been brought under the MFA system and are thus not restricted by quota.

As the number of MFA quotas increased during 1982-84, imports grew rapidly in the nonrestricted items, consisting largely of apparel of silk, linen, and ramie and other vegetable fiber cordage. In terms of value, imports of nonrestricted products rose by 29 percent during 1983, to \$1,558 million, and imports of controlled products rose by 16 percent during

the year, to \$10,577 million. During January-June 1984, imports of noncontrolled products continued to increase at a faster rate, rising by 82 percent over such imports in the corresponding period of 1983, and imports of controlled products increased by 36 percent during the period.

In 1983, imports of noncontrolled apparel rose by 51 percent to \$833 million, and those of controlled apparel rose by 15 percent, to \$8,195 million. During January-June 1984, imports of nonrestricted apparel increased significantly, by 131 percent over those during the corresponding period of 1983, to \$799 million, ^{1/} and apparel imports of controlled apparel rose by 32 percent, to \$5,068 million, as seen in table 28.

Table 28.--Textiles and apparel: U.S. general imports, 1983 and January-June 1984, and percentage increases, 1982-83, January-June 1983, and January-June 1984

Item	Value		Percentage increase	
	1983	January-June 1984	1983 over 1982	January-June 1984 over January-June 1983
	-----Million dollars-----			
Total:				
Controlled products:				
Cotton-----	4,118	2,817	15	41
Wool-----	1,302	701	22	39
Manmade fibers-----	5,157	3,239	14	32
Total, controlled-----	10,577	6,757	16	36
Uncontrolled products-----	1,558	1,281	29	82
Textile mill products:				
Controlled products:				
Cotton-----	886	680	16	70
Wool-----	440	334	14	48
Manmade fibers-----	1,056	675	18	37
Total, controlled-----	2,382	1,689	17	51
Uncontrolled products-----	725	482	11	35
Apparel:				
Controlled products:				
Cotton-----	3,232	2,137	15	33
Wool-----	862	367	26	32
Manmade fibers-----	4,101	2,564	13	31
Total, controlled-----	8,195	5,068	15	32
Uncontrolled products-----	833	799	51	131

Source: Compiled from official statistics of the U.S. Department of Commerce.

^{1/} Recent data from the Department of Commerce show that imports of apparel of nonrestricted fibers continued to climb significantly during the second half of 1984. In terms of quantity, such imports increased 71 percent comparing calendar year 1984 to 1983.

Imports of noncontrolled items increased significantly for the heavily impacted apparel items discussed earlier, with Hong Kong and Korea being, by far, the major suppliers overall. ^{1/} Noncontrolled imports of sweaters, primarily from Hong Kong and Korea, and of body-supporting garments, primarily from the EC, showed the greatest percentage increases in terms of quantity, as shown in table 29.

Table 29.--Selected apparel of noncontrolled fibers: Imports for consumption 1983 and January-June 1984, and percentage increases, 1982-83 and January-June 1983-84

Item	Value		Percentage increase	
	1983	January-June 1984	1983 over 1982	January-June 1984 over January-June 1983
	-----Million dollars-----			
Sweaters-----	98,968	74,083	109	221
Gloves-----	1,635	1,248	61	171
Body-supporting garments-----	824	431	147	228
Women's blouses-----	84,032	60,631	33	60

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports from controlled suppliers compared with those from noncontrolled suppliers

In 1984, the United States had bilateral agreements with 28 ^{2/} countries and had imposed restraints unilaterally on 3 additional countries. Imports from these controlled countries accounted for 85.2 percent of the total cotton, wool, and manmade-fiber imports in 1983, by quantity, and then declined to 82.7 percent of the total during January-June 1984. In contrast, imports from noncontrolled developed countries ^{3/} rose from 11.3 percent of the total in 1982 to 12.3 percent in 1983 and 14.7 percent during January-June 1984, primarily reflecting increased imports from the EC. Overall, 1983 imports totaled 6,338 million SYE from controlled countries, 915 million SYE from noncontrolled developed countries, and 183 million SYE from other developing countries, as seen in the table 30.

^{1/} Data are not available for noncontrolled women's coats.

^{2/} As of January 1985, the United States had bilateral agreements with 30 countries and unilateral restraints on imports from 3 additional countries.

^{3/} Does not include Japan, Spain, Turkey, and Yugoslavia whose imports are counted with the controlled countries.

Table 30.--Textiles and apparel: U.S. general imports from 31 MFA-controlled countries and other sources, 1980-83, January-June 1983, and January-June 1984

MFA category and source	1980	1981	1982	1983	January-June--	
					1983	1984
Quantity (million SYE)						
Controlled-----	4,183.1	4,968.6	5,078.5	6,338.0	3,022.1	4,086.3
Noncontrolled:						
Developed-----	536.1	622.5	670.0	915.5	404.8	727.2
Developing-----	165.2	184.1	187.0	182.7	84.7	129.0
Total-----	4,884.4	5,775.2	5,935.5	7,436.2	3,511.6	4,942.5
Percent of total						
Controlled-----	85.6	86.0	85.6	85.2	86.1	82.7
Noncontrolled:						
Developed-----	11.0	10.8	11.3	12.3	11.5	14.7
Developing-----	3.4	3.2	3.2	2.5	2.4	2.6
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

As a percentage of overall textile mill products, 1983 imports from controlled sources accounted for 72.5 percent of the total, as shown in table 31. In textile mill products of wool and manmade fibers, imports from noncontrolled developed countries had a significant share, respectively, accounting for 60.3 and 39.2 percent of the category's imports. Major sources were Italy, West Germany, and Canada, which together accounted for the majority of the manmade-fiber and wool increases, by quantity, since 1980.

As a percentage of total apparel products, virtually all of the imports came from controlled countries, with imports from the 31 sources accounting for 96.8 percent of the total in 1983. The exception is in wool apparel, where imports from noncontrolled developed countries accounted for 17.1 percent of the category's imports during 1983 and 26.6 percent during January-June 1984. Significant increases in wool apparel imports from Italy and the United Kingdom accounted for the majority of the wool apparel increases shown in table 32.

Table 31.--Textile mill products: U.S. general imports from 31 MFA-controlled countries and other sources, by fiber, 1980-83, January-June 1983, and January-June 1984

Item	1980	1981	1982	1983	January-June--	
					1983	1984
Quantity (millions SYE)						
Grand total:						
Controlled-----	1,416.4	1,935.3	1,796.1	2,565.6	1,173.4	1,805.6
Noncontrolled:						
Developed-----	491.9	587.2	625.4	852.2	380.7	681.2
Developing-----	91.9	116.9	131.6	119.9	52.9	76.6
Total-----	2,000.2	2,639.4	2,553.1	3,537.7	1,607.0	2,563.4
Cotton:						
Controlled-----	857.4	1,272.5	1,067.6	1,431.8	644.3	1,107.4
Noncontrolled:						
Developed-----	63.5	69.1	69.6	83.4	35.2	58.8
Developing-----	84.1	112.1	121.7	93.9	39.9	60.0
Total-----	1,005.0	1,453.7	1,258.9	1,609.1	719.4	1,226.2
Wool:						
Controlled-----	10.3	15.2	20.5	22.3	10.8	18.8
Noncontrolled:						
Developed-----	22.5	26.9	29.2	37.7	19.5	32.9
Developing-----	3.0	.5	1.8	2.5	1.3	2.6
Total-----	35.8	42.6	51.5	62.5	31.6	54.3
Manmade fiber:						
Controlled-----	548.7	647.6	708.0	1,111.5	518.3	679.4
Noncontrolled:						
Developed-----	405.9	491.2	526.6	731.1	326.0	589.5
Developing-----	4.8	4.3	8.1	23.5	11.7	14.0
Total-----	959.4	1,143.1	1,242.7	1,866.1	856.0	1,282.9
Percent of total						
Grand total:						
Controlled-----	70.8	73.4	70.4	72.5	73.0	70.4
Noncontrolled:						
Developed-----	24.6	22.2	24.5	24.1	23.7	26.6
Developing-----	4.6	4.4	5.2	3.4	3.3	3.0
Total-----	100.0	100.0	100.0	100.0	100.0	100.0
Cotton:						
Controlled-----	85.3	87.5	84.8	89.0	89.6	90.3
Noncontrolled:						
Developed-----	6.3	4.8	5.5	5.2	4.9	4.8
Developing-----	8.4	7.7	9.7	5.8	5.5	4.9
Total-----	100.0	100.0	100.0	100.0	100.0	100.0
Wool:						
Controlled-----	28.8	35.7	39.8	35.7	34.2	34.6
Noncontrolled:						
Developed-----	62.8	63.1	56.7	60.3	61.7	60.6
Developing-----	8.4	1.2	3.5	4.0	4.1	4.8
Total-----	100.0	100.0	100.0	100.0	100.0	100.0
Manmade fiber:						
Controlled-----	57.2	56.6	57.0	59.6	60.5	53.0
Noncontrolled:						
Developed-----	42.3	43.0	42.4	39.2	38.1	46.0
Developing-----	.5	.4	.6	1.2	1.4	1.0
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 32.--Apparel: U.S. general imports from 31 MFA-controlled countries and other sources, by fibers, 1980-83, January-June 1983 and January-June 1984

Item	1980	1981	1982	1983	January-June--	
					1983	1984
Quantity (millions SYE)						
Grand total:						
Controlled-----	2,766.7	3,033.3	3,282.4	3,772.4	1,848.7	2,280.7
Noncontrolled:						
Developed-----	44.2	35.3	44.6	63.3	24.1	46.0
Developing-----	73.3	67.2	55.4	62.8	31.8	52.4
Total-----	2,884.2	3,135.8	3,382.4	3,898.5	1,904.6	2,379.1
Cotton:						
Controlled-----	960.4	1,081.1	1,148.5	1,347.9	666.3	848.2
Noncontrolled:						
Developed-----	14.0	11.0	15.2	21.9	9.5	25.1
Developing-----	29.7	28.4	25.1	26.4	14.4	22.4
Total-----	1,004.1	1,120.5	1,188.8	1,396.2	690.2	895.7
Wool:						
Controlled-----	72.7	73.4	77.5	98.2	31.8	36.0
Noncontrolled:						
Developed-----	13.3	10.0	14.3	20.8	6.6	13.2
Developing-----	7.5	8.3	2.5	2.7	1.1	0.5
Total-----	93.5	91.7	94.3	121.7	39.5	49.7
Manmade fiber:						
Controlled-----	1,773.6	1,878.8	2,056.4	2,326.3	1,150.6	1,396.5
Noncontrolled:						
Developed-----	16.9	14.3	15.1	20.6	8.0	7.7
Developing-----	36.1	30.5	27.8	33.7	16.3	29.5
Total-----	1,786.6	1,923.6	2,099.3	2,380.6	1,174.9	1,433.7
Percent of total						
Grand total:						
Controlled-----	96.0	96.7	97.0	96.8	97.0	95.9
Noncontrolled:						
Developed-----	1.5	1.1	1.3	1.6	1.3	1.9
Developing-----	2.5	2.1	1.6	1.6	1.7	2.2
Total-----	100.0	100.0	100.0	100.0	100.0	100.0
Cotton:						
Controlled-----	95.6	96.5	96.6	96.5	96.5	94.7
Noncontrolled:						
Developed-----	1.4	1.0	1.3	1.6	1.4	2.8
Developing-----	3.0	2.5	2.1	1.9	2.1	2.5
Total-----	100.0	100.0	100.0	100.0	100.0	100.0
Wool:						
Controlled-----	77.8	80.0	82.2	80.7	80.5	72.4
Noncontrolled:						
Developed-----	14.2	10.9	15.2	17.1	16.7	26.6
Developing-----	8.0	9.1	2.6	2.2	2.8	1.0
Total-----	100.0	100.0	100.0	100.0	100.0	100.0
Manmade fiber:						
Controlled-----	97.1	97.7	98.0	97.7	97.9	97.4
Noncontrolled:						
Developed-----	.9	.7	.7	.9	.7	.5
Developing-----	2.0	1.6	1.3	1.4	1.4	2.1
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

The Effect of Quantitative Restraints on the Level of Imports
of Selected Items

It is possible to illustrate whether MFA restraints 1/ were the major factor in controlling imports of a particular product or if the level of imports was attributable primarily to other market forces. This may be done by analyzing the degree to which restraint limits on a certain product have been filled and the volume of imports of that product that were not subject to restraints. The underlying premise is that if most of the imports of a particular product were subject to restraint limits and most of these limits were filled or nearly filled, in the absence of restraint limits, imports would have been greater. Conversely, if restraint limits were mostly not filled or if nonrestrained sources provided a sizable share of the imports of a product, market forces other than MFA restraints, such as economies of scale and availability of raw materials, were the major determinants of import levels.

The products examined in the following analysis of the effect of MFA restraints on import levels are those identified earlier in this report as being highly affected by imports. Imports and restraint limits during 1980 and 1983 were covered by the analysis.

Cotton broadwoven fabric

MFA restraints probably were not the major factor limiting imports of cotton broadwoven fabric in 1980 or 1983. In 1980, imports of cotton broadwoven fabric from 14 2/ countries were subject to restraints. Total restraints, which are shown in the following tabulation, amounted to 884,295 thousand square yards and, for individual countries, ranged from minimum consultation levels of 10,000 thousand square yards for Poland to specific limits of 237,567 thousand square yards for Hong Kong.

Year	Total imports	Total restraint amount	Imports charged to restraints <u>1/</u>	Restrained imports as a share of--	
				Total imports	Restraints
				-----1,000 square yards----- -----Percent-----	
1980-----	713,896	884,295	384,368	53.8	43.5
1983-----	1,067,200	964,605	490,721	46.0	50.9

1/ Some of the charged imports may have been entered during 1981 and 1984.

Total imports of cotton broadwoven fabric amounted to 713,897 thousand square yards, of which 384,368 thousand square yards, or 54 percent, were subject to import restraint. Countries subject to restraint limits, in the aggregate,

1/ Specific limits (quotas) and consultation levels are considered together in this analysis. Shipments in excess of restraint limits are usually embargoed in Customs' bonded warehouses until the succeeding quota year.

2/ Brazil, Colombia, Hong Kong, India, Korea, Macau, Malaysia, Pakistan, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

collectively reached 43.5 percent of their restraint limits. No country completely filled all of its restraint limits in 1980, but Korea's limit of 36,366 thousand square yards was 94.9 percent used, and Taiwan's limit of 56,298 thousand square yards was 94.4 percent used.

In 1983, imports of cotton broadwoven fabrics totaled 1,067,200 thousand square yards, of which 46.0 percent were subject to restraints. Imports from 14 countries 1/ were controlled by these restraints. In 1983, imports under these restraints amounted to 490,721 thousand square yards, 50.9 percent of the restrained amount. Imports from Taiwan of 41,289 thousand square yards amounted to 101.7 percent of its restraint level; imports from Korea of 115,113 thousand square yards were 98.9 percent of its restraints. No other country's imports were more than 80 percent of restraints. The low ratios of restrained imports to total restraints and to total imports indicates that restraint limits probably were not the major factor restricting growth in imports of cotton fabric.

Manmade-fiber broadwoven fabric

MFA restraints do not appear to be the major factor determining the level of imports of manmade-fiber fabric in 1980, but played a larger role in 1983. In 1980, imports of this fabric totaled 306,929 thousand square yards. Restraint limits of 311,000 thousand square yards were set for imports of manmade-fiber fabrics from 10 countries. 2/ Imports under these restraints, as shown in the following tabulation, amounted to 112,393 thousand square yards, which was 37 percent of total imports of this fabric and 36 percent of the restraint limits.

Year	Total imports	Total restraint amount	Imports charged to restraints <u>1/</u>	Restrained imports as a share of---	
				Total limits	Restrains
-----1,000 square yards-----				-----Percent-----	
1980	306,929	311,009	112,393	36.6	36.1
1983	603,834	399,664	338,362	56.0	84.7

1/ Some of the charged imports may have been entered during 1981 and 1984.

1/ Brazil, China, Colombia, Hong Kong, India, Korea, Macau, Pakistan, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

2/ Colombia, India, Japan, Macau, Malaysia, the Philippines, Poland, Romania, Singapore, and Thailand.

Individually, none of the restrained countries exceeded 47 percent of their limits.

In 1983, restraint limits of 399,664 thousand square yards were 28 percent larger than those on this fabric in 1980. These restraints were applied to imports from eight countries. ^{1/} In 1983, total imports of manmade-fiber fabric were 603,834 thousand square yards. Imports subject to restraint amounted to 338,362 thousand square yards, or 84.7 percent of total restraint limits, and were 56 percent of total imports. Restraints had a limiting effect on imports from two countries in 1983. Imports subject to restraint from Japan totaled 224,560 thousand square yards, which amounted to 97.2 percent of the restraint limit of 230,445 thousand square yards. Imports from Korea of 103,999 thousand square yards were 95.1 percent of restraints. For the other 6 countries with restraints on manmade-fiber broadwoven fabrics, imports did not exceed 66 percent of the restraints; for 5 of these countries imports were less than 5 percent of restraints.

Body-supporting garments

During 1980 and 1983, MFA restraint limits probably were not the major factor affecting overall imports of body-supporting garments. In 1980, imports of these garments amounted to 12,665 thousand dozen. Imports from 15 countries ^{2/} were subject to restraints covering 11,566 thousand dozen garments. Imports subject to these restraints totaled 7,769 thousand dozen garments, or 67 percent of the restraint limits and 61 percent of total imports, as the following tabulation indicates:

Year	Total imports	Total restraint amount	Imports charged to restraints ^{1/}	Restrained imports as a share of--	
				Total imports	Restraints
		1,000 dozen		Percent	
1980-----	12,665	11,566	7,769	61.3	67.2
1983-----	13,063	12,287	8,673	66.4	70.6

^{1/} Some of the charged imports may have been entered during 1981 and 1984.

^{1/} Japan, Korea, Macau, the Philippines, Poland, Romania, Singapore, and Thailand.

^{2/} Brazil, Colombia, Costa Rica, the Dominican Republic, Haiti, India, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, and Thailand.

For three countries, restraint levels were filled or nearly filled. Imports from Costa Rica of 1,616 thousand dozen garments were 96 percent of its restraint limit; those from the Dominican Republic of 1,651 thousand dozen garments were also 96 percent of its restraint limit. Haiti's restraint limit of 1,251 thousand dozen was completely filled. Together, these three sources provided 58 percent of imports from countries with restraint limits. Restraint limits for no other country were more than 77 percent filled, and for eight countries with restraint limits, imports were nil or negligible.

In 1983, imports of body-supporting garments amounted to 13,063 thousand dozen. Imports from 13 countries ^{1/} were restrained to a total limit of 12,287 thousand dozen garments. Imports under these restraints totaled 8,673 thousand dozen garments, which was 71 percent of the total limit and 66 percent of total imports of body-supporting garments. Restraint limits of four countries were filled or nearly filled. Together, these four supplied 61 percent of imports under restraint limits. Imports from Costa Rica amounted to 95 percent of its limits of 2,141 thousand dozen garments. The limit for the Dominican Republic of 1,632 thousand dozen garments was 88 percent filled. Imports from Haiti of 1,309 thousand dozen garments were 87 percent of its limit, and Hong Kong's limit of 513 thousand dozen garments was 104 percent filled. Imports from five of the countries with restraint limits were zero. The low ratio of restrained imports to restraint limits, coupled with the volume of imports from unrestrained sources, indicate that restraint limits may not have restricted overall imports of body-supporting garments.

Women's, girls', and infants' coats and jackets

The extent to which restraint limits controlled imports of women's, girls', and infants' coats and jackets (hereinafter women's coats) was negligible in 1980 but considerably greater in 1983. In 1980, imports under restraint limits amounted to 57 percent of total imports of women's coats; in 1983, restrained imports accounted for 89 percent of the total. In 1980, 16 countries ^{2/} had restraint limits on women's coats totaling 3,755 thousand dozen. Of the limits, 976,000 dozen applied to cotton coats, 103,000 dozen to wool coats, and 2,676 thousand dozen to manmade-fiber coats, as shown in table 33.

^{1/} Brazil, Colombia, Costa Rica, the Dominican Republic, Haiti, Hong Kong, Korea, Macau, Mexico, the Philippines, Poland, Romania; and Singapore.

^{2/} Brazil, Colombia, Haiti, Hong Kong, India, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

Table 33.--Women's, girls', and infants' coats: U.S. imports, restraint amounts, and imports charged to restraints, by fibers, 1980 and 1983

Year and fiber	Total imports	Total restraint amount	Imports charged to restraints ^{1/}	Restrained imports as a share of--	
				Total imports	Restraints
				Percent	
1980:					
Cotton-----	1,401	976	737	52.6	75.6
Wool-----	190	103	58	30.5	56.4
Manmade fiber--	2,414	2,676	1,487	61.6	55.6
Total-----	4,005	3,755	2,283	57.0	60.8
1983:					
Cotton-----	1,632	1,872	1,536	94.1	82.1
Wool-----	275	150	131	47.6	87.5
Manmade fiber--	3,537	4,585	3,194	90.3	69.7
Total-----	5,444	6,607	4,861	89.3	73.6

^{1/} Some of the charged imports may have been entered during 1981 and 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of women's coats of cotton, wool, and manmade fiber subject to restraint limits were 2,283 thousand dozen, or 61 percent of total restraints. For women's cotton coats, imports totaled 1,401 thousand dozen; imports under restraint limits amounted to 737,000 dozen, or 53 percent of all women's cotton coat imports and 76 percent of the total restraint limit for these coats. In 1980, imports of women's wool coats amounted to 190,000 dozen. Imports of those subject to restraint limits totaled 58,000 dozen, which was 56 percent of restraint limits and 31 percent of total imports of women's wool coats. The imports of women's manmade-fiber coats amounted to 2,414 thousand dozen. Imports subject to restraint limits of 1,487 thousand dozen constituted 56 percent of restraint limits and 62 percent of all imports of such coats.

In 1980, restraint limits of four countries for women's coats were 95 percent or more filled. These charged imports, which totaled 1,112 thousand dozen and amounted to 30 percent of all imports of women's coats in 1980, are shown in the following tabulation:

Country	Fiber	Limit	Imports charged	Share of limit filled
		1,000 dozen		Percent
Hong Kong	Cotton	281	283	100.8
Philippines	do-1/	24	24	100.0
Romania	do	36	36	100.0
Taiwan	do	67	64	95.7
Taiwan	Manmade	706	705	99.8

1/ Nontraditional; the United States-Philippine agreement has separate restraint limits for traditional and nontraditional garments. Traditional garments are defined as infants' garments up to and including size 6X.

In 1983, the number of countries with restraint limits on women's coats increased to 19, 1/ and the total restraint limit increased by 76 percent to 6,607 thousand dozen coats. Under these limits, charged imports totaled 4,861 thousand dozen, or 74 percent. During 1983, imports of women's cotton coats totaled 1,632 thousand dozen. These imports were subject to restraint limits totaling 1,872 thousand dozen. Imports charged to restraints were 1,536 thousand dozen, or 94 percent of total imports of women's cotton coats. Women's wool coat imports in 1983 totaled 275,000 dozen. Those subject to restraint limits amounted to 131,000 dozen and constituted 48 percent of all women's wool coat imports, representing an increase from 31 percent in 1980. In 1983, imports of women's manmade-fiber coats totaled 3,537 thousand dozen. Of these, imports subject to restraint limits totaled 3,194 thousand dozen and constituted 70 percent of restraint limits, 90 percent of total imports of women's manmade-fiber coats, and were 115 percent greater than restrained imports of manmade-fiber coats in 1980. Eight countries, which accounted for 45 percent of women's coat imports in 1983, had limits that were more than 95 percent filled. These limits and the amount and percentage filled, by countries and by fibers, are shown in table 34.

1/ Brazil, China, Colombia, Haiti, Hong Kong, Hungary, India, Japan, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

Table 34.--Women's, girls', and infants' coats: Specific limits on U.S. imports, imports charged, and share of limit filled, by selected sources and by fibers, 1983

Country	Fiber	Limit	Imports charged	Share of limit filled
		-----1,000 dozen-----		Percent
China	Cotton	302	291	96.2
China	Wool	6	19	305.1
China	Manmade	442	442	100.0
Hong Kong	Cotton	282	270	95.4
Hong Kong	Wool	58	56	96.5
India	Cotton	146	146	100.0
Korea	do	63	63	100.0
Korea	Manmade	663	621	98.1
Malaysia	Cotton	38	38	100.0
Philippines	Cotton <u>1/</u>	41	41	100.0
Philippines	Manmade <u>1/</u>	245	245	100.0
Singapore	Cotton	151	151	100.0
Taiwan	do	74	74	100.0

1/ Nontraditional; the United States-Philippine agreement has separate restraint limits for traditional and nontraditional garments. Traditional garments are defined as infants' garments up to and including size 6X.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Gloves

Import restraints appear to have been an important factor controlling imports of gloves, particularly cotton gloves, during 1980 and 1983. In 1980, restraint limits existed on glove imports from 18 countries. 1/ Imports of gloves totaled 15,596 thousand dozen pairs. Of these, imports covered by limits amounted to 11,735 thousand dozen pairs, which was 69 percent of the total restraint limit, and 75 percent of total imports, as shown in table 35.

1/ Brazil, China, Colombia, Haiti, Hong Kong, India, Japan, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

Table 35.--Gloves: U.S. imports, restraint amount, and imports charged to restraints, by fibers, 1980 and 1983

Year and fiber	Total imports	Total restraint amount	Imports charged to restraints ^{1/}	Restrained imports as a share of--	
				Total imports	Restrains
	1,000 dozen pairs			Percent	
1980:					
Cotton-----	11,694	13,844	10,457	89.4	75.5
Wool-----	125	495	27	21.6	5.5
Manmade-----	3,777	4,048	1,251	33.1	30.9
Total-----	15,596	18,387	11,735	75.2	63.8
1983:					
Cotton-----	13,688	15,133	12,225	89.3	80.8
Wool-----	250	303	68	27.2	22.3
Manmade-----	5,538	5,921	3,761	67.9	63.5
Total-----	19,476	21,357	16,054	82.2	75.2

^{1/} Some of the charged imports may have been entered during 1981 and 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Cotton gloves dominate glove imports both in terms of restraint limits and import volume. The cotton glove category is the one in which restraint limits appear to be curtailing imports. In 1980, total imports of cotton gloves amounted to 11,694 thousand dozen. In that year, restraint limits for six countries ^{1/} were 98 to 100 percent filled. Imports from these countries of 8,837 thousand dozen pairs amounted to 85 percent of cotton glove imports from sources with restraint limits and 75 percent of all cotton glove imports. For other countries, restraint limits were less than 80 percent filled.

In 1980, imports of wool gloves totaled 125,000 dozen pairs; imports from countries with restraint limits totaled 27,000 dozen pairs. Imports from the Philippines of 27,000 dozen pairs filled 48 percent of its limit of 55,000 dozen pairs. Imports from the other nine countries with limits on wool gloves amounted to less than 1 percent of the limit. Total imports of manmade-fiber gloves amounted to 3,777 thousand dozen pairs, of which imports under restraint limits totaled 1,251 thousand dozen pairs, or 31 percent of total restraints. Manmade-fiber gloves from 11 countries were subject to restraint limits. The only country for which the limit was significantly filled was the Philippines, from which imports of 1,074 thousand dozen pairs filled 71 percent of its limit. All other countries had charged imports of less than 20 percent of their restraint limits.

In 1983, imports of gloves totaled 19,476 thousand dozen pairs. Eighteen countries ^{2/} had restraint limits covering gloves. The total of these limits

^{1/} China, Hong Kong, Malaysia, Pakistan, the Philippines, and Sri Lanka.

^{2/} Brazil, China, Colombia, Haiti, Hong Kong, Japan, Korea, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

was 21,357 thousand dozen pairs, or 16 percent greater than in 1980. Imports under these limits totaled 16,054 thousand dozen, or 37 percent more than in 1980. As in 1980, cotton gloves were predominant in importance. During 1983, imports of cotton gloves totaled 13,688 thousand dozen pairs, of which 12,225 thousand dozen pairs, or 89 percent, came from countries with restraint limits. Of the 17 countries with restraint limits on cotton gloves, 7 ^{1/} filled their limit by 90 to 100 percent. Cotton glove imports from these countries amounted to 77 percent of cotton glove imports from countries with restraints.

Imports of wool gloves totaled 250,000 dozen pairs in 1983, with 68,000 dozen pairs coming from countries with restraint limits. The United States had imports from only two of the five countries with restraint limits for wool gloves in 1983. Imports from the Philippines of 55,000 dozen filled 84 percent of its limit; those from Macau of 13,000 dozen filled 27 percent of Macau's limit.

In 1983, imports of manmade-fiber gloves totaled 5,538 thousand dozen pairs; imports from countries with restraint limits totaled 3,761 thousand dozen pairs. Restraint limits on manmade-fiber gloves of six countries ^{2/} were 89 to 100 percent filled in 1983. These imports amounted to a total of 2,740 thousand dozen pairs, which was 73 percent of total imports from countries with limits. Imports from four of the remaining six countries with limits for manmade-fiber gloves were nil; those for Singapore and Sri Lanka totaled 103,000 and 176,000 dozen pairs, respectively, and 52 and 62 percent of limits, respectively.

Sweaters

MFA restraint limits appear to have been a major factor determining the volume of imports of wool and manmade-fiber sweaters during both 1980 and 1983, and, though they had little impact on imports of cotton sweaters in 1980, probably curtailed imports in 1983. In 1980, imports of sweaters from 15 countries ^{3/} were subject to restraint limits totaling 11,824 thousand dozen, as shown in table 36.

^{1/} China, Hong Kong, Macau, Malaysia, Pakistan, the Philippines, and Taiwan.

^{2/} China, Hong Kong, Korea, Macau, the Philippines, and Taiwan.

^{3/} China, Colombia, Hong Kong, India, Korea, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

Table 36.--Sweaters: U.S. imports, total restraint amount, and imports charged to restraints, by fibers, 1980 and 1983

Year and fiber	Total imports	Total restraint amount	Imports charged to restraints ^{1/}	Restrained imports as a share of--	
				Total imports	Restraints
			1,000 dozen	Percent	
1980:					
Cotton	507	587	410	80.9	69.8
Wool	2,554	1,894	1,782	69.8	94.1
Manmade	9,493	9,343	8,424	88.7	90.2
Total	12,554	11,824	10,616	84.6	89.8
1983:					
Cotton	838	6,837	631	75.3	9.2
Wool	2,951	1,898	1,957	66.3	103.1
Manmade	10,775	9,716	9,483	88.8	97.6
Total	14,564	18,481	12,071	82.9	65.3

^{1/} Some of the charged imports may have entered during 1981 and 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

In 1980, imports of sweaters amounted to 12,554 thousand dozen. Imports under restraint limits of 10,616 thousand dozen were 90 percent of the total limit and accounted for 85 percent of sweater imports. Though 12 countries ^{1/} had limits on cotton sweaters, imports from only 2 approached the limits. Imports from Hong Kong totaled 297,000 dozen, or 96 percent of its restraint limits, and imports from Mexico of 22,000 dozen filled its limit. For five countries with restraint limits on cotton sweaters, imports were less than 5 percent of the limit for each.

In 1980, imports of wool sweaters totaled 2,554 thousand dozen. Fourteen countries ^{2/} had restraint limits covering wool sweaters. These limits totaled 1,894 thousand dozen, and imports from these countries totaled 1,782 thousand dozen, or 94 percent of the limits. Imports from eight of these countries exceeded 97 percent of their individual limit. Imports from these countries amounted to over 99 percent of all wool sweater imports from countries with restraints, indicating that the limits in this case probably curtailed imports of wool sweaters.

During 1980, imports of manmade-fiber sweaters totaled 9,493 thousand dozen. Imports from 14 countries ^{3/} were subject to restraint limits of 9,343 thousand dozen. Imports under these limits totaled 8,424 thousand dozen, or 90 percent of those allowed, and constituted 89 percent of total imports of manmade-fiber sweaters. Korea and Taiwan, the two countries with the largest restraint limits--totaling 6,664 thousand dozen, or 71 percent of the total restraint limit--completely filled their limits. For Hong Kong, with the

^{1/} Hong Kong, India, Korea, Macau, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

^{2/} China, Colombia, Hong Kong, India, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

^{3/} China, Colombia, Hong Kong, India, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

third largest limit of 1,201 thousand dozen, imports totaled 82 percent of the limit. Together, these three countries provided 91 percent of manmade-fiber sweater imports from countries with restraints and 81 percent of such imports from all sources. This would indicate that restraint limits probably did restrict imports from these three sources and, as they were the leading sources of manmade-fiber sweaters, curtail total imports.

In 1983, restraint limits on sweaters increased by 56 percent, to 18,481 thousand dozen, and imports under these limits amounted to 12,071 thousand dozen, or 65 percent thereof. These limits were applicable to imports from 15 countries. 1/ Imports of cotton sweaters totaled 838,000 dozen, of which 631,000 dozen were from countries with restraint limits. Limits applicable to cotton sweaters increased more than elevenfold over 1980 limits, to 6,837 thousand dozen. Imports, however, rose by only 54 percent over 1980 levels. For five countries of the eleven with limits, imports nearly filled or exceeded restraint limits. China's limit of 80,000 dozen was over 99 percent filled. Imports from Hong Kong of 354,000 dozen were 14 percent above its restraint limit; those from Korea of 63,000 dozen filled 98 percent of its limit. Imports from Macau totaled 25,000 dozen and exceeded its limit by 31 percent. The limit of Taiwan was 97 percent filled by imports of 80,000 dozen. Together, cotton sweater imports from these 5 sources amounted to 602,000 dozen, which was 95 percent of imports from countries with restraints and 72 percent of the total from all sources. Thus, though imports were far below the total of the restraint limits for cotton sweaters, if it is assumed, that these five countries were those with the prime ability to export to the United States, then the limits probably did curtail imports.

Imports of wool sweaters in 1983 totaled 2,951 thousand dozen. Restraint limits for wool sweaters in 1983 of 1,898 thousand dozen were less than 1 percent above those in 1980. Imports under these limits, however, increased by 10 percent, to 1,957 thousand dozen, or 3 percent more than the 1983 total limits. Of the 14 countries with restraint limits on wool sweaters, imports from 8 2/ amounted to 90 percent or more of their limits. Imports from these countries totaled 1,827 thousand dozen, or 93 percent of wool sweater imports from countries with restraint limits. It is probable that had imports from these sources not been under restraint, they would have been greater, thus indicating that the limits curtailed imports.

In 1983, imports of manmade-fiber sweaters totaled 10,775 thousand dozen. Imports from 12 countries were subject to restraint limits totaling 9,716 thousand dozen. Imports from six 3/ of these countries accounted for 98 percent or more of their limits. The imports from these countries amounted to 9,202 thousand dozen sweaters, which was 97 percent of imports from countries with restraint limits and 85 percent of total imports. As these countries are the major sources of manmade-fiber sweater imports, it can be concluded that the restraints probably limited total imports of these sweaters.

1/ Brazil, China, Colombia, Hong Kong, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

2/ China, Hong Kong, Korea, Macau, Malaysia, the Philippines, Singapore, and Sri Lanka.

3/ China, Hong Kong, Korea, the Philippines, Taiwan, and Thailand.

Women's, girls', and infants' shirts and blouses

The importance of restraint limits under the MFA in controlling imports of women's, girls', and infants' shirts and blouses (hereinafter women's shirts) during 1980 and 1983 is affected by several variables. One is that knit and woven shirts are controlled under separate categories, in accordance with fiber type. Another is that several agreements establish aggregate limits for women's and men's knit shirts and do not establish sublimits within the combined category for each. In 1980, this occurs for cotton shirts in six agreements 1/ and for manmade-fiber shirts in four agreements. 2/ In 1983, such aggregate limits existed for imports of cotton shirts in 8 agreements 3/ and for manmade-fiber shirts in 7 agreements. 4/ Also, wool shirts and blouses, both knit and woven, have one category controlling these garments for both women and men. Because of the differences in style and market, as well as the structure of restraint limits, the effect of these limits on imports of knit and woven shirts will be considered separately.

Women's knit shirts.—Restraint limits covering knit shirts did not control import levels in 1980, but in 1983 appeared to restrict the level of imports. In 1980, imports of women's knit shirts were subject to restraint limits of 27,158 thousand dozen. Total imports amounted to 22,006 thousand dozen, and imports charged to limits totaled 15,220 thousand dozen, or 56 percent of the limits as shown in table 37.

Knit women's shirts of cotton from 16 countries 5/ were subject to restraints totaling 11,707 thousand dozen in 1980. Imports totaled 7,138 thousand dozen, and imports charged to restraints totaled 6,079 thousand dozen, or 52 percent of the restraint limits. Restraint limits for China, Macau, and Malaysia were 100 percent filled. Imports from these three sources together amounted to 1,318 thousand dozen, or 22 percent of imports from sources with limits. Imports from the other countries with limits ranged from 0.4 to 61 percent of the limit for each country.

In 1980, knit shirts of wool 6/ from 12 countries 7/ were restrained by limits of 861,000 dozen. The 619,000 dozen shirts imported under these limits constituted all imports of knit wool shirts during 1980. 8/

1/ Agreements with Hong Kong, Korea, Mexico, the Philippines, Taiwan, and Thailand.

2/ Agreements with Korea, Macau, the Philippines, and Romania.

3/ Agreements with Hong Kong, India, Korea, Malaysia, Mexico, the Philippines, Taiwan, and Thailand.

4/ Agreements with Hong Kong, Korea, Macau, Malaysia, the Philippines, Romania, and Singapore.

5/ Brazil, China, Colombia, Hong Kong, Japan, Korea, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

6/ For both men and women.

7/ Colombia, Hong Kong, India, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, and Thailand.

8/ In 1980, women's shirts comprised 88 percent of total imports of knit wool shirts.

In 1983, imports of knit shirts of wool totaled 639,000 dozen. Imports from 10 countries 1/ were controlled by restraint limits of 853,000 dozen. Imports of 713,000 dozen filled these limits by 84 percent. 2/ Hong Kong's limit of 754,000 dozen, which was 88 percent of the aggregate limit, was 87 percent filled. China had an agreed limit of 8,500 dozen, through which imports of 27,300 dozen were permitted. Korea and Macau filled their limits by 62 and 68 percent, respectively. There were no imports from other countries with restraints.

Women's knit shirts of manmade fibers were subject to restraint limits of 26,559 thousand dozen in 1983. These limits covered imports from 14 countries. 3/ Imports from these countries totaled 16,559 thousand dozen, which was 62 percent of the limit but 90 percent of all imports of this type shirt. Imports from China and from Taiwan of 630,000 and 4,975 thousand dozen, respectively, accounted for 99 percent of the limit for each. Imports from Hong Kong of 3,525 thousand dozen filled 84 percent of its limit. Though imports from Singapore were only 72 percent of its limit, they amounted to 2,283 thousand dozen. Imports from these 4 sources of 14,713 thousand dozen accounted for 89 percent of imports from restrained sources and 80 percent of total imports of this type of shirt. Imports from the other countries with restraints ranged from 0 to 60 percent of the limit for each. Because of the preponderance of imports from a few sources that filled all or large portions of their limits, it is probable that the limits did restrain total imports of women's knit shirts of manmade fibers.

Women's woven shirts. --Restraint limits appear to have been a major factor controlling the level of imports of women's woven shirts in both 1980 and 1983. In 1980, imports of 7,325 thousand dozen accounted for 86 percent of the total of restraint limits, as shown in table 38.

1/ China, Colombia, Hong Kong, Korea, Macau, Mexico, the Philippines, Poland, Romania, and Singapore.

2/ In 1983, women's shirts constituted 99 percent of total imports of knit wool shirts.

3/ China, Colombia, Haiti, Hong Kong, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

Table 38.--Women's woven shirts: U.S. imports, total restraint amount, and imports charged to restraints, by fibers, 1980 and 1983

Year and fiber	Total imports	Total restraint amount	Imports charged to restraints ^{1/}	Restrained imports as a share of--	
				Total imports	Restraints
				Percent	
				1,000 dozen	
1980:					
Cotton-----	6,700	4,205	3,528	58.7	83.9
Wool-----	229	286	208	90.8	73.0
Manmade-----	4,425	4,017	3,589	81.1	89.3
Total-----	10,661	8,508	7,325	68.7	86.1
1983:					
Cotton-----	8,587	7,654	7,209	84.0	94.2
Wool-----	194	241	157	80.9	65.1
Manmade-----	6,394	5,465	4,695	73.4	85.9
Total-----	15,175	13,360	12,061	79.5	90.3

^{1/} Some of the charged imports may have entered during 1981 and 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

During 1980, imports of women's woven shirts of cotton were subject to restraints totaling 4,205 thousand dozen. These limits applied to imports from 16 countries. ^{1/} Imports under these limits of 3,528 thousand dozen accounted for 84 percent of total restraints and 59 percent of total imports. Limits for 5 countries ^{2/} were 90 percent or more filled. Imports from these 5 countries totaled 2,856 thousand dozen and accounted for 81 percent of imports from restrained sources. Imports from another four countries were equal to more than 80 percent of their limits. These high percentages and the overall ratio of imports to restraints indicate that the limits probably restricted total imports of women's woven cotton shirts.

Imports of woven shirts of wool ^{3/} from 12 countries ^{4/} were subject to restraint limits totaling 286,000 dozen. Imports under these restraints totaled 208,000 dozen, or 73 percent of the total limits and 91 percent of total imports. ^{5/} Only Korea and Taiwan filled their limits by nearly 80 percent or more. Imports from Korea of 191,000 dozen filled 85 percent of its limit and accounted for 92 percent of imports from restrained sources. Imports from Taiwan totaled 11,000 dozen, or 79 percent of its limit. As imports from these two sources accounted for 97 percent of total restrained imports, the restraint limits probably did restrict total imports.

^{1/} Brazil, China, Colombia, India, Korea, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

^{2/} China, India, Korea, Mexico, and Taiwan.

^{3/} For both men and women.

^{4/} Colombia, India, Korea, Macau, Malaysia, Mexico, the Philippines, Poland, Romania, Singapore, Taiwan, and Thailand.

^{5/} In 1980, women's shirts constituted 4 percent of total imports of woven wool shirts.

In 1980, women's woven shirts of manmade fibers had total restraints of 4,017 thousand dozen, which applied to imports from 13 countries. 1/ Imports charged to these limits totaled 3,589 thousand dozen, or 89 percent thereof. Imports from six countries 2/ accounted for 85 percent or more of the limit for each. These imports of 3,134 thousand dozen totaled 87 percent of the imports from restrained sources. This would indicate that limits curtailed imports from these sources and thus restricted total imports.

In 1983, total imports of women's woven shirts amounted to 15,175 thousand dozen. Restraint limits for women's woven shirts totaled 13,360 thousand dozen, 57 percent greater than in 1980. Imports subject to these limits accounted for 90 percent of the limits, or 12,061 thousand dozen. Women's woven shirts of cotton were subject to restraint limits of 7,654 thousand dozen, which were 94 percent filled by imports of 7,209 thousand dozen. The limits covered imports from 17 countries. 3/ The limits for 11 of these countries 4/ were more than 80 percent filled. The imports from these countries amounted to 6,705 thousand dozen and amounted to 93 percent of imports from restrained sources and 78 percent of total imports, an indication that the limits probably did curtail imports of these shirts.

Woven shirts of wool from eight countries 5/ were covered by restraint limits in 1983. These limits, totaling 241,000 dozen, were 65 percent filled with imports of 157,000 dozen. 6/ The imports were from three countries-- Korea, Mexico, and Poland--with Korea accounting for over 99 percent of the total. Imports from Korea, however, amounted to only 75 percent of its restraint limit, indicating that factors other than restraint limits probably affected the volume of these imports.

Women's woven shirts of manmade fibers from 14 countries 7/ were subject to restraint limits of 5,465 thousand dozen in 1983. Charged imports of 4,695 thousand dozen amounted to 86 percent of the total limits. Imports from 8 countries 8/ amounted to 90 percent or more of the limit for each. Imports from these countries totaled 3,991 thousand dozen, which was 85 percent of imports from sources with restraint limits and 62 percent of total imports of these shirts. From the other countries with limits, imports filled from 0 to 73 percent of the limits. The high volume of imports coming from these countries that filled or nearly filled their limits indicates that

1/ Haiti, Hong Kong, India, Korea, Macau, Mexico, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

2/ Hong Kong, India, Korea, Mexico, Sri Lanka, and Taiwan.

3/ Brazil, Colombia, China, Hong Kong, India, Korea, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

4/ China, Hong Kong, India, Korea, Macau, Malaysia, Mexico, the Philippines (for traditional garments), Singapore, Taiwan, and Thailand.

5/ Colombia, Korea, Macau, Mexico, the Philippines, Poland, Romania, and Singapore.

6/ In 1983, women's shirts constituted 10 percent of total imports of woven wool shirts.

7/ China, Colombia, Haiti, Hong Kong, Korea, Macau, Mexico, the Philippines, Poland, Romania, Singapore, Sri Lanka, Taiwan, and Thailand.

8/ China, Hong Kong, Korea, Macau, the Philippines (nontraditional garments), Singapore, Taiwan, and Thailand.

the restraint limits probably did help control imports from these sources. However, the share of imports from countries with restraint limits declined from 81 to 73 percent of total imports from 1980 to 1983. This would indicate that, though important, the restraints probably are not completely restricting overall import growth.

Quota Growth and Flexibility under the MFA

The increases in U.S. imports of cotton, wool, and manmade-fiber textiles and apparel that took place during 1982-84 ^{1/} came from a variety of sources, namely (1) The Big Three (Hong Kong, Korea, and Taiwan), (2) China, (3) Japan, (4) developed countries that are not subject to MFA restraints, (5) other developing countries subject to MFA restraints, and (6) new supplying countries, not subject to MFA restraints. Given the upswing in import demand in the United States, it is not surprising that imports from areas identified in numbers 3 through 6 above increased, as they were either not subject to MFA restraints or, if subject to the MFA, enjoyed normal MFA growth and flexibility, and, in some cases, had relatively few product categories restricted by quotas. However, countries under "tighter control," the Big Three and China, the four largest suppliers to the United States, also experienced significant growth in their shipments to the United States, as shown in table 39.

During 1982-83, the Big Three and China experienced growth rates in cotton and manmade-fiber textile products ranging from 12.2 to 74.5 percent and overall increased their shipments of these products by 21.3 percent. This occurred despite the fact that the bilateral agreements between the United States and the four countries provided for reduced growth and/or flexibility. In addition, during part of the period, imports from China were subject to unilateral restraint by the United States while a new bilateral agreement was being negotiated. Some of the growth from these suppliers was the result of large increases in categories that were less tightly controlled, including certain fabrics and apparel items such as nightwear and underwear. However, growth also occurred in certain sensitive categories, because the MFA itself and the bilateral agreements between the importing and exporting countries contain provisions for year-to-year quota growth and for shipments to exceed quota limits through the use of flexibility. The net effect of these provisions is that their combined use may allow a supplying country to increase its shipments in a particular category, over the previous year, by as much as 15 percent or more, often with some compensating reductions in quotas of other categories.

^{1/} Imports of cotton, wool, and manmade-fiber textile and apparel products increased from 5.94 billion square yard equivalents in 1982, to 7.58 billion in 1983, and to 9.79 billion in 1984, or by 65 percent.

Table 39.--Textiles of cotton and manmade fibers: U.S. imports from China, Hong Kong, Korea, and Taiwan, by fibers, 1982-83

Item	1982	1983	Increase, 1983 over 1982
	Million SYE		Percent
China:			
Cotton	438	511	16.7
Manmade fibers	221	260	19.5
Total	659	771	17.0
Hong Kong:			
Cotton	564	641	13.7
Manmade fibers	246	276	12.2
Total	810	917	13.2
Korea:			
Cotton	102	178	74.5
Manmade fibers	647	779	20.4
Total	749	957	27.8
Taiwan:			
Cotton	218	318	45.9
Manmade fibers	715	860	20.3
Total	933	1,178	26.3
Total:			
Cotton	1,322	1,648	24.7
Manmade fibers	1,829	2,175	18.9
Total	3,151	3,823	21.3

Source: Compiled from official statistics of the U.S. Department of Commerce.

MFA year-to-year quota growth provisions

Annex B of the MFA provides for a minimum 6-percent annual quota growth rate. However, annex B itself and the last two protocols of extension of the MFA allow lower rates of growth under certain circumstances. The United States negotiated bilateral agreements in 1982 with Hong Kong, Korea, and Taiwan and in 1983 with China which included quota growth rates of less than 6 percent. Table 40 illustrates this curtailed growth using cotton apparel as an example. As may be noted, growth rates for Hong Kong, Korea, and Taiwan range from 0.5 to 4.5 percent. By comparison, although China was not given the 6-percent growth rate, it was accorded quota growth rates that are more liberal than those given to Hong Kong, Korea, and Taiwan. In its other bilateral agreements under the MFA, the United States generally allows growth of 6 or 7 percent year to year on product categories subject to specific quotas.

Table 40.--Cotton apparel categories subject to specific limits in bilateral agreements between the United States and China, Hong Kong, Korea, and Taiwan. Base levels and annual growth rates as of January 1983 for China and as of January 1982 for Hong Kong, Korea, and Taiwan

MFA category	Description	Unit of quantity	China		Hong Kong		Korea		Taiwan	
			1983 base	Annual growth rate	1982 base	Annual growth rate	1982 base	Annual growth rate	1982 base	Annual growth rate
				Percent		Percent		Percent		Percent
331	Cotton gloves-----	Doz pr--	3,511,588	3.0	3,426,355	0.5	429,912	3.0	470,653	0.5
333	Men's suit-type coats--	Doz-----	52,000	5.0	-	-	-	-	-	-
334	Other men's coats-----	do-----	200,304	4.0	-	-	-	-	-	-
333/334	Men's coats-----	do-----	-	-	208,473	1.5	56,038	4.5	59,206	4.5
335	Women's coats-----	do-----	274,275	3.5	280,977	.5	57,221	4.5	70,802	4.5
337	Playsuits-----	do-----	829,400	5.0	-	-	-	-	127,890	2.5
338/339	Tank tops-----	do-----	-	-	1,866,923	.5	-	-	-	-
(pt.)										
338(pt.)	Other women's knit tops.	do-----	550,000	3.5	-	-	-	-	-	-
338(pt.)	Women's tank tops and t-shirts.	do-----	767,900	3.5	-	-	-	-	-	-
339	Men's knit tops-----	do-----	895,565	3.5	-	-	-	-	-	-
338/339	Knit tops other than tank tops.	do-----	-	-	2,517,039	.5	-	-	-	-
(pt.)										
338/339	Knit tops-----	do-----	-	-	-	-	536,866	4.5	551,144	1.5
340	Men's woven shirts-----	do-----	601,586	3.0	2,410,331	.5	173,836	4.5	641,341	.5
341	Women's woven blouses--	do-----	456,760	3.0	2,441,399	.5	108,299	4.5	371,510	.5
342	Skirts-----	do-----	155,000	6.0	388,963	1.5	-	-	-	-
345	Sweaters-----	do-----	80,000	4.0	305,582	1.5	-	-	-	-
347/348	Trousers-----	do-----	1,782,477	3.0	5,761,399	.5	259,145	4.5	895,650	1.5
350	Dressing gowns-----	do-----	89,000	5.0	101,080	1.5	-	-	-	-
351	Nightwear-----	do-----	290,000	5.0	1,030,767	.5	-	-	-	-
353/354/653/654	Down outerwear-----	do-----	-	-	-	-	210,012	1.5	216,164	1.5
653/										
654										
363	Terry and pile towels--	Number--	18,000,000	5.5	-	-	-	-	-	-

Source: U.S. Department of State Press Release; No. 370, Oct. 18, 1983; No. 4, Jan. 4, 1983; No. 223, July 20, 1982; and Agreement between the American Institute in Taiwan and the Coordination Council for North American Affairs, Nov. 18, 1982.

Note: "Men's" is used for men's and boys' apparel. "Women's" is used for women's, girls', and infants' apparel. Where no gender is indicated, i.e., "trousers," the category includes men's, boys', women's, girls', and infants' apparel.

In some bilateral agreements, certain product categories that are not restrained by specific quotas are subject to control at quantities referred to as consultation levels. There are different types of consultation levels, and procedures exist either to limit trade at the consultation levels or, in some instances, to allow trade to exceed those levels.

MFA flexibility provisions

The MFA and the bilateral agreements also contain provisions allowing for shipments in excess of quota through the use of flexibility. When restraints under a bilateral agreement are established for more than 1 year, annex B allows for shipments in excess of groups or category limits through the use of carryover or carryforward. Carryover is using unfilled quota from the previous year; carryforward is borrowing from the succeeding year's quota. Annex B states that a restraint level can be exceeded by not more than 10 percent through the use of these two mechanisms and that carry forward shall not account for more than 5 percent. However, some of the U.S. bilateral agreements allow carryover and carryforward to be used up to 11 percent, of which carryforward may not exceed 7 percent.

Restraint levels may also be exceeded through the use of swing. Swing allows shipments in excess of a specific limit of an individual category or group by a percentage not to exceed a stated amount, usually with the proviso that the specific limit for another category or group is reduced by a corresponding amount in the same year. In addition, in certain agreements, the specific limit for a category or group may be exceeded by a percentage not to exceed a stated amount, without offsetting reductions, provided that group or aggregate limits are not exceeded.

Restraint levels are also adjusted through consultations to compensate for overshipments allowed to enter the United States during an agreement year in instances when carryforward has not been used or when shortfall (not filling the previous year's quota) is used. This occurs when the previous year's restraint level was not filled and is used retroactively.

Depending on the specific provisions of each bilateral agreement, several of these flexibility provisions may be used in one year to adjust restraint limits to conform with demand and the capacity of an exporting country to produce specific items. To provide some insight on how these multiple flexibility provisions work in practice, table 41 illustrates the types and amounts of flexibility used in 1983 with respect to a major product category, cotton trousers, and the degree to which flexibility resulted in expanded shipments to the United States.

Through the use of flexibility, there was a net upward quota adjustment of 344,681 dozen cotton trousers, representing a 7.5-percent increase above the total of the original restraint levels. However, since not all the countries filled their adjusted quotas, the increase in actual shipments over the original restraint levels for the 9 countries that used flexibility was 190,233 dozen, an increase of 4.1 percent. Table 41, which examines incremental quota and shipment growth through flexibility, deals only with the 9 countries that used flexibility for cotton trousers. On a broader scale, total U.S. imports of cotton trousers from MFA suppliers was over 18 million

Table 41.--Cotton trousers 1/: Restraint level adjustments, imports charged, percent of adjusted restraint levels filled, by sources, 1983

Source	Original restraint level	Adjusted restraint level	Net adjustment	Imports charged 2/	Adjusted restraint level filled	Type of adjustment 3/	Amount of adjustment
	Dozen pairs				Percent		Percent
China-----	1,782,477	1,871,601	89,124	1,871,601	100.0	SA	5.0
India-----	200,000	226,000	26,000	223,679	99.0	SA, CF	13.0
Korea-----	270,807	287,055	16,248	284,401	99.1	SA	6.0
Macau-----	314,259	331,196	16,937	321,578	97.1	S, U	5.4
Malaysia-----	173,536	192,625	19,089	157,979	82.0	CO	11.0
Philippines 4/--	260,526	302,211	41,685	274,994	90.9	CO, SA	16.0
Philippines 5/--	241,358	256,191	14,833	256,956	100.1	U, SA, CF	6.1
Singapore 6/----	248,077	292,730	44,653	291,908	99.7	S, CO	18.0
Taiwan-----	909,085	963,630	54,545	885,695	91.9	SA	6.0
Thailand-----	196,067	217,634	21,567	217,634	100.0	CO	11.0
Total-----	4,596,192	4,940,873	344,681	4,786,425	96.9	-	7.5

1/ For men, boys, women, girls, and infants.

2/ Some of the charged imports may have been entered during 1984.

3/ Adjustment codes: SA-shift added; CF-carry forward granted; S-swing grated; U-carry forward used; CO-carryover.

4/ Men's and boys' trousers only.

5/ Primarily women's and girls' trousers.

6/ Women's, girls', and infants' trousers only.

Source: Performance Report, Textile and Apparel Bilateral Agreements and Unilateral Import Restraints, U.S. Department of Commerce, Sept. 10, 1984.

dozen (Hong Kong alone shipped over 6 million dozen) in 1983. Consequently, looking at all MFA-controlled imports of cotton trousers, flexibility accounted for additional shipments of slightly over 1 percent.

On an individual country basis, flexibility adjustments for cotton trousers ranged from 5 to 18 percent. Korea's 6-percent flexibility increment was in addition to the 4.5-percent annual growth provided for in the United States-Korean bilateral agreement. By comparison, India's 13-percent flexibility increment is in addition to the 7-percent yearly growth provided by the United States-India agreement.

Table 42 summarizes the use of flexibility in 10 major MFA categories. As may be seen, the net effect of flexibility in terms of expanded shipments ranged from a relatively small 26,774 dozen in category 338/339, knit cotton shirts, to a much larger 304,489 dozen in category 341, women's woven cotton blouses.

From this analysis, it may be concluded that:

- 1) Flexibility, if not limited in individual bilateral agreements, provides individual supplying countries the opportunity to significantly expand their exports in particular categories in any given year. To illustrate, in 1983, China used flexibility on 16 product categories to expand their quotas by 531,615 dozen of various apparel products and 175,000 dozen gloves. ^{1/} Other frequent users of flexibility were Korea, the Philippines, Taiwan, and Thailand. By comparison, Colombia, Indonesia, Mexico, and Sri Lanka did not use flexibility at all in 1983.
- 2) The overall effects of flexibility on U.S. imports varies widely, from relatively minor to significant, on a category-by-category basis.

A country-by-country summary of flexibility use during 1980-84 follows.

Use of flexibility during 1980-84

The degree to which individual countries have used the flexibility provisions of the MFA to adjust restraint limits varies widely. Some countries, particularly small suppliers, used flexibility rarely, but large suppliers, most notably China and Korea, have used it extensively. Most uses of flexibility are made to increase restraint limits so that imports can increase above the initial limit or to adjust for overshipments. In the case of specific limits, compensatory reductions were usually made either in the limits for other categories or groups in the same year, or amounts were used from unfilled quotas in the prior year, or amounts were borrowed from the succeeding year. Such compensatory reductions are not required for increases in consultation levels, but all increases are subject to group and aggregate limits when they exist. Occasionally, after adjustments are made to limits, imports are below the initial limit. Such instances are not covered in the

^{1/} Most of this flexibility was accomplished by adding shift, which resulted in other quotas being reduced where shift was subtracted.

Table 42.--Selected MFA categories: Original quota level, adjusted quota level, net quota adjustments, imports charged, shipments in excess of original quota level, and total shipments from all countries, 1983

MFA category	Category description	Number of countries using flexibility	Original quota level (1)	Adjusted quota level (2)	Net quota adjustment (3)	Imports charged from countries using flexibility (4)	Shipments in excess of original quota level from countries using flexibility (5)	Total shipments from all countries (6)	Ratio of (3) to (1)	Ratio of (2) to (1) <u>1/</u>	Ratio of (5) to (6) <u>2/</u>
						Dozen	Percent				
338/ 339	Men's and women's knit cotton shirts. <u>3/</u>	7	6,756,690	6,943,162	+186,472	6,783,464	<u>4/</u> 26,744	16,116,000	2.7	0.39	0.17
340	Men's woven cotton shirts.	7	2,226,757	2,368,913	+142,156	2,295,815	69,058	7,122,000	6.4	3.10	0.97
341	Women's woven cotton blouses.	8	3,686,605	4,058,887	+372,282	3,991,094	304,489	8,587,000	10.1	8.26	3.55
347/ 348	Men's and women's cotton trousers.	9	4,596,192	4,940,873	+344,681	4,786,425	190,233	18,073,000	7.5	4.14	1.05
638/ 639	Men's and women's knit manmade-fiber shirts and blouses.	5	11,801,347	11,417,317	<u>5/</u> -383,771	8,191,581	<u>6/</u>	24,744,000	-3.3	<u>6/</u>	<u>6/</u>
645/ 646	Men's and women's manmade-fiber sweaters.	6	9,227,732	9,328,584	<u>7/</u> +100,852	9,359,364	<u>8/</u> 131,632	10,775,000	1.1	1.43	1.22

1/ For countries using flexibility.

2/ U.S. imports from all MFA suppliers.

3/ Includes woven shirts from India.

4/ India's quota was reduced by shifting 155,865 dozen shirts to several other quota categories.

5/ Romania's quota was reduced by shifting 717,500 dozen shirts to an equivalent amount (175,000 pounds) of manmade-fiber yarn. The Philippines quota was reduced by shifting 10,407 dozen shirts to category 641 NT, women's and girls' woven blouses.

6/ Not applicable.

7/ Includes quota reductions for Hong Kong and Korea to compensate for overshipments.

8/ Includes an overshipment from Hong Kong of 43,520 dozen.

Source: Compiled from official statistics of the U.S. Department of Commerce.

following analysis, as the volume of imports apparently was not affected by the adjustment.

Brazil's most extensive use of flexibility was during 1981, when restraints for six categories of cotton fabrics were raised by between 21 and 50 percent. These increases led to expanded imports in only two categories. Category 313, which was increased by 21 percent, was 95 percent filled; category 319, which was increased by 21 percent, was 97 percent filled. In 1983, category 313 was again increased by 11 percent and was 96 percent filled.

China made increasing use of flexibility during 1980-83. In 1980, adjustments were made to limits covering 8 categories; in 1983, limits covering 23 categories were adjusted. Prior to 1983, the categories for which limits were frequently increased were those covering cotton gloves (331), women's cotton coats (335), cotton trousers (347,348), and manmade-fiber sweaters (645,646). Limits for women's knit cotton shirts (339) were decreased each year, and those for women's woven cotton shirts were decreased in 1980 and 1981, and were not adjusted in 1982. China's extensive use of flexibility during 1983 is shown in table 43.

Colombia had used flexibility provisions infrequently prior to January-June 1984, during which time six consultation levels were raised by from 14 to 75 percent. ^{1/}

Costa Rica has used flexibility to adjust restraint levels for the one category on which it has restraints, 649, body-supporting garments. These adjustments have ranged from a 2-percent decrease to an 11-percent increase. The adjusted levels have been more than 95 percent filled.

The Dominican Republic has made few adjustments to its restraint levels. However, in 1980 and 1981, the levels for category 649, body-supporting garments, were raised by 14 and 11 percent, respectively, and were 96 and 100 percent filled, respectively.

Hong Kong used flexibility frequently in 1980 and 1981 to increase its quotas. However, the United States-Hong Kong bilateral agreement that took effect in 1982 eliminated the use of swing to increase quotas and this, at least in part, resulted in less frequent use of flexibility by Hong Kong in 1982 and 1983. Hong Kong used flexibility to increase restraint levels 21 times in 1981, but only once in 1982 and 3 times in 1983.

Hungary's only use of flexibility was to increase the 1983 limit for category 433, men's and boys' wool suit-type coats, 6 percent by carry-forward. The adjusted limit was 99 percent filled. As a result of the carry-forward, the limit for 1984 was reduced 6 percent.

India's use of flexibility has been concentrated in cotton apparel categories, and most of the adjustments have been on consultation levels. Limitations for category 335, women's cotton coats and jackets, were increased

^{1/} In addition to the formal flexibility provisions in the MFA and bilateral agreements, restraint limits, particularly consultation levels, may be adjusted by any amount as the result of consultations.

Table 43.--China's use of flexibility, by MFA categories, 1983

Category No.	Description	Adjustment	Share of adjusted limit filled
		Percent	
331	Cotton gloves-----	5	100
334	Other men's cotton coats-----	5	100
335	Women's cotton coats-----	10	96
337	Cotton play suits-----	-22	99
340	Men's woven cotton shirts-----	5	100
341	Women's woven cotton shirts-----	5	100
347/348	Cotton trousers-----	5	100
351	Cotton nightwear-----	5	100
366	Cotton terry towels-----	-15	86
445/446	Wool sweaters-----	5	100
447	Men's wool trousers-----	6	100
448	Women's wool trousers-----	5	89
631	Manmade-fiber gloves-----	-23	100
634	Other men's manmade-fiber coats.	12	100
635	Women's manmade-fiber coats-----	12	100
640	Men's woven manmade-fiber shirts.	-14	100
641	Women's woven manmade-fiber shirts.	5	100
645/646	Manmade-fiber sweaters-----	5	100
647	Men's manmade-fiber trousers-----	5	100
648	Women's manmade-fiber trousers.	12	100

Source: Compiled from official statistics of the U.S. Department of Commerce.

by between 12 and 106 percent, respectively, during 1980-83 and decreased by 6 percent for 1984. During 1980-83, the adjusted limits were 97 to 100 percent filled; by the end of June 1984, the restraint level for 1984 was 87 percent filled.

Restraint limits for category 342, cotton skirts, were increased by 150 percent in 1980, 115 percent in 1981, and 150 percent in 1982 and was from 82 to 98 percent filled. These increases were achieved by agreement and did not result in reciprocal decreases in limits for other categories, but all such increases were subject to group and aggregate limits. In 1983, the limit for this category was increased by 13 percent through shift and carryforward and was 94 percent filled. The limit for categories 347/348, cotton trousers, was adjusted each year during 1980-83. In 1980, it was increased by 5 percent and was 82 percent filled; in 1981, the limit was increased by 24 percent and was 100 percent filled. The limit for 1982, reduced by 1 percent, was 97 percent filled; in 1983, the limit was increased by 13 percent and was 97 percent filled.

Japan had no increases in limits during 1980-83. The limit for category 410, woolen and worsted fabrics, was decreased by 24 percent as a result of negotiations. Imports that year, which were near the average for the period, filled 45 percent of the adjusted limit.

Korea has made extensive use of flexibility to increase restraint limits, and often the adjusted limits are completely or nearly completely filled. Categories to which adjustments were most frequently made, the percentage the initial limit was adjusted, and the percentage by which the adjusted limit was filled are shown in table 44.

Macau used flexibility to increase its exports in categories 338, 339, 340, and 341, which cover cotton shirts and blouses. The restraint levels for each of these categories were increased by from 2 to 13 percent each year from 1980 to 1983. The one exception occurred in 1981, when category 338 was decreased by 6 percent to compensate for carryforward used in 1980. In most instances, imports were greater than what would have been allowed under unadjusted limits. Limits for category 347/348, cotton trousers, were increased by 13, 8, 7, and 5 percent each year from 1980 to 1983, respectively. In 1980 and 1981, the adjusted limit was 100 percent filled, in 1982 it was 93 percent filled, and in 1983 it was 96 percent filled. Macau also used flexibility to increase limits on category 445/446, wool sweaters, by 11 percent in 1980, 5 percent in 1981, 7 percent in 1982, and 1 percent in 1983. The adjusted limits were 100 percent filled in 1980 and 1981, 96 percent in 1982, and 98 percent in 1983.

Malaysia's use of flexibility has been primarily for the categories covering cotton shirts and blouses. However, the adjustments did not significantly affect levels of imports, as imports usually were less than the unadjusted restraint levels.

Pakistan made use of flexibility to increase the restraint limit for category 363, cotton pile towels, each year during 1980-83, by from 10 to 12 percent, and completely filled the adjusted level each year. In 1984, the restraint level was reduced by 6 percent as a result of carryforward, and by June the level was 60 percent filled. Pakistan also annually increased the restraint level for category 331, cotton gloves, by 30 and 82 percent, respectively, in 1980 and 1981 and completely filled the limits. In 1982, the limit for this category was increased by 13 percent, but the adjusted limit was only 71 percent filled. In 1983, the increase of 11 percent was fully used. In 1984, carryforward lowered the limit by 6 percent, and the adjusted limit was 69 percent filled by the end of June.

The Philippines' use of flexibility was sparse until 1982 and 1983, when it adjusted limits primarily for categories covering cotton and manmade-fiber apparel. In 1983, the Philippines adjusted 36 restraint limits; one-half of the adjustments were net increases, and one-half were net decreases. Of the 14 limits that were increased by more than 10 percent, the adjusted limits for 8 were 90 percent or more filled. These categories, the amount of the

Table 44.--MFA categories most frequently adjusted by Korea, the share adjusted, and the share of adjusted limits filled, 1980-83

(In percent)

MFA category and description	1980		1981		1982		1983	
	Adjusted	Filled	Adjusted	Filled	Adjusted	Filled	Adjusted	Filled
333/334-Men's cotton coats.	6	96	6	100	6	89	6	100
335-Women's cotton coats----	<u>1</u>	-	<u>1</u>	-	6	98	6	100
338/339-Knit cotton shirts and blouses.	6	95	6	94	6	98	6	100
340-Men's woven cotton shirts.	6	100	6	100	6	100	6	100
341-Women's woven cotton shirts.	-	-	6	100	6	95	7	99
347/348-Cotton trousers-----	6	89	6	85	6	83	6	99
433-Men's wool suit-type coats.	5	99	12	98	5	99	5	100
445/446-Wool sweaters-----	16	100	13	100	5	100	5	100
633/634/635-Manmade-fiber coats.	5	96	5	100	3	100	2	100
640 pt.-Men's manmade-fiber shirts other than dress.	15	100	37	100	-25	93	-2	100
641-Women's woven manmade-fiber blouses.	5	97	5	100	5	96	5	99
643-Men's manmade-fiber suits.	5	98	5	99	5	100	5	100

1/ Included in category 333/334.

Source: Compiled from official statistics of the U.S. Department of Commerce.

adjustment, and the amount of the limit filled are shown in the following tabulation (in percent):

<u>MFA category and description</u>	<u>Amount increased</u>	<u>Amount filled</u>
335-Women's cotton coats-----	11	100
340-Men's woven cotton shirts-----	11	95
347-Men's cotton trousers-----	16	91
443-Men's wool suits-----	15	100
445/446-Wool sweaters-----	14	100
636-Dresses of manmade fibers-----	17	92
641-Women's woven blouses of manmade fibers.	16	98
648-Women's trousers of manmade fibers--	11	96

Poland's chief use of flexibility has been to increase the restraint limits for category 433, men's and boys' wool shirts, and category 443 pt./643/644, wool and manmade-fiber suits. The restraint limit for wool shirts was increased by 11 percent in 1981 and 1983, and by 8 percent in 1982. The adjusted limit was 97 percent filled in 1981, 92 percent filled in 1982, and 93 percent filled in 1983. The limit for the suit category was increased by 74 percent in 1980, 12 percent in 1981, 6 percent in 1982, and 11 percent in 1983. The limit was completely filled in 1980, 1981, and 1982 and was 99 percent filled in 1983. The limit was decreased by 6 percent for 1984 and was 43 percent filled by the end of June.

Romania also used flexibility to increase limits for category 443. In 1981, the 6-percent increase was completely filled, and in 1983, the limit, which had been increased by 2 percent, was 101 percent filled. As a result, the limit for 1984 was reduced by 6 percent. By the end of June, this limit was 20 percent filled.

Singapore increased restraint levels for categories 340 and 341, woven cotton shirts and blouses, each year from 1980 to 1983. These increases ranged from 1 to 60 percent. In most years, the increased limits were completely or nearly filled. For 1984, the limit was increased by 110 percent and by the end of June was 72 percent filled. Singapore used flexibility to adjust other levels, but none of these had a great impact on import levels.

Sri Lanka used flexibility only twice prior to 1984. For 1984, it increased limits for eight categories covering cotton and manmade-fiber apparel. These increases were either of 6 or 11 percent. By the end of June, five of these limits were over 90 percent filled.

Taiwan has used flexibility to adjust restraint limits, but these adjustments generally have not led to significant changes in import levels. The two exceptions are categories 340 and 341, woven cotton shirts and blouses. The limit for category 340 was increased by 6 percent in 1980 and again in 1981, and the adjusted limits were 100 percent filled each year. In 1982, the limit was increased by 22 percent and was 99 percent filled. In 1983, the limit was increased by 5 percent and was 97 percent filled. The

limit for category 341 was increased by 4 percent in 1980 and again in 1981 and by 5 percent in 1982 and in 1983. In the first 3 of these years, the adjusted limits were 100 percent filled and in 1983, the limit was 95 percent filled.

Unlike other countries, Thailand used flexibility to adjust restraint levels for broadwoven cotton fabric categories. The consultation level for category 320, other woven cotton fabrics, was increased by 238 percent in 1981 and 225 percent in 1982. The adjusted limits were completely filled in 1981 and 78 percent filled in 1982. In 1983, the limit was decreased by 44 percent, and this level was only 20 percent filled. However, in 1983, restraint levels for categories 313, 314, 315, and 317, sheeting, poplin and broadcloth, printcloth, and twill and sateen, respectively, were increased by from 7 to 12 percent. None of the increased limits were completely filled, but two, sheeting and printcloth, were over 90 percent filled. For 1984, the restraint levels for categories 313, 314, and 315 were reduced by 6 percent owing to carryforward, and the level for 317 was raised by 11 percent. Thailand's use of flexibility for other categories, which mainly covered cotton and manmade-fiber apparel, did not greatly influence the volume of imports, as the restraint levels were seldom filled.

Yugoslavia increased the restraint limit for category 443/643, 1/ men's and boys' wool and manmade-fiber suits, by 11 percent in 1983. The adjusted limit was 69 percent filled. The sublimit for wool suits, which was 48 percent of the initial limit, was increased by 20 percent; this adjusted limit was 100 percent filled.

U.S. Imports 2/ of Textiles and Apparel, January 1980-June 1984

Textiles and apparel of cotton, wool, and manmade fibers

Total general imports 3/ of textiles and apparel of cotton, wool, and manmade fibers increased annually from 4,884.4 million square yard equivalents (SYE) in 1980 to 7,436.2 million SYE in 1983, or overall by 52 percent. During January-June 1983, imports totaled 3,511.6 million SYE and increased by 40 percent to 4,942.5 million SYE in the corresponding period of 1984, as shown in table 45.

1/ Until limits for category 444, women's wool suits, were added in 1984, this was the only limit in the agreement with Yugoslavia.

2/ Includes only imports of textiles and apparel of cotton, wool, and manmade fibers.

3/ General import statistics reflect merchandise entered for immediate consumption, plus merchandise entered into Customs bonded manufacturing warehouses for processing and subsequent export of the main product, or into Customs bonded storage warehouses.

Table 45.--Textiles and apparel: U.S. general imports, by fibers, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)				
Period	Cotton	Wool	Manmade fibers	Total
1980	2,009.1	129.3	2,746.0	4,884.4
1981	2,574.2	134.3	3,066.7	5,775.2
1982	2,447.7	145.8	3,342.0	5,935.5
1983	3,005.3	184.2	4,246.7	7,436.2
January-June--				
1983	1,409.6	71.1	2,030.9	3,511.6
1984	2,121.9	104.0	2,716.6	4,942.5

Source: Compiled from official statistics of the U.S. Department of Commerce.

Manmade-fiber textiles and apparel accounted for the largest share of total imports during 1980-83, averaging about 55 percent annually. Imports of cotton textiles and apparel claimed the second largest share of the total, averaging 42 percent annually during the same period. Imports of wool products accounted for the remaining 2 percent. Although the total quantity of cotton, wool, and manmade-fiber textiles and apparel increased annually, each fibers's share of the total remained relatively stable.

In 1983, imports from Taiwan, the leading supplier, were 1,185.9 million SYE, a 26 percent increase from the preceding year and a 43 percent increase from 1981. Other leading sources of imports were Korea, Hong Kong, China, and Japan, as shown in table 46.

Table 46.--Textiles and apparel: U.S. general imports, by principal sources, 1981-83, January-June 1983, and January-June 1984

(In millions of SYE)					
Source	1981	1982	1983	January-June--	
				1983	1984
Taiwan	824.5	938.3	1,185.9	598.5	688.0
Korea	779.0	763.7	975.4	499.6	607.3
Hong Kong	860.3	842.7	954.9	457.4	514.8
China	562.0	670.6	785.5	381.5	517.8
Japan	502.6	511.4	668.5	303.9	380.7
Subtotal	3,528.4	3,726.7	4,570.2	2,240.9	2,708.6
All other	2,246.8	2,208.8	2,866.0	1,270.7	2,233.9
Total	5,775.2	5,935.5	7,436.2	3,511.6	4,942.5

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of textiles and apparel of cotton, wool, and manmade fibers from each of the top five sources increased from 1981 to 1983; however, the percentage of each principal source to total imports remained about the same from 1981 to 1983. In 1983, Taiwan accounted for 16 percent of total imports, and Korea's, Hong Kong's, China's, and Japan's share of the total were 13, 13, 11, and 9 percent, respectively.

Cotton textiles and apparel

Imports of cotton textiles and apparel from the top eight sources accounted for 70 to 75 percent of the total during 1980-83. Imports from the top sources increased by 61 percent, from 1,402.2 million SYE in 1980 to 2,255.5 million SYE in 1983, as shown in table 47.

Table 47.--Cotton textiles and apparel: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

Source	(In millions of SYE)					
	1980	1981	1982	1983	January-June--	
					1983	1984
Hong Kong-----	538.7	590.2	564.2	640.5	317.7	342.7
China-----	261.4	442.8	438.1	511.4	249.9	336.2
Taiwan-----	151.2	191.3	217.6	318.1	161.4	216.7
Pakistan-----	136.0	218.3	170.7	220.8	110.6	174.7
Korea-----	100.0	134.1	101.8	178.4	75.2	142.6
India-----	141.0	146.9	123.9	160.1	81.6	135.9
Japan-----	60.3	89.2	90.7	114.7	51.3	84.7
Brazil-----	13.6	59.7	69.4	111.5	43.4	74.5
Subtotal-----	1,402.2	1,872.5	1,776.4	2,255.5	1,091.1	1,508.0
All other-----	606.9	701.7	671.3	749.8	318.5	613.9
Total-----	2,009.1	2,574.2	2,447.7	3,005.3	1,409.6	2,121.9

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of cotton textiles and apparel from Hong Kong amounted to 538.7 million SYE, valued at \$1,021.5 million in 1980, and increased to 640.5 million SYE, valued at \$1,268.7 million in 1983, or by 18 percent in quantity and 24 percent in value. Such imports for January-June 1984 totaled 342.7 million SYE, valued at \$691.6 million. Hong Kong is the leading source of U.S. imports of cotton textiles and apparel, having accounted for 21 percent of the quantity and 30 percent of the value of total imports in 1983. Apparel comprised the bulk of the total imports of cotton textiles and apparel. In 1983, apparel accounted for 71 percent of the quantity and 90 percent of the value. Imports of men's and boys' woven shirts; women's, girls', and infants' trousers; nightwear; and underwear together accounted for more than one-half of total apparel imports in 1983. Imports of sheeting, twill, and sateen totaled 99.2 million SYE, representing 53 percent of total cotton textile imports from Hong Kong in 1983.

Imports of cotton textiles and apparel from China increased from 261.4 million SYE, valued at \$209.4 million, in 1980 to 511.4 million SYE, valued at \$470.1 million, in 1983. Imports during January-June 1984 were 336.3 million SYE, valued at \$307.4 million. During 1983, China was the second largest source of U.S. imports of cotton textiles and apparel, accounting for 17 percent of the total. In 1983, imports of textiles accounted for 60 percent of the total quantity imported from China, while imports of apparel accounted for the remaining 40 percent. Printcloth, the major import item, accounted for 23 percent of cotton imports by quantity in 1983. Imports of printcloth amounted to 66.9 million SYE, valued at \$24.4 million, in 1980 and increased to 118.3 million SYE, valued at \$37.9 million, in 1983. Such imports in January-June 1984 amounted to 71.1 million SYE, valued at \$28.6 million. The cotton apparel items imported in the largest quantity from China in 1983 were women's, girls', and infants' trousers, imports of which totaled 33.8 million SYE, valued at \$70.7 million, in 1983, representing 7 percent of the total quantity and 15 percent of the total value of cotton textiles and apparel imported from China.

Cotton textiles and apparel from Taiwan increased from 151.2 million SYE, valued at \$220.0 million, in 1980 to 318.1 million SYE, valued at \$354.9 million, in 1983. Imports in January-June 1984 totaled 216.7 million SYE, valued at \$223.4 million. Taiwan was the third largest source of cotton textiles and apparel imports in 1983, accounting for 11 percent of the total quantity. Imports of cotton textiles accounted for 66 percent of the quantity of total cotton textiles and apparel imported from Taiwan in 1983. Imports of fabrics not elsewhere specified and sheeting amounted to 58.2 million SYE, valued at \$24.7 million, and 48.0 million SYE, valued at \$19.0 million, respectively, in 1983. Combined imports of these fabrics from Taiwan were equal to 33 percent of the total quantity and 12 percent of the total value in 1983.

Imports of cotton textiles and apparel from Pakistan increased from 136.0 million SYE, valued at \$56.3 million, in 1980 to 220.8 million SYE, valued at \$91.2 million, in 1983. Imports in January-June 1984 totaled 174.7 million SYE, valued at \$77.6 million. Pakistan was the fourth largest source for U.S. imports of cotton textiles and apparel in 1983, accounting for 7 percent of the total quantity. Cotton textiles represented the largest share of cotton textiles and apparel imported from Pakistan in 1983, accounting for 84 percent of the quantity and 69 percent of the value. Imports of sheeting declined from 61.6 million SYE, valued at \$15.7 million, in 1980 to 54.4 million SYE, valued at \$12.4 million, in 1983; at the same time, imports of printcloth increased from 6.3 million SYE, valued at \$1.7 million, in 1980 to 33.5 million SYE, valued at \$7.3 million, in 1983. Imports of these two fabrics accounted for 49 percent of the total quantity and 32 percent of the total value of cotton textiles from Pakistan imported in 1983. Although U.S. imports of most major textile categories from Pakistan have declined, there was a significant increase in the largest apparel category, men's and boys' knit cotton shirts. This category increased from 5.5 million SYE, valued at \$5.1 million, in 1980 to 15.0 million SYE, valued at \$13.2 million, in 1983. Imports in January-June 1984 totaled 10.2 million SYE, valued at \$9.4 million.

Cotton textiles. 1/--During 1983, imports of cotton textiles reached 1,609.1 million SYE, up 60 percent from 1,005.0 million SYE in 1980. During January-June 1984, imports of 1,226.2 million SYE were 71 percent greater than the 719.4 million SYE of January-June 1983, as shown in table 48.

Table 48.--Cotton textiles: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

Source	(In millions of SYE)					
	1980	1981	1982	1983	January-June--	
					1983	1984
China-----	151.1	301.8	282.3	306.0	146.3	216.5
Taiwan-----	82.4	123.3	134.5	210.7	112.6	146.7
Pakistan-----	118.9	190.9	141.4	180.5	92.2	141.1
Hong Kong-----	155.3	198.6	146.9	186.3	87.1	117.4
Korea-----	66.1	95.2	58.8	130.9	51.1	112.0
Subtotal-----	573.8	909.8	763.9	1,014.4	489.3	733.7
All other-----	431.2	543.9	495.0	594.7	230.1	492.5
Total-----	1,005.0	1,453.7	1,258.9	1,609.1	719.4	1,226.2

Source: Compiled from official statistics of the U.S. Department of Commerce.

During 1980-83, China, Taiwan, Pakistan, and Hong Kong were the leading sources of these imports, together accounting for 51 to 56 percent of the total. Imports from these four sources increased from 507.7 million SYE in 1980 to 883.5 million SYE in 1983. During January-June 1984, imports from these sources totaled 621.7 million SYE, 42 percent greater than during the corresponding period of 1983. In 1983, imports from Korea, the fifth largest source, totaled 130.9 million SYE, more than double the 58.8 million SYE imported in 1982. In January-June 1984, imports from Korea increased to 112.0 million SYE, or by 119 percent over the 51.1 million SYE in January-June 1983.

Cotton apparel.--During 1983, imports of cotton apparel amounted to 1,396.2 million SYE, up from 1,004.1 million SYE in 1980. During January-June 1984, imports totaled 895.7 million SYE, representing a 30-percent increase over the 690.2 million SYE imported during January-June 1983, as shown in table 49.

1/ Primarily yarn, fabric, and furnishings.

Table 49.--Cotton apparel: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)						
Source	1980	1981	1982	1983	January-June--	
					1983	1984
Hong Kong-----	383.4	391.7	417.3	454.2	230.6	225.3
China-----	110.3	141.0	155.8	205.4	103.6	119.7
Taiwan-----	68.8	68.0	83.1	107.4	48.8	70.0
India-----	66.0	77.7	68.8	96.9	56.4	87.9
Subtotal-----	628.5	678.4	725.0	863.9	439.4	502.9
All other-----	375.6	442.1	463.8	532.3	250.8	392.8
Total-----	1,004.1	1,120.5	1,188.8	1,396.2	690.2	895.7

Source: Compiled for official statistics of the U.S. Department of Commerce.

Hong Kong, China, Taiwan, and India were the principal sources during 1980-83, accounting for 61 to 63 percent of the total. Imports from these countries increased annually, from 628.5 million SYE in 1980 to 863.9 million SYE in 1983. During January-June 1983, imports from the four principal sources totaled 439.4 million SYE, 64 percent of the total, compared with 502.9 million SYE, equivalent to 56 percent of the total, for the corresponding period of 1984.

Wool textiles and apparel

Imports of wool textiles and apparel from the top five sources accounted for 50 to 57 percent of the total during 1980-83. Imports from the principal sources increased by 24 percent, from 74.0 million SYE in 1980 to 91.8 million SYE in 1983, as shown in table 50.

Table 50.--Wool textiles and apparel: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)						
Source	1980	1981	1982	1983	January-June--	
					1983	1984
Hong Kong-----	37.6	37.4	32.4	38.2	10.9	10.6
Korea-----	12.0	13.3	14.8	18.4	7.8	9.8
China-----	10.7	9.2	11.4	14.6	6.0	7.3
Japan-----	8.3	9.8	13.2	12.3	4.7	7.6
Taiwan-----	5.4	4.4	6.2	8.3	3.1	2.8
Subtotal-----	74.0	74.1	78.0	91.8	32.5	38.1
All other-----	55.3	60.2	67.8	92.4	38.6	65.9
Total-----	129.3	134.3	145.8	184.2	71.1	104.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of wool textiles and apparel from Hong Kong increased slightly, from 37.6 million SYE, valued at \$198.3 million, in 1980 to 38.2 million SYE, valued at \$248.6 million, in 1983. Imports in January-June 1984 totaled 10.6 million SYE, valued at \$75.7 million. Hong Kong is the leading source of U.S. imports of wool textiles and apparel, having accounted for 21 percent of the quantity and 19 percent of the value for total imports in 1983, consisting of virtually all apparel. Imports of knit shirts and blouses and sweaters totaled 8.2 million SYE, valued at \$44.0 million, and 19.2 million SYE, valued at \$137.4 million, respectively, in 1983, accounting for almost three-quarters of the total apparel imported from Hong Kong.

Wool textiles and apparel imported from Korea increased from 12.0 million SYE, valued at \$56.7 million, in 1980 to 18.4 million SYE, valued at \$95.3 million in 1983. Imports totaled 9.8 million SYE, valued at \$49.8 million, in January-June 1984. During 1983, Korea was the second leading source of U.S. imports of wool textiles and apparel, accounting for 10 percent of the quantity and 7 percent of the value of total imports. Imports of wool apparel claimed the largest share (75 percent of the quantity and 85 percent of the value) of the total textiles and apparel from Korea. Imports of woolen and worsted fabrics accounted for most all of the wool textiles. These imports increased from 1.7 million SYE, valued at \$5.9 million, in 1980 to 4.5 million SYE, valued at \$14.6 million, in 1983. Imports in January-June 1984 totaled 3.4 million SYE, valued at \$12.1 million. Imports of woven shirts and blouses accounted for 29 percent of the quantity and 15 percent of the value of wool apparel received from Korea in 1983. These imports declined from 4.3 million SYE, valued at \$13.1 million, in 1980 to 4.0 million SYE, valued at \$12.4 million in 1983. Imports in January-June 1984 totaled 1.6 million SYE, valued at \$4.8 million.

Imports of wool textiles and apparel from China increased from 10.7 million SYE, valued at \$3.4 million, in 1980 to 14.6 million SYE, valued at \$120.3 million, in 1983. Imports in January-June 1984 totaled 7.3 million SYE, valued at \$74.9 million. China was the third largest source of U.S. imports of wool textiles and apparel, accounting for 8 percent of the total quantity in 1983. Apparel comprised the bulk of the total imports of wool textiles and apparel, accounting for 84 percent of the quantity and 53 percent of the value, in 1983. Imports of sweaters and women's, girls', and infants' trousers totaled 5.8 million SYE, valued at \$29.9 million, and 1.6 million SYE, valued at \$9.8 million, respectively. Imports of these products accounted for 63 percent of the quantity and value of wool apparel imports from China. Imports of woolen and worsted fabrics and floor coverings totaled 2.4 million SYE, valued at \$56.8 million, representing almost all of the wool textile imports from China in 1983.

Wool textiles.---U.S. imports of wool textiles increased annually, from 35.8 million SYE in 1980 to 62.5 million SYE in 1983, or by 75 percent during the period. During January-June 1983, imports totaled 31.6 million SYE and increased by 72 percent to 54.3 million SYE for January-June 1984, as shown in table 51.

Table 51.--Wool textiles: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)							
Source	1980	1981	1982	1983	January-June--		
					1983	1984	
Italy-----	2.5	5.2	9.8	11.7	6.0	10.6	
United Kingdom-----	8.4	8.5	8.8	10.4	6.0	8.1	
Japan-----	4.7	6.2	9.2	8.2	3.7	6.9	
Subtotal-----	15.6	19.9	27.8	30.3	15.7	25.6	
All other-----	20.2	22.7	23.7	32.2	15.9	28.7	
Total-----	35.8	42.6	51.5	62.5	31.6	54.3	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Italy, the United Kingdom, and Japan provided the greatest share of these imports, ranging from 44 to 54 percent of the total during 1980-83. Imports from these three major sources increased by almost 100 percent, from 15.6 million SYE in 1980 to 30.3 million SYE in 1983, and during January-June 1984 increased by 63 percent, to 25.6 million SYE, compared with 15.7 million SYE imported in the corresponding period of 1983.

Italy, the major source of wool textile imports in the last few years, increased its amount by almost 400 percent, from 2.5 million SYE in 1980 to 11.7 million SYE in 1983. In January-June 1984, wool textile imports from Italy continued to rise, by 77 percent, from 6.0 million in January-June 1983 to 10.6 million SYE in the the corresponding period of 1984.

Wool apparel.--During 1980-83, imports of wool apparel increased by 30 percent, from 93.5 million SYE in 1980 to 121.7 million SYE in 1983. Such imports for January-June 1983 totaled 39.5 million SYE and increased by 26 percent to 49.7 million SYE for January-June 1984, as shown in table 52.

Table 52.--Wool apparel: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)							
Source	1980	1981	1982	1983	January-June--		
					1983	1984	
Hong Kong-----	37.5	37.3	32.2	38.0	10.8	10.5	
Korea-----	10.4	9.8	11.2	14.0	5.3	6.3	
China-----	9.1	6.7	9.2	12.2	5.0	5.0	
Subtotal-----	57.0	53.8	52.6	64.2	21.1	21.8	
All other-----	36.5	37.9	41.7	57.5	18.4	27.9	
Total-----	93.5	91.7	94.3	121.7	39.5	49.7	

Source: Compiled from official statistics of U.S. Department of Commerce.

Hong Kong, Korea, and China were the principal sources during 1980-83, accounting for 53 to 61 percent of the total. Imports from these principal sources increased irregularly from 57.0 million SYE in 1980 to 64.2 million SYE in 1983. Imports during January-June 1983 from the three top sources totaled 21.1 million SYE, equivalent to 53 percent of the total, compared with 21.8 million SYE, or 44 percent of the total, in the corresponding period of 1984. Imports from Hong Kong, the primary source, remained relatively stable during 1980-83. Imports from Hong Kong in January-June of both 1983 and 1984 were about level, as were total imports of the top three sources for the same periods.

Manmade-fiber textiles and apparel

Imports of manmade-fiber textiles and apparel from the top six sources accounted for 68 to 71 percent of the total during 1980-83. Imports from the top sources increased by 47 percent, from 1,952.0 million SYE in 1980 to 2,869.4 million SYE in 1983, as shown in table 53.

Table 53.--Manmade-fiber textiles and apparel: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

Source	(In millions of SYE)					
	1980	1981	1982	1983	January-June--	
					1983	1984
Taiwan-----	625.8	625.2	714.5	859.5	434.5	468.5
Korea-----	528.1	631.6	647.1	778.6	647.1	454.9
Japan-----	391.9	403.6	407.5	541.5	247.9	288.4
Hong Kong-----	247.9	232.7	246.1	276.2	130.2	161.5
China-----	52.7	109.8	221.1	259.5	126.5	174.2
Mexico-----	105.6	106.9	85.6	154.1	61.9	122.1
Subtotal-----	1,952.0	2,109.8	2,321.9	2,869.4	1,648.1	1,669.6
All other-----	794.0	956.9	1,020.1	1,377.3	382.8	1,047.0
Total-----	2,746.0	3,066.7	3,342.0	4,246.7	2,030.9	2,716.6

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of manmade-fiber textiles and apparel from Taiwan increased from 625.8 million SYE, valued at \$906.0 million, in 1980 to 859.5 million SYE, valued at \$1,362.0 million, in 1983. Imports in January-June 1984 totaled 468.5 million SYE, valued at \$787.2 million. Taiwan is the leading source of U.S. imports of manmade-fiber textiles and apparel, having accounted for 20 percent of the quantity and 26 percent of the value for total imports in 1983. Imports of manmade-fiber textiles and apparel consisted mostly of apparel--89 percent of the quantity and 96 percent of the value. Imports of women's, girls', and infants' knit shirts and blouses; men's and boys' woven shirts, women's, girls', and infants' sweaters; and other apparel accounted for approximately one-half of the total manmade-fiber apparel imported from Taiwan. Spun noncellulosic woven fabrics was a major textile category

imported from Taiwan. Such imports increased from 3.7 million SYE, valued at \$2.5 million in 1980 to 24.9 million SYE, valued at \$12.1 million, in 1983 and constituted 23 percent of textile imports. Imports in January-June 1984 totaled 13.0 million SYE, valued at \$6.8 million.

Manmade-fiber textiles and apparel imported from Korea increased from 528.1 million SYE, valued at \$733.6 million, in 1980 to 778.6 million SYE, valued at \$1,169.0 million, in 1983. Imports were 454.9 million SYE, valued at \$715.7 million, in January-June 1984. During 1983, Korea was the second largest source of U.S. imports of manmade-fiber textiles and apparel, accounting for 18 percent of the quantity and 23 percent of the value of total imports. Imports of manmade-fiber apparel claimed the largest share (75 percent of the quantity and 88 percent of the value) of the total. Imports of categories 640 (men's and boys' woven shirts), 646 (women's, girls', and infants' sweaters), and 659 (other apparel) accounted for the bulk of the manmade-fiber apparel imports. Combined imports of these categories totaled 337.6 million SYE, valued at \$386.6, in 1983, equal to 58 percent of the quantity and 38 percent of the value of total imports of manmade-fiber apparel. Category 612 (continuous noncellulosic woven fabrics) was responsible for the largest share of manmade-fiber textiles imported from Korea. These imports increased from 39.4 million SYE, valued at \$41.4 million, in 1980 to 100.7 million SYE, valued at \$92.9 million, in 1983. Imports in January-June 1984 totaled 37.5 million SYE, valued at \$39.4 million.

Imports of manmade-fiber textiles and apparel from Japan increased from 391.9 million SYE, valued at \$325.7 million, in 1980 to 541.5 million SYE, valued at \$470.0 million, in 1983. Imports in January-June 1984 totaled 288.4 million SYE, valued at \$256.1 million. Japan was the third largest source of U.S. imports of manmade-fiber textiles and apparel, accounting for 13 percent of the quantity and 9 percent of the value of total imports in 1983. Textile mill products constituted the great majority of the total imports of manmade-fiber textiles and apparel. In 1983, imports of textiles of manmade fibers totaled 506.1 million SYE, valued at \$401.1 million, representing 93 percent of the quantity and 85 percent of the value for total imports from Japan. Imports of continuous noncellulosic yarn and woven fabrics of this type yarn totaled 122.9 million SYE, valued at \$17.5 million, and 214.4 million SYE, valued at \$212.9 million, respectively, in 1983. These products combined accounted for 67 percent of the quantity and 57 percent of the value for total manmade-fiber textile imports.

Manmade-fiber textiles.--U.S. imports of manmade-fiber textiles almost doubled, increasing from 959.4 million SYE in 1980 to 1,866.1 million SYE in 1983. During January-June 1983, imports totaled 856.0 million SYE and increased by 50 percent to 1,282.9 million SYE for the corresponding period of 1984, as shown in table 54.

Table 54.--Manmade-fiber textiles: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)							
Source	1980	1981	1982	1983	January-June--		
					1983	1984	
Japan-----	348.2	373.9	381.3	506.1	234.4	268.4	
Italy-----	95.9	168.2	177.3	236.9	100.5	169.3	
West Germany----	77.3	104.1	115.5	152.2	64.1	152.4	
Canada-----	116.8	100.0	115.9	138.6	70.3	137.4	
Korea-----	78.6	95.0	125.7	196.8	116.5	117.9	
Subtotal----	716.8	841.2	915.7	1,230.6	585.8	845.4	
All other-----	242.6	301.9	327.0	635.5	270.2	437.5	
Total-----	959.4	1,143.1	1,242.7	1,866.1	856.0	1,282.9	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Japan, Italy, West Germany, Canada, and Korea were the major sources of these imports during 1980-83. Imports from the top five sources increased annually from 716.8 million SYE in 1980 to 1,230.6 million SYE in 1983; however their percentage of total imports declined from 75 percent in 1980 to 66 percent in 1983. During January-June 1983, these top sources accounted for 585.8 million SYE and increased to 845.4 million SYE in January-June 1984. However, their percentage of total imports again declined, from 68 to 66 percent.

Japan, the primary source of manmade-fiber textiles during 1980-83, increased its shipments annually, from 348.2 million SYE in 1980 to 506.1 million SYE in 1983, or by 45 percent. Japan's share of total imports declined annually, from 36 percent in 1980 to 27 percent in 1983. Imports from Japan during January-June 1983 totaled 234.4 million SYE, representing 27 percent of total imports; imports in the corresponding period of 1984 rose to 268.4 million SYE, representing 21 percent of the total.

Manmade-fiber apparel.--From 1980 to 1983, imports of manmade-fiber apparel increased by 33 percent, from 1,786.6 million SYE to 2,380.6 million SYE. During January-June 1984, imports totaled 1,433.7 million SYE, representing a 22-percent increase over the 1,174.9 million SYE imported during January-June 1983, as shown in table 55.

Table 55.--Manmade-fiber apparel: U.S. general imports, by principal sources, 1980-83, January-June 1983, and January-June 1984

(In millions of SYE)							
Source	1980	1981	1982	1983	January-June--		
					1983	1984	
Taiwan-----	596.2	586.4	660.0	752.4	385.8	400.6	
Korea-----	449.5	539.8	521.6	581.8	304.0	334.5	
Hong Kong-----	207.0	227.5	240.3	268.4	126.9	156.2	
China-----	46.8	95.2	191.7	212.8	109.1	134.7	
Subtotal----	1,299.5	1,448.9	1,613.6	1,815.4	925.8	1,026.0	
All other-----	487.1	474.7	485.7	565.2	249.1	407.7	
Total-----	1,786.6	1,923.6	2,099.3	2,380.6	1,174.9	1,433.7	

Source: Compiled from official statistics of the U.S. Department of Commerce.

The principal sources during 1980-83 were Taiwan, Korea, Hong Kong, and China, accounting for 73 to 77 percent of the total. Imports from these four sources increased annually, from 1,299.5 million SYE in 1980 to 1,815.4 million SYE in 1983, or by 40 percent. Imports from the principal sources during January-June 1983 totaled 925.8 million SYE and rose to 1,026.0 million SYE in the corresponding period of 1984. However, their share of total imports declined from 79 to 72 percent. China, which ranked fourth in 1983, showed the most significant change in volume of trade during 1980-83. Imports of manmade-fiber apparel from China increased by almost five times, from 46.8 million SYE in 1980 to 212.8 million SYE in 1983. Imports from China during January-June 1983 totaled 109.1 million SYE and rose by 24 percent to 134.7 million SYE in January-June 1984.

U.S. Imports from Principal Sources as a Percentage
of Restraints ¹/during 1983

Cotton textiles and apparel

Imports from the five principal sources of cotton textiles and apparel totaled 3,139.9 million SYE during 1983. Table 56 shows cotton textiles and apparel imports by the five largest sources.

¹/ Restraints include specific limits (quotas) and consultation levels.

Table 56.--Cotton textiles and apparel: Total imports, categories utilized, categories subject to restraint, and categories whose restraints were 85 percent or more filled, by principal sources, 1983

Source	Total imports	Categories utilized		Quotas 85 percent or more filled--	
		Total	Subject to restraints	Categories	Imports ^{1/}
	Million SYE	Number			Million SYE
Hong Kong-----	640.5	42	25	20	478.0
China-----	511.4	38	22	21	282.0
Taiwan-----	318.1	39	26	24	243.0
Pakistan-----	220.8	30	24	6	98.0
Korea-----	178.4	37	24	8	24.8

^{1/} Some of the imports charged to 1983 quotas may have been entered during early 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of cotton textiles and apparel from Hong Kong totaled 640.5 million SYE. These imports were in 42 categories, 25 of which were subject to restraints. The limits for 20 of these categories were 85 percent or more filled. Imports charged to these 20 categories totaled 478.0 million SYE and constituted 75 percent of total cotton imports from Hong Kong. Category 348 (women's, girls', and infants' trousers) had the greatest volume of imports, amounting to 75.6 million SYE, or 97 percent of the limit.

Imports of cotton textiles and apparel from China totaled 511.4 million SYE. These imports were in 38 categories, 22 of which were subject to restraints. The limits for 21 of these categories were 85 percent or more filled. Imports charged to these 21 categories totaled 282.0 million SYE making up 55 percent of total cotton imports from China. Category 315, printcloth, had the largest limit of 118.0 million SYE and was 100 percent filled. Most of the remaining categories with 85 percent or more of their limits filled were apparel items.

Imports of cotton textiles and apparel from Taiwan totaled 318.1 million SYE. These imports were in 39 categories, 26 of which were subject to restraints. The limits for 24 of these categories were 85 percent or more filled. Imports charged to these 24 categories totaled 243.0 million SYE and made up 76 percent of total cotton imports from Taiwan. Categories 320 (other woven fabric) and 313 (sheeting) had imports of 75.0 million SYE and 42.0 million SYE, respectively, filling 99 and 100 percent, respectively, of their limits.

Imports of cotton textiles and apparel from Pakistan totaled 220.8 million SYE. These imports were in 30 categories, 24 of which were subject to restraints. The limits for six of these categories were 85 percent or more filled. Imports charged to these six categories totaled 98.0 million SYE, representing 44 percent of total cotton imports from Pakistan. Part of

category 369 that consisted of certain cotton towels and other manufactures was the largest category in quantity, supplying 36.8 million SYE and filling 99 percent of its limit. Most of the high percentage filled categories were cotton textile items.

Imports of cotton textiles and apparel from Korea totaled 178.4 million SYE. These imports were in 37 categories, 24 of which were subject to restraints. The limits for 8 of these categories were 85 percent or more filled. Imports charged to these 8 categories totaled 24.8 million SYE and constituted 14 percent of total cotton imports from Korea. Imports under categories 333, 334, and 335 (coats), and 338, 339, and 340 (shirts) filled 100 percent of their limits and together totaled 14.0 million SYE.

Wool textiles and apparel

Imports from the five principal sources of wool textiles and apparel totaled 91.8 million SYE during 1983. Table 57 shows wool textile and apparel imports by the five principal sources.

Table 57.--Wool textiles and apparel: Total imports, categories utilized, categories subject to restraint, and categories whose restraints were 85 percent or more filled, by principal sources, 1983

Source	Total imports Million SYE	Categories utilized--		Quotas 85 percent or more filled--	
		Total	Subject to restraints	Categories	Imports ^{1/} Million SYE
		Number	Number		
Hong Kong-----	38.2	22	12	10	35.9
Korea-----	18.4	21	14	8	10.2
China-----	14.6	22	8	8	4.3
Japan-----	12.3	22	4	-	-
Taiwan-----	8.3	22	8	6	3.7

^{1/} Some of the imports charged to 1983 quotas may have been entered during early 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports of wool textiles and apparel from Hong Kong totaled 38.2 million SYE. These imports were in 22 categories, 12 of which were subject to restraints. The limits for 10 of these categories were 85 percent or more filled. Imports charged to these 10 categories totaled 35.9 million SYE and made up 94 percent of total wool imports from Hong Kong. Imports under combined categories 445/446 (sweaters) accounted for the largest quantity, with 18.9 million SYE, and filled more than 100 percent of its category limit. The remaining categories with imports that filled 85 percent or more of their limits consisted of apparel items.

Imports of wool textiles and apparel from Korea totaled 18.4 million SYE. These imports were in 21 categories, 14 of which were subject to restraints. The limits for eight of these categories were 85 percent or more filled. Imports charged to these 8 categories totaled 10.2 million SYE and made up 55 percent of total wool imports from Korea. The largest category--410, woolen and worsted fabrics--provided 4.3 million SYE and filled 92 percent of its limit. All of the remaining categories with imports accounting for 85 percent or more of their limits were apparel items.

Imports of wool textiles and apparel from China totaled 14.6 million SYE. These imports were in 22 categories, 8 of which were subject to restraints. The limit for these eight categories were 85 percent or more filled. Imports charged to these eight categories totaled 4.3 million SYE and made up 30 percent of total wool imports from China. Category 447 (men's and boys' trousers) had imports of 1.3 million SYE, with 100 percent of the limit filled.

Imports of wool textiles and apparel from Japan totaled 12.3 million SYE. These imports were in 22 categories, four of which were subject to restraints. There were no categories where 85 percent or more of the limits were filled. Category 410 (woolen and worsted fabrics) had the greatest volume of imports, which amounted to 5.0 million SYE, or 41 percent of the total.

Imports of wool textiles and apparel from Taiwan totaled 8.3 million SYE. These imports were in 22 categories, 8 of which were subject to restraint limits. The limits for six of these categories were 85 percent or more filled. Imports charged to these six categories totaled 3.7 million SYE and were 45 percent of total wool imports from Taiwan. Imports under combined categories 445/446 (sweaters) filled 87 percent of their limit and amounted to 1.7 million SYE.

Manmade-fiber textiles and apparel

Imports from the five principal sources of manmade-fiber textiles and apparel totaled 2,715.3 million SYE during 1983. Table 58 shows manmade-fiber textile and apparel imports by the five principal sources.

Imports of manmade-fiber textiles and apparel from Taiwan totaled 859.5 million SYE. These imports were in 40 categories, 23 of which were subject to restraints. The limits for 21 of these categories were 85 percent or more filled. Imports charged to these 21 categories totaled 600.0 million SYE and constituted 70 percent of total manmade-fiber imports from Taiwan. Imports under combined categories 645/646 (sweaters) were the largest in quantity, with 144.4 million SYE, and filled 99 percent of the category limit. The majority of the remaining imports under categories with 85 percent or more of their limit filled consisted of apparel items.

Imports of manmade-fiber textiles and apparel from Korea totaled 778.6 million SYE. These imports were in 42 categories, 22 of which were subject to restraints. The limits for 18 of these categories were 85 percent

Table 58.--Manmade-fiber textiles and apparel: Total imports, categories utilized, categories subject to restraint, and categories whose restraints were 85 percent or more filled, by principal sources, 1983

Source	Total imports	Categories utilized--		Quotas 85 percent or more filled--	
		Total	Subject to restraints	Categories	Imports ^{1/}
	Million SYE	Number		Million SYE	
Taiwan-----	859.5	40	23	21	600.0
Korea-----	778.6	42	22	18	574.0
Japan-----	541.5	43	2	1	216.0
Hong Kong-----	276.2	40	17	16	222.0
China-----	259.5	39	12	12	146.0

^{1/} Some of the imports charged to 1983 quotas may have been entered during early 1984.

Source: Compiled from official statistics of the U.S. Department of Commerce.

or more filled. Imports charged to these 18 categories totaled 574.0 million SYE and made up 74 percent of total manmade-fiber imports from Korea. The categories with largest volume of imports were 638/639 (knit shirts and blouses) and 645/646 (sweaters). These combined categories each provided imports amounting to 88.4 million SYE and 119.2 million SYE, respectively, filling 100 percent of their respective limits. Almost all of the remaining categories with imports that filled 85 percent or more of their limits were apparel items.

Imports of manmade-fiber textiles and apparel from Japan totaled 541.5 million SYE. These imports were in 43 categories, two of which were subject to restraints. The limit for only one of these categories was 85 percent or more filled. Imports charged to category 612 (continuous noncellulosic woven fabrics) totaled 216.0 million SYE and was 40 percent of total manmade-fiber imports from Japan.

Imports of manmade-fiber textiles and apparel from Hong Kong totaled 276.2 million SYE. These imports were in 40 categories, 17 of which were subject to restraints. The limits for 16 of these categories were 85 percent or more filled. Imports charged to these 16 categories totaled 222.0 million SYE and were 80 percent of total manmade-fiber imports from Hong Kong. The categories with largest quantities were 638/639 (knit shirts and blouses) and 645/646 (sweaters), accounting for imports of 68.0 million SYE and 45 million SYE, respectively. Imports under categories 638/639 and 645/646 filled over 100 percent of their limit.

Imports of manmade-fiber textiles and apparel from China totaled 259.5 million SYE. These imports were in 39 categories, 12 of which were subject to restraints. The limits for 11 of these 12 categories were 100 percent or more filled. Imports charged to these 12 categories totaled 146.0

million SYE and were 56 percent of total manmade-fiber imports from China. Categories 634/635 (coats), 640/641 (shirts and blouses not knit), and 648 (women's, girls', and infants' trousers) accounted for the bulk of the import volume.

Current Status of Bilateral Agreements

As of June 1984, the United States had bilateral agreements limiting imports of textiles and apparel with 28 countries, of which 24 were negotiated under the provisions of the MFA. ^{1/} Agreements with Taiwan, Panama, Mauritius, and Costa Rica exist pursuant to the provisions of section 204 of the Agricultural Act of 1956; they are similar to those under the MFA, although these countries are not signatories thereto. In addition, the United States unilaterally controlled imports of specific items from Barbados, Spain, and Turkey. Of these three countries, only Turkey is a signatory to the MFA. Collectively, these agreements and unilateral controls provided for limitations on approximately 6.0 billion SYE of textiles and textile products on either a specific or a consultation basis. The individual agreement limitations range from 100,000 SYE in the agreement with Mauritius to about 1.0 billion SYE in the agreements with Taiwan and Korea. During 1983, imports of cotton, wool, and manmade-fiber textiles from countries having agreements with the United States represented over three-fourths of total imports of such textiles. The total quantities restrained during 1984, by countries, are shown in table 59.

^{1/} In addition, there is an agreement with Jamaica, signatory to the MFA, that provides only for consultations. Agreements were signed with the Maldives during November 1984 and with Peru during January 1985.

Table 59.--Cotton, wool, and manmade-fiber textiles: Quantities restrained, by countries, 1984

(In millions of SYE)

Country	Quantity	Country	Quantity
Barbados	<u>1/</u> 2.6	Mauritius	0.1
Brazil	<u>2/</u> 195.9	Mexico	283.0
China	542.1	Pakistan	<u>2/</u> 230.4
Colombia	113.2	Panama	.7
Costa Rica	10.4	Philippines	<u>2/</u> 328.7
Dominican Republic	42.7	Poland	<u>2/</u> 64.9
Egypt	56.0	Romania	<u>3/</u> 56.6
Haiti	66.4		<u>4/</u> 58.4
Hong Kong	748.4	Singapore	<u>2/</u> 333.8
Hungary	1.8	Spain	<u>1/</u> 3.5
India	115.0	Sri Lanka	78.0
Indonesia	54.4	Taiwan	1,025.3
Japan	359.6	Thailand	159.9
Korea	990.0	Turkey	<u>1/</u> 1.9
Macau	<u>2/</u> 57.9	Uruguay	4.2
Malaysia	31.6	Yugoslavia	1.0

1/ Unilaterally imposed restraint limit.

2/ Countries having agreements with overall aggregate limitations in the amounts shown. Other quantities are the totals of individual restraints for each country.

3/ Wool and manmade fibers.

4/ Cotton.

Source: Compiled from official documents of the U.S. Department of State.

The bilateral agreements contain some or all of the following elements:

1. Product categories or groups of product categories subject to specific restraint levels (quotas).
2. Annual quota growth rates.
3. Provisions for flexibility, i.e., transferring quota from one year to another, shifting quota from one category to another, or increasing individual product category quotas within an overall group limitation.

4. Product categories or groups of categories restrained by minimum consultation levels (MCL's) 1/ or designated consultation levels (DCL's). 2/
5. Provisions for consultations to establish new quotas, modify consultation levels, or to reach solutions to other problems arising out of the agreements.

Summaries of the U.S. bilateral agreements follow, highlighting certain major provisions. Except as noted, the agreements are applicable to all textiles and textile products of cotton, wool, and manmade fibers.

Copies of the complete texts of the bilateral agreements may be obtained from the U.S. Department of State and should be consulted for more precise information.

Brazil

The current bilateral agreement with Brazil is effective for a 3-year period from April 1, 1982, through March 31, 1985. The limits under the agreement apply only to cotton and manmade-fiber textiles and textile products. During the first year of the agreement (Apr. 1, 1982-Mar. 31, 1983), exports of the subject products were limited to 171.1 million SYE; this amount was allowed to increase by 7 percent during each succeeding year of the agreement. Within the aggregate limit for each year, group limits were established for each year for cotton yarn and fabrics (group I) and cotton apparel, made-up goods, and miscellaneous textiles (group II). The first year limits for group I--133.6 million SYE--and group II--37.5 million SYE--were each allowed 7.0 percent annual increases. There were no group limits established for group III--manmade-fiber textiles and textile products--but all categories in this group are subject to the aggregate limit established in the agreement.

The agreement originally established specific limits for 3 categories used in monitoring textiles and apparel under the MFA and designated consultation levels for 18 categories. By September 1984, the number of categories with specific limits had increased to 11, as shown in the following tabulation (in millions of SYE):

1/ MCL's are the level up to which any country may ship in any category before the United States will request consultations for controlling imports in that category. MCL's usually apply to all categories that do not have specific ceilings or designated consultation levels. In some agreements, MCL's cannot be exceeded until mutual agreement is reached on a higher level.

2/ DCL's are usually more generous import controls than specific ceilings or MCL's in that they are somewhat above existing levels of trade; however, once reached, the level cannot be exceeded unless the United States agrees to further shipments.

<u>MFA</u> <u>category</u>	<u>Specific</u> <u>limit</u>
300/301-----	36.4
313-----	28.1
317-----	10.4
319-----	8.0
338-----	3.0
347-----	5.4
350-----	2.5
363-----	5.8
369 pt. <u>1</u> /-----	6.2
604-----	1.5

1/ Other cotton manufactures.

The number of categories with designated consultation levels declined to 12 by mid-1984, as shown in table 60.

Table 60.--Textiles and textile products: Designated consultation levels on exports from Brazil, by MFA categories, 1984

(In millions of SYE)

<u>MFA category</u>	<u>Designated</u> <u>consultation level</u>	<u>MFA category</u>	<u>Designated</u> <u>consultation level</u>
314-----	1.5	337-----	2.3
315-----	12.0	359-----	1.0
318-----	1.5	361-----	1.8
320-----	4.0	369 pt. <u>1</u> /-----	3.4
334-----	2.0	613-----	5.0
335-----	2.0	614-----	3.0

1/ Cotton floor coverings.

Source: Compiled from official documents of the U.S. Department of State.

Categories that were not given specific limits or designated consultation levels were subject to consultations if exports exceeded 1.0 million SYE for each nonapparel category and 700,000 SYE for each apparel category. Specific limits and consultation levels are also subject to group limits, where applicable, and to the aggregate limit established by the agreement. Limits on group I and nonapparel items in group III for a particular year may be exceeded by not more than 10 percent, and limits for group II and apparel items in group III may be exceeded by not more than 7 percent. In addition, specific limits may be exceeded by as much as 11 percent by using an unused portion of an import limit for a corresponding category from the previous year (carryover) or by using no more than 7 percent of the receiving category limit from the limit assigned to the following year (carryforward).

All of those categories for manmade-fiber products that are not subject to specific limits or consultation levels are termed as consultation categories. If the United States believes that the imports of these products are threatening the orderly development of trade between the two countries, then consultations may be requested. If no mutually satisfactory solution can be reached within 90 days (unless extended by agreement), the United States may establish a specific limit for the category. The amount of this limit cannot be less than the quantity of such imports during the first 12 of the most recent 14 months plus 20 percent.

China

The agreement with China is effective for a 5-year period from January 1, 1983, through December 31, 1987. Specific limits were established under the agreement as shown in table 61.

Table 61.--Textiles and textile products: Specific limits on exports from China, by MFA categories, 1983-87

(In millions of SYE)						
MFA category	1983	1984	1985	1986	1987	
314-----	15.0	15.4	15.9	16.4	16.9	
315-----	118.0	138.0	157.6	165.0	171.4	
331-----	12.3	12.7	13.0	13.4	13.8	
333-----	1.9	2.0	2.1	2.2	2.3	
334-----	8.3	8.6	8.9	9.3	9.7	
335-----	11.3	11.7	12.1	12.6	13.0	
337-----	20.7	21.8	22.9	24.0	25.2	
338-----	5.5	5.7	5.9	6.1	6.3	
338 pt. 1/-----	4.0	4.1	4.2	4.4	4.5	
339-----	6.4	6.7	6.9	7.1	7.4	
340-----	14.4	14.9	15.3	15.8	16.3	
341-----	6.6	6.8	7.0	7.2	7.4	
342-----	2.8	2.9	3.1	3.3	3.5	
345-----	2.9	3.1	3.2	3.3	3.4	
347/448-----	31.7	32.7	33.7	34.7	35.7	
350-----	4.5	4.8	5.0	5.3	5.5	
351-----	15.1	15.8	16.6	17.5	18.3	
363-----	9.0	9.5	10.0	10.6	11.1	
443-----	.5	.5	.5	.5	.5	
445/446-----	3.8	3.8	3.9	3.9	3.9	
447-----	1.2	1.3	1.3	1.3	1.3	
448-----	.3	.3	.3	.3	.3	
631-----	2.1	2.3	2.5	2.6	2.8	
634-----	15.7	16.3	17.0	17.7	18.5	
635-----	16.3	17.0	17.7	18.4	19.2	
636-----	13.4	14.2	15.0	15.9	16.9	
640-----	25.7	26.5	27.2	28.1	28.9	

See footnote at end of table.

Table 61.--Textiles and textile products: Specific limits on exports from China, by MFA categories, 1983-87--Continued

(In millions of SYE)						
MFA category	1983	1984	1985	1986	1987	
641-----	12.5	13.0	13.6	14.1	14.7	
645/646-----	22.1	22.8	23.4	24.2	24.9	
647-----	13.4	13.9	14.5	15.0	15.6	
648-----	17.2	17.9	18.6	19.4	20.1	

1/ Subquota within larger quota; includes men's and boys' knit shirts, except T-shirts, tankshirts, and sweatshirts.

Source: Compiled from official documents of the U.S. Department of State.

Except for category 315, any specific limit may be exceeded by up to 5 percent provided that the amount is compensated for by a decrease in other specific limits for that year. In addition, exports may (if agreed to in consultations) exceed a limit by up to 10 percent by the use of carryover and carryforward, provided that carryforward does not exceed between 5 and 7 percent as specified for that category. Carryover cannot exceed the amount of the shortfall for an applicable limit and for categories 363 (pile towels, of cotton) and 631 (gloves, of manmade fibers) carryover is limited to 3 percent.

In the event that the United States believes that imports in any category not covered by a specific limit are, due to market disruption, threatening to impede the orderly development of trade between the two countries, consultations may be requested. The United States must furnish a detailed factual statement that shows (1) the existence or threat of market disruption and (2) the contribution of China's exports to that disruption.

China must enter consultations with the United States within 30 days of the request. Both countries agree to make every effort to reach agreement within 90 days of the request, unless a longer period is agreed to. During the 90-day period, China must hold its exports to the United States to no greater than 35 percent of the amount entered during the latest 12 months for which data are available.

If no solution can be reached, China must limit its exports under the category involved for the succeeding 12 months to 15.5 percent (for cotton or manmade-fiber products) and 6 percent (for wool products) above the level of imports entered during the first 12 months of the the most recent 14 months preceding the request for consultations. The United States requested consultations with China during 1984 resulting in the limits shown in table 62.

Table 62.--Textiles and textile products: Limits on exports from China as a result of consultations, by MFA categories, 1984

(In millions of SYE)

MFA category	Limit	MFA category	Limit
313-----	38.8	438-----	0.2
320-----	6.3	442-----	.3
336-----	3.3	444-----	.5
352-----	8.1	613-----	14.4
359 pt. 1/-----	.1	637-----	2.2
369 pt. 2/-----	19.8	638-----	7.8
410-----	.5	639-----	9.5
433-----	.2	641-----	1.9
435-----	.8	644-----	.4
436-----	.3	649-----	2.3
		669-----	9.9

1/ Coveralls.

2/ Shop towels.

Source: Compiled from official documents of the U.S. Department of State.

Whenever China feels that a limitation specified in this agreement is forcing her into an inequitable position with a third country, consultations may be requested to consider remedial action, such as a reasonable modification of the agreement. The United States must agree to hold such consultations. Either Government may terminate the agreement at the end of any year by written notice at least 90 days prior to the end of that year. Either Government may at any time propose revisions in the terms of the agreement.

Colombia

The agreement with Colombia is effective for a 4-year period from July 1, 1982, through June 30, 1986. The categories covered by the agreement are divided into groups as follows:

Group I: Yarns (categories 300, 301, 400, and 600-605),

Group II: Fabric and made-up and miscellaneous nonapparel products (categories 310-320, 360-369, 410-429, 464-469, 610-627, and 665-669);
and

Group III: Apparel (categories 330-359, 431-459, and 630-659).

The agreement established a limit for group III and specific limits, as shown in table 63.

Table 63.--Textiles and textile products: Specific limits on exports from Colombia, by MFA categories and for group III, agreement years 1982/83-1985/86 1/

(In millions of SYE)								
MFA	:	1982/83	:	1983/84	:	1984/85	:	1985/86
category	:		:		:		:	
313-----	:	11.9	:	12.7	:	13.6	:	14.6
Group III <u>2/</u> ----	:	48.5	:	51.9	:	55.5	:	59.4
435 <u>3/</u> -----	:	-	:	.4	:	.4	:	.4
443-----	:	.6	:	.6	:	.7	:	.7
444-----	:	.2	:	.2	:	.2	:	.2
633-----	:	3.4	:	3.6	:	3.9	:	4.2
641-----	:	2.5	:	2.7	:	2.9	:	3.1

1/ Agreement years are from July 1 to June 30 to the following year.

2/ Limited to 37.0 million SYE by amendment.

3/ Added during the 1983/84 agreement year.

Source: Compiled from official documents of the U.S. Department of State.

The specific limits may be exceeded within any group limit by up to 10 percent for cotton or manmade-fiber categories in groups I and II, 7 percent for cotton or manmade-fiber apparel in group III, and 5 percent for wool products. In addition, exports may exceed group and specific limits by up to 11 percent by the use of carryover and carryforward, except that the latter is limited to 6 percent. Carryover cannot exceed the amount of the shortfall for any applicable group or specific limit.

Categories not subject to specific limits are subject to consultation levels and, in group III, to the group limit. The agreement established annual DCL's, as shown in table 64.

Table 64.--Textiles and textile products: Designated consultation levels on exports from Colombia, by MFA categories, agreement years 1982/83-1985/86

(In millions of SYE)

MFA category	Limit	MFA category	Limit
300/301-----	23.0	348-----	1.6
310-----	3.7	433-----	.2
312-----	2.0	435 <u>1/</u> -----	.3
314-----	2.6	447-----	.3
315-----	3.0	459-----	.2
317-----	13.5	634-----	2.0
320-----	7.0	635-----	1.9
410-----	.4	636-----	1.6
614-----	1.6	639-----	3.0
336-----	1.6	644-----	1.5
347-----	1.6	652-----	1.6

1/ Converted into a specific limit by later amendment.

Source: Compiled from official documents of the U.S. Department of State.

All other categories are subject to MCL's of 1.0 million SYE for categories falling within 300-320, 360-369, 600-627, and 665-669; 700,000 SYE for categories falling within 330-359 and 630-659; and 100,000 SYE for categories falling within 400-469.

In the event that Colombia wishes to export products in a category in excess of an applicable consultation level, consultations may be requested. However, until a different level is agreed to, Colombia must limit exports to the consultation level.

Exports of cottage industry handloomed fabrics, handmade cottage industry products made of such handloomed fabrics, and traditional folklore textile products as defined in the agreement, if properly certified, are not subject to this agreement.

If the two Governments are unable to reach a solution to any problem arising under the agreement, either country may, after notifying the other, refer such problems to the Textile Surveillance Body in Geneva.

Costa Rica

The agreement with Costa Rica is effective for a 4-year period from January 1, 1984, through December 31, 1987. The agreement established specific limits for category 649 (manmade-fiber brassieres), as shown in the following tabulation (in millions of SYE):

<u>Year</u>	<u>Limit</u>
1984-----	10.4
1985-----	10.6
1986-----	11.3
1987-----	12.1

Exports in this category may exceed an annual limit by up to 11 percent by the use of carryover and carryforward, except that the latter is limited to 7 percent. Carryover cannot exceed the shortfall for the same category.

Dominican Republic

The bilateral agreement with the Dominican Republic is effective for a 5-year period from June 1, 1983, through May 31, 1988, with specific limits currently being applied to 5 categories as shown in table 65.

Any specific limit may be exceeded by up to 7 percent for cotton and manmade-fiber products and 5 percent for wool, provided that a compensating decrease is made in other specific limits for the same year. In addition, specific limits may be exceeded by up to 11 percent, by the use of carryover and carryforward, except that the latter is limited to 7 percent.

Table 65.--Textiles and textile products: Specific limits on exports from the Dominican Republic, by MFA categories, agreement years 1983/84-1987/88 1/

(In millions of SYE)					
<u>MFA cate-</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>	<u>1987/88</u>
<u>gory</u>					
340-----	3.8	4.1	4.4	4.7	5.0
351-----	19.3	20.7	22.1	23.7	25.4
639-----	5.4	5.8	6.2	6.6	7.1
644 <u>2/</u> -----	1.1	2.3	2.5	2.7	2.8
649-----	8.9	9.5	10.2	10.9	11.6

1/ Agreement years are from June 1 to May 31 of the following year.

2/ Added later by amendment; first limit period began Dec. 1, 1983, for 6 months.

Source: Compiled from official documents of the U.S. Department of State.

The United States retains the right to the use of article 3 of the Multi-fiber Arrangement for all articles not subject to specific limits under the bilateral agreement. Pursuant to that provision, the United States unilaterally established a restraint on category 446 (women's, girls', and infants' wool sweaters) for the period from January 31, 1984, through January 30, 1985, in the amount of 290,904 SYE, pending conclusion of consultations.

The provisions of the bilateral agreement are not applicable to handloomed fabrics of the cottage industry, handmade cottage industry products made of such handloomed fabrics, or to traditional folklore handicraft textile products, provided that they are properly certified in accordance with provisions of the agreement.

Egypt

The agreement with Egypt is effective for a 22-year period from January 1, 1978, through December 31, 1999. The agreement was amended during 1984 to establish the following specific limits (in millions of SYE):

<u>MFA category</u>	<u>1984</u>	<u>1985</u>
300/301-----	36.8	39.1
300 <u>1/</u> -----	31.6	33.6
301 <u>1/</u> -----	5.2	5.5
313-----	12.5	13.3
317-----	6.7	7.1

1/ Subquota within larger quota.

Except for categories 300 and 301 (cotton yarn), specific limits may be exceeded by up to 6 percent for swing provided that a corresponding reduction is made in another specific limit during the same year. Any specific limit may be exceeded by up to 11 percent by the use of carryover and carryforward, except that the latter is limited to 6 percent. Carryover may not exceed the amount of the shortfall in any applicable limit.

Haiti

The agreement with Haiti is effective for a 5-year period from January 1, 1984, through December 31, 1988. The agreement established specific limits on exports to the United States, as shown in table 66.

The specific limits may be exceeded by up to 7 percent with the use of swing provided that the amount of the increase is compensated for by an equivalent decrease in other specific limits. The limits may also be exceeded by up to 11 percent by the use of carryover and carryforward, provided that the latter does not exceed 6 percent.

Table 66.—Textiles and textile products: Specific limits on exports from Haiti, by MFA categories, 1984-88

(In millions of SYE)

MFA category	1984	1985	1986	1987	1988
337-----	3.3	3.5	3.8	4.0	4.3
340-----	4.5	4.9	5.2	5.6	5.9
347/348-----	7.1	7.6	8.2	8.7	9.4
349/649-----	7.7	8.2	8.8	9.4	10.1
350 <u>1</u> /-----	1.6	1.8	1.9	2.0	2.1
632-----	9.5	10.1	10.9	11.6	12.4
635-----	8.3	8.9	9.5	10.1	10.9
648-----	12.2	13.1	14.0	15.0	16.0

1/ Added later by amendment.

Source: Compiled from official documents of the U.S. Department of State.

The agreement also provides annual designated consultation levels, as shown in the following tabulation (in millions of SYE):

<u>MFA category</u>	<u>Limit</u>
331-----	1.9
639-----	5.7
641-----	4.6

The designated consultation levels may be adjusted during a year by agreement of both parties. However, until such agreement is reached, the designated consultation levels cannot be exceeded.

Categories not subject to a specific limit or a designated consultation level are subject to the procedures outlined in the MFA. Exports of handloomed fabrics of the cottage industry, handmade cottage industry products made of such handloomed fabrics, or traditional folklore handicraft textile products are not subject to the provisions of the bilateral agreement.

Hong Kong

The agreement with Hong Kong is effective for a 6-year period from January 1, 1982, through December 31, 1987, with specific limits originally assigned to some 34 categories, as shown in table 67.

The limits for each of these categories, except 645/646 (manmade-fiber sweaters), may be exceeded by either 5 or 6 percent annually, provided that a corresponding reduction is made in one of the other category limits. In addition, a limit may (after consultation) be exceeded by up to 10 percent by using carryforward and/or carryover, of which carryforward shall account for no more than 5 percent for all items except category 648 (women's, girls', and infants' manmade-fiber trousers), which is allowed 7.15 percent.

Table 67.--Textiles and textile products: Specific limits on exports from Hong Kong, by MFA categories, 1984-87

(In millions of SYE)

MFA category	1984	1985	1986	1987
17-----	55.2	56.0	56.9	57.7
31-----	12.1	12.2	12.2	12.3
33/334-----	8.3	8.5	8.6	8.7
35-----	11.7	11.8	11.8	11.9
38/339 <u>1</u> /-----	13.6	13.6	13.7	13.8
38/339 <u>2</u> /-----	18.3	18.4	18.5	18.6
40-----	58.4	58.7	59.0	59.3
41-----	35.8	39.9	36.1	36.3
42-----	7.1	7.2	7.3	7.4
45-----	11.6	11.8	11.9	12.1
47/348-----	103.6	104.1	104.6	105.1
50-----	5.3	5.4	5.5	5.6
51-----	54.1	54.4	54.7	54.9
35-----	3.2	3.2	3.2	3.2
36-----	4.3	4.3	4.3	4.4
38-----	11.4	11.4	11.5	11.5
43-----	.5	.5	.5	.5
44 <u>3</u> /-----	.6	.6	.6	.6
45/446-----	17.6	17.7	17.8	17.9
47/448-----	.9	.9	1.0	1.0
33/634/635-----	38.3	38.8	39.4	40.0
38/639-----	69.7	70.1	70.4	70.8
40 <u>3</u> /-----	16.1	16.4	16.8	17.1
41-----	10.6	10.6	10.7	10.7
45/646-----	44.9	45.1	45.4	45.6
48-----	17.4	17.5	17.6	17.7

1/ Cotton tank tops.

2/ Knit cotton shirts, except tank tops.

3/ Added later by amendment.

Source: Compiled from official documents of the U.S. Department of State.

For all items not subject to a specific limit, Hong Kong must provide reports on export authorizations as frequently as requested by the United States. The United States may request consultations for any one of the items when it appears that a limitation on further trade is necessary in order to eliminate a real risk of market disruption. The request for consultations must be supported by a statement of market conditions in the United States. The 2 Governments shall consult within 30 days and shall complete negotiations within 30 days of the commencement. If agreement cannot be reached, the United States may request Hong Kong to limit its exports to a level determined through procedures specified in the agreement. During 1984, additional restraint limits were established, as shown in the following tabulation:

<u>MFA category</u>	<u>Limit</u> <u>(million SYE)</u>
337-----	16.0
359 pt. <u>1</u> /-----	9.1
359 pt. <u>2</u> /-----	3.6
637-----	2.3
649-----	2.7
650-----	3.8
651-----	13.6
652-----	56.2
659 pt. <u>3</u> /-----	7.4
659 pt. <u>4</u> /-----	3.1

- 1/ Cotton vests.
2/ Cotton coveralls.
3/ Manmade-fiber coveralls.
4/ Manmade-fiber swimwear.

Hungary

The agreement with Hungary, which is effective for a period of 4-1/4 years, from October 1, 1982, through December 31, 1986, covers only wool textile products. Three wool categories were originally given specific limits under the agreement, as shown in the following tabulation (in millions of SYE):

<u>MFA category</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
433-----	0.3	0.3	0.3	0.3
443-----	<u>1</u> / .5	.4	.4	.4
444-----	<u>1</u> / .3	.3	.3	.3

1/ 15 months, beginning Oct. 1, 1982.

Specific limits for categories 435 (women's, girls', and infants' wool coats) and 448 (women's, girls', and infants' wool trousers) were added later by amendment dated February 13, 1984, as shown in the following tabulation (in millions of SYE):

<u>MFA category</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
435-----	<u>1</u> / 0.6	0.5	0.5
448-----	.3	.3	.3

1/ 13 months, beginning Dec. 1, 1983.

Annual limits for categories 435, 443 (men's and boys' wool suits), 444 (women's, girls', and infants' wool suits), and 448 may be increased by up to 5 percent by borrowing from another category in the group; compensating reductions must be made in the category from which an amount is borrowed. Limits for all categories may be increased by up to 11 percent by the use of carryover and carryforward, except that carryforward must be limited to 6 percent.

India

The bilateral agreement with India is effective for a 4-year period from January 1, 1983, through December 31, 1986. 1/ The products covered by the agreement are divided into two groups--group I: yarns, fabrics, made-up goods and miscellaneous textile products; and group II: apparel products. One category (terry and other pile towels) under group I has a specific limit; although there is no overall limit for group I, the specific limit is allowed to increase by 7 percent per year. Group II has an overall limit of 100 million SYE within which 9 categories have specific limits, which are also chargeable against the group limit. The group limit is allowed an annual growth rate of 7 percent; individual items with specific limits have growth rates ranging from 3 to 7 percent per year. In addition, items having specific limits in group II are allowed to borrow from one another (swing) and in so doing may be increased by from 5 to 7 percent; the limit applicable to the lending item is then reduced by an equal amount. Group and specific limits may be increased by up to 11 percent for carryover and up to 6 percent for carryforward; the combination of carryover and carryforward cannot exceed 11 percent.

Items not subject to specific limits are classified as consultation categories; the United States may request consultations if imports in such categories are causing market disruption. If a satisfactory solution cannot be reached within 90 days, the United States may limit imports to the higher of (1) the highest level of apparel imports from India in any previous calendar year since January 1, 1978; or (2) the amount entered from India during the first 12 of the most recent 14 months, plus 20 percent for cotton and manmade-fiber products and 6 percent for wool products.

Pursuant to the provisions of article 12 of the MFA, handloomed fabrics, handmade cottage industry products made of such handloomed fabrics, and "India Items" 2/ are not subject to the agreement.

Indonesia

The bilateral agreement with Indonesia is effective for a three-year period from July 1, 1982, through June 30, 1985, with specific limits being applied to 12 categories in the last year of the agreement, as shown in the following tabulation:

1/ By mutual consent, the agreement can be extended for 1 additional year until Dec. 31, 1987.

2/ The agreement includes a list of "India Items," which are traditional folklore handcraft textile products.

<u>MFA category</u>	<u>Limit</u> (million SYE)
315 <u>1/</u> -----	11.6
319 <u>1/</u> -----	4.4
331 <u>1/</u> -----	1.1
335 <u>1/</u> -----	2.7
339 <u>1/</u> -----	1.3
340-----	8.3
341 <u>1/</u> -----	4.2
347/348-----	10.4
604 <u>1/</u> -----	2.2
639 <u>1/</u> -----	3.8
640 <u>1/</u> -----	4.4

1/ Added later as a result of consultations.

Limits for categories 335 (women's, girls', and infants' cotton coats) and 347/348 (cotton trousers) are allowed to increase by 7 percent by borrowing from each other; the lending category must be reduced by an equal amount. All categories are allowed to increase by up to 11 percent of the receiving year's quota by the use of carryover of an unused portion of the quota from a previous year or carryforward of up to 6 percent of the receiving year's quota. However, the combination of carryover and carryforward may not exceed 11 percent. Only categories 340 (men's and boys' woven cotton shirts) and 347/348 were originally given specific limits; the others were later assigned specific limits through the consultation procedures of the MFA. During 1984, four other categories 317 (cotton twill and sateen), 320 (cotton fabric, n.e.s.), 334 (other men's and boys' coats), and 631 pt. (manmade-fiber work gloves) were subject to restraint limits pending similar consultations.

Pursuant to the provisions of article 12 of the MFA, handloomed fabrics of the cottage industry of Indonesia, handmade cottage industry products made of such handloomed fabrics in Indonesia, and folklore handicraft textile products traditional to Indonesia are not subject to the agreement, provided that such products are properly certified under mutually satisfactory arrangements.

Japan

The bilateral agreement with Japan is effective for a 4-year period from January 1, 1982, through December 31, 1985. The current agreement extends the provisions of the 3-year agreement previously in effect. It provides for consultations whenever the United States considers that particular imports from Japan are "increasing so as to cause a real risk of market disruption." In case such consultations take place, the two Governments agree that full and sympathetic consideration will be given to such treatment as specific level, growth rate, and flexibility. In the event that a solution cannot be reached (usually within 30 days), the United States can request limitations at a level not less than 120 percent (for cotton and manmade-fiber categories) and 106 percent (for wool categories) or the greater of (1) the level of imports for the first 12 of the 14 months preceding the request for consultations or (2) the level of the average imports during the first 4 calendar years of the 5 years preceding the year in which the request for consultations is made. If

the United States considers that imports in the categories concerned may cause "serious disruption," Japan must limit exports at levels under the first provision above. However, consultations of any type cannot be requested if imports under a category do not amount to more than 1.0 million SYE for any cotton or manmade-fiber category other than apparel, 700,000 SYE for cotton or manmade-fiber apparel, and 100,000 SYE for each wool category. Pursuant to the provisions of the agreement extension and consultations since the extension, the following limits were in effect during 1984:

<u>MFA category</u>	<u>Limit</u> <u>(million SYE)</u>
331-----	5.8
334-----	.8
335-----	11.7
337-----	1.9
338-----	5.9
339-----	16.4
348-----	30.9
410-----	14.7
435-----	1.8
442-----	.4
444-----	.9
448-----	.7
604-----	27.2
611-----	16.8
612-----	212.3
614 pt. <u>1/</u> -----	20.9
644-----	.8
646-----	3.8

1/ Manmade-fiber fabric containing wool.

Japan may request consultations when it is felt that its exports are in an inequitable position in relation to third-country exports as a result of the agreement. If the two Governments are unable to reach agreement in consultations on any agreement-related subject, either country may, after notification of the other, refer such problems to the Textiles Surveillance Body in Geneva.

Korea

The bilateral agreement between the United States and Korea is effective for a period of 6 years, from January 1, 1982, through December 31, 1987. The agreement originally established specific limits, as shown in table 68.

Except for categories 604, 640-D, 640-O, and 645/646, these limits may be exceeded, after consultation, by specified amounts ranging between 2 and 6 percent for swing, provided that there is a corresponding reduction made in other specific limits. A shift of 10 percent is allowed between 640-D and 640-O. In addition, any of these limits may be exceeded, if agreed to in

consultations, by up to 10 percent through the use of carryover and carry-forward, provided that the latter does not exceed 1 percent for categories 638/639 and 633/634/635 and 5 percent for all other categories with specific limits.

Table 68.--Textiles and textile products: Originally established specific limits on exports from Korea, by MFA categories, 1982-87

(In millions of SYE)

MFA category	1982	1983	1984	1985	1986	1987
331-----	1.5	1.5	1.6	1.6	1.7	1.7
333/334-----	2.2	2.3	2.4	2.5	2.6	2.8
335-----	2.4	2.5	2.6	2.7	2.8	2.9
338/339-----	3.9	4.0	4.2	4.4	4.6	4.8
340-----	4.2	4.4	4.6	4.8	5.0	5.2
341-----	1.6	1.6	1.7	1.8	1.9	2.0
347/348-----	4.6	4.8	5.0	5.3	5.5	5.7
353/354/653/654-----	8.7	8.8	8.9	9.1	9.2	9.3
410-----	4.4	4.4	4.5	4.5	4.6	4.6
433/434-----	.7	.7	.7	.7	.7	.7
433 <u>1/</u> -----	.5	.5	.5	.5	.6	.6
434 <u>1/</u> -----	.3	.3	.3	.3	.3	.3
438-----	.7	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
440-----	5.0	5.0	5.0	5.0	5.1	5.1
443-----	1.4	1.4	1.4	1.4	1.4	1.4
444-----	.2	.2	.2	.2	.2	.2
445/446-----	.8	.8	.8	.8	.8	.8
447-----	1.5	1.5	1.5	1.5	1.5	1.5
604-----	2.1	2.2	2.3	2.3	2.4	2.5
605 pt. <u>3/</u> -----	7.0	7.4	7.9	8.4	8.8	9.4
633/634/635-----	56.3	56.7	57.0	57.4	57.7	58.1
633 <u>1/</u> -----	7.1	7.2	7.2	7.2	7.3	7.3
634 <u>1/</u> -----	32.8	33.0	33.2	33.4	33.6	33.8
635 <u>1/</u> -----	24.9	25.0	25.2	25.3	25.5	25.6
638/639-----	85.4	85.9	86.4	86.9	87.4	88.0
640-D <u>4/</u> -----	89.5	90.0	90.4	90.9	91.3	91.8
640-O <u>5/</u> -----	59.7	60.0	60.3	60.6	60.9	61.2
641-----	14.5	14.6	14.7	14.8	14.9	15.0
643-----	3.2	3.2	3.2	3.3	3.3	3.3
645/646-----	120.8	121.4	122.0	122.6	123.2	123.9
648-----	5.5	5.6	5.8	6.0	6.3	6.5
659 pt. <u>6/</u> -----	17.9	18.2	18.5	18.7	19.0	19.3
669 pt. <u>3/</u> -----	11.7	12.4	13.1	13.9	14.8	15.7

1/ Subquota within larger quota.

2/ Subject to E.R. system, see text for explanation.

3/ Cordage.

4/ Dress shirts.

5/ Other than dress shirts.

6/ Headwear.

Source: Compiled from official documents of the U.S. Department of State.

Any category not controlled by a specific limit is subject to the "E" control system. Under this system, Korea provides weekly reports of export recommendations (ER's) issued for shipments to the United States and notifies the United States when weekly exports amount to 15 percent and exports for the year reach 80 percent of the level of trade in the previous agreement year. The United States may request consultations (supported by a market condition statement) when it believes limitations are necessary to "eliminate a real risk of market disruption." Consultations shall begin within 30 days of the request (unless agreed otherwise) and should be completed within 30 days of the commencement of consultations. If agreement cannot be reached, Korea must limit exports to a level requested by the United States as long as this level is not less than the highest of (1) the level of trade in the previous year plus 15 percent for cotton and manmade-fiber products or 6 percent for wool products, (2) the annual average of trade levels since January 1, 1981, plus 15 percent for cotton and manmade-fiber products or 6 percent for wool products, or (3) the level of ER's issued at the time of the consultation request. Either country may choose to convert these limits into specific limits on January 1 of the subsequent year. Specific limits for 1984 have been established since the original agreement became effective as shown in table 69.

Table 69.--Textiles and textile products: Limits established since the original agreement became effective on exports from Korea, by MFA categories, 1984

(In millions of SYE)			
MFA category	Limit	MFA category	Limit
300/301-----	22.5	448-----	0.6
313-----	35.9	459 pt. <u>2</u> /-----	1.3
314-----	2.6	612-----	90.3
315-----	21.9	613-----	21.8
317-----	15.8	614-----	17.9
319-----	7.7	631-----	.8
320-----	35.5	636-----	9.3
336-----	1.9	642-----	1.3
337-----	.9	644-----	4.4
345-----	2.3	647-----	13.8
351-----	5.5	649-----	2.3
359 pt. <u>1</u> /-----	3.3	659 pt. <u>3</u> /-----	2.1
435-----	1.6	659 pt. <u>4</u> /-----	.4
436-----	.6	669 pt. <u>5</u> /-----	5.1
438-----	.9	669 pt. <u>6</u> /-----	28.0
442-----	.8	669 pt. <u>7</u> /-----	38.6

1/ Vests.

2/ Woven hats.

3/ Swimwear.

4/ Coveralls.

5/ Fishnets.

6/ Polypropylene bags.

7/ Tents.

Source: Compiled from official documents of the U.S. Department of State.

These specific limits established since the original agreement will be accorded annual growth rates of 2.5 percent (in the case of cotton and manmade-fiber products) and 1 percent (in the case of wool products). The limits can be increased by the use of swing by up to 7 percent for cotton and manmade-fiber products and 5 percent for wool products. In addition, these limits may be increased by the use of carryover and carryforward in the same manner as those categories subject to specific limits in the original agreement. A few traditional Korean products and handmade articles are specifically exempted from the provisions of the agreement.

Macau

The bilateral agreement with Macau is effective for a 5-year period from January 1, 1984, through December 31, 1988, and provides an aggregate limit, 2 group limits, and specific limits assigned to 22 categories, as shown in table 70.

Table 70.--Textiles and textile products: Aggregate, group, and specific limits on exports from Macau, by groups and by MFA categories, 1984-88

(In millions of SYE)					
Group and MFA category	1984	1985	1986	1987	1988
Aggregate-----	57.9	61.6	65.4	69.5	73.8
Group I 1/-----	56.0	59.5	63.2	67.2	71.4
333/334/335-----	4.6	4.9	5.2	5.5	5.9
338-----	1.1	1.1	1.2	1.3	1.3
339-----	4.5	4.8	5.1	5.4	5.8
340-----	3.4	3.6	3.8	4.0	4.3
341-----	1.3	1.4	1.5	1.6	1.7
347/348-----	5.9	6.3	6.7	7.1	7.6
633/634/635-----	9.3	9.8	10.4	11.1	11.8
638/639-----	12.0	12.8	13.6	14.4	15.3
640-----	1.2	1.3	1.4	1.5	1.6
641-----	1.2	1.3	1.4	1.5	1.6
645/646-----	4.7	4.9	5.2	5.6	5.9
647/648-----	4.5	4.8	5.1	5.4	5.8
Group II 2/-----	1.6	1.6	1.6	1.6	1.6
445/446-----	1.1	1.1	1.1	1.1	1.1

1/ Cotton and manmade fibers.

2/ Wool.

Source: Compiled from official documents of the U.S. Department of State.

The category limits for any year in group I may be exceeded by 7 percent, and in group II, by 3 percent. Category limits may also be increased through swing from one category to another by up to 7 percent in group I and by 5 percent in group II. Aggregate, group, or specific limits may be increased

by up to 6 percent in the first year and by 11 percent in other years by the use of carryover and carryforward, except that carryforward must be limited to 6 percent.

Two categories are subject to designated consultation levels--category 652 (manmade-fiber underwear), which is limited to 2.4 million SYE and category 659 (other manmade-fiber apparel), which is limited to 1.6 million SYE. All other categories are subject to minimum consultation levels of 1.0 million SYE for cotton and manmade-fiber nonapparel items, 700,000 SYE for cotton and manmade-fiber apparel categories, and 100,000 SYE for wool categories. All consultation categories are subject to the aggregate and group limits.

Malaysia

The bilateral agreement with Malaysia was effective for a 4-year period from January 1, 1981, through December 31, 1984. ^{1/} The categories covered by the agreement are divided as follows:

Group I.--Yarns, fabrics, made-up goods, and miscellaneous textile products of cotton and manmade fibers (categories 300-330, 360-369, 600-630, and 660-669),

Group II.--Apparel of cotton and manmade fibers (categories 331-359 and 631-659); and

Group III.--Wool textiles and textile products (categories 400-469).

The agreement established specific limits, as shown in table 71.

The specific limits may be exceeded by up to 5 percent if a corresponding reduction is made in specific limits in the same group for the same year. In addition, specific limits may be exceeded by up to 11 percent by the use of carryover and carryforward, except that the latter is limited to 6 percent. Carryover cannot exceed the amount of shortfall in the previous year for the applicable category.

All categories not subject to specific limits are subject to consultation request when the United States believes that imports are, because of market disruption or threat thereof, threatening to impede the orderly development of trade between the two countries. At the time of the request, the United States must provide data which show (1) the existence of market disruption and (2) the role of exports from Malaysia in that disruption. Malaysia must enter consultations within 30 days of the request, and both Governments agree to reach an agreement within 60 days of the request. During consultations, Malaysia agrees to limit exports to 30 percent of the level entered during the first 12 of the 14 months preceding the request. If no solution can be reached, the United States may establish a specific limit not less than the

^{1/} A new agreement was signed during January 1985, effective for the period from Jan. 1, 1985, through Dec. 31, 1989.

Table 71.--Textiles and textile products: Specific limits on exports from Malaysia, by MFA categories, 1981-84

(In millions of SYE)					
Group and MFA category	1981	1982	1983	1984	
Group I:					
604-----	4.5	4.8	5.1	5.4	
Group II:					
331-----	1.8	1.9	2.0	2.1	
333/334/335-----	2.7	2.9	3.1	3.3	
333 <u>1/</u> -----	1.2	1.3	1.4	1.5	
334 <u>1/</u> -----	1.4	1.5	1.6	1.7	
335 <u>1/</u> -----	1.4	1.5	1.6	1.7	
338/339-----	2.8	3.0	3.2	3.4	
338 <u>1/</u> -----	-	-	-	-	
339 <u>1/</u> -----	1.1	1.2	1.3	1.3	
340-----	6.5	6.9	7.4	7.8	
341-----	3.1	3.1	3.1	3.1	
347/348-----	2.7	2.9	3.1	3.3	
347 <u>1/</u> -----	-	-	-	-	
348 <u>1/</u> -----	1.4	1.5	1.6	1.7	
638/639-----	2.4	2.6	2.8	3.0	
Group III:					
445/446-----	.4	.4	.4	.4	

1/ Subquota within larger quota.

Source: Compiled from official documents of the U.S. Department of State.

level entered during the first 12 of the 14 months preceding the request, plus 20 percent (in the case of cotton and manmade-fiber products) or 6 percent (in the case of wool products).

Exports of handloomed fabrics of the cottage industry, handmade cottage industry products made of such handloomed fabrics, or traditional folklore handicraft textile products are not subject to the agreement if properly certified by the Malaysian Government.

Mauritius

The bilateral agreement with Mauritius is effective for a 4-year period from October 1, 1981, through September 30, 1985. The agreement establishes a knitwear group that includes categories 338, 339, 345, 438, 445, 446, 638, 639, 645 and 646 with the following limits (in thousands of dozens):

Oct. 1, 1981- Mar. 31, 1982	Apr. 1, 1982- Sept. 30, 1982	Oct. 1, 1982- Sept. 30, 1983	Oct. 1, 1983- Sept. 30, 1984	Oct. 1, 1984- Sept. 30, 1985
113.0	57.5	115.0	115.0	115.0

The limit for the knitwear group may be exceeded by up to 10 percent by the use of carryover and carryforward, except that the latter is limited to 7 percent. Carryover may not exceed shortfall for the applicable categories in the previous year.

In late 1984, the United States requested consultations under article 3 of the MFA pertaining to exports of men's and boys' woven cotton shirts (category 340). The 2 Governments have agreed to hold consultations in early 1985, and, pending an agreement, the United States is limiting imports during the period from October 31, 1984, through October 30, 1985, to 100,756 dozen.

Mexico

The bilateral agreement with Mexico is effective for a period of 7-2/3 years, from May 1, 1978, through December 31, 1985. The provisions of the agreement are applicable to the following subgroups:

Group I.-- Yarn.

Group II.--Fabric, made-up goods,
and miscellaneous nonapparel
products.

Group III.--Apparel.

There were no specific limits established for categories under groups I and II. These categories are subject to consultations if exports are in excess of 1.0 million SYE for cotton and manmade-fiber textiles and textile products and 100,000 SYE for wool textiles and textile products. The consultations would be held "with a view towards eliminating real risks of market disruption," and the United States must provide reasons and justification that demonstrate such market disruption. Mexico agrees to consult within 60 days of a request, and both Governments agree to make every effort to reach a solution within 90 days of the request, unless extended by mutual consent. During the 90-day period, Mexico agrees to limit exports of the consultation category to 27.5 percent of the level during the first 12 of the 14 months preceding the request, unless a larger amount is agreed to. If agreement is not reached within the 90-day period, Mexico must limit exports to 111 percent of the highest level of annual trade during the 3-year period beginning May 1, 1975, except that categories 300 or 301 (cotton yarn) cannot be restrained at levels below 44 million SYE each or 73 million SYE together.

Under group III, 14 categories were given specific limits, as shown in table 72.

The specific limits may be exceeded by up to 11 percent by the use of carryover and carryforward, except that the latter is limited to 6 percent. In addition, the limits may be exceeded by up to 7 percent in any year.

Table 72.--Textiles and textile products: Specific limits on exports from Mexico, by MFA categories, 1982-85

(In millions of SYE)

MFA category	1982	1983	1984	1985
335-----	1.6	1.7	1.9	2.0
338/339-----	3.2	3.5	3.7	4.0
347/348-----	11.5	12.3	<u>1/</u> 15.8	<u>1/</u> 16.9
347 <u>2/</u> -----	6.9	7.4	<u>1/</u> 9.5	<u>1/</u> 10.2
348 <u>2/</u> -----	6.9	7.4	<u>1/</u> 9.5	<u>1/</u> 10.2
633-----	2.1	2.2	2.4	2.6
634/635-----	13.5	14.5	15.5	16.6
634 <u>2/</u> -----	8.1	8.7	9.3	10.0
635 <u>2/</u> -----	8.1	8.7	9.3	10.0
638/639-----	15.8	16.9	18.1	19.3
638 <u>2/</u> -----	9.5	10.1	10.8	11.6
639 <u>2/</u> -----	9.5	10.1	10.8	11.6
641-----	4.7	5.0	5.4	5.8
647/648-----	28.5	30.5	<u>1/</u> 24.7	<u>1/</u> 26.4
647 <u>2/</u> -----	17.1	18.3	<u>1/</u> 14.8	<u>1/</u> 15.8
648 <u>2/</u> -----	17.1	18.3	<u>1/</u> 14.8	<u>1/</u> 15.8
649-----	13.4	14.3	15.3	16.4

1/ Revised by amendment.

2/ Subquota within larger quota.

Source: Compiled from official documents of the U.S. Department of State.

Down apparel categories are subject to minimum consultation levels of 1.2 million SYE. All other categories in group III are subject to either DCL's or MCL's. The annual designated consultation levels are shown in the following tabulation:

<u>MFA category</u>	<u>Limit</u> (million SYE)
300/301 <u>1/</u> -----	36.8
331-----	2.0
334-----	1.0
336-----	1.0
340-----	2.2
341-----	1.0
433-----	<u>2/</u> .2
434-----	.1
435-----	.8
443 <u>3/</u> -----	.3
604 <u>4/</u> -----	10.3
604 pt. <u>5/</u> -----	<u>6/</u> 3.1
636-----	7.5
640-----	9.1
642-----	2.0
644-----	2.0
651-----	4.0
652-----	24.0
659-----	18.0

1/ Added later by amendment.

2/ 0.3 in 1984, added later by amendment.

3/ Added later by amendment; 1984 only.

4/ Added later by amendment; 16.2 in 1984.

5/ Piled acrylic spun yarn.

6/ 4.1 in 1984.

All other categories in group III are subject to minimum consultation levels of 700,000 SYE for cotton and manmade-fiber products and 100,000 SYE for wool products. In the event that Mexico wishes to exceed a DCL or MCL in group III, consultations must be requested, and the United States must respond within 30 days. Until agreement on a different level is reached, Mexico must limit exports to the existing consultation levels.

If Mexico and the United States are unable to reach a solution to any problem developing under this agreement within a reasonable period of time, either Government may, after notification to the other Government, refer such problems to the Textile Surveillance Body in Geneva.

The provisions of this agreement are not applicable to Mexican exports of handloomed fabrics of the cottage industry, handmade cottage industry products made of such handloomed fabrics, or traditional folklore handicraft textile products. Such products must be properly certified under arrangements established between the two Governments, as specified in the agreement, in order to be exempt.

Pakistan

The bilateral agreement with Pakistan is effective for a 5-year period, from January 1, 1982, through December 31, 1986. The agreement relates only to cotton textiles and textile products. Categories for these products are classified into two groups, as follows:

Group I.--Yarn, fabric, made-ups, and miscellaneous textile products of cotton (categories 300-320 and 360-369).

Group II.--Apparel textile products [sic] of cotton (categories 330-359).

The original agreement had an aggregate limit and assigned specific limits to 11 categories, as shown in table 73.

Table 73.--Textiles and textile products: Aggregate and specific limits on exports from Pakistan, by groups and by MFA categories, 1982-86

(In millions of SYE)						
Group and MFA category	1982	1983	1984	1985	1986	
Aggregate-----	201.2	215.3	230.4	246.5	263.7	
Group I:						
313-----	71.9	77.0	82.3	88.1	94.3	
315-----	42.0	44.9	48.1	51.4	55.0	
319-----	14.1	15.1	16.2	17.3	18.5	
363-----	9.4	10.1	10.8	11.5	12.3	
Group II:						
331-----	1.7	1.8	2.0	2.1	2.2	
338-----	15.4	16.5	17.7	18.9	20.2	
339-----	3.3	3.6	3.8	4.1	4.4	
340-----	2.4	2.6	2.7	2.9	3.1	
341-----	2.5	2.7	2.9	3.1	3.3	
347/348-----	4.0	4.3	4.6	4.9	5.2	

Source: Compiled from official documents of the U.S. Department of State.

The limits may be exceeded by up to 11 percent by the use of carryover and carryforward, except that the latter is limited to 6 percent. In addition, specific limits may be exceeded with the use of swing by up to 10 percent in group I and by up to 7 percent in group II. All categories in group I not controlled by specific limits are subject to consultation levels either designated in the agreement or minimum levels, all within the aggregate limit. Three categories were given annual designated consultation levels, as shown in the following tabulation:

<u>MFA category</u>	<u>Designated consultation level</u> (million SYE)
317-----	6.5
320-----	8.0
369 <u>1</u> /-----	27.0

1/ Except bar mops.

All other categories in group I are subject to minimum consultation levels of 1.0 million SYE. In the event that Pakistan wishes to ship more than the applicable consultation level, higher levels may be requested. If the United States does not agree to a higher level, data must be furnished to support that position. Pakistan may then request consultations, but exports cannot exceed a consultation level until a "mutually satisfactory change" is agreed upon.

All categories in group II that do not have specific limits are subject to consultations if the United States believes that imports are "due to market disruption or the threat thereof, threatening to impede the orderly development of trade between the two countries. . ." The United States must furnish, at the time of the request, a statement that "demonstrates (1) the existence or the threat of market disruption and (2) the role of exports from Pakistan in that disruption." Both countries agree to "make every effort to reach agreement" within 90 days of the request, during which time Pakistan must limit additional exports to a level no greater than 35 percent of the amount entered during the first 12 of the most recent 14 months preceeding the request. If no mutually satisfactory solution is reached in the consultations, the United States may establish a specific limit that will not be less than the amount entered during the first 12 of the most recent 14 months preceeding the request, plus 20 percent. Specific limits established under the procedures of the agreement for 1984 are shown in the following tabulation:

<u>MFA category</u>	<u>Limit <u>1</u>/</u> (million SYE)
334-----	1.3
335-----	.9
336-----	4.8
350-----	.8
369 pt. <u>2</u> /-----	8.7

1/ These limits are allowed annual increases of 7 percent.

2/ Dish and shop towels.

In the event that the United States and Pakistan cannot agree on answers to problems within a reasonable period of time, either country (after notification of the other country) may refer problems to "international organizations to which both Governments are parties which deal with the subject matter of this agreement."

Exports of handloomed fabrics of the cottage industry, handmade cottage industry products made of such handloomed fabrics, and traditional folklore handicraft textile products, also known as Pakistan Items, are not within the purview of the agreement.

Panama

The United States imposed a unilateral restriction on imports from Panama under category 446 for a 2-year period, from November 30, 1983, through November 29, 1984, pending the conclusion of discussions on a bilateral agreement. The restriction was later broadened to include category 445. On August 21, 1984, the agreement was completed and is effective for the period from December 1, 1983, through November 30, 1985. The coverage includes both categories 445 and 446, with limits of 44,000 and 44,440 dozen, respectively, each agreement year of December 1 through November 30 of the following year. The limits may be exceeded by up to 11 percent by the use of carryover and carryforward, with the latter being limited to 7 percent.

Philippines

The bilateral agreement with the Philippines is effective for a 4-year period from January 1, 1983, through December 31, 1986, with an aggregate limit and specific limits as shown in table 74.

Table 74.--Textiles and textile products: Aggregate and specific limits on exports from the Philippines, by MFA categories, 1983-86

(In millions of SYE)				
MFA category	1983	1984	1985	1986
Aggregate-----	307.2	328.7	351.7	376.3
604-----	9.1	9.4	9.7	10.0
666-----	1.4	1.5	1.6	1.7
431-----	.1	.1	.1	.1
433-----	.1	.1	.1	.1
435-----	.1	.1	.1	.1
443-----	.1	.1	.1	.1
445/446-----	.3	.3	.3	.3
447-----	.1	.1	.1	.1
459-----	.2	.2	.2	.2
330-----	2.0	2.1	2.2	2.3
331-----	2.2	2.3	2.4	2.4
333/334-----	3.3	3.4	3.5	3.6
335 traditional 1/-----	1.5	1.6	1.7	1.8
335 not traditional-----	1.5	1.6	1.7	1.7
336 traditional 1/-----	17.0	18.1	19.2	20.3
336 not traditional-----	1.3	1.3	1.4	1.5
337 traditional 1/-----	8.4	9.0	9.6	10.3

See footnote at end of table.

Table 74.--Textiles and textile products: Aggregate and specific limits on exports from the Philippines, by MFA category, 1983-86--Continued

(In millions of SYE)

MFA category	1983	1984	1985	1986
337 not traditional-----	1.0	1.1	1.2	1.3
338/339-----	5.9	6.1	6.3	6.6
340-----	6.0	6.3	6.6	7.0
341 traditional <u>1</u> /-----	1.0	1.1	1.2	1.2
341 not traditional-----	1.3	1.4	1.5	1.6
342 not traditional-----	1.0	1.0	1.1	1.2
345-----	1.1	1.2	1.3	1.3
347-----	4.6	4.9	5.1	5.4
348 traditional <u>1</u> /-----	3.7	3.9	4.1	4.4
348 not traditional-----	4.3	4.4	4.6	4.7
351-----	3.6	3.8	4.0	4.2
631-----	6.0	6.3	6.7	7.1
633-----	.7	.7	.8	.8
634-----	8.2	8.6	9.0	9.5
635 traditional <u>1</u> /-----	1.5	1.6	1.6	1.7
635 not traditional-----	9.1	9.7	10.3	10.9
636 not traditional-----	1.9	2.1	2.2	2.3
638/639-----	13.4	13.8	14.2	14.6
640-----	2.4	2.6	2.7	2.8
641 traditional <u>1</u> /-----	1.0	1.1	1.2	1.3
641 not traditional-----	2.7	2.8	2.9	3.0
642 not traditional-----	1.0	1.1	1.1	1.2
643-----	2.4	2.6	2.7	2.9
645/646 not traditional--	3.6	3.7	3.8	3.9
646 traditional <u>1</u> /-----	8.8	9.3	9.9	10.5
647-----	1.6	1.7	1.8	1.9
648 traditional <u>1</u> /-----	3.2	3.4	3.5	3.7
648 not traditional-----	1.0	1.1	1.1	1.2
649-----	18.7	19.3	19.9	20.4
650-----	1.1	1.1	1.1	1.2
651-----	5.3	5.5	5.8	6.1
652 not traditional-----	9.2	9.8	10.4	11.0
659 traditional <u>1</u> /-----	49.1	51.6	54.2	56.9
659 not traditional-----	11.1	11.6	12.2	12.8

1/ Traditional items in the agreement are defined as infants' garments up to and including size 6X.

Source: Compiled from official documents of the U.S. Department of State.

Any of the specific limits may be exceeded by between 5 and 7 percent provided that an equivalent decrease is made in one or more of the other specific limits for that year. In addition, annual group and specific limits may be exceeded by a total of 10 percent by the use of carryover and carryforward, with the latter being limited to 5 percent.

Categories not restrained by specific limits are subject to consultation levels and to aggregate limits. In the event that the Philippines wishes to export an amount greater than a consultation level, discussions may be requested, but until agreement on a different level is reached, the Philippines must limit shipments to the consultation level. The annual consultation levels applicable to categories under the agreement are shown in table 75.

Table 75.--Textiles and textile products: Annual consultation levels on exports from the Philippines, by MFA categories, 1983-86

(In millions of SYE)

MFA category	: Consultation : : level ::	MFA category	: Consultation : : level :
300-----	3.7	436-----	0.1
301-----	3.7	438-----	.1
310-----	3.7	440-----	.1
311-----	3.7	442-----	.1
312-----	3.7	444-----	.1
313-----	3.7	448-----	.1
314-----	3.7	464-----	.1
315-----	3.7	465-----	.1
316-----	3.7	469-----	.1
317-----	3.7	600-----	3.7
318-----	3.7	601-----	3.7
319-----	3.7	602-----	3.7
320-----	3.7	603-----	3.7
332-----	1.0	605-----	3.7
342 traditional 1/-----	1.0	610-----	3.7
349-----	2.6	611-----	3.7
350-----	1.0	612-----	3.7
352 traditional 1/-----	1.0	613-----	3.7
352 not traditional-----	1.0	614-----	3.7
353-----	.7		
354-----	.7	625-----	3.7
359 traditional 1/-----	9.7	626-----	3.7
359 not traditional-----	5.2	627-----	3.7
360-----	1.4	630-----	1.0
361-----	1.4	632-----	1.0
362-----	1.4	636 traditional 1/-----	49.5
363-----	1.4	637 traditional 1/-----	14.0
369-----	6.2	637 not traditional-----	1.0
400-----	0.1	642-----	1.0
410-----	.1	644-----	1.0
411-----	.1	652 traditional 1/-----	1.0
		653-----	.7

See footnote at end of table.

Table 75.--Textiles and textile products: Annual consultation levels on exports from the Philippines, by MFA categories, 1983-86--Continued

(In millions of SYE)					
MFA category	: Consultation	::	MFA category	: Consultation	
	: level	::		: level	
425-----	:	0.1 ::	654-----	:	0.7
429-----	:	.1 ::	665-----	:	1.4
432-----	:	.1 ::	669-----	:	1.4
434-----	:	.1 ::		:	
	:	::		:	

1/ Traditional items in the agreement are defined as infants' garments up to and including size 6X.

Source: Compiled from official documents of the U.S. Department of State.

The terms of this agreement do not apply to certified exports of handloomed fabrics of the cottage industry, to handmade cottage industry products made of such handloomed fabrics, to folklore handicraft textile products traditional to the Philippines, or to certain handplied or braided and handtied handicraft articles, not combined with woven or knit material (except if such material is used for non-essential decorative and ornamental purposes only).

Poland

The bilateral agreement with Poland was effective for a 4-year period from January 1, 1981, through December 31, 1984. 1/ Controlled categories are divided into 4 groups, as follows:

Group I: Cotton, wool, and manmade-fiber products, other than apparel (categories 300-320, 360-369, 400-429, 464-469, 600-627, and 665-669);

Group II: Cotton and manmade-fiber apparel, other than suits (categories 330-359, 630-642, and 645-659);

Group III: Wool apparel, other than men's and boys' suits (categories 431-442 and 444-459); and

Group IV: Men's and boys' suits of wool and all suits of manmade fiber (category 443/643/644).

The agreement established specific limits on three groups and a number of categories, as shown in table 76.

1/ A new agreement was signed Jan. 3, 1985, effective from Jan. 1, 1985, through Dec. 31, 1989.

Table 76.--Textiles and textile products: Specific limits on exports from Poland, by groups and by MFA categories, 1981-84

(In millions of SYE)

Group and MFA category	1981	1982	1983	1984
Overall aggregate-----	53.8	57.2	61.0	64.9
Group I:				
410-----	2.2	2.2	2.2	2.3
Group II-----	41.7	44.2	46.8	49.6
333-----	2.7	2.8	3.0	3.2
334 pt./334 pt-----	7.5	7.9	8.4	8.9
334 pt. <u>1</u> /-----	.7	.7	.7	.7
334 pt. <u>2</u> /-----	-	-	-	-
335-----	1.5	1.6	1.7	1.8
338-----	4.0	4.2	4.5	4.7
338 pt. <u>3</u> /-----	1.6	1.7	1.8	1.9
339-----	1.6	1.7	1.8	1.9
634 pt./634 pt-----	5.0	5.3	5.6	6.0
634 pt. <u>4</u> /-----	3.7	3.9	4.2	4.4
634 pt. <u>5</u> /-----	1.6	1.7	1.8	1.9
635 pt./635 pt-----	2.6	2.8	2.9	3.1
635 pt. <u>6</u> /-----	1.2	1.3	1.3	1.4
635 pt. <u>7</u> /-----	-	-	-	-
638-----	3.5	3.6	3.7	3.8
639-----	2.2	2.3	2.3	2.4
645/646-----	3.3	3.5	3.8	4.0
647-----	2.1	2.3	2.4	2.6
647 pt. <u>8</u> /-----	.8	.9	.9	1.0
648 pt./648 pt-----	1.2	1.3	1.3	1.4
648 pt. <u>9</u> /-----	.5	.5	.5	.6
648 pt. <u>10</u> /-----	-	-	-	-
659-----	1.2	1.3	1.3	1.4
Group III-----	2.2	2.2	2.3	2.3
433-----	.3	.3	.3	.3
435-----	.3	.3	.3	.3
440-----	.2	.2	.2	.2
444-----	.3	.3	.3	.3
445-----	.2	.2	.2	.2
446-----	.2	.2	.2	.2
447-----	.2	.2	.2	.2
459-----	.2	.2	.2	.2

See footnotes at end of table.

Table 76.--Textiles and textile products: Specific limits on exports from Poland, by groups and MFA by categories, 1981-84--Continued

(In millions of SYE)

Group and MFA category	1981	1982	1983	1984
Group IV-----	0.8	0.8	0.8	0.8
443 pt./643 pt./644-----	0.7	0.7	0.7	0.7

1/ Subquota within larger quota; includes men's and boys' coats except zippered sweatshirts.

2/ Subquota within larger quota; includes men's and boys' zippered sweatshirts.

3/ Subquota within larger quota; includes men's and boys' knit shirts, not ornamented.

4/ Subquota within larger quota; includes other men's and boys' knit coats.

5/ Subquota within larger quota; includes other men's and boys' woven coats.

6/ Subquota within larger quota; includes women's, girls', and infants' woven coats.

7/ Subquota within larger quota; includes women's, girls', and infants' knit coats.

8/ Subquota within larger quota; includes men's and boys' woven trousers.

9/ Subquota within larger quota; includes women's, girls', and infants' woven trousers.

10/ Subquota within larger quota; includes women's, girls', and infants' woven trousers.

Source: Compiled from official documents of the U.S. Department of State.

Within the aggregate limit for each year, the group limit for group II may be exceeded by 7 percent, and group III, by 3 percent. group IV may be exceeded either by 5 percent (or 7 percent if entirely of manmade-fiber suits) again within the aggregate limit. group II and/or group III totals must be adjusted downward by an amount which the Group IV total is exceeded. The annual specific limits for cotton and manmade-fiber nonapparel categories may be exceeded by 10 percent, and the limits for cotton and manmade-fiber apparel categories, by 7 percent. The annual specific limits for wool categories may be exceeded by 5 percent, all within the aggregate and group limits. In addition, the aggregate, group and specific limits may be exceeded by up to 11 percent with the use of carryover and carryforward, except that the latter cannot exceed 6 percent. Carryover can be used only after agreement is reached by both Governments, and it cannot be more than the shortfall for the applicable limit.

The agreement also established a number of DCL's, as shown in the following tabulation:

<u>MFA category</u>	<u>Consultation level</u> (<u>million SYE</u>)
340-----	1.5
347-----	1.2
359-----	1.5
363-----	1.5
434-----	.2
612-----	2.0
614-----	1.2

All other categories are subject to MCL's of 1.0 million SYE for cotton and manmade-fiber nonapparel categories, 700,000 SYE for cotton and manmade-fiber apparel categories, and 100,000 SYE for each wool category. Both DCL's and MCL's are subject to aggregate and group limits. In the event that Poland wishes to exceed a DCL or MCL, such a request may be made and the United States will consider the request sympathetically, responding within 30 days of the request. Poland cannot exceed the consultation level until there is an affirmative response from the United States.

Romania

Two bilateral agreements exist with Romania--one applicable to wool and manmade-fiber products and the other applicable to cotton products. The first (wool and manmade-fiber products) was effective for a period of 3-3/4 years, from April 1, 1981, through December 31, 1984. ^{1/} The second (cotton products) is effective for a 5-year period, from January 1, 1983, through December 31, 1987.

In the case of the agreement applicable to wool and manmade-fiber products, items subject to control are classified into groups as follows:

Group I - Yarns (categories 400, 600-605);

Group II - Other nonapparel products (categories 410-429, 464-469, 610-627, 665-669);

Group III - Apparel products (categories 431-459, 630-659).

The agreement originally established specific limits for group III and for 7 categories. By mid-1984, the number of categories with specific limits had increased to 10, as shown in the following tabulation:

^{1/} A new agreement applicable to wool and manmade-fiber products was signed Nov. 7, 1984, effective for the period Jan. 1, 1985, through Dec. 31, 1989.

<u>Group and MFA category</u>	<u>Specific limit (million SYE)</u>
Group III-----	34.3
604-----	11.0
435/444-----	.5
443-----	.4
635-----	1.9
638/639-----	4.0
643-----	1.6
645/646-----	7.6

Except for categories 443, 643, and 645/646, any specific limit may be exceeded by not more than 7 percent in the case of manmade-fiber categories or 5 percent in the case of wool categories. In addition, limits may be increased by up to 11 percent by use of the combination of carryover and carryforward, except that carryforward must be limited to 6 percent.

The agreement also established provisions for a number of DCL's, as shown in table 77.

Table 77.--Textiles and textile products of wool and manmade fibers:
Designated consultation levels on exports from Romania, by group and by MFA categories, 1984

(In millions of SYE)

: Designated consultation::		: Designated consultation	
MFA category	level	MFA category	level
Group II-----:	12.0	614-----:	1.5
410-----:	.2	633-----:	1.6
433-----:	.2	634-----:	2.2
459-----:	.2	640-----:	1.2
465-----:	.2	643-----:	.1
610-----:	2.0	647-----:	1.4
611-----:	2.0	648-----:	1.1
612-----:	2.0	659-----:	1.8
613-----:	4.0	666-----:	2.0
:	:	:	:

Source: Compiled from official documents of the U.S. Department of State.

If the Government of Romania wishes to permit exports in excess of DCL's, consultations must be held. However, until a mutually acceptable solution is reached, exports must be held to the consultation level. All categories in groups II and III that are not subject to a specific limit or a DCL are subject to minimum consultation levels of 1.0 million SYE for manmade-fiber nonapparel categories; 700,000 SYE for manmade-fiber apparel categories; and 100,000 SYE for wool categories. Categories in group I not covered by specific limits or by DCL's are subject to a consultation request when the United States believes that imports are threatening to impede the orderly development of trade between the two countries. The United States must furnish data which show (1) the existence of market disruption, and (2) the

role of exports from Romania in that disruption. Romania must enter consultations within 30 days of such a request and both Governments agree to reach a mutually satisfactory resolution within 90 days of the request. During this 90-day period, Romania agrees to limit its exports in the pertinent category to 35 percent of the amount entered by the United States during the last 12-month period for which data are available. If no mutually satisfactory solution is reached, the United States may establish a specific limit which is not less than the highest of either (1) the latest 12-month level of exports for which data are available plus 20 percent in the case of manmade-fiber categories or 6 percent in the case of wool categories or (2) the average of the latest 2 agreement years' exports plus 20 percent in the case of manmade-fiber categories or 6 percent in the case of wool categories.

Products subject to control under the cotton agreement are classified into groups as follows:

Group I.--Yarns, fabrics, made-up goods, and miscellaneous products;

Group II.--Apparel products, except men's and boys' cotton coats in category 334.

Group III.--Men's and boys' cotton coats (category 334).

Imports under group II are subject to overall annual limitations as follows (in millions of SYE):

<u>Year</u>	<u>Group</u>	<u>Category 335</u>	<u>Category 340</u>
1983-----	23.2	2.3	3.1
1984-----	24.8	2.5	3.3
1985-----	26.6	2.7	3.5
1986-----	28.4	2.8	3.8
1987-----	30.4	3.0	4.1

Specific limits on categories 335 (women's, girls', and infants' coats) and 340 (men's and boys' woven shirts) may be exceeded by up to 7 percent, provided that the increase in one is compensated for by an equivalent decrease in the other. Group and specific limits may be increased by up to 11 percent by use of the combination of carryover and carryforward, except that carryforward must be limited to 6 percent.

Fourteen categories are subject to annual designated consultation levels, as shown in table 78.

Table 78.--Cotton textiles and textile products: Designated consultation levels on exports from Romania, by MFA categories, 1983-87

(In millions of SYE)			
MFA category	Designated consultation level	MFA category	Designated consultation level
Group I:			
		338-----	1.8
313-----	2.0	339-----	1.0
314-----	1.5	347-----	3.0
315-----	1.5	348-----	1.4
320-----	2.0	352-----	2.0
361-----	3.0	359-----	3.0
369-----	3.0	Group III:	
Group II:		334-----	10.6
333-----	2.4		

Source: Compiled from official documents of the U.S. Department of State.

Categories not subject to specific limits or designated consultation levels are subject to minimum consultation levels of 1.0 million SYE for nonapparel items and 700,000 SYE for apparel items. Certified handloomed fabrics of the Romanian cottage industry, handmade cottage industry products of such handloomed fabrics, and traditional folklore textile products are not subject to the provisions of the agreement.

Singapore

The bilateral agreement with Singapore is effective for a 4-year period from January 1, 1982, through December 31, 1985.

The provisions of the agreement divide the products into the following groups:

Group I.--Yarns, fabrics, made-up goods and miscellaneous textile products of cotton and manmade fibers (categories 300-320, 360-369, 600-627, and 665-669).

Group II.--Apparel of cotton and manmade fibers (categories 330-359 and 630-659).

Group III.--Wool textiles and textile products (categories 400-469).

Aggregate, group, and specific limits established by the agreement are shown in table 79.

Table 79.--Textiles and textile products: Aggregate, group, and specific limits on exports from Singapore, by MFA categories, 1982-85

(In millions of SYE)

Aggregate, group, and MFA category	1982	1983	1984	1985
Aggregate-----	295.6	314.1	333.8	354.6
Group I-----	66.3	70.5	74.9	79.6
Group II-----	226.8	241.1	256.3	272.4
Group III-----	3.6	3.6	3.7	3.7
333/334/335-----	7.2	7.6	8.0	8.4
333 <u>1/</u> -----	.4	.4	.4	.4
334 <u>1/</u> -----	2.3	2.4	2.5	2.6
335 <u>1/</u> -----	5.9	6.2	6.5	6.9
338/339-----	4.4	4.6	4.8	5.1
338 <u>1/</u> -----	2.5	2.6	2.7	2.9
339 <u>1/</u> -----	2.9	3.1	3.2	3.4
340-----	10.2	10.7	11.3	11.8
347/348-----	10.8	11.4	11.9	12.5
347 <u>1/</u> -----	9.3	9.8	10.3	10.8
348 <u>1/</u> -----	4.2	4.4	4.6	4.9
434-----	1.7	1.7	1.7	1.7
434 pt. <u>2/</u> -----	.2	.2	.2	.2
604-----	4.7	5.0	5.2	5.5
633/634/635-----	19.3	20.2	21.2	22.3
633 <u>1/</u> -----	.9	1.0	1.0	1.1
634 <u>1/</u> -----	8.7	9.2	9.6	10.1
635 <u>1/</u> -----	11.2	11.7	12.3	12.9
638/639-----	52.0	53.6	55.2	56.9
638 <u>1/</u> -----	6.9	7.1	7.3	7.5
643/644-----	15.6	16.4	17.2	18.1
643 <u>1/</u> -----	2.7	2.8	3.0	3.1
643 pt. <u>3/</u> -----	.7	.8	.8	.9
644 <u>1/</u> -----	14.2	14.9	15.7	16.4
647/648-----	29.2	30.7	32.2	33.8
647 <u>1/</u> -----	3.8	4.0	4.2	4.4

1/ Subquota within larger quota.

2/ Suquota within larger quota; includes other coats except men's and boys' CPO jackets.

3/ Subquota within larger quota; includes men's and boys' woven suits.

Source: Compiled from official documents of the U.S. Department of State.

The group limits established for each year may be exceeded by up to 15 percent in the case of group I, by up to 7 percent in the case of group II, and by up to 1 percent in the case of group III. Any specific limit or sublimit may be exceeded by up to 10 percent if included in group I, up to 7 percent if in group II, and 5 percent if in group III. In addition, any aggregate, group, or specific limits may be exceeded by up to 11 percent with the use of carryover and carryforward, except that the latter must not exceed 6 percent. Carryover of quota from a previous year cannot exceed the amount of the shortfall for any applicable aggregate, group, or specific limit.

Categories that are not controlled by specific limits are subject to consultation levels and to aggregate and group limits. Thirteen categories are subject to annual designated consultation levels, as shown in the following tabulation:

<u>MFA category</u>	<u>Limit</u> <u>(million SYE)</u>
313-----	10.0
314-----	5.0
317-----	8.0
319-----	3.0
320 <u>1/</u> -----	6.0
351-----	14.6
369-----	14.0
445/446-----	.3
600-----	3.0
625-----	7.8
646-----	3.7
659-----	9.4

1/ Later changed to a specific limit by amendment.

Other categories not given either specific limits or designated consultation levels are subject to minimum consultation levels of 1.0 million SYE for group I, 700,000 SYE for group II, and 100,000 SYE for group III. In the event that Singapore wishes to export products in a category in excess of the applicable annual consultation level, consultations may be requested. The United States must enter into such consultations, but until a different level of exports is agreed to, exports cannot exceed the level in the agreement.

The provisions of this agreement do not apply to handloomed fabrics of the cottage industry, handmade cottage industry products made of such handloomed fabrics, or folklore handicraft textile products traditional to Singapore. Such products must be properly certified pursuant to the provisions of the agreement.

Sri Lanka

The bilateral agreement with Sri Lanka is effective for a period of 5 years and 1 month, from May 1, 1983, through May 31, 1988, with specific limits currently being applied, as shown in table 80.

The specific limits may be exceeded by between 5 and 6 percent, provided that compensatory decreases are made in other specific limits. In addition, limits may be exceeded by up to 11 percent by the use of carryover and carryforward, except that carryforward cannot exceed 6 percent.

Categories not controlled by specific limits are subject to consultations if the United States believes that imports, owing to market disruption or threat thereof, are threatening to impede the orderly development of trade between the two countries. At the time of the request, the United States agrees to furnish data to show the existence of market disruption, or the

Table 80.--Textiles and textile products: Specific limits on exports from Sri Lanka, by MFA categories, agreement years 1983/84-1987/88

(In millions of SYE)					
MFA cate- gory	1983/84 <u>1/</u>	1984/85 <u>2/</u>	1985/86 <u>2/</u>	1986/87 <u>2/</u>	1987/88 <u>2/</u>
331-----	3.3	3.2	3.4	3.6	3
334-----	7.5	7.3	7.8	8.2	8
335-----	5.5	5.4	5.7	6.0	6
340-----	11.5	11.2	11.9	12.6	13
341-----	6.9	6.8	7.2	7.6	8
347-----	6.4	6.2	6.6	7.0	7
348-----	4.7	4.6	4.9	5.2	5
445/446---	1.5	1.4	1.4	1.4	1
631-----	1.0	1.0	1.0	1.1	1
634-----	4.5	4.4	4.6	4.9	5
635-----	7.4	7.2	7.7	8.1	8
640-----	2.2	2.2	2.3	2.5	2
641-----	6.9	6.8	7.2	7.6	8
645/646---	3.6	3.5	3.7	3.9	4
646 <u>3/</u> ---	2.4	2.3	2.5	2.6	2
648-----	2.9	2.8	3.0	3.2	3

1/ The agreement year is from May 1, 1983 to May 31, 1984.

2/ The agreement year is from June 1 to May 31 of the following year.

3/ Subquota within larger quota.

Source: Compiled from official documents of the U.S. Department of State.

threat thereof, and the role of exports from Sri Lanka in that disruption. Both Governments agree to make every effort to reach agreement for a new limitation within 90 days. During the 90 days, Sri Lanka agrees to limit exports in this category to 35 percent of the amount entered during the first 12 of the most recent 14 months preceding the month in which the request for consultations was made. If no solution is reached in consultations, the United States may establish a specific limit. This limit cannot be less than the amount of imports during the first 12 of the most recent 14 months, plus 20 percent for cotton and manmade fibers and 6 percent for wool.

Taiwan

The bilateral agreement between the American Institute in Taiwan (for the United States) and the Coordination Council for North American Affairs (for Taiwan) is effective for a 6-year period, from January 1, 1982, through December 31, 1987, with specific limits as shown in table 81.

Unless noted, the limitations are allowed swing increases of between 1 and 6 percent as specified in the agreement. All such increases must have a corresponding reduction in other limits during the same year. Some of the limits listed in the agreement have already been adjusted for swing and are so noted. In addition, the agreement allows for shifts between 6 and 15 percent

Table 81.--Textiles and textile products: Specific limits on exports from Taiwan, by MFA categories, 1982-87

(In millions of SYE)

MFA category	1982	1983	1984	1985	1986	1987
313-----	42.2	42.9	43.5	44.2	44.8	45.5
331-----	1.6	1.7	1.7	1.7	1.7	1.7
333/334-----	2.3	2.4	2.6	2.7	2.8	2.8
335-----	2.9	3.1	3.2	3.3	3.5	3.6
337-----	3.2	3.3	3.4	3.4	3.5	3.6
338/339-----	4.0	4.0	4.1	4.1	4.2	4.3
340-----	15.4	15.5	15.5	15.6	15.7	15.8
341-----	5.4	5.4	5.4	5.5	5.5	5.5
347/348-----	15.9	16.2	16.4	16.7	16.9	17.2
347 <u>1/</u> -----	7.8	7.9	8.1	8.2	8.3	8.4
348 <u>1/</u> -----	12.6	12.8	13.0	13.2	13.4	13.6
353/354/653/654---	8.9	9.1	9.2	9.3	9.5	9.6
435-----	1.1	1.1	1.1	1.1	1.1	1.1
445/446-----	1.9	1.9	1.9	1.9	1.9	1.9
604-----	1.9	1.9	1.9	1.9	2.0	2.0
633/634/635 <u>2/</u> -----	61.8	62.2	62.5	62.9	63.3	63.7
633/634 <u>3/</u> -----	40.1	40.3	40.6	40.8	41.1	41.3
635 <u>3/</u> -----	30.3	30.5	30.7	30.9	31.1	31.3
638-----	29.1	29.3	29.4	29.6	29.7	29.9
639-----	75.5	75.5	75.5	75.5	75.5	75.5
640 <u>2/</u> -----	77.7	78.1	78.5	78.9	79.3	79.7
641-----	10.2	10.2	10.3	10.3	10.4	10.4
645/646 <u>2/</u> -----	145.3	146.0	146.7	147.4	148.2	148.9
647-----	41.7	42.3	43.0	43.6	44.3	44.9
648-----	54.7	55.0	55.3	55.5	55.8	56.1
659 pt. <u>4/</u> -----	25.7	26.1	26.4	26.8	27.2	27.7
659 pt. <u>5/</u> -----	13.3	13.5	13.7	13.9	14.1	14.3

1/ Subquota within larger quota.

2/ Includes swing.

3/ Subquota with larger quota; includes swing.

4/ Hats; includes swing.

5/ Caps; includes swing.

Source: Compiled from official documents of the U.S. Department of State.

between certain specified categories. The specific limits listed above may, after consultation, be increased by up to 10 percent by the use of carryover and carryforward, except that carryforward is limited to 7.15 percent for categories 340 (men's and boys' woven cotton shirts), 633/634/635 (manmade-fiber coats), 633/634, and 635, and to 5 percent for all other categories.

Any category not controlled by a specific limit is subject to the "E" control system. Under this system, the representative for Taiwan provides weekly reports on export certifications issued for shipments to the United States and notifies the representative for the United States whenever weekly exports total 15 percent of the trade during the previous year and if the

cumulative exports for the year reach 80 percent of the previous year. Consultations may be requested by the U.S. representative when it is thought that limitations are necessary "in order to eliminate a real risk of market disruption." Taiwan will limit exports temporarily for 7 days or longer by agreement pending the beginning of consultations. The request for consultations shall be followed by a statement of market conditions in the United States that make it necessary to request consultations. Unless agreed to otherwise, the parties agree to enter into consultations within 30 days of the request and shall make their best effort to complete consultations within 30 days of the beginning of negotiations. In the event that consultations do not result in agreement, the U.S. representative may request a limitation on exports, amounting to not less than the highest of (1) the level of imports during the previous year, plus either 15 percent for cotton and manmade-fiber products or 6 percent for wool products, (2) the average of annual imports since 1981, plus either 15 percent for cotton and manmade-fiber products or 6 percent for wool products, or (3) the level at which Taiwan was requested to limit exports pending consultations. Either country may choose to convert these limits into specific limits on January 1 of the subsequent year. Categories that have been given specific limits since the original agreement became effective, are shown in table 82.

Table 82.--Textiles and textile products: Specific limits on exports from Taiwan, established since the agreement became effective, by categories, 1984

(In millions of SYE)			
MFA category	Limit	MFA category	Limit
314-----	3.3	605 pt. <u>2</u> /-----	3.4
315-----	27.1	612-----	9.2
317-----	18.4	613-----	27.5
319-----	18.6	631-----	.7
320-----	81.8	636-----	13.7
336-----	3.6	637-----	7.2
342-----	3.2	642-----	10.2
350-----	4.7	643-----	2.3
353 <u>1</u> /-----	9.2	644-----	8.4
433-----	.4	650-----	2.2
434-----	.5	669 pt. <u>3</u> /-----	8.0
444-----	.8	669 pt. <u>4</u> /-----	13.0
447-----	.1	669 pt. <u>5</u> /-----	4.0
448-----	.2		

1/ Formerly part of a larger limit for 353/354/653/654.

2/ Manmade-fiber thread; for 1 year only.

3/ Fishnets.

4/ Tents.

5/ Polypropylene bags.

Except for category 605 pt. (manmade-fiber thread), these specific limits in table 82 are accorded annual growth rates of 2.5 percent (for cotton and manmade-fiber products) and 1 percent (for wool products). They can be increased by use of swing by up to 7 percent (for cotton and manmade-fiber products) and 5 percent (for wool products). In addition, these limits may be increased by the use of carryover and carryforward in the same manner as those categories that were originally established as specific limits.

A few traditional products of Taiwan and handmade articles are specifically exempted from the provisions of the agreement.

Thailand

The bilateral agreement with Thailand is effective for a period of 5 years, from January 1, 1983, through December 31, 1987. Products are classified into two groups, as follows:

Group I.--Yarn, fabric, made-up goods, and miscellaneous textile products (categories 300-320, 400-429, 600-627, 360-369, 464-469, and 665-669).

Group II.--Apparel textile products (categories 330-359, 431-459, and 630-659).

The original agreement assigned an aggregate limit to group II and specific limits to 28 categories, as shown in table 83.

Individual categories in group I were allowed an increase of between 7 and 10 percent (swing) during 1983 and 7 percent annually during 1984-87 as long as the amount of the increase is compensated for by an equivalent

Table 83.--Textiles and textile products: Specific limits on exports from Thailand, by groups and by MFA categories, 1983-87

Group and MFA category	(In millions of SYE)				
	1983	1984	1985	1986	1987
Group I 1/:					
313-----	11.6	12.3	13.0	13.8	14.6
314-----	8.5	9.0	9.6	10.1	10.7
315-----	17.0	18.0	19.1	20.2	21.5
317-----	5.8	6.1	6.5	6.9	7.3
319-----	6.0	6.4	6.7	7.1	7.6
320-----	9.9	10.5	11.1	11.8	12.5
613-----	13.8	14.6	15.4	16.4	17.4
604-----	2.9	3.0	3.2	3.4	3.6
Group II-----	74.0	78.4	83.1	88.1	93.4
331-----	1.5	1.6	1.7	1.8	1.9
334/335-----	2.4	2.5	2.7	2.8	3.0
338/339-----	4.5	4.8	5.0	5.3	5.7
:	:	:	:	:	:

See footnote at end of table.

Table 83.--Textiles and textile products: Specific limits on exports from Thailand, by groups and by MFA categories, 1983-87--Continued

(In millions of SYE)						
Group and MFA category	1983	1984	1985	1986	1987	
340-----	2.6	2.8	3.0	3.1	3.3	
341-----	1.7	1.8	1.9	2.0	2.1	
347/348-----	3.5	3.7	3.9	4.2	4.4	
634/635-----	16.6	17.6	18.6	19.7	20.9	
638-----	2.3	2.5	2.6	2.8	3.0	
639-----	20.0	20.6	21.2	21.9	22.5	
641-----	2.5	2.7	2.8	3.0	3.2	
645/646-----	2.9	3.1	3.3	3.5	3.7	
647/648-----	8.0	8.4	8.9	9.5	10.1	
445/446-----	.2	.2	.2	.2	.2	

1/ Group I does not have a limit.

Source: Compiled from official documents of the U.S. Department of State.

decrease in other categories within the group. The aggregate limit for group II and all specific limits for both groups may be exceeded by up to 11 percent with the use of carryover and carryforward, the latter being limited to 6 percent.

All categories that are not controlled by specific limits are subject to requests for consultation whenever the United States believes that such imports are impeding orderly trade because of market disruption. Consultations must begin within 30 days of such a request, and a solution should be reached within 90 days. If no solution can be reached, an annual specific limit may be established that is not less than the level of imports during the first 12 of the last 14 months preceding the original request, plus 20 percent for cotton and manmade-fiber categories and 6 percent for wool categories.

Handloomed fabrics of the cottage industry and folklore handcraft textile products traditional to Thailand are not subject to the provisions of the agreement.

Uruguay

The bilateral agreement with Uruguay is effective for a period of 3 years and 11 months, from August 1, 1983, through June 30, 1987. The agreement establishes specific limits on three wool categories, as shown in the following tabulation (in millions of SYE):

MFA category	: Aug. 1, 1983- : June 30, 1984	: July 1, 1984- : June 30, 1985	: July 1, 1985- : June 30, 1986	: July 1, 1986- : June 30, 1987
410-----:	-	1.7	1.7	-
435-----:	.5	2.2	2.2	2.2
444-----:	.3	.3	.3	-

Each specific limit may be exceeded by up to 11 percent by the use of carryover and carryforward, with the latter being limited to 7 percent. In addition, any limit may be exceeded by up to 5 percent by the use of swing, provided that a corresponding reduction is made in the other specific limits. Exports of Uruguayan handmade cottage industry products made of handloomed fabrics are not subject to the agreement.

Yugoslavia

A bilateral agreement that exists between the United States and Yugoslavia has been extended for a 5-year period, effective from January 1, 1984, through December 31, 1988. The agreement establishes export limits on two categories--443 and 643, wool and manmade-fiber suits for men and boys, which had a combined specific limit of 1.0 million SYE during 1984, within which wool suits were limited to 442,800 SYE. Suits of manmade fibers could utilize the entire quota if no wool suits were imported.

A limit was later established through consultations for category 444--wool suits for women, girls, and infants. It was imposed pursuant to article 3 of the MFA and later incorporated by amendment as a specific limit into the agreement. The limit amounted to 442,200 SYE during 1984 and was allowed to increase to 452,682 SYE during 1985.

The specific limits are allowed to increase annually by 1 percent, and the sublimit for men's and boys' wool suits may be exceeded by 5 percent each year. The limitations under the agreement are also allowed to be exceeded by up to 11 percent by use of carryover and carryforward, except that the latter cannot exceed 6 percent.

Textile Trade Restraints of Other Developed Countries

Countries that have bilateral agreements limiting imports of textiles and apparel are generally developed countries that have a net trade deficit in textiles and apparel and in which imports supply a substantial part of domestic consumption. The leading world importers of textiles and apparel, the value of their imports, and their trade balance in textiles and apparel are shown in table 84.

Table 84.--Textiles and apparel: Imports and trade balances, by principal markets, 1983

(In billions of dollars)

Market	Textiles	Apparel	Total	Trade balance
EC <u>1</u> /-----	6.17	8.32	14.49	-2.16
United States-----	3.27	10.42	13.69	-10.45
USSR <u>2</u> /-----	2.00	2.68	4.68	-4.53
Hong Kong-----	3.26	1.17	4.43	1.22
Japan-----	1.49	1.50	2.99	3.00
Canada-----	1.40	1.03	2.43	-1.98
Switzerland-----	.85	1.39	2.24	-.58
Austria-----	.90	.83	1.73	-.30
Sweden-----	.67	.94	1.61	-1.06
Australia <u>2</u> /-----	1.11	.42	1.53	-1.37
Singapore-----	.96	.30	1.26	-.40
China-----	1.00	.06	1.06	5.05
Norway-----	.32	.60	.92	-.79
Finland-----	.46	.20	.66	-.01

1/ Trade data for the EC exclude intra-EC trade.

2/ 1982 data.

Source: Compiled from GATT and United Nations data.

Exports in 1983 (except as noted) for the leading world exporters of textiles and apparel are shown in the table 85.

Several countries, notably Japan and Hong Kong, are both large importers and large exporters. These countries import products at an earlier stage of manufacturing, such as yarn or gray fabrics, for further processing into finished fabrics or apparel, much of which is then exported.

The nine current developed-country participants in the MFA are the United States, Canada, Japan, the EC, Austria, Finland, Norway, Sweden, and Switzerland. Japan and Switzerland do not currently apply MFA restrictions on imports. 1/ Australia and New Zealand are not current participants in the

Table 85.--Textiles and apparel: Exports and trade balances,
by principal sources, 1983

(In billions of dollars)

Source	Textiles	Apparel	Total	Trade balance
EC-----	7.75	4.58	12.33	-2.16
Republic of Korea <u>1/</u> .	2.45	3.86	6.31	5.81
China-----	3.33	2.78	6.11	5.05
Japan-----	5.33	.66	5.99	3.00
Hong Kong-----	.97	4.68	5.65	1.22
Taiwan-----	1.83	3.00	4.83	4.80
United States-----	2.36	.88	3.24	-10.45
Switzerland-----	1.37	.29	1.66	-.58
Pakistan-----	1.31	.23	1.54	1.38
Austria-----	.89	.54	1.43	.30
Portugal <u>2/</u> -----	.56	.65	1.21	.94
Yugoslavia <u>2/</u> -----	.48	.61	1.09	.75
Spain <u>1/</u> -----	.60	.30	.90	.45

1/ 1981 data.

2/ 1982 data.

Source: Compiled from GATT and United Nations data.

MFA, although Australia participated in MFA I. Australia has an extensive system of tariff quotas that limit imports; New Zealand has import-licensing arrangements that involve global quotas. 1/

The European Community

A detailed description of the development and administration of bilateral agreements by the EC during 1973-80 was provided in an earlier Commission study of the MFA, 2/ including information on trade, industry conditions, country relationships, and the structure of bilateral agreements.

In 1984, the EC had bilateral agreements negotiated under the MFA with the following countries:

Bangladesh	India	Poland
Brazil	Indonesia	Romania
Colombia	Macau	Singapore
Egypt	Malaysia	South Korea
Guatemala	Mexico	Sri Lanka
Haiti	Pakistan	Thailand
Hong Kong	Peru	Uruguay
Hungary	Philippines	Yugoslavia

1/ "Global quotas" refers to quotas which are based on a total amount from all countries rather than individual amounts from selected countries.

2/ The Multifiber Arrangement, 1973 to 1980, USITC Publication 1131, March 1981.

China, which became a signatory to the MFA in 1984, is also a party to a bilateral textile trade agreement with the EC, as is Taiwan. Both of these agreements are broadly similar to the bilaterals negotiated under the MFA. In addition, the EC has similar agreements with Bulgaria and Czechoslovakia, which are not MFA participants.

In parallel to the agreements with the countries participating in the MFA, the EC has sought to establish, as a part of its global textiles policy, arrangements with countries linked to it by preferential trade agreements, especially those associated in the Mediterranean basin. ^{1/} These countries include Spain, Portugal, Morocco, Tunisia, Malta, and Cyprus. The EC has concluded a series of temporary, short-term arrangements with most of these countries based on a system of administrative cooperation that enables both sides to monitor textile trade by reference to historical levels. These arrangements include provision for consultations in the event of abrupt surges in trade flows, but in operation they are not as strict as the "basket-exit" system used in bilateral agreements with MFA countries.

The EC restraints on textile imports in the current bilaterals were negotiated and have been monitored using a system of product classification encompassing 114 product categories, grouped into three major product groups. Group I is composed of those products which are regarded as most sensitive and are, therefore, most strictly controlled, with groups II and III composed of those products that are relatively less sensitive. Another group, group IV, is used to monitor imports of flax and ramie products (categories 115-123), which are not controlled under the MFA but are included in agreements with certain nonmarket-economy countries.

In addition to specific quotas on certain products, all of the EC bilaterals define import levels at which the EC can initiate consultations with a view to setting quotas on additional products. The procedure is generally known as the basket-extractor or basket-exit mechanism. Paragraph 2 of article 11 of the Council Regulation pertaining to imports of textile products provides as follows:

Should imports into the Community of products falling within any given category, referred to in paragraph 1 and originating in one of the supplier countries, exceed, in relation to the preceding calendar year's total imports into the Community of products in the same category, the percentages indicated in the table appearing in Annex XIV such imports may be made subject to quantitative limits under the conditions laid down in this Article. These arrangements may be limited to imports into specific regions of the Community.

The percentages provided in annex XIV for most supplier countries are 0.5 percent for group I products, 2.5 percent for group II products, and 5 percent for group III products, but are somewhat lower for selected countries. The corresponding percentages for certain nonmarket-economy countries are 0.2,

^{1/} European Community, The European Community's Textile Trade, "Europe Information Series", 44/81, Brussels, April 1981, p. 7.

1.2, and 4.0 percent; for Hong Kong, Macau, and South Korea, the corresponding percentages are 0.2, 1.0, and 3.0 percent, respectively.

EC bilaterals generally provide for flexibility in terms of carryforward and carryover, as well as transfers from one product grouping to another. Advance utilization of part of a category limit for the following year is allowed up to 5 percent, and another 5-percent increase is allowed on the basis of carryover of amounts not utilized in the previous year. ^{1/} Transfers between categories are allowed in varying amounts, depending on the sensitivity of the category. In group I, transfers up to 5 percent are allowed only from category 1 to categories 2 and 3, between categories 2 and 3, and between any of the categories 4, 5, 6, 7, and 8. Transfers may be made to categories in groups II and III from any categories in group I, II, or III subject to a maximum of 5 percent. Transfers cannot be made into group I categories from other groups. The cumulative application of carryforward, carryover, and transfer among categories may not exceed a 15-percent increase.

By agreement among member countries, the EC established regional (country) allocation percentages for its members to be used in connection with control of textile imports. These percentages were used in allotting annual growth among member countries and may also be used as a basis for individual countries to request consultation under the basket-extractor provisions, even when total EC imports have not reached the specified level. The regional shares are as follows:

<u>Country</u>	<u>Allocation (percent)</u>
West Germany-----	28.5
Benelux-----	10.5
France-----	18.5
Italy-----	15.0
Denmark-----	3.0
Ireland-----	1.0
United Kingdom-----	23.5
Greece-----	2.0

Imports of textiles and apparel into the EC, which had increased sharply during the 1970's, reached a peak in 1979-80 and declined in 1981 and 1982. Nevertheless, the penetration rate remained high as domestic consumption declined. Table 86 shows trade indexes and import penetration ratios during 1977-83.

EC imports in the sensitive group I products, which in the mid-1970's accounted for about one-half of total imports, have been effectively held to lower growth rates than total imports. In the earlier bilaterals covering the 5-year period 1978-82, the agreements limited growth in most major group I categories to less than 2 percent annually. The current set of bilaterals covering 1983-86 limits growth of imports from most major suppliers to 0.5 percent or less for categories in group I, with growth for particular products ranging from almost nil (0.1 percent) to 3.0 percent.

^{1/} Percentages based on the year of actual utilization.

Table 86.--Textile and apparel: EC trade indexes and penetration rate, 1977-83

	Exports <u>1/</u>	Imports <u>1/</u>	Industrial consumption of fibers	Apparent consumption	Total penetration rate
	-----1973=100-----				Percent
1977-----	123	170	88	97	38.4
1978-----	121	181	90	103	38.8
1979-----	123	215	95	114	41.5
1980-----	124	218	87	106	45.2
1981-----	135	202	86	90	44.7
1982-----	141	207	84	89	46.7
1983 <u>2/</u> -----	140	195	<u>3/</u>	<u>3/</u>	<u>3/</u>

1/ Exports and imports exclude chemical fibers and worsteds.

2/ Estimated.

3/ Not available.

Source: Adapted from a report on behalf of the Committee on External Economic Relations of the EC.

Other countries

Other countries, besides the United States and the EC, that have bilateral agreements controlling textile imports negotiated under the MFA include Canada, Sweden, Austria, and Finland. The combined total of textile and apparel imports for these four countries is much lower than the imports of either the United States or the EC. Japan and Switzerland, which are also developed (importing) country participants in the MFA, have not imposed any quantitative limits under the arrangement. Australia has an extensive tariff-quota system which operates outside of the MFA.

Canada has bilateral agreements with 17 countries negotiated under the provisions of the MFA and agreements with 3 countries that are not MFA participants. Prior to 1979, Canada had utilized article XIX of the GATT to impose unilateral restrictions on imports of a number of textile and apparel products, but these were replaced by bilaterals when Canada acceded to the MFA. The present Canadian bilaterals often provide for aggregate or group limits as well as specific limits on individual categories. Some categories not under specific quotas have specified consultation levels. The countries with which Canada has bilateral agreements are as follows:

Brazil	Malaysia
Bulgaria	Mauritius
China	Pakistan
Czechoslovakia	Philippines
Hong Kong	Poland
Hungary	Romania
India	Singapore
Indonesia	Taiwan
Republic of Korea	Thailand
Macau	Uruguay

Canada's imports have continued to increase despite the bilateral agreements and have led to efforts to renegotiate bilaterals or to take other action to reduce the growth in imports. However, more than 80 percent of Canada's imports are from developed countries, although the share of imports from developing countries has been increasing. Employment in the textile sector decreased by 1.5 percent from 1979 to 1980, increased by 1.1 percent in 1981, and then declined again in 1982. For apparel, employment also declined in 1980, recovered slightly in 1981, and then dropped sharply in 1982 by 17 percent, accounting for a loss of over 15,000 jobs. The following tabulation shows imports of textiles and apparel into Canada in 1980-83 (in millions of U.S. dollars): ^{1/}

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Textiles (SITC 65)-----	1,281	1,409	1,131	1,400
Apparel (SITC 84)-----	710	841	840	1,026

A significant portion of Austria's imports come from industrialized trading partners. However, Austria imposes restrictions against the following seven developing countries, with restrictions limited to a few apparel items, plus two textile items from Brazil and one from India:

Brazil	Macau
Hong Kong	Philippines
India	Singapore
Republic of Korea	

Only a small proportion of Austria's total textile and apparel imports are controlled under specific limits.

Employment in the Austrian textile industry declined by 38 percent from 1974 to 1982, and in the apparel industry, employment declined by 22 percent. Production followed a declining trend until 1978 but has since increased and remains above the 1978 level. Imports increased substantially through 1980 but have since decreased. The following tabulation shows imports of textiles and apparel into Austria in 1980-83 (in millions of U.S. dollars):

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Textiles (SITC 65)-----	1,164	979	938	902
Apparel (SITC 84)-----	947	771	776	833

Sweden has an extensive system of import restrictions covering 16 clothing and 5 textile product groups, usually with an aggregate as well as individual limits. Sweden has utilized the "reasonable departures" and the "minimum viable production" provisions of the MFA to structure a system of restraints with low growth rates and little flexibility. Growth rates in

^{1/} Compiled from United Nations Trade Data.

current agreements are generally less than 1 percent, down from 3 or 4 percent in some of its earlier agreements. Sweden has negotiated new bilaterals and is expected to renegotiate previously existing bilaterals with the following countries:

Brazil	Malta
Hong Kong	Mauritius
India	Pakistan
Indonesia	Philippines
Republic of Korea	Singapore
Macau	Sri Lanka
Malaysia	Thailand

Both production and employment declined steadily in the Swedish textile and apparel industries from 1977 to 1982. Most recently, employment in textiles declined from 22,200 in 1980 to 18,300 in 1982, and employment in apparel declined from 14,700 to 14,000 during the same period. Since 1980, Sweden has achieved reductions in imports of textiles and apparel. Nevertheless, imports continue to supply about 80 percent of the domestic supply of textile and apparel products, and more than one-third of the imports come from developing countries. The following tabulation shows imports of textiles and apparel into Sweden in 1980-83 (in millions of U.S. dollars): 1/

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Textiles (SITC 65)-----	967	765	705	667
Apparel (SITC 84)-----	1,347	1,153	1,082	943

Finland's bilateral agreements under the MFA have generally provided restrictions only on selected apparel items (plus bed-linen). Growth rates take account of the minimum viable production concept of the MFA and range between 0.5 and 5.0 percent. Less than 10 percent of Finland's textile and apparel imports are estimated to be subject to specific limitations in bilateral agreements. A large part of total imports consists of textile mill products that are not subject to specific limits in most current bilaterals. Finland has bilateral agreements with the following countries:

China	Macau
Hong Kong	Malaysia
India	Pakistan
Republic of Korea	Romania
	Thailand

In the textile and apparel industry in Finland, 1980 was a strong year in terms of production and employment, as well as a peak year of imports. Employment has declined more sharply than production since 1980, especially in the textile mill sector. Developing MFA countries supply only 6 percent of

1/ Ibid.

textile imports and 22 percent of apparel imports. The following tabulation shows imports of textiles and apparel into Finland in 1980-83 (in millions of U.S. dollars): 1/

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Textiles (SITC 65)-----	616	529	506	463
Apparel (SITC 84)-----	220	197	210	197

Australia withdrew from the MFA in 1976, and since that time its trade policies for textile and apparel have been governed by the GATT. The Australian Government initiated a tariff-quota system at the end of 1974, and in 1976, all bilateral restrictions under MFA were replaced by tariff quotas. Specific penalty duties are applicable to imports above a specified "base quota" level. Imports usually do not substantially exceed the quantities specified in the base quota, because the penalty duties are so high. Typical penalty duties for outerwear are \$5, \$10, or \$15 per item, 2/ and the ad valorem equivalent of penalty duties on both apparel and textile mill products may exceed 100 percent for many items. The tariff-quota system applies globally, subject to certain preferential arrangements with developing countries. Base quota levels are derived from the level of imports in 1979-80, with annual expansion rates specified for each category. The expansion rates for most categories are in the range of 2 to 4 percent, but the overall range is from nil to 8 percent. Part of the quotas is allocated by tender, 3/ thus generating Government revenue. The tariff quotas are part of an overall assistance program that includes bounties on yarn production, tariffs on some fabric imports, and tariff quotas on imports of certain woven fabrics and finished products such as household textiles, apparel, and footwear.

Employment in Australia's textile, apparel, and footwear industries has totaled over 100,000 in recent years and has been relatively stable. Imports of textiles have remained stable in recent years, but imports of apparel have increased, although they are much lower than imports of textiles. Imports account for about 40 percent of the Australian market for textiles and 20 percent for clothing. The following tabulation shows imports of textiles and apparel into Australia in 1980-82 (in millions of U.S. dollars): 4/

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Textiles (SITC 65)-----	1,103	1,151	1,108
Apparel (SITC 84)-----	339	421	423

Norway negotiated bilateral agreements with India, Malaysia, the Philippines, Singapore, Sri Lanka, and Thailand at the beginning of MFA II but later decided not to participate in the MFA and, in 1979, introduced global

1/ Ibid.

2/ Department of Trade and Resources, New Assistance Program, Australian Textiles, Clothing and Footwear Industries, Canberra, 1982.

3/ Prospective importers submit bids expressed in ad valorem points of duty they are willing to pay.

4/ Compiled from United Nations Trade Data.

quotas on nine product groups under Article XIX of the GATT. When the bilaterals expired in 1981 and 1982, the quotas were expanded to include textile trade from those six countries. Norway rejoined the MFA in July 1984 and it is expected that bilaterals eventually may be negotiated to replace the existing quota system.

APPENDIX A

Multifiber Arrangement and
Protocols of Extension

**ARRANGEMENT REGARDING
INTERNATIONAL TRADE
IN TEXTILES**

**GENERAL AGREEMENT ON TARIFFS AND TRADE
GENEVA, 1974**

INTRODUCTION

This booklet reproduces the complete text of the Arrangement Regarding International Trade in Textiles negotiated by representatives of some 50 governments in the final months of 1973.

Recognizing the need for special attention to be paid to the difficulties arising in international trade in textiles, the GATT Council in June 1972 set up a Working Party on Textiles to make a fact-finding study of "the economic, technical, social and commercial elements which influence world trade in textiles, distinguishing the various textile sectors, both according to the fibres used and according to the degrees of processing." This study was completed in December 1972, and was subsequently made available to the public.

In April 1973, the Council decided to carry the work a stage further. The working party was instructed, on the basis of its fact-finding study, first to identify and examine the problems that exist in international trade in textiles and textile goods and, second, with regard to such examination seek possible alternative multilateral solutions to these problems. It was agreed that this search for solutions would be without prior commitment as to the position of any participant.

A progress report was submitted in June 1973 to the Council, which on 30 July 1973 decided "that the Working Party on Textiles be reconstituted into a negotiating group with the objective, taking into account the working party's reports and its mandate of 30 April 1973, of reaching a mutually satisfactory arrangement on trade in textiles by the end of 1973". Meetings of the negotiating group, whose Chairman was Mr. Olivier Long, Director-General of GATT, were held in October, November and December. Final agreement on the text which follows was reached on 20 December 1973.

The Arrangement entered into force on 1 January 1974.

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

PREAMBLE

Recognizing the great importance of production and trade in textile products of wool, man-made fibres and cotton for the economies of many countries, and their particular importance for the economic and social development of developing countries and for the expansion and diversification of their export earnings, and conscious also of the special importance of trade in textile products of cotton for many developing countries;

Recognizing further the tendency for an unsatisfactory situation to exist in world trade in textile products and that this situation, if not satisfactorily dealt with, could work to the detriment of countries participating in trade in textile products, whether as importers or exporters, or both, adversely affect prospects for international co-operation in the trade field, and have unfortunate repercussions on trade relations generally;

Noting that this unsatisfactory situation is characterized by the proliferation of restrictive measures, including discriminatory measures, that are inconsistent with the principles of the General Agreement on Tariffs and Trade and also that, in some importing countries, situations have arisen which, in the view of these countries, cause or threaten to cause disruption of their domestic markets;

Desiring to take co-operative and constructive action, within a multi-lateral framework, so as to deal with the situation in such a way as to promote on a sound basis the development of production and expansion of trade in textile products and progressively to achieve the reduction of trade barriers and the liberalization of world trade in these products;

Recognizing that, in pursuit of such action, the volatile and continually evolving nature of production and trade in textile products should be constantly borne in mind and the fullest account taken of such serious economic and social problems as exist in this field in both importing and exporting countries, and particularly in the developing countries;

Recognizing further that such action should be designed to facilitate economic expansion and to promote the development of developing countries possessing the necessary resources, such as materials and technical skills, by providing larger opportunities for such countries, including countries that

are, or that may shortly become, new entrants in the field of textile exports to increase their exchange earnings from the sale in world markets of products which they can efficiently produce;

Recognizing that future harmonious development of trade in textiles particularly having regard to the needs of developing countries, also depends importantly upon matters outside the scope of this Arrangement, and that such factors in this respect include progress leading both to the reduction of tariffs and to the maintenance and improvement of schemes of generalized preferences, in accordance with the Tokyo Declaration;

Determined to have full regard to the principles and objectives of the General Agreement on Tariffs and Trade (hereinafter referred to as the GATT) and, in carrying out the aims of this Arrangement, effectively to implement the principles and objectives agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the Multilateral Trade Negotiations;

THE PARTIES TO THIS ARRANGEMENT have agreed as follows:

Article 1

1. It may be desirable during the next few years for special practical measures of international co-operation to be applied by the participating countries¹ in the field of textiles with the aim of eliminating the difficulties that exist in this field.

2. The basic objectives shall be to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. In the case of those countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production, account should be taken of the avoidance of damage to those countries' minimum viable production of textiles.

3. A principal aim in the implementation of this Arrangement shall be to further the economic and social development of developing countries and secure a substantial increase in their export earnings from textile

¹ The expressions "participating country", "participating exporting country" and "participating importing country", wherever they appear in this Arrangement, shall be deemed to include the European Economic Community.

products and to provide scope for a greater share for them in world trade in these products.

4. Actions taken under this Arrangement shall not interrupt or discourage the autonomous industrial adjustment processes of participating countries. Furthermore, actions taken under this Arrangement should be accompanied by the pursuit of appropriate economic and social policies, in a manner consistent with national laws and systems, required by changes in the pattern of trade in textiles and in the comparative advantage of participating countries, which policies would encourage businesses which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy and provide increased access to their markets for textile products from developing countries.

5. The application of safeguard measures under this Arrangement, subject to recognized conditions and criteria and under the surveillance of an international body set up for that purpose, and in conformity with the principles and objectives of this Arrangement, may in exceptional circumstances become necessary in the field of trade in textile products, and should assist any process of adjustment which would be required by the changes in the pattern of world trade in textile products. The parties to this Arrangement undertake not to apply such measures except in accordance with the provisions of this Arrangement with full regard to the impact of such measures on other parties.

6. The provisions of this Arrangement shall not affect the rights and obligations of the participating countries under the GATT.

7. The participating countries recognize that, since measures taken under this Arrangement are intended to deal with the special problems of textile products, such measures should be considered as exceptional, and not lending themselves to application in other fields.

Article 2

1. All existing unilateral quantitative restrictions, bilateral agreements and any other quantitative measures in force which have a restrictive effect shall be notified in detail by the restraining participating country, upon acceptance of or accession to this Arrangement, to the Textiles Surveillance Body, which shall circulate the notifications to the other participating countries for their information. Measures or agreements which are not notified by a participating country within sixty days of its acceptance of, or accession to, this Arrangement shall be considered to be contrary to this Arrangement and shall be terminated forthwith.

2. Unless they are justified under the provisions of the GATT (including its Annexes and Protocols), all unilateral quantitative restrictions and any other quantitative measures which have a restrictive effect and which are notified in accordance with paragraph 1 above shall be terminated within one year of the entry into force of this Arrangement, unless they are the subject of one of the following procedures to bring them into conformity with the provisions of this Arrangement:

- (i) inclusion in a programme, which should be adopted and notified to the Textiles Surveillance Body within one year from the date of coming into force of this Arrangement, designed to eliminate existing restrictions in stages within a maximum period of three years from the entry into force of this Arrangement and taking account of any bilateral agreement either concluded or in course of being negotiated as provided for in (ii) below; it being understood that a major effort will be made in the first year, covering both a substantial elimination of restrictions and a substantial increase in the remaining quotas;
- (ii) inclusion, within a period of one year from the entry into force of this Arrangement, in bilateral agreements negotiated, or in course of negotiation, pursuant to the provisions of Article 4; if, for exceptional reasons, any such bilateral agreement is not concluded within the period of one year, this period, following consultations by the participating countries concerned and with the concurrence of the Textiles Surveillance Body, may be extended by not more than one year;
- (iii) inclusion in agreements negotiated or measures adopted pursuant to the provisions of Article 3.

3. Unless justified under the provisions of the GATT (including its Annexes and Protocols), all existing bilateral agreements notified in accordance with paragraph 1 of this Article shall, within one year of the entry into force of this Arrangement, either be terminated or justified under the provisions of this Arrangement or modified to conform therewith.

4. For the purposes of paragraphs 2 and 3 above the participating countries shall afford full opportunity for bilateral consultation and negotiation aimed at arriving at mutually acceptable solutions in accordance with Articles 3 and 4 of this Arrangement and permitting from the first year of the acceptance of this Arrangement the elimination as complete as possible of the existing restrictions. They shall report specifically to the Textiles Surveillance Body within one year of the entry into force of this Arrangement on the status of any such actions taken or negotiations undertaken pursuant to this Article.

5. The Textiles Surveillance Body shall complete its review of such reports within ninety days of their receipt. In its review it shall consider whether all the actions taken are in conformity with this Arrangement. It may make appropriate recommendations to the participating countries directly concerned so as to facilitate the implementation of this Article.

Article 3

1. Unless they are justified under the provisions of the GATT (including its Annexes and Protocols) no new restrictions on trade in textile products shall be introduced by participating countries nor shall existing restrictions be intensified, unless such action is justified under the provisions of this Article.

2. The participating countries agree that this Article should only be resorted to sparingly and its application shall be limited to the precise products and to countries whose exports of such products are causing market disruption as defined in Annex A taking full account of the agreed principles and objectives set out in this Arrangement and having full regard to the interests of both importing and exporting countries. Participating countries shall take into account imports from all countries and shall seek to preserve a proper measure of equity. They shall endeavour to avoid discriminatory measures where market disruption is caused by imports from more than one participating country and when resort to the application of this Article is unavoidable, bearing in mind the provisions of Article 6.

3. If, in the opinion of any participating importing country, its market in terms of the definition of market disruption in Annex A is being disrupted by imports of a certain textile product not already subject to restraint, it shall seek consultations with the participating exporting country or countries concerned with a view to removing such disruption. In its request the importing country may indicate the specific level at which it considers that exports of such products should be restrained, a level which shall not be lower than the general level indicated in Annex B. The exporting country or countries concerned shall respond promptly to such request for consultations. The importing country's request for consultations shall be accompanied by a detailed factual statement of the reasons and justification for the request, including the latest data concerning elements of market disruption, this information being communicated at the same time by the requesting country to the Chairman of the Textiles Surveillance Body.

4. If, in the consultation, there is mutual understanding that the situation calls for restrictions on trade in the textile product concerned, the level of restriction shall be fixed at a level not lower than the level indicated

in Annex B. Details of the agreement reached shall be communicated to the Textiles Surveillance Body which shall determine whether the agreement is justified in accordance with the provisions of this Arrangement.

5. (i) If, however, after a period of sixty days from the date on which the request has been received by the participating exporting country or countries, there has been no agreement either on the request for export restraint or on any alternative solution, the requesting participating country may decline to accept imports for retention from the participating country or countries referred to in paragraph 3 above of the textiles and textile products causing market disruption (as defined in Annex A) at a level for the twelve-month period beginning on the day when the request was received by the participating exporting country or countries not less than the level provided for in Annex B. Such level may be adjusted upwards to avoid undue hardship to the commercial participants in the trade involved to the extent possible consistent with the purposes of this Article. At the same time the matter shall be brought for immediate attention to the Textiles Surveillance Body.

(ii) However, it shall be open for either party to refer the matter to the Textiles Surveillance Body before the expiry of the period of sixty days.

(iii) In either case the Textiles Surveillance Body shall promptly conduct the examination of the matter and make appropriate recommendations to the parties directly concerned within thirty days from the date on which the matter is referred to it. Such recommendations shall also be forwarded to the Textiles Committee and to the GATT Council for their information. Upon receipt of such recommendations the participating countries concerned should review the measures taken or contemplated with regard to their institution, continuation, modification or discontinuation.

6. In highly unusual and critical circumstances, where imports of a textile product or products during the period of sixty days referred to in paragraph 5 above would cause serious market disruption giving rise to damage difficult to repair, the importing country shall request the exporting country concerned to co-operate immediately on a bilateral emergency basis to avoid such damage, and shall, at the same time, immediately communicate to the Textiles Surveillance Body the full details of the situation. The countries concerned may make any mutually acceptable interim arrangement they deem necessary to deal with the situation without prejudice

to consultations regarding the matter under paragraph 3 of this Article. In the event that such interim arrangement is not reached, temporary restraint measures may be applied at a level higher than that indicated in Annex B with a view, in particular, to avoiding undue hardship to the commercial participants in the trade involved. The importing country shall give, except where possibility exists of quick delivery which would undermine the purpose of such measure, at least one week's prior notification of such action to the participating exporting country or countries and enter into, or continue, consultations under paragraph 3 of this Article. When a measure is taken under this paragraph either party may refer the matter to the Textiles Surveillance Body. The Textiles Surveillance Body shall conduct its work in the manner provided for in paragraph 5 above. Upon receipt of recommendations from the Textiles Surveillance Body the participating importing country shall review the measures taken, and report thereon to the Textiles Surveillance Body.

7. If recourse is had to measures under this Article, participating countries shall, in introducing such measures, seek to avoid damage to the production and marketing of the exporting countries, and particularly of the developing countries, and shall avoid any such measures taking a form that could result in the establishment of additional non-tariff barriers to trade in textile products. They shall, through prompt consultations, provide for suitable procedures, particularly as regards goods which have been, or which are about to be, shipped. In the absence of agreement, the matter may be referred to the Textiles Surveillance Body, which shall make the appropriate recommendations.

8. Measures taken under this Article may be introduced for limited periods not exceeding one year, subject to renewal or extension for additional periods of one year, provided that agreement is reached between the participating countries directly concerned on such renewal or extension. In such cases, the provisions of Annex B shall apply. Proposals for renewal or extension, or modification or elimination or any disagreement thereon shall be submitted to the Textiles Surveillance Body, which shall make the appropriate recommendations. However, bilateral restraint agreements under this Article may be concluded for periods in excess of one year in accordance with the provisions of Annex B.

9. Participating countries shall keep under review any measures they have taken under this Article and shall afford any participating country or countries affected by such measures, adequate opportunity for consultation with a view to the elimination of the measures as soon as possible. They shall report from time to time, and in any case once a year, to the Textiles Surveillance Body on the progress made in the elimination of such measures.

Article 4

1. The participating countries shall fully bear in mind, in the conduct of their trade policies in the field of textiles, that they are, through the acceptance of, or accession to, this Arrangement, committed to a multilateral approach in the search for solutions to the difficulties that arise in this field.

2. However, participating countries may, consistently with the basic objectives and principles of this Arrangement, conclude bilateral agreements on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption (as defined in Annex A) in importing countries and disruption to the textile trade of exporting countries, and on the other hand to ensure the expansion and orderly development of trade in textiles and the equitable treatment of participating countries.

3. Bilateral agreements maintained under this Article shall, on overall terms, including base levels and growth rates, be more liberal than measures provided for in Article 3 of this Arrangement. Such bilateral agreements shall be designed and administered to facilitate the export in full of the levels provided for under such agreements and shall include provisions assuring substantial flexibility for the conduct of trade thereunder, consistent with the need for orderly expansion of such trade and conditions in the domestic market of the importing country concerned. Such provisions should encompass areas of base levels, growth, recognition of the increasing interchangeability of natural, artificial and synthetic fibres, carry forward, carryover, transfers from one product grouping to another and such other arrangements as may be mutually satisfactory to the parties to such bilateral agreements.

4. The participating countries shall communicate to the Textiles Surveillance Body full details of agreements entered into in terms of this Article within thirty days of their effective date. The Textiles Surveillance Body shall be informed promptly when any such agreements are modified or discontinued. The Textiles Surveillance Body may make such recommendations as it deems appropriate to the parties concerned.

Article 5

Restrictions on imports of textile products under the provisions of Article 3 and 4 shall be administered in a flexible and equitable manner and over-categorization shall be avoided. Participating countries shall, in consultation, provide for arrangements for the administration of the quotas and restraint levels, including the proper arrangement for allocation of quotas among the exporters, in such a way as to facilitate full utilization of

such quotas. The participating importing country should take full account of such factors as established tariff classification and quantitative units based on normal commercial practices in export and import transactions, both as regards fibre composition and in terms of competing for the same segment of its domestic market.

Article 6

1. Recognizing the obligations of the participating countries to pay special attention to the needs of the developing countries, it shall be considered appropriate and consistent with equity obligations for those importing countries which apply restrictions under this Arrangement affecting the trade of developing countries to provide more favourable terms with regard to such restrictions, including elements such as base level and growth rates, than for other countries. In the case of developing countries whose exports are already subject to restrictions and if the restrictions are maintained under this Arrangement, provisions should be made for higher quotas and liberal growth rates. It shall, however, be borne in mind that there should be no undue prejudice to the interests of established suppliers or serious distortion in existing patterns of trade.

2. In recognition of the need for special treatment for exports of textile products from developing countries, the criterion of past performance shall not be applied in the establishment of quotas for their exports of products from those textile sectors in respect of which they are new entrants, in the markets concerned and a higher growth rate shall be accorded to such exports, having in mind that this special treatment should not cause undue prejudice to the interests of established suppliers or create serious distortions in existing patterns of trade.

3. Restraints on exports from participating countries whose total volume of textile exports is small in comparison with the total volume of exports of other countries should normally be avoided if the exports from such countries represent a small percentage of the total imports of textiles covered by this Arrangement of the importing country concerned.

4. Where restrictions are applied to trade in cotton textiles in terms of this Arrangement, special consideration will be given to the importance of this trade to the developing countries concerned in determining the size of quotas and the growth element.

5. Participating countries shall not, as far as possible, maintain restraints on trade in textile products originating in other participating countries which are imported under a system of temporary importation for re-export after processing, subject to a satisfactory system of control and certification.

6. Consideration shall be given to special and differential treatment to re-imports into a participating country of textile products which that country has exported to another participating country for processing and subsequent re-importation, in the light of the special nature of such trade without prejudice to the provisions of Article 3.

Article 7

The participating countries shall take steps to ensure, by the exchange of information, including statistics on imports and exports when requested, and by other practical means, the effective operation of this Arrangement.

Article 8

1. The participating countries agree to avoid circumvention of this Arrangement by trans-shipment, re-routing, or action by non-participants. In particular, they agree on the measures provided for in this Article.

2. The participating countries agree to collaborate with a view to taking appropriate administrative action to avoid such circumvention. Should any participating country believe that the Arrangement is being circumvented and that no appropriate administrative measures are being applied to avoid such circumvention, that country should consult with the exporting country of origin and with other countries involved in the circumvention with a view to seeking promptly a mutually satisfactory solution. If such a solution is not reached the matter shall be referred to the Textiles Surveillance Body.

3. The participating countries agree that if resort is had to the measures envisaged in Articles 3 and 4, the participating importing country or countries concerned shall take steps to ensure that the participating country's exports against which such measures are taken shall not be restrained more severely than the exports of similar goods of any country not party to this Arrangement which are causing, or actually threatening, market disruption. The participating importing country or countries concerned will give sympathetic consideration to any representations from participating exporting countries to the effect that this principle is not being adhered to or that the operation of this Arrangement is frustrated by trade with countries not party to this Arrangement. If such trade is frustrating the operation of this Arrangement, the participating countries shall consider taking such actions as may be consistent with their law to prevent such frustrations.

4. The participating countries concerned shall communicate to the Textiles Surveillance Body full details of any measures or arrangements

taken under this Article or any disagreement and, when so requested, the Textiles Surveillance Body shall make reports or recommendations as appropriate.

Article 9

1. In view of the safeguards provided for in this Arrangement the participating countries shall, as far as possible, refrain from taking additional trade measures which may have the effect of nullifying the objectives of this Arrangement.

2. If a participating country finds that its interests are being seriously affected by any such measure taken by another participating country, that country may request the country applying such measure to consult with a view to remedying the situation.

3. If the consultation fails to achieve a mutually satisfactory solution within a period of sixty days the requesting participating country may refer the matter to the Textiles Surveillance Body which shall promptly discuss such matter, the participating country concerned being free to refer the matter to that body before the expiry of the period of sixty days if it considers that there are justifiable grounds for so doing. The Textiles Surveillance Body shall make such recommendations to the participating countries as it considers appropriate.

Article 10

1. There is established within the framework of GATT a Textiles Committee consisting of representatives of the parties to this Arrangement. The Committee shall carry out the responsibilities ascribed to it under this Arrangement.

2. The Committee shall meet from time to time and at least once a year to discharge its functions and to deal with those matters specifically referred to it by the Textiles Surveillance Body. It shall prepare such studies as the participating countries may decide. It shall undertake an analysis of the current state of world production and trade in textile products, including any measures to facilitate adjustment and it shall present its views regarding means of furthering the expansion and liberalization of trade in textile products. It will collect the statistical and other information necessary for the discharge of its functions and will be empowered to request the participating countries to furnish such information.

3. Any case of divergence of view between the participating countries as to the interpretation or application of this Arrangement may be referred to the Committee for its opinion.

4. The Committee shall once a year review the operation of this Arrangement and report thereon to the GATT Council. To assist in this review, the Committee shall have before it a report from the Textiles Surveillance Body, a copy of which will also be transmitted to the Council. The review during the third year shall be a major review of this Arrangement in the light of its operation in the preceding years.

5. The Committee shall meet not later than one year before the expiry of this Arrangement in order to consider whether the Arrangement should be extended, modified or discontinued.

Article 11

1. The Textiles Committee shall establish a Textiles Surveillance Body to supervise the implementation of this Arrangement. It shall consist of a Chairman and eight members to be appointed by the parties to this Arrangement on a basis to be determined by the Textiles Committee so as to ensure its efficient operation. In order to keep its membership balanced and broadly representative of the parties to this Arrangement provision shall be made for rotation of the members as appropriate.

2. The Textiles Surveillance Body shall be considered as a standing body and shall meet as necessary to carry out the functions required of it under this Arrangement. It shall rely on information to be supplied by the participating countries, supplemented by any necessary details and clarification it may decide to seek from them or from other sources. Further, it may rely for technical assistance on the services of the GATT secretariat and may also hear technical experts proposed by one or more of its members.

3. The Textiles Surveillance Body shall take the action specifically required of it in articles of this Arrangement.

4. In the absence of any mutually agreed solution in bilateral negotiations or consultations between participating countries provided for in this Arrangement, the Textiles Surveillance Body at the request of either party, and following a thorough and prompt consideration of the matter, shall make recommendations to the parties concerned.

5. The Textiles Surveillance Body shall, at the request of any participating country, review promptly any particular measures or arrangements which that country considers to be detrimental to its interests where consultations between it and the participating countries directly concerned have failed to produce a satisfactory solution. It shall make recommendations as appropriate to the participating country or countries concerned.

6. Before formulating its recommendations on any particular matter referred to it, the Textiles Surveillance Body shall invite participation of such participating countries as may be directly affected by the matter in question.

7. When the Textiles Surveillance Body is called upon to make recommendations or findings it shall do so, except when otherwise provided in this Arrangement, within a period of thirty days whenever practicable. All such recommendations or findings shall be communicated to the Textiles Committee for the information of its members.

8. Participating countries shall endeavour to accept in full the recommendations of the Textiles Surveillance Body. Whenever they consider themselves unable to follow any such recommendations, they shall forthwith inform the Textiles Surveillance Body of the reasons therefor and of the extent, if any, to which they are able to follow the recommendations.

9. If, following recommendations by the Textiles Surveillance Body, problems continue to exist between the parties, these may be brought before the Textiles Committee or before the GATT Council through the normal GATT procedures.

10. Any recommendations and observations of the Textiles Surveillance Body would be taken into account should the matters related to such recommendations and observations subsequently be brought before the CONTRACTING PARTIES to the GATT, particularly under the procedures of Article XXIII of the GATT.

11. The Textiles Surveillance Body shall, within fifteen months of the coming into force of this Arrangement, and at least annually thereafter, review all restrictions on textile products maintained by participating countries at the commencement of this Arrangement, and submit its findings to the Textiles Committee.

12. The Textiles Surveillance Body shall annually review all restrictions introduced or bilateral agreements entered into by participating countries concerning trade in textile products since the coming into force of this Arrangement, and required to be reported to it under the provisions of this Arrangement, and report annually its findings to the Textiles Committee.

Article 12

1. For the purposes of this Arrangement, the expression "textiles" is limited to tops, yarns, piece-goods, made-up articles, garments and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, man-made fibres, or blend thereof, in which any or all of those fibres in combination

represent either the chief value of the fibres or 50 per cent or more by weight (or 17 per cent or more by weight of wool) of the product.

2. Artificial and synthetic staple fibre, tow, waste, simple mono- and multi-filaments, are not covered by paragraph 1 above. However, should conditions of market disruption (as defined in Annex A) be found to exist for such products, the provisions of Article 3 of this Arrangement (and other provisions of this Arrangement directly relevant thereto) and paragraph 1 of Article 2 shall apply.

3. This Arrangement shall not apply to developing country exports of handloom fabrics of the cottage industry, or hand-made cottage industry products made of such handloom fabrics, or to traditional folklore handicraft textiles products, provided that such products are properly certified under arrangements established between the importing and exporting participating countries concerned.

4. Problems of interpretation of the provisions of this Article should be resolved by bilateral consultation between the parties concerned and any difficulties may be referred to the Textiles Surveillance Body.

Article 13

1. This Arrangement shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT. It shall be open for acceptance, by signature or otherwise, by governments contracting parties to the GATT or having provisionally acceded to the GATT and by the European Economic Community.

2. Any government which is not a contracting party to the GATT, or has not acceded provisionally to the GATT, may accede to this Arrangement on terms to be agreed between that government and the participating countries. These terms would include a provision that any government which is not a contracting party to the GATT must undertake, on acceding to this Arrangement, not to introduce new import restrictions or intensify existing import restrictions, on textile products, in so far as such action would, if that government had been a contracting party to the GATT, be inconsistent with its obligations thereunder.

Article 14

1. This Arrangement shall enter into force on 1 January 1974.

2. Notwithstanding the provisions of paragraph 1 of this Article, for the application of the provisions of Article 2, paragraphs 2, 3 and 4 the date of entry into force shall be 1 April 1974.

3. Upon request of one or more parties which have accepted or acceded to this Arrangement a meeting shall be held within one week prior to 1 April 1974. Parties which at the time of the meeting have accepted or acceded to the Arrangements may agree on any modification of the date envisaged in paragraph 2 of this Article which may appear necessary and is consistent with the provisions of Article 16.

Article 15

Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General to the CONTRACTING PARTIES to the GATT.

Article 16

This Arrangement shall remain in force for four years.

Article 17

The Annexes to this Arrangement constitute an integral part of this Arrangement.

DONE at Geneva this twentieth day of December one thousand nine hundred and seventy-three, in a single copy in the English, French and Spanish languages, each text being authentic.

ANNEX A

I. The determination of a situation of " market disruption ", as referred to in this Arrangement, shall be based on the existence of serious damage to domestic producers or actual threat thereof. Such damage must demonstrably be caused by the factors set out in paragraph II below and not by factors such as technological changes or changes in consumer preference which are instrumental in switches to like and/or directly competitive products made by the same industry, or similar factors. The existence of damage shall be determined on the basis of an examination of the appropriate factors having a bearing on the evolution of the state of the industry in question such as: turnover, market share, profits, export performance, employment, volume of disruptive and other imports, production, utilization of capacity, productivity and investments. No one or several of these factors can necessarily give decisive guidance.

II. The factors causing market disruption referred to in paragraph I above and which generally appear in combination are as follows:

- (i) a sharp and substantial increase or imminent increase of imports of particular products from particular sources. Such an imminent increase shall be a measurable one and shall not be determined to exist on the basis of allegation, conjecture or mere possibility arising, for example, from the existence of production capacity in the exporting countries;**
- (ii) these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country. Such prices shall be compared both with the price for the domestic product at comparable stage of commercial transaction, and with the prices which normally prevail for such products sold in the ordinary course of trade and under open market conditions by other exporting countries in the importing country.**

III. In considering questions of " market disruption " account shall be taken of the interests of the exporting country, especially in regard to its stage of development, the importance of the textile sector to the economy, the employment situation, overall balance of trade in textiles, trade balance with the importing country concerned and overall balance of payments.

ANNEX B

1. (a) The level below which imports or exports of textile products may not be restrained under the provisions of Article 3 shall be the level of actual imports or exports of such products during the twelve-month period terminating two months or, where data are not available, three months preceding the month in which the request for consultation is made, or, where applicable, the date of institution of such domestic procedure relating to market disruption in textiles as may be required by national legislation, or two months or, where data are not available, three months prior to the month in which the request for consultation is made as a result of such domestic procedure, whichever period is the later.

(b) Where a restraint on the yearly level of exports or imports exists between participating countries concerned, whether provided for under Article 2, 3 or 4, covering the twelve-month period referred to in paragraph (a), the level below which imports of textile products causing market disruption may not be restrained under the provisions of Article 3 shall be the level provided for in the restraint in lieu of the level of actual imports or exports during the twelve-month period referred to in paragraph (a).

Where the twelve-month period referred to in paragraph (a) overlaps in part with the period covered by the restraint, the level shall be:

- (i) the level provided for in the restraint, or the level of actual imports or exports, whichever is higher, except in case of overshipment, for the months where the period covered by the restraint and the twelve-month period referred to in paragraph (a) overlap; and
- (ii) the level of actual imports or exports for the months where no overlap occurs.

(c) If the period referred to in paragraph (a) is specially adverse for a particular exporting country due to abnormal circumstances, the past performance of imports from that country over a period of years should be taken into account.

(d) Where imports or exports of textile products subject to restraints were nil or negligible during the twelve-month period referred to in paragraph (a), a reasonable import level to take account of future possibilities of the exporting country shall be established through consultation between the participating countries concerned.

2. Should the restraint measures remain in force for another twelve-month period, the level for that period shall not be lower than the level specified for the preceding twelve-month period, increased by not less than

6 per cent for products under restraint. In exceptional cases where there are clear grounds for holding that the situation of market disruption will recur if the above growth rate is implemented, a lower positive growth rate may be decided upon after consultation with the exporting country or countries concerned. In exceptional cases where participating importing countries have small markets, an exceptionally high level of imports and a correspondingly low level of domestic production and where the implementation of the above growth rate would cause damage to those countries' minimum viable production, a lower positive growth rate may be decided upon after consultation with the exporting country or countries concerned.

3. Should the restraint measures remain in force for further periods, the level for each subsequent period shall not be lower than the level specified for the preceding twelve-month period, increased by six per cent, unless there is further new evidence which demonstrates, in accordance with Annex A, that implementation of the above growth rate would exacerbate the situation of market disruption. In these circumstances, after consultation with the exporting country concerned, and reference to the Textiles Surveillance Body in accordance with the procedures of Article 3 a lower positive growth rate may be applied.

4. In the event any restriction or limitation is established under Article 3 or 4 on a product or products as to which a restriction or limitation had been suppressed in accordance with the provisions of Article 2, such subsequent restriction or limitation shall not be re-established without full consideration of the limits of trade provided for under such suppressed restriction or limitation.

5. Where restraint is exercised for more than one product the participating countries agree that, provided that the total exports subject to restraint do not exceed the aggregate level for all products so restrained (on the basis of a common unit to be determined by the participating countries concerned), the agreed level for any one product may be exceeded by 7 per cent save in exceptionally and sparingly used circumstances where a lower percentage may be justified in which case that lower percentage shall be not less than 5 per cent. Where restraints are established for more years than one, the extent to which the total of the restraint level for one product or product group may, after consultation between the parties concerned, be exceeded in either year of any two subsequent years by carry forward and/or carryover is 10 per cent of which carry forward shall not represent more than 5 per cent.

6. In the application of the restraint levels and growth rates specified in paragraphs 1 to 3 above, full account shall be taken of the provisions of Article 6.

Conclusions of the Textiles Committee adopted on December 1977

1. The participants in the Arrangement exchanged views regarding the future of the Multifibre Arrangement (MFA).
2. It is clear from the annual and major reviews of the MFA undertaken by the Textiles Committee that certain importing and several exporting countries have encountered practical difficulties in the implementation of the provisions of the MFA. Discussions in this respect covered a wide range of areas of satisfaction as well as dissatisfaction. These difficulties, some of which are of a long-standing nature, affect seriously the trade and economic development of developing countries.
3. Members of the Textiles Committee recognized that there continued to be a tendency for an unsatisfactory situation to exist in world trade in textile products, and that such a situation, if not satisfactorily dealt with, could work to the detriment of countries participating in international trade in textile products, whether as importers or exporters or both. It could adversely affect prospects for international co-operation in the trade field and could have unfortunate repercussions on trade relations in general, and the trade of developing countries in particular.
4. Some participating countries, importing as well as exporting, felt that there was a need for modifications to be made to the text of the MFA. Others were of the opinion that any difficulties that may have arisen were due to problems of implementation, and that the provisions of the MFA are adequate to deal with such difficulties. It was agreed that any serious problems of textile trade should be resolved through consultations and negotiations.
 - 5.1 As regards what was described by one major importing participant in its statement to this Committee as its pressing import problems, the Textiles Committee recognized that such problems should be resolved bilaterally under the provisions of Article 4 or Article 3, paragraphs 3 and 4.
 - 5.2 The Committee noted one major importing participant's statement concerning the basis upon which it intended to achieve its stated objectives by bilateral consultations and negotiations and noted the expression of goodwill and flexibility made by certain exporting participants now predominant in the exporting of textile products of all the three fibres covered by the Arrangement.
 - 5.3 The Committee agreed that, within the framework of the MFA, any such consultations and negotiations should be conducted in a spirit of equity and flexibility with a view to reaching a mutually acceptable solution under Article 4, paragraph 3 or Article 3, paragraphs 3 and 4, which does include the possibility of jointly agreed reasonable departures from particular elements in particular cases.

5.4 It was agreed that any such departures as mentioned in sub-paragraph 3 above would be temporary and that participants concerned shall return in the shortest possible time to the framework of the Arrangement.

5.5 The Committee also urged all participants concerned to move promptly to negotiate mutually acceptable solutions in the spirit of the MFA.

5.6 The Committee affirmed that, in seeking such solutions, the interest of the developing countries, new entrants, and small suppliers shall be recognized, and the provisions of Article 1, paragraph 4, would be fully kept in view.

6. The Committee recognized that countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production are particularly exposed to the trade problems mentioned in the preceding paragraphs, and that their problems should be resolved in a spirit of equity and flexibility. In the case of those countries, the provisions of Article 1, paragraph 2, should be fully implemented.

7. The Committee reaffirmed that the two organs of the Arrangement, the Textiles Committee and the Textiles Surveillance Body, should continue to function effectively in their respective areas of competence.

8. It was reiterated that in the future implementation of the MFA, the special problems of developing countries shall be fully taken into account in a manner consistent with the provisions of the MFA, in particular Articles 1, paragraph 3, and 6 thereof.

9. All participants saw mutual co-operation as the foundation of the Arrangement and as the basis for dealing with problems in a way which would promote the objectives and aims of the MFA. Participants emphasized that the primary aims of the MFA are to ensure the expansion of trade in textile products particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects on individual markets and on individual lines of production in both importing and exporting countries. In this context, it was felt that in order to ensure the proper functioning of the MFA, all participants would refrain from taking measures on textiles covered by the MFA outside the provisions therein before exhausting all the relief measures provided in the MFA.

10. Taking into account the evolutionary and cyclical nature of trade in textiles and the importance to both importing and exporting countries of prior resolution of problems in a constructive and equitable manner for the interest of all concerned, and on the basis of the elements mentioned in paragraphs 1 through 9 above, the Textiles Committee considered that the MFA in its present form should be extended for a period of four years subject to confirmation by signature as from 15 December 1977 of a Protocol for this purpose.

PROTOCOL EXTENDING THE ARRANGEMENT REGARDING
INTERNATIONAL TRADE IN TEXTILES

THE PARTIES to the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "the Arrangement" or "MFA")

ACTING pursuant to paragraph 5 of Article 10 of the Arrangement, and

REAFFIRMING that the terms of the Arrangement regarding the competence of the Textiles Committee and the Textiles Surveillance Body are maintained, and

CONFIRMING the understandings set forth in the Conclusions of the Textiles Committee adopted on 22 December 1981, a copy of which is attached herewith,

HEREBY AGREE as follows:

1. The period of validity of the Arrangement set out in Article 16, shall be extended for a period of four years and seven months until 31 July 1986.
2. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES to the GATT. It shall be open for acceptance, by signature or otherwise, by the Parties to the Arrangement, by other governments accepting or acceding to the Arrangement pursuant to the provisions of Article 13 thereof and by the European Economic Community.
3. This Protocol shall enter into force on 1 January 1982 for the countries which have accepted it by that date. It shall enter into force for a country which accepts it on a later date as of the date of such acceptance.

Done at Geneva this twenty-second day of December, one thousand nine hundred and eighty-one, in a single copy in the English, French and Spanish languages, each text being authentic.

CONCLUSIONS OF THE TEXTILES COMMITTEE ADOPTED ON 22 DECEMBER 1981

1. The participants in the Arrangement exchanged views regarding the future of the Arrangement.
2. All participants saw mutual co-operation as the foundation of the Arrangement and as the basis for dealing with problems in a way which would promote the aims and objectives of the MFA. Participants emphasized that the primary aims of the MFA are to ensure the expansion of trade in textile products, particularly for the developing countries, and progressively to achieve the reduction of trade barriers and the liberalization of world trade in textile products while, at the same time, avoiding disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. In this context, it was reiterated that a principal aim in the implementation of the Arrangement is to further the economic and social development of developing countries and to secure a substantial increase in their export earnings from textile products and to provide scope for a greater share for them in world trade in these products.
3. Members of the Textiles Committee recognized that there continued to be a tendency for an unsatisfactory situation to exist in world trade in textile products, and that such a situation, if not satisfactorily dealt with, could work to the detriment of countries participating in international trade in textile products, whether as importers or exporters or both. This situation could adversely affect prospects for international co-operation in the trade field and could have unfortunate repercussions on trade relations in general, and the trade of developing countries in particular.
4. Attention was drawn to the fact that decline in the rate of growth of per capita consumption in textiles and in clothing is an element which may be relevant to the recurrence or exacerbation of a situation of market disruption. Attention was also drawn to the fact that domestic markets may be affected by elements such as technological changes and changes in consumer preference. In this connexion it was recalled that the appropriate factors for the determination of a situation of market disruption as referred to in the Arrangement are listed in Annex A.
5. It was agreed that any serious problems of textile trade falling within the purview of the Arrangement should be resolved through consultations and negotiations conducted under the relevant provisions thereof.

6. The Committee noted the important rôle of and the goodwill expressed by certain exporting participants now predominant in the exporting of textile products in all three fibres covered by the Arrangement in finding and contributing to mutually acceptable solutions to particular problems relative to particularly large restraint levels arising out of the application of the Arrangement as extended by the Protocol.

7. The participants recalled that safeguard measures could only be invoked if there existed a situation of market disruption - as defined in Annex A - or real risk thereof. Noting that Article 6 envisages that in the application of such measures developing countries, especially new entrants, small suppliers and cotton producers shall be given more favourable terms than other countries, the Committee drew particular attention to paragraph 12 below.

8. With respect to the definition of market disruption contained in Annex A of the Arrangement, participants took due note that difficulties had arisen as to its application in practice, leading to misunderstandings between exporting and importing participants, which have had an adverse impact on the operation of the Arrangement. Consequently, and with a view to overcoming these difficulties, the participants agreed that the discipline of Annex A and the procedures of Articles 3 and 4 of the Arrangement should be fully respected and that requests for action under these Articles shall be accompanied by relevant specific factual information. The participants further agreed that the situation prevailing when such action was requested should be periodically reviewed by the parties concerned, the Textiles Surveillance Body (TSB) being promptly informed of any resulting modifications under the terms of Articles 3, paragraph 9, and/or 4, paragraph 4.

9. It was recalled that in exceptional cases where there is a recurrence or exacerbation of a situation of market disruption as referred to in Annex A, and paragraphs 2 and 3 of Annex B, a lower positive growth rate for a particular product from a particular source may be agreed upon between the parties to a bilateral agreement. It was further agreed that where such agreement has taken into account the growing impact of a heavily utilized quota with a very large restraint level for the product in question from a particular source, accounting for a very large share of the market of the importing country for textiles and clothing, the exporting party to the agreement concerned may agree to any mutually acceptable arrangements with regard to flexibility.

10. The view was expressed that real difficulties may be caused in importing countries by sharp and substantial increases in imports as a result of significant differences between larger restraint levels negotiated in accordance with Annex B on the one hand and actual imports on the other. Where such significant difficulties stem from consistently under-utilized larger restraint levels and cause or threaten serious and palpable damage to domestic industry, an exporting participant may agree to mutually satisfactory solutions or arrangements. Such solutions or arrangements shall provide for equitable and quantifiable compensation to the exporting participant to be agreed by both parties concerned.

11. The Committee recognized that countries having small markets, an exceptionally high level of imports and a correspondingly low level of domestic production are particularly exposed to the problems arising from imports causing market disruption as defined in Annex A, and that their problems should be resolved in a spirit of equity and flexibility in order to avoid damage to those countries' minimum viable production of textiles. In the case of those countries, the provisions of Article 1, paragraph 2, and Annex B, paragraph 2, should be fully implemented. The exporting participants may, in the case of countries referred to in this paragraph, agree to any mutually acceptable arrangements with regard to paragraph 5 of Annex B; special consideration in this respect would be given to their concerns regarding the avoidance of damage to these countries' minimum viable production of textiles.

12. The participating countries were conscious of the problems posed by restraints on exports of new entrants and small suppliers, as well as on exports of cotton textiles by cotton producing countries. They re-affirmed their commitment to the letter and intent of Article 6 of the Arrangement and to the effective implementation of this Article to the benefit of these countries.

To this end they agreed that:

- (a) Restraints on exports from small suppliers and new entrants should normally be avoided. For the purposes of Article 6, paragraph 3, shares in imports of textiles and those in clothing may be considered separately.
- (b) Restraints on exports from new entrants and small suppliers should, having regard to Article 6, paragraph 2, take due account of the future possibilities for the development of trade and the need to permit commercial quantities of imports.

- (c) Exports of cotton textiles from cotton producing exporting countries should be given special consideration. Where restraints are applied, more favourable treatment should be given to these countries in terms of quotas, growth rates and flexibility in view of the importance of such trade to these countries, having due regard to the provisions of Annex B.
- (d) The provisions of Annex B relating to exceptional circumstances and cases should be applied sparingly to exports from new entrants, small suppliers and trade in cotton textiles of cotton producing developing countries.
- (e) Any restraints envisaged on exports from new entrants, small suppliers and cotton textile producing countries shall take into account the treatment of similar exports from other participants, as well as non-participants in terms of Article 8, paragraph 3.

13. The Committee recalled that consideration is to be given to special and differential treatment which should be accorded to trade referred to in Article 6, paragraph 6.

14. Participants agreed to co-operate fully in dealing with problems relating to circumvention of the Arrangement, in the light of the provisions of Article 8 thereof. It was agreed that the appropriate administrative action referred to in Article 8, paragraph 2, should in principle, where evidence is available regarding the country of true origin and the circumstances of circumvention, include adjustment of charges to existing quotas to reflect the country of true origin; any such adjustment together with its timing and scope being decided in consultation between the countries concerned, with a view to arriving at a mutually satisfactory solution. If such a solution is not reached any participant involved may refer the matter to the TSB in accordance with the provisions of Article 8, paragraph 2.

15. In pursuance of the objective of trade liberalization embodied in the Arrangement, the Committee reaffirmed the need to monitor adjustment policies and measures and the process of autonomous adjustment in terms of the provisions of Article 1, paragraph 4. To this end, the Committee decided that a Sub-Committee should be established to carry out activities previously performed by the Working Group on Adjustment Measures and to make a periodic review of developments in autonomous adjustment processes and in policies and measures to facilitate adjustment, as well as in production and trade in textiles, on the basis of material and information to be provided by participating countries. The Sub-Committee would report periodically to the Textiles Committee to enable that Committee to fulfil its obligations under Article 10, paragraph 2.

16. Participating countries reaffirmed their commitment to the objectives of the expansion of trade, reduction of barriers to such trade and the progressive liberalization of world trade in textile products, while recognizing that these objectives also depend importantly upon matters outside the scope of the Arrangement, such as the reduction of tariffs.

17. In the context of the phasing out of restraints under the Arrangement, priority attention would be given to sectors of trade, e.g., wool tops, and suppliers for which the Arrangement provides for special and more favourable treatment as referred to in Article 6.

18. The participants reaffirmed the importance of the effective functioning of the two organs of the Arrangement, the Textiles Committee and the TSB, in their respective areas of competence. In this context, the participants emphasized the importance of the responsibilities of the TSB as set forth in Article 11 of the MFA.

19. The participants also reaffirmed that the rôle of the TSB is to exercise its functions as set out in Article 11 so as to help ensure the effective and equitable operation of the Arrangement and to further its objectives.

20. The Committee recognized the need for close co-operation among participants for the effective discharge of the TSB's responsibilities.

21. The participants also noted that, should any participant or participants be unable to accept the conclusions or recommendations of the Textiles Surveillance Body, or should, following its recommendations, problems continue to exist between the parties, the procedures set forth in Article 11, paragraphs 8, 9 and 10 are available.

22. The participants reaffirmed the importance of Article 7 to the effective operation of the Arrangement.

23. It was felt that in order to ensure the proper functioning of the MFA, all participants should refrain from taking measures on textiles covered by the MFA, outside the provisions therein, before exhausting all the relief measures provided in the MFA.

24. Taking into account the evolutionary and cyclical nature of trade in textiles and the importance both to importing and exporting countries of prior resolution of problems in a constructive and equitable manner for the interest of all concerned, and on the basis of the elements mentioned in paragraphs 1 to 23 above, which supersede in their totality those adopted on 14 December 1977, the Textiles Committee considered that the Arrangement in its present form should be extended for a period of four years and seven months, subject to confirmation by signature as from 22 December 1981 of a Protocol for this purpose.

B-1

Appendix B

Documents

COMMITTEE ON FINANCE
SUBCOMMITTEE ON INTERNATIONAL TRADE

Hearing on State of the U.S. Textile Industry

Tuesday, September 18, 1984, 9:30 a.m.
Room SD-215 Dirksen Senate Office Building

WITNESS LIST

A panel, consisting of:

- Mr. Harry Huff, Monsanto Fibers, St. Louis, Missouri, on behalf of the Man-made Fiber Producers Association, Inc., Washington, D.C.
- Mr. W. Ray Shockley, Executive Vice President, American Textile Manufacturers Institute, Washington, D.C.
- Mr. Duke Barr, Chairman of the Board, National Cotton Coalition, Memphis, Tennessee; accompanied by Mrs. Cornelia Swayze, on behalf of the National Wool Growers Association, Washington, D.C. and Mr. Carl Priestland, Director of Economic Information and Trade, American Apparel Manufacturers Association, Washington, D.C.

A panel, consisting of:

- Mr. Sol C. Chaikin, President, International Ladies' Garment Workers' Union, New York, New York
- Mr. Murray H. Finley, President, Amalgamated Clothing and Textile Workers Union, Washington, D.C.

A panel, consisting of:

- Mr. Thomas A. Hays, Vice Chairman, The May Department Stores Co., St. Louis, Missouri
- Mr. Sim Gluckson, Chairman, American Association of Exporters and Importers/Textile and Apparel Group, New York, New York
- Mr. David Seiniger, President, Marisa Christina, New York, New York
- Mr. Malcolm L. Sherman, President, Zayre Corporation, Framingham, Massachusetts on behalf of the Retail Industry Trade Action Coalition, Washington, D.C.

A panel, consisting of:

Mr. Earl Pryor, President, National Association of Wheat Growers, Washington, D.C.

Mr. Jerry Franz, Vice President for Legislative Affairs, National Corn Growers Association, Washington, D.C.

A panel, consisting of:

Mr. Richard H. Fink, Professor, George Mason University, President, Citizens for a Sound Economy, and President, Council for a Competitive Economy, Washington, D.C.

Mr. Stanley Nehmer, President, Economic Consulting Services, Inc., Washington, D.C.

Mr. Sidney Pulitzer, Chairman of the Board, Wembley Ties, New Orleans, Louisiana, and Chairman, Neckwear Association of America, New York, New York

W/L 84-172

United States Senate
COMMITTEE ON FOREIGN RELATIONS

AGENDA

TEXTILE AND APPAREL IMPORTS - FREE TRADE OR UNFAIR TRADE?

Wednesday, September 26, 1984

10:00 a.m., SD-419

WITNESSES:

Panel I

Mr. John G. Young
Chairman of the Board and President
Jay Garment Company
and Second Vice Chairman of the Board
American Apparel Manufacturing Association
Portland, Indiana

Mr. Murray Finley, President
Amalgamated Clothing and Textile Workers Union
New York, New York

Mr. Sol C. Chaikin, President
International Ladies' Garment Workers' Union
New York, New York

Panel II

Mr. Simeon Gluckson
c/o Daniels, Houlihan and Palmeter, P.C.
National Place
Washington, D. C.

Mr. Carl Swenson, Executive Vice President
Wheat Growers Association
Washington, D. C. 20002

Mr. Colton Hand, Member
Board of Consumers for World Trade
Washington, D. C.

Mr. Angelo R. Arena, Chairman and Chief Executive Officer
Hutzler Brothers Company
Baltimore, Maryland

Subcommittee on International Economic Policy
Full Committee invited/OPEN

Memorandum Establishing the Textile Trade Policy Group.
June 6, 1975

[Dated June 5, 1975. Released June 6, 1975]

Memorandum for: the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Special Representative for Trade Negotiations, the Director, Office of Management and Budget, the Chairman, Council of Economic Advisers, the Executive Director of the Council on International Economic Policy, the Assistant to the President for National Security Affairs, the Executive Director of the Domestic Council

This memorandum supersedes the memorandum of March 3, 1972 which established a Special Working Group for Textile Trade Policy within the Council on International Economic Policy. That Special Working Group is hereby terminated and a new working group is hereby established in lieu thereof. This new working group will be chaired by the Special Representative for Trade Negotiations and will, in addition, consist of Under Secretaries of State, the Treasury, Agriculture, Commerce and Labor and the Executive Director of the Council on International Economic Policy. The chairman and each member of the Group may designate a senior policy official from their respective agencies to serve as an alternate member of the Group.

The duties of this new working group, hereinafter referred to as the Textile Trade Policy Group, are as follows:

1. Advise generally with respect to policies affecting actions by the United States concerning international trade in textiles and textile products under Section 204 of the Agricultural Act of 1956, as amended, and other laws.
2. Establish procedures by which the Committee for the Implementation of Textile Agreements shall, under the policy guidance of the Textile Trade Policy Group, take actions with respect to the rights and obligations of the United States under Articles 3 and 8 of the Arrangement Regarding International Trade in Textiles, and with respect to any other matter affecting textile trade policy.
3. Develop policy proposals with respect to the negotiation of additional bilateral and multilateral textile trade agreements.
4. Authorize and provide for the negotiation of bilateral agreements regarding international trade in textiles which it determines to be appropriate with representatives of governments of foreign countries.

The Committee for the Implementation of Textile Agreements will submit to the Textile Trade Policy Group such reports and recommendations concerning textile trade policy and the implementation of textile trade agreements as the Textile Trade Policy Group may request.

The Committee for the Implementation of Textile Agreements, acting through its chairman, will continue to supervise the implementation of rights and obligations of the United States under textile trade agreements.

GERALD R. FORD

Executive Order 11651

March 3, 1972

Textile Trade Agreements

By virtue of the authority vested in me by Section 204 of the Agricultural Act of 1956 (76 Stat. 104), as amended (7 U.S.C. 1854), and section 301 of title 3 of the United States Code, and as President of the United States, it is hereby ordered as follows:

SECTION 1. (a) The Committee for the Implementation of Textile Agreements (hereinafter referred to as the Committee), consisting of representatives of the Departments of State, the Treasury, Commerce, and Labor, with the representative of the Department of Commerce as Chairman, is hereby established to supervise the implementation of all textile trade agreements. It shall be located for administrative purposes in the Department of Commerce. The President's Special Representative for Trade Negotiations, or his designee, shall be a non-voting member of the Committee.

(b) Except as provided in subsection (c) of this section, the Chairman of the Committee, after notice to the representatives of the other member agencies, shall take such actions or shall recommend that appropriate officials or agencies of the United States take such actions as may be necessary to implement each such textile trade agreement: Provided, however, that if a majority of the voting members of the Committee have objected to such action within ten days of receipt of notice from the Chairman, such action shall not be taken except as may otherwise be authorized.

(c) To the extent authorized by the President and by such officials as the President may from time to time designate, the Committee shall take appropriate actions concerning textiles and textile products under Section 204 of the Agricultural Act of 1956, as amended, and Articles 3 and 6 of the Long Term Arrangement Regarding International Trade in Cotton Textiles done at Geneva on February 9, 1962, as extended, and with respect to any other matter affecting textile trade policy.

SEC. 2. (a) The Commissioner of Customs shall take such actions as the Committee, acting through its Chairman, shall recommend to carry out all agreements and arrangements entered into by the United States pursuant to Section 204 of the Agricultural Act of 1956, as amended, with respect to entry, or withdrawal from warehouse, for consumption in the United States of textiles and textile products.

(b) Under instructions approved by the Committee, the Secretary of State shall designate the Chairman of the United States delegation to all negotiations and consultations with foreign governments undertaken with respect to the implementation of textile trade agreements pursuant to this Order. The Secretary of State shall make such representations to foreign governments, including the presentation of diplomatic notes and other communications, as may be necessary to carry out this Order.

SEC. 3. Executive Order No. 11052 of September 28, 1962, as amended, and Executive Order No. 11214 of April 7, 1965, are hereby superseded. Directives issued thereunder to the Commissioner of Customs shall remain in full force and effect in accordance with their terms until modified pursuant to this Order.

SEC. 4. This Order shall be effective upon its publication in the FEDERAL REGISTER.

RICHARD NIXON

THE WHITE HOUSE,
March 3, 1972.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

December 16, 1983

STATEMENT BY THE PRINCIPAL DEPUTY PRESS SECRETARY

To address the textile and apparel industry's concerns with respect to U.S. textile trade policy and procedures, the Administration will:

Utilize additional criteria for addressing import increases in categories not presently controlled which, if met, will establish a presumption of market disruption or threat thereof. This will be done to ensure that appropriate action regarding market disruption is taken on a more timely and predictable basis. However, if market disruption or threat thereof is not demonstrated, quotas will not be imposed.

The additional criteria which will be used and which raise a presumption of market disruption or threat thereof are:

1. Total growth in imports in that product or category is more than 30 percent in the most recent year, or the ratio of total imports to domestic production in that product or category is 20 percent or more; and
2. Imports from the individual supplier equal 1 percent or more of the total U.S. production of that product or category.

With respect to countries with which we have Export Authorization Arrangements, E-system calls on each supplier will be made on any product or category when export authorizations issued in that particular product or category reach 65 percent of the Maximum Formula Level (MFL), and in the opinion of the Chairman of the Committee for the Implementation of Textile Agreements (CITA) would exceed the MFL if not called, and is in a category with an import to production (I/P) ratio of 20 percent or more, or in categories in which there is a 30 percent or greater increase.

Once any category is restricted after consultations under the textile import program, the Committee for the Implementation of Textile Agreements (CITA) shall take action to ensure that it shall under ordinary circumstances, remain under control for the life of the bilateral agreement that governs our textile relations with the called country.

Executive Order 12475 of May 9, 1984

Textile Import Program Implementation

By the authority vested in me as President by the Constitution and laws of the United States of America, including Section 204 of the Agricultural Act of 1956, as amended (76 Stat. 104, 7 U.S.C. 1854), and Section 301 of Title 3 of the United States Code, and in order to prevent circumvention or frustration of multilateral and bilateral agreements to which the United States is a party and to facilitate efficient and equitable administration of the United States Textile Import Program, it is hereby ordered as follows:

Section 1. (a) In accordance with policy guidance provided by the Committee for the Implementation of Textile Agreements (CITA), through its Chairman, in accordance with the provisions of Executive Order No. 11651, as amended, the Secretary of the Treasury shall issue regulations governing the entry or withdrawal from warehouse for consumption of textiles and textile products subject to Section 204 of the Act.

(b) Initial regulations promulgated under this section shall be promulgated no later than 120 days after the effective date of this order.

(c) To the extent necessary to implement more effectively the United States textile program under Section 204, such regulations shall include:

(i) clarifications in, or revisions to, the country of origin rules for textiles and textile products subject to Section 204 in order to avoid circumvention of multilateral and bilateral textile agreements;

(ii) provisions governing withdrawals from a customs bonded warehouse of articles subject to this Order transformed, changed or manipulated in a warehouse after importation but prior to withdrawal for consumption; and

(iii) any other provisions determined to be necessary for the effective and equitable administration of the Textile Import Program.

(d) Any such regulations may also include provisions requiring importers to provide additional information and/or documentation on articles subject to this order which are determined to be necessary for the effective and equitable administration of the Textile Import Program.

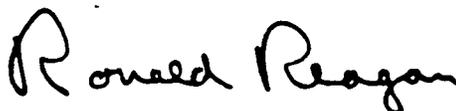
Sec. 2. (a) The Commissioner of Customs shall establish Textile and Apparel Task Force (the Task Force) within the United States Customs Service to coordinate enforcement of regulations concerning importation under the Textile Import Program.

(b) CITA, through its Chairman, shall, in accordance with the provisions of Executive Order No. 11651, as amended, provide information and recommendations to the Task Force, through the Department of the Treasury, on implementation and administration of the Textile Import Program.

(c) The Department of Treasury shall, to the extent practicable, inform the Chairman of CITA of the progress of all investigations concerning textile imports; provide notice to CITA of all requests for rulings on matters that could reasonably be expected to affect the implementation of the Textile Import Program; and take into consideration any comments on such requests that CITA, through its Chairman, timely submits.

Sec. 3. This order supplements, but does not supersede or amend, Executive Order No. 11651 of March 3, 1972, as amended.

Sec. 4. This order shall be effective upon its publication in the Federal Register.



THE WHITE HOUSE,
May 9, 1984.

DEPARTMENT OF THE TREASURY

Customs Service

**19 CFR Parts 6, 12, 18, 19, 141, 143, 144,
and 146**

[T.D. 85-38]

**Customs Regulations Amendments
Relating to Textiles and Textile
Products**

AGENCY: Customs Service, Treasury.

ACTION: Final rule.

SUMMARY: Section 204 of the Agricultural Act of 1958 grants authority to the President to negotiate agreements with foreign governments limiting exports of textiles and textile products from such countries into the U.S. The Act also grants authority to issue regulations governing the entry into the U.S. of articles covered by the agreements. This regulation amends the Customs Regulations to prevent

circumvention or frustration of visa or export license requirements contained in multilateral and bilateral agreements to which the U.S. is a party in order to facilitate the efficient and equitable administration of the U.S. Textile Import Program.

DATE: This regulation is effective on April 4, 1985.

FOR FURTHER INFORMATION CONTACT:

Operational Aspects:

Parts 6, 18: Kent Parsell; Inspection and Control Division (202-566-2140);

Parts 12, 141, 143: William L. Marchi; Duty Assessment Division (202-566-2957);

Parts 19, 144, 146: John Holl, Office of Cargo Enforcement Facilitation (202-566-8151);

Legal Aspects:

Entry Matters: Jerry Laderberg, Entry Procedures and Penalties Division (202-566-5765);

Classification Matters: Philip Robins, Classification and Value Division (202-566-8181);

U.S. Customs Service, 1301 Constitution Avenue NW., Washington, D.C. 20229.

SUPPLEMENTARY INFORMATION:

Background

In order to implement import policies with respect to textiles and textile products, Congress provided authority to the President to negotiate textile restraint agreements in section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854), and authority to carry out such agreements by issuing regulations governing the entry of merchandise covered by the agreements into the United States.

In December, 1973, representatives of 50 nations meeting under the General Agreement on Tariff and Trade (GATT) aegis, negotiated the Multi-Fiber Arrangement Regarding International Trade in Textiles. The arrangement is usually known as the Multi-Fiber Arrangement, or MFA, and came in force on January 1, 1974. It was subsequently renewed and next expires on July 31, 1986.

Under the MFA, the U.S. has negotiated numerous bilateral restraint agreements. The U.S. also has several bilateral agreements with MFA non-signatories. The Committee for the Implementation of Textile Agreements (CITA) was established by Executive Order 11651 on March 3, 1972, to supervise the implementation of textile agreements. The future administration of these agreements was severely jeopardized by the decision of the United States Court of International

Trade in *Cardinal Glove Co., v. United States*, 4 C.I.T. 41, which concluded that, absent specific regulatory authority to the contrary, the bilateral textile agreement at issue therein was applicable only to textile products in which the agreement country was the "country of exportation." Furthermore, the U.S. Customs Service was faced with an ever increasing number and variety of instances where attempts had been made to circumvent the textile import program.

In part because of these problems and in order to prevent circumvention or frustration of the various multilateral and bilateral agreements to which the U.S. is a party and to facilitate efficient and equitable administration of the U.S. Textile Import Program, the President signed Executive Order 12475 on May 9, 1984. Under the Executive Order the Secretary of the Treasury was required to promulgate regulations governing the entry of textiles and textile products subject to section 204, Agricultural Act of 1956 within 120 days of the May 11, 1984, effective date of the Executive Order. Interim Customs Regulations implementing the Executive Order were published in the Federal Register on August 3, 1984 as T.D. 84-171 (49 FR 31248). Customs further requested public comment on the interim regulations. Over 650 comments were received in response to the solicitation of comments. A discussion of the interim regulations, comments received, changes made to the interim regulations during the comment period and further changes made by this document as a result of the comments are set forth below.

Discussion of Comments

Section 12.130

The interim regulations amended Part 12, Customs Regulations (19 CFR Part 12), by adding a new § 12.130 which provided specific regulatory authority mandating that "country of origin" rules be applied in determining whether textiles or textile products are subject to any of the multilateral or bilateral textile agreements negotiated by the U.S. pursuant to section 204, Agricultural Act of 1956.

For purposes of § 12.130, paragraph (a) defined country of origin. Under that paragraph, textiles or textile products subject to section 204, Agricultural Act of 1956, imported into the customs territory of the U.S. are a product of a particular foreign territory or country insular possession or of the U.S. if the article is wholly the growth, product, or manufacture of that foreign territory or country or insular possession. In the case of an article which consists, in

whole or in part, of materials which originated or were processed in another foreign territory or country, the article must have been substantially transformed by means of a substantial manufacturing or processing operation into a new and different article of commerce with a name, character, or use distinct from the article or material from which it was so transformed to be a product of the latter territory or country or insular possession.

Paragraph (b) of interim § 12.130 listed criteria for determining whether there has been a substantial manufacturing or processing operation and whether a new and different article has resulted. It was indicated that the criteria set forth were not meant to be exhaustive. As the circumstances warrant, fewer than all, or additional factors could be considered determinative. However, paragraph (b) specifically stated that no article or material would be considered to have been substantially transformed in a particular foreign territory, country, or insular possession of the U.S. by virtue of having merely undergone any of the following: (i) simple combining or packaging operations, (ii) joining together by sewing, looping, linking or other means of attaching otherwise completed component parts, (iii) cutting or otherwise separating of articles from materials which have previously been marked with cutting lines or which contain lines of demarcation of any type, commercially requiring that material to be cut in a certain manner, or (iv) processing, such as dyeing, printing, showerproofing, superwashing, or other finishing operations.

It was stated that to determine whether there has been a substantial manufacturing or processing operation under paragraph (b)(2) a comparison would be made between the article or material before the manufacturing or processing operation and the article in its condition after the manufacturing or processing operation. The following criteria would be considered under paragraph (b)(2):

- (i) Material costs,
- (ii) Direct labor costs,
- (iii) Other direct processing or manufacturing costs,
- (iv) Time involved in the manufacturing or processing operation,
- (v) Complexity of the manufacturing or processing operation,
- (vi) Level or degree of skill or technology required in the manufacturing or processing operation,
- (vii) Physical change of the material or article at each stage in the manufacturing or processing operation.

Paragraph (b)(3) of the interim regulation set forth criteria which would be used to determine whether, as a result of the manufacturing or processing operation, a new and different article has been produced. These criteria included such things as a change in (i) commercial designation or identity, (ii) essential character, (iii) commercial use.

To ensure that appropriate facts are available and to assist otherwise in the identification of the country of origin, the interim regulation provided that all importations of textiles or textile products subject to section 204, be accompanied by a declaration. If the textiles or textile products are wholly the growth, product, or manufacture of a single foreign territory or country or insular possession, the declaration set forth in paragraph (c)(1) of the interim regulation was required. If the textiles or textile products were subjected to manufacturing or processing operations in more than one foreign country or territory or insular possession, the declaration set forth in paragraph (c)(2) was required. The declaration required a description of the manufacturing and/or processing operations, materials used, costs involved and the identity of the country, territory or insular possession involved. In some cases, where mixed shipments are involved both declarations would be required. The interim regulations stated that the declaration(s), could be prepared by the manufacturer, producer, exporter or importer, and must be filed with the entry. If multiple manufacturers, producers, or exporters are involved, the interim regulations indicated that a separate declaration prepared by each could be filed with the entry. Under the interim regulations the determination of country of origin would normally be based upon the information contained in the declaration(s). The declaration(s) would not be treated as a missing document for which a bond could be filed. The interim regulations stated that entry of the merchandise would be denied unless accompanied by the declaration(s).

Customs recognized that importers would not be in a position to always get sufficient information to complete the declaration(s). Accordingly, under paragraph (d) of the interim regulations, if the district director determined that the information required by the declaration(s) was incomplete or insufficient and the importer was unable to provide the required information, the importer could submit to Customs with the declaration(s), a certification which stated that in the exercise of due

diligence he was unable to obtain all of the information required.

If the district director was unable to determine the country of origin because of incomplete or insufficient information in the declaration, under the provisions of paragraph (e) of the interim regulations, release of the merchandise from Customs custody would be denied until a determination of country of origin was made based upon the best information available. In this regard, the interim regulations authorized the district director to consider the experience and costs of domestic industry in similar manufacturing or processing operations.

The interim regulation went on to state that although the rule of origin set forth in § 12.130 would determine the country of origin of textiles and textile products subject to section 204, the rule did not change the "foreign article" status of textiles or textile products under Headnote 2, Part 1, Schedule 8, TSUS (19 U.S.C. 1202). Under Headnote 2 any product of the U.S. which is returned after having been advanced in value or improved in condition abroad by any process of manufacture or other means, or any imported article which has been assembled abroad in whole or in part of products of the U.S., will be treated for purposes of the Tariff Act of 1930, as amended, as a "foreign article".

Date of exportation was defined in paragraph (f) of the interim regulation. Under this paragraph, for quota, visa or export license requirements and statistical purposes, the date of exportation for textiles and textile products, subject to section 204, was established as the date the vessel or carrier left the last port in the country of origin as defined by § 12.130. Contingency of diversion in another foreign territory or country would not change the date of exportation for quota, visa or export license requirements or for statistical purposes. The inclusion of this definition was necessary to ensure enforcement of the date of export provisions contained in various bilateral agreements.

Numerous comments were received with respect to the provisions of § 12.130. These comments fell into the following areas:

Insular Possessions

Many of the commenters expressed the belief that the interim regulation was inconsistent with the language and intent of General Headnote 3(a), TSUS, relating to products of insular possessions. The commenters stated that the legislative history of that Headnote indicates Congress wanted to encourage light industry and assembly

operations in the insular possessions. Moreover, certain commenters pointed out that the preferences under General Headnote 3(a) are destroyed by repealing a statutory 50 percent test and imposing a new origin test. Other commenters noted an apparent conflict between section 204 which authorizes negotiations with foreign governments and regulation of trade with foreign countries and the Territorial Clause of the U.S. Constitution encompassing insular possessions which are considered to be part of the U.S. In addition, one commenter mentioned that the interim regulation is in contravention of an established practice whereby an article is considered to be a product of an insular possession within the meaning of General Headnote 3(a), TSUS, if substantial processing operations are performed in the insular possession. Another commenter opposed exemption of the insular possessions on the grounds that textile operations would be established in the insular possessions to avoid quota.

First, it should be pointed out that neither the interim nor the final regulation changes in any way the requirements of General Headnote 3(a), which grants preferential tariff treatment to insular possessions of the U.S. By the wording of that Headnote, to achieve the preferential tariff treatment, merchandise must both be the growth or product of the insular possession and satisfy a specified percentage of its value derived from that insular possession. Section 12.130 is concerned only with defining whether, in the case of General Headnote 3(a), merchandise is the growth or product of an insular possession. It does not, as one commenter noted, regulate imports from insular possessions, but, rather provides a rule of origin which allows Customs to determine in which foreign territory or country, or insular possession imported merchandise actually originated. To achieve this result, the regulations must cover all foreign territories or countries, or insular possessions outside the U.S. customs territory. General Headnote 2, TSUS, indicates that the customs territory of the U.S. includes only the states, the District of Columbia, and Puerto Rico. Therefore, the regulations apply to textiles and textile products that are imported into the customs territory of the U.S. from the insular possessions. To exempt the insular possessions from coverage under the regulations would grant them a preferential status not authorized by law.

applicability to U.S. Articles Sent abroad

Various comments were received concerning the treatment of articles assembled abroad from U.S. components and imported under Item 807.00, TSUS. The proviso contained in § 12.130(a) of the interim regulations reflects the intent to retain the "foreign article" status of textiles or textile products under Headnote 2, Part 1, Schedule 8, TSUS. Several commenters noted that the "foreign article" proviso in the interim regulations conflicts with the rule of origin contained in § 12.130. Other commenters requested confirmation that the quota status of 807 and non 807-merchandise cut in the U.S. and assembled in a foreign country remains unaffected by § 12.130. Some commenters suggested amending the interim regulations to provide that textiles processed from U.S. components that have not been substantially transformed whether or not subsequently entered under 807 procedures are not subject to quotas. Other commenters suggested that reliance on Headnote 2, Part 1, Schedule 8 is not sufficient to ensure that the "foreign article" status of textiles and textile products entered under Schedule 8 is applicable for purposes of section 204.

Headnote 2, Part 1, Schedule 8, TSUS, provides that any product of the U.S. which is returned after having been advanced in value or improved in condition abroad, or assembled abroad shall be a foreign article for the purposes of the Tariff Act of 1930. Customs agrees that the applicability of the proviso in § 12.130(a) of the interim regulations is not sufficiently clear and should be amended.

The language of Headnote 2, Part 1, Schedule 8, is clear and unambiguous. It applies, without regard to degree of advancement in value, improvement in condition, or assembly, to such merchandise for duty and marking purposes. It is recognized that it is not, on its face, applicable to matters, such as country of origin determinations for quota purposes, which do not fall within the purview of any of the provisions contained in the Tariff Act of 1930, as amended.

Customs believes that Congress, by using similar language in statutes dealing with the origin of merchandise, clearly intended that there should be only one rule for determining the country of origin of merchandise, without regard to the particular statute requiring that determination. Therefore, it is believed that Congress did not intend for Customs to apply one rule of

origin for duty and marking purposes and a different rule of origin for the purposes of section 204. In order to avoid this inconsistency, the proviso concerning the foreign status of U.S. articles sent abroad has been amended to state clearly that although Headnote 2 is not directly applicable to merchandise subject to section 204, Customs will apply the headnote to that merchandise in order to achieve the Congressionally intended result of a single rule for determining the country of origin of imported merchandise.

Customs recognizes that the language of Headnote 2 sets out a principle of origin that is not consonant with the original rules contained in the interim regulations. In this regard, Headnote 2, in and of itself, is not a rule of origin; rather, it is a statutory enactment by the Congress exempting a certain class of merchandise from the normal rules of origin. In order to achieve a single rule of origin, Customs believes that it is appropriate to extend this exemption to merchandise subject to section 204.

Customs also has been advised by the CITA that when the various bilateral agreements to which the U.S. is a party were negotiated, merchandise classifiable in item 807.00, TSUS (i.e. U.S. products assembled abroad) was considered for quota, visa, and export license purposes to be a product of the assembling country and not the U.S.

The final rule incorporates the modified language relating to Headnote 2, Part 1, Schedule 8, TSUS, in a new section 12.130(c).

Finishing Operations

Many commenters criticized the interim regulations on the grounds that finishing operations on greige goods are significant and substantial manufacturing processes that create a new and distinct final product. Other commenters pointed out that printing requires sophisticated machinery and advanced design. Some commenters suggested that § 12.130(b)(4) of the interim regulations refers to specific dyeing or printing operations and not to the entire process by which greige goods are transformed.

Other commenters in opposition observed that the term "other finishing operations" lacks precision. Several commenters noted that showerproofing and superwashing can be marginal operations, but the term "finishing" usually connotes sophisticated processing. One commenter recommended that a substantial transformation should not result from "minor processing, such as showerproofing and superwashing, which merely alter previously finished

fabric or yarn". Some commenters pointed out that the courts have long recognized that finishing can result in a new and different article of commerce. In their view, the application of a *per se* rule with regard to finishing is contrary to law. One commenter observed that dyeing and printing adds 100 percent value to greige goods. This same commenter noted that dyeing and printing is considered by the European Economic Community (EEC) to connote origin.

Customs believes it is appropriate to amplify on the dyeing or printing example in the interim regulations to provide better guidance on the type or types of operations that will result in a change in the country of origin. Three examples concerning finishing operations have been inserted in the final regulations which are more specific and convey Customs views that, in the case of fabrics, usually any finishing operations short of a combination of both dyeing and printing together with at least two other major finishing operations will not result in a substantial transformation of the fabric.

To satisfy the objections of some commenters that certain marginal processing should not result in a substantial transformation, Customs has added language in § 12.130(e)(2) in the final rule indicating that dyeing or printing, or dyeing and printing of fabrics and yarns, or one or more finishing operations on yarns, fabrics, or garments, such as showerproofing, superwashing, bleaching, decating, fulling, shrinking, mercerizing, or similar operations, will not usually result in a substantial transformation.

Very few commenters touched on yarns and, therefore, that area was not addressed in the examples in the final rule of what finishing operations yarns must be subjected to in order to have a change in their country of origin. This area, as any other factual situation not specifically set out in the regulations, will be ruled upon by Customs in accordance with the general principles of origin in § 12.130, as the situations arise.

It is axiomatic, moreover, that because of the evolution of country of origin principles, as evidenced by longstanding American judicial and administrative precedent, it is not proper to resort to other countries or organizations rules of origin, such as the EEC, in defining U.S. rules of origin.

Cutting

Numerous commenters deem the concept of country of origin in the interim regulations to constitute a

critical decisions from longstanding judicial precedents and existing administrative practice.

A considerable number of commenters regard cutting of fabric as a minor process in relation to the manufacture of a garment. Other commenters stated that cut parts are not articles of commerce even though a new and different article is created. Quite apart from this view are the statements of some commenters that cutting by itself, which requires great skill, can be a substantial transformation. Some commenters recommended removing the distinction between marked and unmarked fabric, because they consider marking a minor operation. This approach as noted by some commenters, is fully consistent with *Belcrest Linens v. United States*, Appeal No. 84-734 (Fed. Cir. August 21, 1984), in which the court found that the cutting and sewing operations which occur in the manufacturing of a pillowcase subsequent to the marking of fabric, resulted in a new and different article. The same commenters go on to say that the court indicated the marking of the fabric did not result in a dedication to use of the fabric as pillowcases.

Those commenters who contend that cutting does not substantially transform fabric misconstrue the principle of substantial transformation derived from court decisions and administrative practice. Cutting garment parts from fabric will result in a substantial transformation of the fabric. This is not to say, however, that the cut pieces will not undergo a later substantial transformation. Axiomatic to Customs definition of country of origin is the notion that in the case of textiles and textile products which consist of materials produced or derived from, or processed in, more than one foreign territory or country, or insular possession, the imported merchandise shall be a product of that foreign territory or country, or insular possession, where it last underwent a substantial transformation (see § 12.130(b) of the final rule).

In determining the country of origin of pre-marked fabric that is further processed in one or more countries, Customs will be guided by the facts in each particular case and by the principles developed in the *Belcrest Linens* decision and contained in § 12.130.

In this regard Customs has included two examples in §§ 12.130(e)(1)(iv) and (e)(2)(ii) in the final regulations which specifically deal with cutting. The first example is where fabric is cut into component parts and those parts are assembled in the same country into a

completed article. In that example, the country where the article is cut and assembled is the country of origin of that article. The second example is where fabric which is readily identifiable as being intended for a particular commercial use (e.g. towelling or bed linen material) is merely cut to length or to width, with the edges then being either hemmed or overlocked. In this example, the foreign territory or country, or insular possession which produced the fabric is the country of origin, and not the country where the fabric was cut.

Uniform and Established Practice

A number of commenters have pointed out that the interim regulations, in effect, change various uniform and established practices and marking requirements. Section 315(d), Tariff Act of 1930, as amended (19 U.S.C. 1315(d)), provides that Customs may not administratively change an established and uniform practice of classification if that change will result in the imposition of a higher rate of duty without a publication in the *Federal Register* providing at least a 30-day notice of such change. Section 177.10(c), Customs Regulations (19 CFR 177.10(c)), further requires that a preliminary notice be published in the *Federal Register* giving interested parties an opportunity to make written submissions with respect to the correctness of the proposed change. It is contended that the interim regulations are violative of both the statute and the regulation.

The interim regulations and the final regulations have as their authority section 204, which authorizes the President to enter into international agreements to control the importation of textiles and textile products and to issue regulations to effectuate those agreements. In order to avoid circumvention of our international agreements, the President, by Executive Order 12475 of May 9, 1984, directed the Secretary of the Treasury to make clarifications in, or revisions to, country of origin rules for textiles and textile products subject to section 204.

Therefore, the origin rules in § 12.130 are effective only for textile restraint purposes. However, it is Customs' view that the origin rules in § 12.130 are derived from Customs' interpretation of various court cases, most particularly *Uniroyal, Inc. v. United States*, 3 C.I.T. 220, 542 F. Supp. 1028 (1982). Therefore, the principles of origin contained in § 12.130 are applicable to merchandise for all purposes, including duty and marking. Nevertheless, Customs recognizes that there are a few instances where the application of those

principles will cause an increase in the rate of duty for merchandise subject to established and uniform practices. In those instances Customs will not apply the principles of origin in § 12.130 for duty purposes until such time as the formalized changes in practice have been effectuated. Customs will also continue its previous marking requirements pending the changes in practice. Section 12.130 will be used in determining the country of origin of textiles and textile products for quota, visa, and export license purposes. This latter application is not prevented by either 19 U.S.C. 1315(d) or § 177.10(d), Customs Regulations, because it does not raise the applicable rate of duty.

Assembly of Knit-to-Shape Garment Parts

Significant differences emerged among the numerous commenters on the issue of the joining together by looping or linking of knit-to-shape panels produced in a single country. Some commenters observed that the essential character and shape of a knit-to-shape garment is derived from the knitting. It was noted, too, that full fashion knit sweaters are produced using a labor intensive process known as "handloom" whereby it takes one skilled laborer a full day to produce the component parts for one sweater. One commenter recommended that for garments made from knit-to-shape components produced in two countries, origin should be defined according to the portion knit in each country. Contrary to these statements are the claims of other commenters who contend that the panels which constitute approximately ten percent of the cost of a completed garment, do not resemble a sweater until they are joined together. Similarly, some commenters assert that the knitting of panels is an uncomplicated process that requires little skill. Compared to knitting, these commenters state that looping is a highly skilled process for which it takes up to 2 years to train an operator on more complicated and costly machines. Furthermore, it is contended that looping and related finishing processes represent proportionately the largest percentage of the total cost of the sweater.

Customs is well aware that the interim regulations have engendered much debate on the subject of the assembly of knit-to-shape components. Customs has thoroughly studied the submitted comments and remains convinced that the joining together by looping, linking, sewing, or other means, of knit-to-shape components produced

in a single country, even when accompanied by other processes (i.e., washing, drying, mending, etc.) normally incident to the assembly process, will not usually cause a substantial transformation. The evidence before us establishes that based on time, value added by processing at each stage, complexity, etc. such an assembly process does not cause the knit-to-shape components to be substantially transformed. The assembly of knit-to-shape component parts is a relatively simple processing operation that does not require a great deal of time. Therefore, one of the examples included in § 12.130(e)(2)(iii) in the final regulations as not constituting a change in the country of origin is the assembly into a completed garment of knit-to-shape component parts.

Assembly by Sewing

Virtually all of the comments received concerning garments made from cut pieces of fabric opposed the interim regulations. Many of the commenters observed that garments made of cut pieces that are sewn together derive much of their style from the multiplicity of small parts and the manner in which they are assembled. Similar statements running through the comments suggested that the essence of a garment is created by joining the pieces together. Consistent with the concept of substantial transformation articulated by the court in *Anheuser-Busch v. United States*, 207 U.S. 556, *Cardinal Glove Co., Inc. v. United States*, 4 C.I.T. 41, and *Uniroyal, supra*, these commenters argued that the sewing of components constitutes a substantial transformation so that the country of assembly is the country of origin of the completed garment. Only the assembly of incidental components, it was recommended, should not result in a substantial transformation. It was proposed that labor costs should not be considered as a criterion in the origin rule, but, rather, for garments assembled from cut pieces, the country of origin should be the country where at least 60 percent of direct labor in minutes of production time is expended in converting the finished fabric into a completed garment. If no country satisfies the 60 percent requirement, then it was suggested the country of origin should be the country where the majority of the labor in minutes was performed.

It is believed that the adoption of an arbitrary rule of origin based solely on the minutes of production in each country would be clearly contrary to judicial precedent. Customs believes that factors such as time, the nature of

the sewing operation, and the skill required to sew together a tailored garment should be considered in determining whether the merchandise was substantially transformed.

After reviewing all the information available, Customs is persuaded that the assembly of all cut pieces making up a garment is sufficiently more complex and requires greater skill, time, and effort, than the assembly of knit-to-shape components into a garment to warrant a distinction between the two assembly operations. Accordingly, Customs believes that the assembly of all the cut pieces of a garment usually is a substantial manufacturing process that results in an article with a different name, character, or use than the cut pieces. It should be noted that not all assembly operations of cut garment pieces will amount to a substantial transformation of those pieces. Where either less than a complete assembly of all the cut pieces of a garment is performed in one country, or the assembly is a relatively simple one, then Customs will rule on the particular factual situations as they arise, utilizing the criteria in § 12.130(d).

To avoid confusion in this area, an example has been inserted in § 12.130(1)(e)(v) of the final regulation which states that a substantial assembly of all the cut pieces of a garment into the completed garment will be a substantial transformation. To further clarify additional examples, of some of the types of garments which Customs believes involve a substantial assembly have been included.

Substantial Transformation Criteria

Several commenters perceived § 12.130(a) of the interim regulations as instituting a two-step test for an article produced by multi-country operations, whereby such an article will be considered to have undergone a substantial transformation if it has been transformed by means of substantial manufacturing or processing operations into a new and different article of commerce.

Other commenters point out that the establishment in the interim regulations of separate criteria for determining substantial manufacturing or processing operations and a new and different article creates an inconsistency to these commenters who believe not all substantial transformations result in a new and different article. They have suggested that the concept of a "new and different article" should be replaced by the phrase "change in character and/or quality".

One commenter pointed out that the criteria for a new and different article

are not found in the *Belcrest Linens* decision. Another commenter suggested eliminating the term "essential" in the phrase "essential character", because the term is defined in the case of *United China & Glass Co. v. United States*, 81 Cust. Ct. 386, C.D. 3637 (1968) as that which is indispensable to an article.

One commenter advised changing "substantial manufacturing or processing operation" to "further work or material", because it is the transformation and not the processing that is important. Some of these commenters argued that the criteria are too subjective and not definitive, because Customs officers may consider additional unstated factors.

There was little disagreement among the commenters that the detailed cost information required for determining whether a substantial manufacturing or processing operation occurred represented an arduous and formidable impediment to importers.

Many commenters opposed the specific provisions in the interim regulations which stated that certain operations would not result in substantial transformations. These commenters contended that the Customs Service is inconsistent by requiring country of origin determinations to be made on the basis of factual evidence and specific criteria, but then stating that certain operations will never result in a substantial transformation.

Customs submits that those commenters who state that Customs has fashioned a new two-step test to determine country of origin for articles produced in multi-country operations have overlooked past court decisions. For example, the court in *Belcrest Linens* stated that the name, character, or use of an article must be changed in order to have a substantial transformation. In determining whether the processing performed on the merchandise in that case constituted a substantial transformation, the court maintained that the issue is "the extent of the operations performed" and whether the merchandise subject to those operations loses its identity by becoming a new article.

In *Uniroyal v. United States*, the court characterized the attachment of the outsole to the upper as a "minor manufacturing or combining process which leaves the identity of the upper intact". The court went on to say that to consider attachments of this kind to be a "substantial transformation" would be to open the door wide to frustration of the entire marking statute.

It follows that the courts have determined that the concepts of a new

and different article and a substantial manufacturing or processing operation are particular aspects of a substantial transformation. In this regard, a specific statement defining substantial transformation in these terms has been inserted into the final regulations (see § 12.130(b)).

In order to provide guidance to both Customs officers who must make decisions on the country of origin of imported merchandise, and all other interested parties, the more important factors to be considered in determining whether merchandise has been subjected to substantial manufacturing or processing operations and whether a new and different article has been produced have been listed in the final regulations (see § 12.130(d)). These criteria are not intended to be all inclusive and any one, a combination, or other factors not listed may be controlling.

Customs agrees that the phrase "essential character" must be modified because of its particular significance in Customs parlance. Therefore, the word "essential" does not appear in the final regulations, and, in its place, the word "fundamental" is used (see § 12.130(d)(1)(ii)).

Customs has been persuaded that the cost information criteria listed in the interim regulations is not readily available to importers and, when that information is furnished by manufacturers, it may not be complete or entirely accurate. Accordingly, although the various costs of producing merchandise may be pertinent in determining the country of origin of that merchandise, the criterion of cost information has been dropped in the final regulations. However, if a district director deems cost information to be necessary to a country of origin determination in a particular case, he may still request the importer, manufacturer, or exporter to furnish that information.

In place of the deleted cost factors, a value added criterion has been inserted in the final regulations (see § 12.130(d)(2)(v)). Where appropriate, Customs will consider the value contributed to the imported merchandise in each country performing processing or manufacturing operations on that merchandise. It is recognized that this information may, in some instances, also be difficult to obtain, but it is believed that it will be much more readily available and more reliable than manufacturers' costs data.

The suggestions by several commenters that the list in the interim regulations of processing or manufacturing operations which do not

constitute substantial transformations be expanded and that positive examples be included have been adopted in the final regulations (see § 12.130(e)(2)). These examples are also intended to provide guidance to Customs officers and other interested parties. Obviously, the examples represent clear factual situations where the country of origin of the imported merchandise is easily ascertainable. The examples are illustrative of how Customs, given factual situations which fall within those examples, would rule after applying the criteria listed in § 12.130(d). Any factual situation not squarely within those examples will be decided by Customs in accordance with the provisions of § 12.130 (b) and (d).

Scope of the Regulations

Relatively few comments were received concerning which tariff items are covered by the regulations. One commenter suggested limiting the scope of the regulations to wearing apparel. Another commenter noted that it is not the intent of the regulations to cover doll clothing. In light of the fact that the MFA was negotiated to prevent market disruption, and doll clothing is not manufactured by domestic industry, this same commenter states that the MFA does not apply to doll clothing. Moreover, this commenter noted that the tariff provision for doll clothing is eligible for duty-free treatment under the Generalized System of Preferences (GSP). Eligibility under GSP is significant according to the commenter because 19 U.S.C. 2463(c)(1)(A) prohibits textile and apparel articles which are subject to textile agreements from the GSP. Another commenter made a similar observation that the inclusion of artificial flowers must have been inadvertent, because artificial flowers are subject to GSP treatment. By contrast, a commenter suggested expanding the coverage of the regulations to include non-MFA fiber products. The commenter believes this is appropriate under section 204 because that section gives the President broad authority to negotiate and implement agreements on all textiles and textile products.

In *Mast Industries, Inc., et al., v. Regan, et al.*, — C.I.T. — Slip Op. 84-111 (October 4, 1984), the court held that section 204 is a valid delegation of power to the President to limit textile imports, and that the interim regulations fall within this delegated authority.

Pursuant to section 204, the U.S. entered into a multilateral international agreement known as the "Arrangement Regarding International Trade in Textiles" (MFA) on January 1, 1974. The

MFA provides a framework for the U.S. to negotiate bilateral agreements to limit textile imports.

Article 12 of the MFA defines the term "textile" to include tops, yarns, piece goods, made-up articles, garments and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, man-made fibers, or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product.

Under Article 12, the term "textiles" is defined to include the subject articles if they are composed of textile materials.

Although these articles are not subject to restraints under current bilateral agreements, restraints may be imposed in the future under the authority of the MFA.

In *Luggage and Leather Goods Manufacturers of America, Inc. and International Leather Goods, Plastics and Novelty Workers' Union, AFL-CIO v. United States et al.*, — C.I.T. — Slip Op. 84-53 (May 11, 1984), the court determined that the MFA is a textile agreement within the meaning of section 2463(c)(1)(A), which is concerned with eligibility requirements for duty-free treatment under GSP. Furthermore, the court found the President's designation of flat goods covered by item 706.39, TSUS, as eligible articles under the GSP was contrary to law.

In sum, the decisions in *Luggage and Leather Goods Manufacturers* and *Mast, supra*, establish that any article that is subject to the MFA may be covered by the interim regulations. Nevertheless, to limit the uncertainty faced by the importer in ascertaining whether merchandise will be subject to the regulations, Customs has included in § 12.130(a) of the final regulations a specific statement concerning the coverage of the regulations. In essence, the new provision provides that the regulations are applicable to a textile or textile article if it is classifiable in any of the tariff item numbers specifically listed in General Headnotes 3(g)(iii)(C)(1), 3(g)(iii)(C)(2), and 3(g)(iii)(E), TSUS, which exempts those textile and textile articles from coverage of the Caribbean Basin Economic Recovery Act (CBERA) (19 U.S.C. 2701 et seq.), and any other TSUS provisions which have been assigned textile category designations. Those TSUS provisions were determined by the President not to be subject to the CBERA because, pursuant to section 2703, CBERA (19 U.S.C. 2703(b)(1)), they

cover textile and apparel articles which are subject to textile agreements.

Customs does not believe the suggestion that the regulations cover non-MFA products has merit. Section 204 authorizes the President to issue regulations to carry out bilateral and multinational agreements that have been entered into pursuant to that section. There are no such agreements which cover non-MFA products. Therefore, there is no authority to include non-MFA products within the scope of these regulations, except insofar as information is required to distinguish those products from MFA products.

Other Country of Origin Comments

A few commenters regard the interim regulations as adding confusion to the area because of various definitions of the term "country of origin" used by GSP, CBI and other programs. Some of these commenters proposed exempting CBI nations and factories that have been established under the existing definition.

The interim regulations governing textiles and textile products which define when an article is considered to be "a product of" a particular country apply to all imports into the customs territory of the U.S. As noted in the discussion on insular possessions, the commenters have failed to recognize that the GSP and CBI statutes each require that merchandise be a "product of" the affected country. The CBI statute uses the phrase "growth, product, or manufacture", which is stated in *Belcrest Linens* to mean "product of". In this regard, the CBI and GSP programs begin from a common point of requiring an article to be "a product of" a specific country.

Customs believes it is improper to exempt, without specific authority, countries or manufacturers from the coverage of these regulations.

One commenter suggested issuing a public notice and comment period for all rulings requesting a country of origin determination, in addition to notifying CITA of such requests.

This proposal cannot be adopted. Section 177.1(d), Customs Regulations (19 CFR 177.1(d)), defines the term "ruling" in the following manner:

(d) Definitions. (1) A "ruling" is a written statement issued by the Headquarters Office or the Regional Commissioner, Region II, that interprets and applies the provisions of the Customs and related laws to a specific set of facts.

Under 5 U.S.C. 551(b) "rule making" is defined as an "agency process for formulating, amending, or repealing a rule". Sections 553 (b) and (c) of title 5, contemplate the application of the

notice and comment period to rule making proceedings and not to requests for rulings of the type covered by Part 177, Customs Regulations.

With specific reference to the comment about advising CITA regarding requests for rulings on country of origin determinations, section 2(c) of Executive Order 12475 states that the Department of Treasury shall, to the extent practicable, inform CITA of all rulings requests on matters that may reasonably affect the Textile Import Program and to take into consideration any comments on such requests that CITA may submit. That requirement of the Executive Order has been complied with administratively. Executive Order 12475 does not require such a procedure to be incorporated in the Customs Regulations and Customs can see no valid purpose to be served by doing so.

Declaration Requirements

Numerous comments were received on the documentary evidence of country of origin requirements set forth in § 12.130 (c) and (d) of the interim regulations. Several commenters stated that the declaration requires the disclosure of confidential business information concerning costs, which if revealed to the importer, could place the manufacturer/exporter at a competitive disadvantage. Some commenters recommended that only a description of the manufacturing or processing operation should be required on the declaration and not cost data.

Based on the comments received and Customs own evaluation it has been decided to modify the declaration requirements. Customs will not require that the direct costs of manufacturing and/or processing operations and cost or value of materials to be set forth on the declaration. If cost information is required by Customs at the time of entry of the merchandise to determine country of origin, the manufacturer or exporter in the country of origin or exportation must be prepared to submit directly to the district director, upon request, all pertinent cost information concerning the production or manufacture of the merchandise. He must also be prepared to provide the district director with any other information (e.g., time involved in the manufacturing or processing operation) considered necessary to determine the country of origin. With the elimination of the cost data requirement, the importer should have no difficulty in obtaining and providing on the declaration a complete description of the manufacturing and/or processing operation performed in each country involved in producing the article. Because of this Customs considers the

importer's certification required by § 12.130(d) of the interim regulations to be unnecessary and has deleted it from the final rule.

Several commenters stated that Customs should establish guidelines for completing the declaration and state which products and types of transactions are subject to the requirements. Other commenters indicated the regulations should apply to products subject to visa requirements. Still others believed non-quota countries should be excluded from the declaration requirements.

Customs believes that guidelines can more properly be addressed in detail in administrative and operational instructions and rulings. With respect to product coverage, as stated earlier a new § 12.130(a) has been added to the final rule which addresses this matter. The country of origin rules and declaration requirements of § 12.130 must apply to textiles and textile products from all countries not just countries with which the U.S. has bilateral agreements or quotas since the rules followed to determine the country of origin are the same for all merchandise. Since merchandise is frequently processed in several countries Customs must have complete information in order to determine the correct country of origin.

One commenter suggested that the declaration be related to the commercial invoice and not the entry since an entry could cover merchandise from more than one declaration. The commenter stated that the manufacturer/exporter who executes the declaration prior to exportation will have no way of relating the declaration to an entry.

Customs agrees that this could be the case. However, upon review it is believed to be the better approach to allow the declaration to be related to either the invoice or entry at the declarant's option. Accordingly, the wording of the declarations have been changed to indicate that the declaration may be related to either the invoice or the entry.

Several commenters stated that they should be authorized to treat the declaration as a missing document for which a bond may be filed.

The main purpose of the textile regulations is to prevent circumvention of multilateral and bilateral agreements. In order to carry out this mandate Customs must have all the necessary documentation prior to release of the merchandise to determine the correct country of origin. The declaration must be presented at the time of entry so that a determination of the country of origin

can be made for quota and or visa purposes, when that is required. In addition, accurate trade statistics are needed for all importations of textiles and textile articles from all countries for monitoring and negotiating purposes. If the importer were allowed to present the declaration anytime after entry and the information reveals a different country of origin from that reported at the time of entry the trade statistics would reflect incorrect information. Also, the additional work involved in backlogging entries and the double handling of documents is too great to permit bonding for the declaration. With elimination of the cost data requirement, there appears little reason why the importer would be unable to provide the declaration at the time of entry. Consequently, the declaration (like the visa or export license) will not be treated as a missing document for which a bond may be filed.

The European Economic Community (EEC) should be considered as a single entity for purposes of filing the declaration thereby permitting the use of the single country declaration for products made in several EEC countries according to some commenters. Other commenters made the same recommendation with respect to the Nordic countries of Finland, Norway and Sweden.

Customs can not adopt this suggestion since a single country of origin must be determined for each imported article. The detailed declaration is necessary to make this determination when several countries are involved in the production of the article. Further, when negotiating textile agreements the U.S. does so with individual countries and not associations of countries.

Other commenters recommended that a third declaration be added for use when goods are cut and sewn in one country from fabric imported from another country. As opposed to this, another commenter wanted to eliminate the declaration requirement in these cut and sew operations.

Even though it may appear that there is no doubt as to the identity of the country of origin in these cases, it is still the responsibility of the Customs officer to make that determination. This can only be done if he has all the facts. Accordingly, Customs has not adopted either suggestion.

The declaration requirement is a non-tariff barrier according to several commenters.

Customs believes the requirement to file a declaration serves a legitimate purpose in ensuring that the correct country of origin is identified for each shipment. Rather than being a non-tariff

barrier it will enable the manufacturer, importer and Customs to be certain of the country of origin and facilitate the release of goods to the importer.

The determination of the country of origin is being transferred exclusively to U.S. authorities according to some commenters. These commenters believe the regulations give substantial discretion to individual U.S. Customs officers and will lead to subjective judgments being made.

Customs officers have always had the final responsibility and authority for determining the country of origin of imported merchandise. The interim regulations did not change that responsibility. In fact, the regulations codify court decisions and Customs administrative rulings thereby allowing greater certainty by all parties in the determination of the country of origin. Further, the district director's decision on origin, if protested, is subject to review by higher authority.

Other commenters stated that trim (underlinings, loops, buttons, sways, tapes, zippers, etc.) should not have to be reported on the declaration as they are insignificant compared to the assembly of the overall garment.

Customs agrees that it is unlikely that trim will be a consideration in determining the country of origin. However, the identification of which items constitute trim is a matter for Customs to determine through the administrative ruling process. This should not be the subject of regulations. Customs has previously stated that trim need not be reported when it is from a country not directly concerned with the manufacture of the product. However, non-textile materials (not trim) must be reported on the declaration.

Many manufacturers ship identical merchandise over extended periods of time and must make repetitive filings of the same declaration. This serves no purpose according to one commenter who recommended that the district director be authorized to waive the production of the declaration. In the alternative the commenter recommended that the importer be permitted to submit one declaration for each product and have the responsibility for updating the data.

Adoption of this recommendation could result in non-uniform application by the various Customs field offices. In addition, it would require each office to keep a separate declaration on file for the thousands of textile manufacturers, exporters, importers, and styles and types of merchandise being imported. This increased workload would be unacceptable. Finally, each entry of

merchandise must stand on its own for entry admissibility purposes.

Where the value of material originating in a second country is *de minimis* (e.g. 5 percent), one commenter believes the short form (single country) declaration would be appropriate. An example of this *de minimis* principle would be where a small label on the textile article is produced in a second country.

Customs is opposed to attempting to establish a *de minimis* criterion at this time. In order to determine the origin of the material that was used in the article, Customs must have all pertinent facts. At some later date it may be appropriate to issue administrative guidelines with respect to the reporting of trim and other minor parts of garments.

According to one commenter shipments of textiles and textile products should be detained only when Customs can demonstrate a clear likelihood that the country or origin reflected in the declaration and/or export license or visa is incorrect.

This suggestion would place an unacceptable burden on Customs. It is incumbent upon the importer to provide the necessary documentary proof of origin.

Several other commenters maintained that requiring the declaration will cause delays in the release of shipments to importers.

With the elimination of the cost requirement from the declaration in the final rule, it should be easy to comply with the declaration requirement. The importer should be able, in most instances, to supply the information, without consulting the manufacturer or exporter. Consequently, delays in releasing shipments should be relatively rare.

Another commenter suggested that Customs allow the use of the single country of origin declaration when raw materials are imported into a country and all manufacturing operations are performed in that country.

Customs has already liberalized the reporting requirements by saying that in most instances, in regard to completed garments the information on the declaration should go back as far as the manufacture of the fabric. In regard to fabric, information on the yarn is required, and if yarn is being imported, the declaration should provide information on the fibers. This information is necessary only if the materials at the preceding stage were imported into the country of manufacture.

The declaration, according to other commenters, should be amended to

require only a simple statement of the country of origin. Customs publication and clarification of the criteria will enable most manufacturers, exporters or importers to declare the correct origin of their products. Companies seeking to avoid quota restrictions will not be deterred by the declaration requirements. The commenters maintain that a single statement of country of origin, subject to Customs audit, will relieve Customs officials of the burden of reviewing the information that must be submitted.

Requiring only a simple statement of origin by the manufacturer would nullify the intent of the regulations which is to provide Customs with sufficient information to make the determination of where the final substantial transformation took place. Far from relieving Customs of a burden the suggestion would require further investigation to make this determination.

Still other commenters maintain that the certificate of origin issued by the exporting country provides a guarantee that appropriate officials of that country have determined the correct country of origin. This certificate should be accepted in lieu of the declaration.

Only U.S. Customs can make the final country of origin decision based on judicial and administrative precedent. The certificate of origin does not provide the information necessary to make that determination.

Customs has received numerous inquiries from the importing public regarding whether a declaration is required with an informal entry. In light of the concern in this area a new paragraph (h) has been added to § 12.130 which states that while a declaration is not required for shipments covered by an informal entry, the district director may require such other evidence of the country of origin as deemed necessary. The provision further states that the filing of the appropriate declaration will be required in a case involving consolidation of individual shipments under §§ 12.131 and 143.22, Customs Regulations (19 CFR 12.131, 143.22).

While no comments were received on § 12.130 (f) of the interim regulations (this section has been redesignated as § 12.130(i) in the final rule) which relates to the date of exportation, Customs believes it worthwhile to repeat the information set forth in the interim regulation relating to the placement of date of exportation data on the Customs Form 7501, Entry/Entry Summary.

The Customs Form 7501, was revised by T.D. 84-129 which was published in the Federal Register on June 5, 1984 (49

FR 23161). As a January 1, 1985, the new Customs Form 7501 has been in use. On the revised form, the date of exportation, as defined by § 12.130, for quota, visa or export license requirements and statistical purposes, will be listed in block 34, the TSUSA, ADA/CVD, IRC rate, and/or visa number block, below the identified visa number. If a visa or export license is not required for the merchandise the date of exportation will be the last item identified for each line item. The alphabetical designation "DOE" will be placed in front of the identified date of exportation.

The foregoing does not change or modify the date of exportation required to be placed in the date of exportation block on the Customs Form 7501.

Even though the date of exportation appears on the revised Customs Form 7501 in block 34, based upon Customs review it has been determined that a need exists for this data on the declaration. Accordingly, Customs has modified the declaration forms to require the date of export from the first country and any subsequent country where further manufacturing and/or processing operations are involved. The final determination of which country is the country of origin for quota/visa purposes, i.e., whether a substantial transformation has taken place in this regard, is the responsibility of Customs and cannot be delegated to the importer. Listing these dates of export on the textile declaration provides Customs with necessary data to verify the importer's date of export declaration on the CF 7501. It insures that Customs will be able to furnish the Commerce Department with more accurate trade statistics for trade policy purposes as well as for its own trade enforcement purposes. At the same time, this requirement benefits the importer since he will seldom have to obtain further information in this matter if Customs questions the date of export shown on the Customs Form 7501.

It has become apparent that a cause of concern to both importers and Customs field officers is the problem of possible delays in the release of non-MFA textiles and textile products from Customs custody. This is due to uncertainties in identifying merchandise subject to the MFA for which a textile declaration is required to be filed prior to release of merchandise and merchandise not subject to the MFA for which, under the interim regulations, no declaration is required.

To assist Customs in distinguishing between the two classes of merchandise, Customs has decided to require the submission of a negative

declaration, prior to release of the shipment, for products not subject to section 204, Agricultural Act of 1958.

Customs examination of merchandise, document review and timely release of cargo will be facilitated by use of the negative declaration. The uncertainty over whether a declaration is required will be removed and the number of shipments detained for documentation purposes and those shipments ordered to be redelivered to Customs will be greatly reduced. This new declaration is set forth in § 12.130(f)(3) of the final rule.

Textile Shipments Under \$250

A new §12.131 was added to Part 12 by the interim regulations. This section requires that separate shipments of textiles and textile products, including samples, the country of origin of which is a country subject to visa or export license requirements, arriving in the customs territory of the U.S. for one consignee on the same conveyance on the same day, the combined value of which is over \$250, to be entered under a formal entry. A consignee for purposes of this section is the ultimate consignee and does not include a freight forwarder or Customs broker not importing for its own account.

These provisions were necessary to prevent the splitting of shipments to circumvent visa or export license requirements. Importers were frequently entering shipments well in excess of \$250 shipped on the same carrier, on the same day, from the same country, but from allegedly different manufacturers and using the informal entry procedures for the split shipments.

For purposes of this section, the interim document stated that separate unincorporated divisions or departments of the same U.S. corporation or company will be treated as one consignee for visa or export license purposes. It was further indicated that separate U.S. corporations of the same U.S. conglomerate will generally be treated as separate entities and therefore, separate consignees. Other forms of business organizations will be handled on a case-by-case basis. It was stated that Customs officers will look at the facts and circumstances involved in the importation before making a final decision.

Numerous comments were received in response to this provision. One commenter stated that textile shipments under \$250 each for separate divisions of the same corporation arriving in the U.S. on the same carrier, the same day, from the same country should be treated as importations for separate consignees for visa or licensing purposes. According

to the commenter there could be freight consolidations for economy in shipping cost only.

Section 12.131 is necessary to prevent the splitting of shipments to circumvent visa or export licensing requirements. The bilateral textile agreements also require that shipments for the same consignee valued over \$250 require a formal visa or export license. In addition, 19 U.S.C. 1484 states that all of the merchandise arriving in the U.S. on the same conveyance for the same consignee must be entered on one entry. Lastly, since separate unincorporated divisions of the same corporation are not separate legal entities, they may not be treated as separate consignees.

While freight consolidations by exporters to reduce cost is an important factor for them it cannot take precedence over the intent of the bilateral agreements and statutory requirements of 19 U.S.C. 1984.

However, if a freight forwarder is a consignee, for purposes of these textile provisions, he may designate a Customs broker to file a consolidated formal entry (where separate under \$250 shipments to various ultimate purchasers are involved). The entry must be accompanied by a visa(s) in the case of countries subject to visa requirements. If the freight forwarder is not the consignee for purposes of these textile provisions, he may not designate a Customs broker to file either a consolidated formal entry or separate informal entries for these under \$250 shipments. In the latter case, the various ultimate purchasers must make their own arrangements for entry of their merchandise.

One commenter suggests that the § 12.131 definition for consignee should only include divisions of the same company or corporation where such divisions are importing goods on the same conveyance on the same day whose combined value totals more than \$250 and fall in the same textile category number. Furthermore, where information for such shipments for separate divisions of the same corporation indicates that these divisions are operating independently of each other, e.g., separate trade names, distinctive differences in the goods, or separate imported samples for each division, the "one consignee" definition of this section should not be followed.

The bilateral textile agreements, the statutory language of 19 U.S.C. 1484, and the fact that there is no showing of separate legal entities involved under the circumstances set forth by the commenter argue forcefully for the enforcement of the "one consignee" definition found in § 12.131.

Section 12.131 according to one commenter should be amended to require formal entry only in instances where shipments from the same manufacturer arrive on the same day, on the same conveyance for the same U.S. consignee, and Customs determines that the shipments are intended to be consolidated for commercial sale.

The statutory language of 19 U.S.C. 1484 precludes the adoption of the commenter's suggestion.

The regulations for consolidating shipments are costly and overly broad according to another commenter.

The need to effectively and uniformly enforce the bilateral textile agreements and the formal entry requirements for importations pursuant to 19 U.S.C. 1484 dictate Customs policy in this matter. Moreover, because of recent attempts to circumvent quota/visa requirements by splitting shipments the necessity to take appropriate action to prevent these violations has become evident.

In light of the foregoing discussion and analysis Customs has concluded that no change in the provisions of § 12.131, is warranted. Accordingly, the section is adopted in the form set forth in T.D. 84-171 in the August 3, 1984 Federal Register document (49 FR 31248 at 31253).

In Bond Transportation

In the interim regulations it was stated that because of the numerous instances identified by Customs in which the provisions of the Customs Regulations relating to in-bond transportation had been used to frustrate and circumvent the textile products visa or export license requirements, district directors were advised to strictly enforce the provisions of § 18.11(h), Customs Regulations (19 CFR 18.11(h)). To insure the applicability of the § 18.11(h) requirements, § 18.11(e) was amended to incorporate the provisions of § 18.11(h). In addition, § 18.11(e) was amended to require the visa or export license, if applicable, to be presented with the entry. Section 6.18, Customs Regulations (19 CFR 6.18), relating to documentation for transit air cargo, was amended to cross-reference the requirements of §§ 18.11 (e) and (h).

Section 141.52, Customs Regulations (19 CFR 141.52), sets forth the circumstances under which district directors may authorize separate entries for different portions of all the merchandise arriving on one vessel or vehicle and consigned to one consignee. Section 143.21, Customs Regulations (19 CFR 143.21), sets forth the types of merchandise for which an informal entry may be used and § 143.22, Customs Regulations (19 CFR 143.22),

sets forth the circumstances for which a formal entry may be required. Since both §§ 141.52 and 143.21 have been cited by importers as justification for attempts to circumvent the visa or export license requirements, §§ 141.52 and 143.22 were amended by the interim regulations to indicate that use of the provisions of § 141.52 and § 143.21 will be denied if use of the informal entry provisions would prejudice import admissibility enforcement efforts (i.e., visa or export license requirements). A cross-reference to the requirements of §§ 141.52 and 143.22 was included in § 143.21.

Customs received numerous comments in response to the solicitation of comments provision of the interim regulations regarding the presentation of the visa or export license prior to movement of textiles and textile products under the in-bond procedures. The Federal Register document containing the interim Customs regulations indicated that during the comment period an ongoing review would be made to determine if any situation arose which required action before the final rule was published. Based upon this ongoing review of public comments, it was concluded that compliance with this requirement of the interim regulations would be difficult. Accordingly, Customs deleted the requirement by notice published in the Federal Register on September 28, 1984, as T.D. 84-207 (49 FR 38245).

Further, the commenters expressed concern about the example of the rated invoice used in the interim regulations to indicate the type of evidence the district director could use to satisfy himself of the approximate correctness of the value and quantity stated in the in-bond entry. The rated invoice was chosen as an example not because of a need for this particular document but because it contained most of the information necessary for Customs to accurately assess the risk of possible diversion during the in-bond movement. Because the example generated so much adverse comment and concern, it was decided to delete it from the interim regulation and specifically list, by way of example, the information which Customs will use in making the determination of whether or not to examine the merchandise and whether or not to approve the in-bond movement. This information was also published in the September 28, 1984 Federal Register document. It includes the following:

- (a) Detailed quantity description (e.g., 14 cartons, 2 dozen per carton),
- (b) Detailed description of the textiles products including type of commodity

and chief fiber content (e.g., men's cotton jeans or women's wool sweaters).

(c) Net weight of the textiles or textile products, (including immediate packing but excluding pallets),

(d) Total value of the textiles or textile products,

(e) Manufacturer or supplier,

(f) Country of origin,

(g) Name(s) and address(es) of the person(s) to whom the textiles and textile products are consigned, and

(h) Harmonized code tariff number (when available).

It was stated that the harmonized code tariff number, if provided, would greatly assist Customs in determining the proper classification of the merchandise and the visa requirements. Customs further pointed out that not providing any one item or all of the listed information would not in and of itself result in a denial of the in-bond movement or examination of the merchandise. It would, however, be a factor considered by the district director along with all other facts and circumstances available as to the risk to the revenue, potential for diversion of the merchandise, and proper enforcement of the Textile Import Program.

Customs stated that the information could be provided by the carrier or his agent or the importer. If this information is available on existing documentation such as an invoice, a bill of lading, etc., providing a copy of that document would assist Customs in the consideration of whether or not to approve the movement or to examine the merchandise. In lieu of the foregoing, it was stated that the information could be included on the in-bond document itself. This flexible approach would allow the importer to determine the manner in which the information would be supplied.

In addition, Customs also decided that to effectively enforce the interim regulations and ensure that shipments of textiles and textile products arrive intact, no diversion from the destination, as shown on the in-bond document, would be allowed without the permission of the district director at the port of origin of the in-bond movement. This requirement which was included in the September 28, 1984, Federal Register notice as an amendment to § 18.5, Customs Regulations (19 CFR 18.5), provides Customs with the administrative control over shipments of textiles and textile products necessary to effectively ensure that those products subject to quota are not diverted into the commerce of the U.S. in violation of the quota.

One commenter believed that the change in § 18.5 was superfluous. This commenter was under the impression that diversions are not allowed for cargo moving in-bond.

This is not the case. Cargo entered for in-bond movement may be diverted to a port other than that shown on the in-bond documents. Since Customs will be examining selected textile shipments prior to in-bond movement, it was essential to the enforcement effort that the cargo be delivered to the port originally designated on the in-bond documents. This interim amendment now requires that diversions be approved by the district director at the port of origin of the in-bond movement.

Many commenters interpreted the interim regulations to mean that Customs would examine all textiles at the port of arrival. Customs does not intend to examine all textiles at the port of arrival. Customs has been examining and will continue to examine selected shipments at the port of arrival. These examinations will be based upon the information available to Customs with regard to the cargo, the carrier involved, the mode/method of transportation, and the importer of record. Cargo that is described sufficiently for the district director to determine the duty and taxes will remain in the custody of the importing carrier or his agent and will not generally be subject to examination at the port of arrival.

Some commenters questioned the need for a specific list of requested information. In the September 28, 1984, Federal Register document Customs removed the requirement for presentation of certain documents prior to approval of the in-bond movement. In its place Customs listed under § 18.11(e) the information felt necessary for determining whether or not an examination prior to movement would be necessary. The commenters stated that while it was helpful to remove the requirement, when viewed in connection with statements by Customs in the documents removing the requirement that certain types of movements will be considered low risk and therefore exempt from the request for information substituted for the requirement, importers will not know when and if they should supply the requested information. This will result in confusion in the transportation and brokerage communities according to the commenters. Some commenters believed the list should be removed from the regulations.

Customs agrees with the commenters that some uncertainty may result in not knowing if the information may or may not be requested. However, it is better

for the public to be aware of what information Customs needs to determine whether or not to approve the in-bond movement. Accordingly, the list has been retained.

In light of the foregoing the regulations amendments relating to §§ 6.18(d), 141.52, 143.21 and 143.22 (19 CFR 6.18(d), 141.52, 143.21 and 143.22) contained in T.D. 84-171 which was published in the Federal Register on August 3, 1984 (49 FR 31248) are adopted without change. Further, the amendments made to §§ 18.5(a), 18.5(f) and 18.11(e) (19 CFR 18.5(a), 18.5(f) and 18.11(e)) by T.D. 84-207, published in the Federal Register on September 28, 1984, are also adopted without change.

Bonded Warehouses and Foreign Trade Zones

Some importers have been using the bonded warehouse to circumvent or frustrate the visa or export license requirements. For example, suits which are in a specific textile category from a country subject to visa or export license requirements were entered into warehouse and separated into coats and pants which are in different textile categories. To prevent this type of practice which frustrates and circumvents agreements, § 144.38, Customs Regulations (19 CFR 144.38), which relates to withdrawals from warehouse for consumption was amended by the interim regulations by adding a new paragraph (f) relating to textiles and textile products. The new subsection indicated that textiles and textile products subject to visa or export license requirements in their condition at the time of importation may not be withdrawn from warehouse for consumption, if, during the warehouse period, there has been a change by manipulation or other means (1) in the country of origin of the merchandise, (2) to exempt from quota or visa or export license requirements other than a change brought about by statute, treaty, executive order or Presidential proclamation, or (3) from one textile category to another textile category.

Section 19.11(g), Customs Regulations (19 CFR 19.11(g)), which relates to withdrawals from warehouse, was also amended to cross-reference the restrictions contained in § 144.38 on withdrawal for consumption of manipulated textiles and textile products.

The interim regulations published on August 3, 1984, also contained an amendment to the foreign-trade zones regulations found in Part 146, Customs Regulations (19 CFR Part 146), to prevent use of foreign-trade zones to frustrate or

circumvent quota or visa or export license requirements. The provision set forth in § 146.49 specifically provided that textiles and textile products admitted into a foreign-trade zone, regardless of whether the merchandise has privileged or nonprivileged foreign status, which would have been subject to quota or visa or export license requirements in their condition at the time of importation if entered for consumption rather than admitted to a foreign-trade zone, may not be subsequently transferred into the customs territory for consumption if during the time the merchandise is in the foreign-trade zone there has been a change by manipulation, manufacture, or other means.

(a) In the country of origin of the merchandise as defined by section 12.130 of the interim regulations,

(b) To exempt from quota or visa or export license requirements other than a change brought about by statute, treaty, executive order or Presidential proclamation, or

(c) From one textile category to another textile category.

Based upon public comment and after consultation with the Foreign-Trade Zones Board, it was decided to modify the foreign-trade zone provisions of the interim regulations to include a phrase which recognized the existing statutory authority of the Foreign-Trade Zones Board. The change was set forth as an amendment to § 146.49 of the interim regulations by Federal Register notice on September 28, 1984 as T.D. 84-207 (49 FR 38245).

One commenter indicated that the regulations would exclude manipulation of goods inside bonded warehouses and foreign trade zones that would change the duty classification of goods when they are brought into U.S. customs territory.

The exclusion in the interim regulations does not deal with tariff classification and dutiability, but rather with quota and/or visa status and admissibility. The only changes excluded are those affecting the textile category, country of origin, or exemption from quota and/or visa status. Other kinds of changes in tariff classification would continue to be permitted.

One commenter indicated it was unsure whether the Foreign-Trade Zones Board may approve an exception from the exclusion if it is in the public interest.

As pointed out above, the interim regulations were amended on September 28, 1984 by T.D. 84-207 to recognize the authority of the Foreign-Trade Zones Board in administering the Foreign Trade Zones Act, which could

authorize exceptions in the public interest. However, Executive Order 12475 established a presumption that it is in the public interest not to allow the operations set forth in § 146.49 of the interim regulations. Accordingly, any person seeking an exception to § 146.49 would have a substantial burden of proof to overcome this presumption.

Another commenter stated that the exclusion of textile manufacturing and manipulation sets an unfortunate precedent that could lead to fragmentation of duty preference and deferral laws by rules and regulations created under pressure from protectionist special interest groups.

The exclusion in the interim regulations was made pursuant to section 204 and Executive Order 12475. The basis for an exception for other commodities would have to be found in legislation, executive order or proclamation.

Another commenter stated the exclusion would even cover the manufacture of wearing apparel from piece goods, nullifying one of the main purposes of foreign-trade zones, which is to encourage U.S. manufacturing. The commenter opined that textile manufacturing operations that result in products of the U.S. should not be excluded from foreign-trade zones.

The exclusion is not against textile manufacturing in zones, but against the entry for consumption in the U.S. of textile articles which would amount to a circumvention of quota and/or visa requirement. Zone firms may continue to manufacture textile articles for consumption if there is no circumvention of the quota, or for exportation in any case. If it is deemed to be in the public interest in selected instances for merchandise to be manufactured in a zone for U.S. consumption, the Foreign-Trade Zones Board may specifically grant an exception from the exclusion.

In light of the foregoing, the regulation amendment relating to bonded warehouses contained in § 144.38 (f) as set forth in T.D. 84-171, which was published in the Federal Register on August 3, 1984 (49 FR 31248 at 31253), is adopted without change. In addition, the amendment made to § 146.49 relating to foreign-trade zones as set forth in T.D. 84-171 and amended by T.D. 84-207, which was published in the Federal Register on September 28, 1984 (49 FR 38245), is adopted without further change.

Regulations Violate MFA

A few commenters expressed concern that the country of origin regulations violate the MFA and the various bilateral agreements negotiated by the

U.S. under the aegis of the MFA to limit textile imports. This concern was also raised by the plaintiffs seeking to enjoin implementation of the interim regulations in *Mast Industries Inc., et al. v. Regan, et al.*, — C.I.T. — Slip Op. 84-111 (October 4, 1984). The plaintiffs therein argued that because "the interim regulations issued by Customs violate the MFA and the bilaterals and, therefore, do not 'carry out' [those] agreements," the "interim regulations are [invalid because they are] ultra vires." The *Mast Industries* court dismissed that argument, holding that the interim regulations were validly issued pursuant to the authority delegated to the President by section 204, the statute upon which the entire U.S. textile import program rests.

The *Mast Industries* decision which sustained the President's authority to promulgate origin regulations pursuant to section 204 is wholly consistent with the principles underlying our international agreements. The MFA, as well as any bilateral agreements negotiated thereunder, is expressly "determined to have full regard to the principles and objectives of the General Agreement on Tariffs and Trade (GATT)."

The GATT grappled with the issues involved in a country's determinations of origin in the 1950's but did nothing then and has not since been willing to define any specific or uniform rule, recognizing the essentially subjective nature of criterion of "substantial transformation" or any other criterion used for the determination of origin. The definitive statement by GATT draftsmen in 1947 on this issue has not, therefore, been changed by any subsequent GATT decision, and reflects the current status of origin rules as follows:

It is within the province of each importing member country to determine, in accordance with the provisions of its law, for the purpose of applying the most-favored-nation provision, whether goods do in fact originate in a particular country. (UN DOC. EPCT/174 at pg. 3 (1947))

This right of each GATT member to determine origin on its own has been recognized with respect to all GATT agreements or obligations that depend on the origin of products. Consequently, there is no GATT, MFA, or bilateral agreement provision defining country of origin or restricting such definition. These agreements reflect the long-standing right of GATT members to determine their own origin rules.

Impairment of Contracts

Some commenters alleged that the interim regulations are a retroactive

impairment of contracts in violation of the impairment of contracts clause of the U.S. Constitution. The court in *Mast Industries* addressed this issue and held that the "impairment of contracts clause is never been interpreted to apply to the federal government. See *Washington & Co. v. International Typographical Union Pension Plan*, 729 F. 2d 1502, 1507 (C. Cir. 1984)."

Customs, however, recognized that a problem existed with respect to existing contracts. Accordingly, to alleviate unnecessary hardships on persons in the U.S. who had made binding commitments for a fixed quantity of merchandise prior to publication of the interim regulations, the effective date for that merchandise was delayed from September 7, 1984 to October 31, 1984 by D. 84-190, published in the Federal Register on August 29, 1984 (49 FR 1199).

Unconstitutional Delegation of Authority

Other commenters contended that section 204 is an unconstitutional delegation of legislative authority to the President. The Court in *Mast Industries* disagreed and held that the authority of Congress to regulate foreign commerce and delegate significant portions of that power to the Executive is well established. Statutes granting broad discretion to the President to implement trade agreements are common and often contain language similar to section 204. The Court stated that in a constitutional delegation of powers Congress must state a policy or objective for the President to execute and also that it must establish a standard that makes clear when action is proper. The congressional policy expressed in section 204 is the limitation of the transportation of textiles and agricultural commodities into the U.S. Where Congress has given the President discretion in delegating authority in international trade, the courts have uniformly sustained action taken by the Executive Branch against a claim that it has exceeded the delegated authority.

Accordingly, the court held that the President had the authority to issue the interim regulations and further held that the President acted within the scope of the authority constitutionally given him by Congress.

Applicability of Notice

Public notice is inapplicable to the regulations relating to country of origin and manipulation of textiles because they are promulgated pursuant to section 204, Agricultural Act of 1956, as amended (7 U.S.C. 1854), and are thus within the foreign affairs function of the

U.S. and the foreign affairs exemption of 5 U.S.C. 553(a)(1). These regulations are necessary to prevent circumvention or frustration of multilateral and bilateral agreements to which the U.S. is a party and to facilitate efficient and equitable administration of the U.S. Textile Import Program as authorized in section 204. For the above reasons pursuant to 5 U.S.C. 553(b)(B), notice and public procedures are impracticable, unnecessary and contrary to the public interest. The regulations relating to in-bond transportation are within the general statements of policy exemption to 5 U.S.C. 553 found in 5 U.S.C. 553(b)(A) and are thus exempt from prior notice and comment. The authority to promulgate these regulations was delegated by the President to the Secretary of the Treasury by Executive Order 12475.

Executive Order 12291

This regulation is not a "major rule" as defined by section 1(b) of Executive Order 12291. Accordingly, a regulatory impact analysis is not required under E.O. 12291.

Regulatory Flexibility Act

The provisions of the Regulatory Flexibility Act relating to an initial and final regulatory flexibility analysis (5 U.S.C. 603, 604) are not applicable to this document because the provisions of the Administrative Procedure Act, 5 U.S.C. 553, are not applicable to these regulations. However, in the interim regulation Customs requested public comment on the effects, with numerical estimates, of the amendments on costs, profitability, competitiveness, and employment in small entities. While numerous commenters alleged economic impact little economic data was provided.

Paperwork Reduction Act

The interim regulation is subject to the Paperwork Reduction Act of 1980, Pub. L. 96-511. Accordingly, applicable sections of the interim regulation have been cleared by the Office of Management and Budget and assigned control number 1515-0140.

Drafting Information

The principal author of this document was John Elkins, Regulations Control Branch, Office of Regulations and Rulings, U.S. Customs Service. However, personnel from other Customs offices participated in its development.

List of Subjects

19 CFR Part 6

Air carriers; Air transportation, Customs duties and inspection, Imports.

19 CFR Part 12

Customs duties and inspection, Imports, Textile products and apparel.

19 CFR Part 18

Common carriers, Customs duties and inspection, Freight forwarders, Imports.

19 CFR Parts 19 and 144

Customs duties and inspection, Imports, Warehouses.

19 CFR Parts 141 and 143

Customs duties and inspection, Imports.

19 CFR Part 146

Customs duties and inspections, Foreign-trade zones, Imports, William von Raab, Commissioner of Customs.

Approved: February 27, 1985.

John M. Walker, Jr.,

Assistant Secretary of the Treasury.

Amendments to the Regulations

PARTS 6, 12, 18, 19, 141, 143, 144 AND 146—[AMENDED]

Accordingly, 19 CFR Parts 6, 12, 18, 19, 141, 143, 144 and 146 are amended as follows:

1. The interim amendments to §§ 6.18, 19.11, 141.52, 143.21, 143.22, 144.38, and 146.49 and the addition of § 12.131, as published at 49 FR 31248, August 3, 1984 are adopted with change.

2. The interim amendments to §§ 18.5, 18.11 and 146.49 as published at 49 FR 38245, September 28, 1984 are adopted without change.

PART 12—SPECIAL CLASSES OF MERCHANDISE

3. Part 12 is amended by adopting as final and revising § 12.130 to read as follows:

Textiles and Textile Products

§ 12.130 Textiles and textile products country of origin.

(a) *General.* Textiles or textile products subject to section 204, Agricultural Act of 1956, as amended (7 U.S.C. 1854) include merchandise subject to General Headnote (3)(g)(iii)(C)(1) of the Tariff Schedules of the U.S. (TSUS) (19 U.S.C. 1202) and merchandise:

(1) In chief value of cotton, wool, man-made fibers, or blends thereof in which those fibers, in the aggregate, exceed in value each other single component fiber thereof, or

(2) In which either the cotton content or the man-made fiber content equals or

exceeds 50 percent by weight of all component fibers thereof, or

(3) In which the wool content exceeds 17 percent by weight of all component fibers thereof, or

(4) Containing blends of cotton, wool, or man-made fibers, which fibers, in the aggregate, amount to 50 percent or more by weight of all component fibers thereof, and

(5) Which is classified in the tariff item numbers provided for in General Headnotes (3)(g)(iii)(C)(2) or (3)(g)(iii)(E), TSUS.

(b) *Country of origin.* For the purpose of this section and except as provided in paragraph (c), a textile or textile product, subject to section 204, Agricultural Act of 1956, as amended, imported into the customs territory of the United States, shall be a product of a particular foreign territory or country, or insular possession of the U.S., if it is wholly the growth, product, or manufacture of that foreign territory or country, or insular possession. However, except as provided in paragraph (c), a textile or textile product, subject to section 204, which consists of materials produced or derived from, or processed in, more than one foreign territory or country, or insular possession of the U.S., shall be a product of that foreign territory or country, or insular possession where it last underwent a substantial transformation. A textile or textile product will be considered to have undergone a substantial transformation if it has been transformed by means of substantial manufacturing or processing operations into a new and different article of commerce.

(c) *Applicability to U.S. articles sent abroad.* Headnote 2, Part 1, Schedule 8, TSUS, provides that any product of the U.S. which is returned after having been advanced in value or improved in condition abroad, or assembled abroad, shall be a foreign article for the purposes of the Tariff Act of 1930, as amended. In order to have a single definition of the term "product of" and, therefore, a single country of origin for a textile or textile product, notwithstanding paragraph (b), merchandise which falls within the purview of Headnote 2, Part 1, Schedule 8, TSUS, may not, upon its return to the U.S., be considered a product of the U.S.

(d) *Criteria for determining country of origin.* The criteria in paragraphs (d) (1) and (2) of this section shall be considered in determining the country of origin of imported merchandise. These criteria are not exhaustive. One or any combination of criteria may be determinative, and additional factors may be considered.

(1) A new and different article of commerce will usually result from a manufacturing or processing operation if there is a change in:

- (i) Commercial designation or identity,
- (ii) Fundamental character or
- (iii) Commercial use.

(2) In determining whether merchandise has been subjected to substantial manufacturing or processing operations, the following will be considered:

(i) The physical change in the material or article as a result of the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(ii) The time involved in the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(iii) The complexity of the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(iv) The level or degree of skill and/or technology required in the manufacturing or processing operations in each foreign territory or country, or insular possession of the U.S.

(v) The value added to the article or material in each foreign territory or country, or insular possession of the U.S., compared to its value when imported into the U.S.

(e) *Manufacturing or processing operations.* (1) An article or material usually will be a product of a particular foreign territory or country, or insular possession of the U.S., when it has undergone prior to importation into the U.S. in that foreign territory or country, or insular possession any of the following:

(i) Dyeing of fabric and printing when accompanied by two or more of the following finishing operations: bleaching, shrinking, fulling, napping, decating, permanent stiffening, weighting, permanent embossing, or moireing;

(ii) Spinning fibers into yarn;

(iii) Weaving, knitting or otherwise forming fabric;

(iv) Cutting of fabric into parts and the assembly of those parts into the completed article; or

(v) Substantial assembly by sewing and/or tailoring of all cut pieces of apparel articles which have been cut from fabric in another foreign territory or country, or insular possession, into a completed garment (e.g. the complete assembly and tailoring of all cut pieces of suit-type jackets, suits, and shirts).

(2) An article or material usually will not be considered to be a product of a particular foreign territory or country, or insular possession of the U.S. by virtue

of merely having undergone any of the following:

(i) Simple combining operations, labeling, pressing, cleaning or dry cleaning, or packaging operations, or any combination thereof;

(ii) Cutting to length or width and hemming or overlocking fabrics which are readily identifiable as being intended for a particular commercial use;

(iii) Trimming and/or joining together by sewing, looping, linking, or other means of attaching otherwise completed knit-to-shape component parts produced in a single country, even when accompanied by other processes (e.g. washing, drying, mending, etc.) normally incident to the assembly process;

(iv) One or more finishing operations on yarns, fabrics, or other textile articles, such as showerproofing, superwashing, bleaching, decating, fulling, shrinking, mercerizing, or similar operations; or

(v) Dyeing and/or printing of fabrics or yarns.

(f) *Declaration of manufacturer, producer, exporter, or importer of textiles and textile products.* All importations of textiles and textile products subject to section 204, Agricultural Act of 1956, as amended, shall be accompanied by the appropriate declaration(s) set forth in paragraph (f)(1) or (f)(2) of this section. All importations of textiles and textile products covered by General Headnotes (3)(g)(iii)(C)(2) or (3)(g)(iii)(E), TSUS, and not subject to section 204 shall be accompanied by the declaration set forth in paragraph (f)(3) of this section. The declaration(s) shall be filed with the entry. The declaration(s) may be prepared by the manufacturer, producer, exporter or importer of the textiles and textile products. If multiple manufacturers, producers, or exporters are involved, a separate declaration prepared by each may be filed. A separate declaration may be filed for each invoice which is presented with the entry. The determination of country of origin, other than as set forth in paragraph (g) of this section, will be based upon information contained in the declaration(s). The declaration(s) shall not be treated as a missing document for which a bond may be filed. Entry will be denied unless accompanied by a properly executed declaration(s).

(1) *Single foreign territory or country, or U.S. insular possession.* Textiles or textile products which are wholly the growth, product, or manufacture of a single foreign territory or country, or insular possession of the U.S., or assembled in a single foreign territory or

country, or insular possession of the U.S. of fabricated components which are in whole the product of the U.S. and/or the single foreign territory or country, or insular possession of the U.S. shall be identified in a declaration which is substantially in the following form:

SINGLE COUNTRY DECLARATION

I, _____ (name), declare that the articles listed below and covered by the invoice or entry to which this declaration relates are wholly the growth, product, or manufacture of a single foreign territory or country, or insular possession of the U.S., or were assembled in the single foreign territory or country, or insular possession of the U.S. of fabricated components which are in whole the product of the U.S. and/or the single foreign territory or country, or insular possession of the U.S. as identified below. I declare, that the information set forth in this declaration is correct and true to the best of my information, knowledge, and belief.

- A..... (country*)
B..... (country*)
C..... (country*)
D..... (country*)

etc.

Table with 4 columns: Marks of identification, numbers; Description of article and quantity; Country* of origin; Date of exportation

Date _____
Name _____
Signature _____
Title _____
Company _____
Address _____

*Country when used in this declaration includes territories and U.S. insular possessions. If the entry or invoice to which the declaration relates covers merchandise from more than one country each country will be identified in the declaration by the alphabetical designation appearing next to the named country.

(2) More than one foreign territory or country, or U.S. insular possession. Textiles and textiles products which were subjected to manufacturing or processing operations in, and/or incorporate materials originating in more than one foreign territory or

country, or an insular possession of the U.S. or were assembled in, and/or incorporate fabricated components which are the product of the U.S. and more than one foreign territory, country or insular possession of the U.S., shall be identified in a declaration which is substantially in the following form:

MULTIPLE COUNTRY DECLARATION

I, _____ (name), declare that the articles described below and covered by the invoice or entry to which this declaration relates were exported from the country* identified below on the dates listed and were subjected to assembling, manufacturing or processing operations in, and/or incorporate materials originating in, the foreign territory or country* or countries*, or the U.S. or an insular possession of the U.S., identified below. I declare that the information set forth in this declaration is correct and true to the best of my information, knowledge, and belief.

- A..... (country*)
B..... (country*)
C..... (country*)
D..... (country*)

etc.

Large table with 8 columns: Marks of identification, numbers; Description of article and quantity; Description of manufacturing and/or processing operations; Date and country of manufacture and/or processing (Country, Date of exportation); Materials (Description of material, Country of production, Date of exportation)

Date _____
Name _____
Signature _____
Title _____
Company _____
Address _____

*Country or countries when used in this declaration includes territories and U.S. insular possessions. The country will be identified in the above declaration by the alphabetical designation appearing next to the named country.

(3) Textiles and textile products not subject to section 204. Textiles and textile products not subject to section 204, Agricultural Act of 1956, as amended, (see paragraph (a) of this section for products subject to section 204), shall be accompanied by the declaration set forth below:

NEGATIVE DECLARATION

I, _____ (name), declare that the articles described below and covered by the invoice or entry which this declaration relates are not subject to section 204, Agricultural Act of 1956, as amended (7 U.S.C. 1854) and the information set forth in this declaration is correct and true to the best of my information, knowledge, and belief.

Table with 3 columns: Marks of identification, numbers; Description of article and quantity; Country of origin

Date _____
Name _____
Signature _____
Title _____
Company _____
Address _____

(g) Incomplete or insufficient information. If the district director is unable to determine the country of origin of an article from the information set forth in the declaration, the declarant shall submit such additional information as requested. Release of the article from Customs custody will be denied until the determination is made based upon the information provided or the best information available.

(h) Shipments covered by an informal entry. While a declaration is not required for shipments covered by an informal entry, the district director may require such other evidence of the country of origin as deemed necessary. The filing of the appropriate declaration will be required in a case involving consolidation of individual shipments under §§ 12.131 and 143.22 of this chapter.

(i) Date of exportation. For quota, visa or export license requirements, and statistical purposes, the date of exportation for textiles or textile products, subject to section 204, Agricultural Act of 1956, as amended, shall be the date the vessel or carrier leaves the last port in the country of origin, as defined by this section. Contingency of diversion in another foreign territory or country shall not change the date of exportation for quota, visa or export license requirements or for statistical purposes.

(R.S. 251, as amended, section 484, 46 Stat. 722, as amended, section 624, 46 Stat. 759, section 204, 70 Stat. 200, as amended (19 U.S.C. 66, 1484, 1824, 7 U.S.C. 1854) OMB approval #1515-0140)

TITLE I—TARIFF SCHEDULES AMENDMENTS

Subtitle A—Reference to Tariff Schedules

SEC. 101. REFERENCE.

Whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a schedule, item, headnote or other provision, the reference shall be considered to be made to a schedule, item, headnote or other provision of the Tariff Schedules of the United States (19 U.S.C. 1202).

Subtitle B—Permanent Changes in Tariff Treatment

SEC. 111. COATED TEXTILE FABRICS.

(a) Headnote 5 of schedule 3 is amended to read as follows:
"5. (a) Except as otherwise provided in subsection (b) of this headnote, for the purposes of parts 5, 6, and 7 of this schedule and parts 1 (except subpart A), 4, and 12 of schedule 7, in determining the classification of any article which is wholly or in part of a fabric coated or filled, or laminated, with nontransparent rubber or plastics (which fabric is provided for in part 4C of this schedule), the fabric shall be regarded not as a textile material but as being wholly of rubber or plastics to the extent that (as used in the article) the nontransparent rubber or plastics forms either the outer surface of such article or the only exposed surface of such fabric.

"(b) Any fabric described in part 4C of this schedule shall be classified under part 4C whether or not also described elsewhere in the schedules."

The headnotes to subpart C of part 4 of schedule 3 are amended—

(1) by striking out clause (vii) in headnote 1; and

(2) by inserting "or value" after "quantities" in headnote 2(c).

(c) Part 12 of schedule 7 is amended by inserting immediately after headnote 1 the following new headnote:

"2. This part does not cover fabrics, coated or filled, or laminated, with rubber or plastics provided for in part 4C of schedule 3."

SEC. 112. WARP KNITTING MACHINES.

(a) Subpart E of part 4 of schedule 6 is amended by striking out item 670.20 and inserting in lieu thereof the following new items with article descriptions at the same indentation level as the article description in item 670.19:

670.20	Warp knitting machines	Free		40% ad val.
670.21	Other	5.6% ad val.	4.7% ad val.	40% ad val.

(b) Item 912.14 of the Appendix is repealed.

(c)(1) The rate of duty in column numbered 1 for item 670.21 (as added by subsection (a)) shall be subject to all staged rate reductions for item 670.20 that were proclaimed by the President before the date of the enactment of this Act.

(2) Whenever the rate of duty specified in column numbered 1 for such item 670.21 is reduced to the same level as the corresponding rate of duty specified in the column entitled "LDDC" for such item, or to a lower level, the rate of duty in such "LDDC" column shall be deleted.

SEC. 113. CERTAIN GLOVES.

Subpart C of part 1 of schedule 7 is amended—

(1) by amending headnote 1—

(A) by striking out "and" at the end of paragraph (a),

(B) by striking out the period at the end of paragraph (b) and inserting "; and", and

(C) by adding at the end thereof the following new paragraph:

"(c) the term 'with fourchettes' includes only gloves which, at a minimum, have fourchettes extending from fingertip to fingertip between each of the four fingers."; and

(2) by amending item 705.85 by striking out "textile fabric" and "or sidewalls".

SEC. 122. WEARING APPAREL.

The headnotes for part 6 of schedule 3 are amended by adding at the end thereof the following new headnote:

"(3)(a) Except as provided in (b) of this headnote, each garment is to be separately classified under the appropriate tariff item, even if

2 or more garments are imported together and designed to be sold together at retail.

"(b) The provisions of paragraph (a) of this headnote shall not apply to—

"(i) suits,

"(ii) pajamas and other nightwear,

"(iii) playsuits, washsuits, and similar apparel,

"(iv) judo, karate, and other oriental martial arts uniforms,

"(v) swimwear, and

"(vi) infants' sets designed for children who are not over 2 years of age."

SEC. 168. HOVERCRAFT SKIRTS.

Item 905.40 of the Appendix is amended—

(1) by striking out "manmade" and inserting in lieu thereof "man-made", and

(2) by striking out "6/30/83" and inserting in lieu thereof "12/31/87".

SEC. 169. DISPOSABLE SURGICAL DRAPES AND STERILE GOWNS.

Subpart B of part 1 of the Appendix is amended by inserting in numerical sequence the following new item:

905.50	Bonded fiber fabric disposable gowns, sterilized or in immediate packings ready for sterilization, for use in performing surgical procedures, of man-made fibers (provided for in items 379.96 and 383.92, part 6F, schedule 3) and bonded fiber fabric disposable surgical drapes, of manmade fibers (provided for in item 389.62, part 7B, schedule 3).	5.6% ad val.	26.5% ad val.	On or before 12/31/88
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TITLE IV—TRADE WITH ISRAEL

SEC. 401. NEGOTIATION OF TRADE AGREEMENTS TO REDUCE TRADE BARRIERS.

(a) Subsection (b) of section 102 of the Trade Act of 1974 (19 U.S.C. 2112(b)) is amended—

(1) by striking out “Whenever” and inserting in lieu thereof “(1) Whenever”, and

(2) by adding at the end thereof the following new paragraphs:

“(2)(A) Trade agreements that provide for the elimination or reduction of any duty imposed by the United States may be entered into under paragraph (1) only with Israel.

“(B) The negotiation of any trade agreement entered into under paragraph (1) with Israel that provides for the elimination or reduction of any duty imposed by the United States shall take fully into account any product that benefits from a discriminatory preferential tariff arrangement between Israel and a third country if the tariff preference on such product has been the subject of a challenge by the United States Government under the authority of section 301 of the Trade Act of 1974 and the General Agreement on Tariffs and Trade.

“(C) Notwithstanding any other provision of this section, the requirements of subsections (c) and (e)(1) shall not apply to any trade agreement entered into under paragraph (1) with Israel that provides for the elimination or reduction of any duty imposed by the United States.

“(3) Notwithstanding any other provision of law, no trade benefit shall be extended to any country by reason of the extension of any trade benefit to another country under a trade agreement entered into under paragraph (1) with such other country.

“(4)(A) Notwithstanding paragraph (2), a trade agreement that provides for the elimination or reduction of any duty imposed by the United States may be entered into under paragraph (1) with any country other than Israel if—

“(i) such country requested the negotiation of such an agreement, and

“(ii) the President, at least 60 days prior to the date notice is provided under subsection (e)(1)—

“(I) provides written notice of such negotiations to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, and

“(II) consults with such committees regarding the negotiation of such agreement.

“(B) The provisions of section 151 shall not apply to an implementing bill (within the meaning of section 151(b)) if—

“(i) such implementing bill contains a provision approving of any trade agreement which—

“(I) is entered into under this section with any country other than Israel, and

“(II) provides for the elimination or reduction of any duty imposed by the United States, and

“(ii) either—

“(I) the requirements of subparagraph (A) were not met with respect to the negotiation of such agreement, or

“(II) the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives disapproved of the negotiation of such agreement before the close of the 60-day period which begins on the date notice is provided under subsection (A)(ii)(I) with respect to the negotiation of such agreement.

“(C) The 60-day period described in subparagraphs (A)(ii) and (B)(ii)(II) shall be computed without regard to—

“(i) the days on which either House of Congress is not in session because of an adjournment of more than 3 days to a day certain or an adjournment of the Congress sine die, and

"(ii) any Saturday and Sunday, not excluded under clause (i), when either House of Congress is not in session."

(b) Paragraph (1) of section 102(g) of the Trade Act of 1974 (19 U.S.C. 2112(g)) is amended to read as follows:

"(1) the term 'barrier' includes—

"(A) the American selling price basis of customs evaluation as defined in section 402 or 402a of the Tariff Act of 1930, as appropriate, and

"(B) any duty or other import restriction;"

(c)(1) Section 102 of the Trade Act of 1974 (19 U.S.C. 2112) is amended by striking out "Nontariff" in the heading.

(2) The table of contents of the Trade Act of 1974 is amended by striking out "Nontariff" in the item relating to section 102.

SEC. 402. CRITERIA FOR DUTY-FREE TREATMENT OF ARTICLES.

(a)(1) Any trade agreement entered into with Israel under section 102(b)(1) of the Trade Act of 1974 may provide for the reduction or elimination of any duty imposed by the United States with respect to any article only if—

(A) that article is the growth, product, or manufacture of Israel or is a new or different article of commerce that has been grown, produced, or manufactured in Israel;

(B) that article is imported directly from Israel into the customs territory of the United States; and

(C) the sum of—

(i) the cost of value of the materials produced in Israel, plus

(ii) the direct costs of processing operations performed in Israel,

is not less than 35 percent of the appraised value of such article at the time it is entered.

If the cost or value of materials produced in the customs territory of the United States is included with respect to an article to which this subsection applies, an amount not to exceed 15 percent of the appraised value of the article at the time it is entered that is attributable to such United States cost or value may be applied toward determining the percentage referred to in subparagraph (C).

(2) No article may be considered to be an eligible Israeli article by virtue of having merely undergone—

(A) simple combining or packaging operations; or

(B) mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

(b) As used in this section, the phrase "direct costs of processing operations" includes, but is not limited to—

(1) all actual labor costs involved in the growth, production, manufacture, or assembly of the specific merchandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control, and similar personnel; and

(2) dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise.

Such phrase does not include costs which are not directly attributable to the merchandise concerned, or are not costs of manufacturing the product, such as (A) profit, and (B) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty

and liability insurance, advertising, and salesmen's salaries, commissions or expenses.

(c) REGULATIONS.—The Secretary of the Treasury, after consultation with the United States Trade Representative, shall prescribe such regulations as may be necessary to carry out this section.

SEC. 403. APPLICATION OF CERTAIN OTHER TRADE LAW PROVISIONS.

(a) SUSPENSION OF DUTY-FREE TREATMENT.—The President may by proclamation suspend the reduction or elimination of any duty provided under any trade agreement provision entered into with Israel under the authority of section 102(b)(1) of the Trade Act of 1974 with respect to any article and may proclaim a duty rate for such article if such action is proclaimed under section 203 of the Trade Act of 1974 or section 232 of the Trade Expansion Act of 1962.

(b) ITC REPORTS.—In any report by the United States International Trade Commission (hereinafter referred to in this title as the "Commission") to the President under section 201(d)(1) of the Trade Act of 1974 regarding any article for which a reduction or elimination of any duty is provided under a trade agreement entered into with Israel under section 102(b)(1) of the Trade Act of 1974, the Commission shall state whether and to what extent its findings and recommendations apply to such an article when imported from Israel.

(c) For purposes of subsections (a) and (c) of section 203 of the Trade Act of 1974, the suspension of the reduction or elimination of a duty under subsection (a) shall be treated as an increase in duty.

(d) No proclamation which provides solely for a suspension referred to in subsection (a) with respect to any article shall be made under subsections (a) and (c) of section 203 of the Trade Act of 1974 unless the Commission, in addition to making an affirmative determination with respect to such article under section 201(b) of the Trade Act of 1974, determines in the course of its investigation under that section that the serious injury (or threat thereof) substantially caused by imports to the domestic industry producing a like or directly competitive article results from the reduction or elimination of any duty provided under any trade agreement provision entered into with Israel under section 102(b)(1) of the Trade Act of 1974.

(e)(1) Any proclamation issued under section 203 of the Trade Act of 1974 that is in effect when an agreement with Israel is entered into under section 102(b)(1) of the Trade Act of 1974 shall remain in effect until modified or terminated.

(2) If any article is subject to import relief at the time an agreement is entered into with Israel under section 102(b)(1) of the Trade Act of 1974, the President may reduce or terminate the application of such import relief to the importation of such article before the otherwise scheduled date on which such reduction or termination would occur pursuant to the criteria and procedures of subsections (h) and (i) of section 203 of the Trade Act of 1974.

SEC. 404. FAST TRACK PROCEDURES FOR PERISHABLE ARTICLES.

(a) If a petition is filed with the Commission under the provisions of section 201 of the Trade Act of 1974 regarding a perishable product which is subject to any reduction or elimination of a duty imposed by the United States under a trade agreement entered into with Israel under section 102(b)(1) of the Trade Act of 1974 and alleges injury from imports of that product, then the petition may

also be filed with the Secretary of Agriculture with a request that emergency relief be granted under subsection (c) with respect to such article.

(b) Within 14 days after the filing of a petition under subsection (a)—

(1) if the Secretary of Agriculture has reason to believe that a perishable product from Israel is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing a perishable product like or directly competitive with the imported product and that emergency action is warranted, he shall advise the President and recommend that the President take emergency action; or

(2) the Secretary of Agriculture shall publish a notice of his determination not to recommend the imposition of emergency action and so advise the petitioner.

(c) Within 7 days after the President receives a recommendation from the Secretary of Agriculture to take emergency action under subsection (b), he shall issue a proclamation withdrawing the reduction or elimination of duty provided to the perishable product under any trade agreement provision entered into under section 102(b)(1) of the Trade Act of 1974 or publish a notice of his determination not to take emergency action.

(d) The emergency action provided under subsection (c) shall cease to apply—

(1) upon the proclamation of import relief under section 202(a)(1) of the Trade Act of 1974;

(2) on the day the President makes a determination under section 203(b)(2) of such Act not to impose import relief;

(3) in the event of a report of the Commission containing a negative finding, on the day the Commission's report is submitted to the President; or

(4) whenever the President determines that because of changed circumstances such relief is no longer warranted.

(e) For purposes of this section, the term "perishable product" means any—

(1) live plant provided for in subpart A of part 6 of schedule 1 of the Tariff Schedules of the United States (19 U.S.C. 1202, hereinafter referred to as the "TSUS");

(2) vegetable provided for in schedule 1, part 8, of the TSUS;

(3) fresh mushroom provided for in item 144.10 of the TSUS;

(4) edible nut or fruit provided for in schedule 1, part 9, of the TSUS;

(5) fresh cut flower provided for in items 192.17, 192.18, and 192.21 of the TSUS; and

(6) concentrated citrus fruit provided for in items 165.25 and 165.35 of the TSUS.

(f) No trade agreement entered into with Israel under section 102(b)(1) of the Trade Act of 1974 shall affect fees imposed under section 22 of the Agricultural Adjustment Act (7 U.S.C. 624).

SEC. 406. CONSTRUCTION OF TITLE.

Neither the taking effect of any trade agreement provision entered into with Israel under section 102(b)(1), nor any proclamation issued to implement any such provision, may affect in any manner, or to any extent, the application to any Israeli articles of section 232 of the Trade Expansion Act of 1962, section 337 of title VII of the Tariff Act of 1930, chapter 1 of title II and chapter 1 of title III of the Trade Act of 1974, or any other provision of law under which relief from injury caused by import competition or by unfair import trade practices may be sought.

TITLE V—GENERALIZED SYSTEM OF PREFERENCES RENEWAL

SECTION 501. SHORT TITLE; STATEMENT OF PURPOSE.

(a) This title may be cited as the "Generalized System of Preferences Renewal Act of 1984".

(b) The purpose of this title is to—

(1) promote the development of developing countries, which often need temporary preferential advantages to compete effectively with industrialized countries;

(2) promote the notion that trade, rather than aid, is a more effective and cost-efficient way of promoting broad-based sustained economic development;

(3) take advantage of the fact that developing countries provide the fastest growing markets for United States exports and that foreign exchange earnings from trade with such countries through the Generalized System of Preferences can further stimulate United States exports;

(4) allow for the consideration of the fact that there are significant differences among developing countries with respect to their general development and international competitiveness;

(5) encourage the providing of increased trade liberalization measures, thereby setting an example to be emulated by other industrialized countries;

(6) recognize that a large number of developing countries must generate sufficient foreign exchange earnings to meet international debt obligations;

(7) promote the creation of additional opportunities for trade among the developing countries;

(8) integrate developing countries into the international trading system with its attendant responsibilities in a manner commensurate with their development;

(9) encourage developing countries—

(A) to eliminate or reduce significant barriers to trade in goods and services and to investment,

(B) to provide effective means under which foreign nationals may secure, exercise, and enforce exclusive intellectual property rights, and

(C) to afford workers internationally recognized worker rights; and

(10) address the concerns listed in the preceding paragraphs in a manner that—

(A) does not adversely affect United States producers and workers, and

(B) conforms to the international obligations of the United States under the General Agreement on Tariffs and Trade.

SEC. 502. CONSIDERATION OF A BENEFICIARY DEVELOPING COUNTRY'S COMPETITIVENESS IN EXTENDING PREFERENCES.

Section 501 of the Trade Act of 1974 (19 U.S.C. 2461) is amended—

(1) by inserting "through the expansion of their exports" before the semicolon at the end of paragraph (1);

(2) by striking out "and" at the end of paragraph (2);

(3) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(4) by adding at the end thereof the following new paragraph:
"(4) the extent of the beneficiary developing country's competitiveness with respect to eligible articles."

SEC. 503. AMENDMENTS RELATING TO THE BENEFICIARY DEVELOPING COUNTRY DESIGNATION CRITERIA.

(a) Section 502(a) of the Trade Act of 1974 (19 U.S.C. 2462(a)) is amended by adding at the end thereof the following new paragraph:

"(4) For purposes of this title, the term 'internationally recognized worker rights' includes—

"(A) the right of association;

"(B) the right to organize and bargain collectively;

"(C) a prohibition on the use of any form of forced or compulsory labor;

"(D) a minimum age for the employment of children; and

"(E) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health."

(b) Section 502(b) of the Trade Act of 1974 (19 U.S.C. 2462(b)) is amended—

(1) by striking out "Hungary" in the list of countries preceding paragraph (1);

(2) by inserting ", including patents, trademarks, or copyrights" after "control of such property" in paragraph (4) (A) and (B);

(3) by inserting ", including patents, trademarks, or copyrights" after "control of such property" in paragraph (4)(C);

(4) by striking out "and" at the end of paragraph (6);

(5) by striking out the period at the end of paragraph (7) and inserting in lieu thereof "; and";

(6) by inserting after paragraph (7) the following new paragraph:

"(8) if such country has not taken or is not taking steps to afford internationally recognized worker rights to workers in the country (including any designated zone in that country)."; and

(7) by striking out "and (7)" in the unnumbered paragraph at the end of the subsection and inserting in lieu thereof "(7), and (8)".

(c) Section 502(c) of the Trade Act of 1974 (19 U.S.C. 2462) is amended—

(1) by striking out "and" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and of inserting in lieu thereof the following: "and the extent to which such country has assured the United States that it will refrain from engaging in unreasonable export practices"; and

(3) by adding at the end thereof the following new paragraphs:

"(5) the extent to which such country is providing adequate and effective means under its laws for foreign nationals to secure, to exercise, and to enforce exclusive rights in intellectual property, including patents, trademarks, and copyrights;

"(6) the extent to which such country has taken action to—

"(A) reduce trade distorting investment practices and policies (including export performance requirements); and

"(B) reduce or eliminate barriers to trade in services; and

"(7) whether or not such country has taken or is taking steps to afford to workers in that country (including any designated zone in that country) internationally recognized worker rights."

SEC. 504. REGULATIONS; ARTICLES WHICH MAY NOT BE DESIGNATED AS ELIGIBLE ARTICLES.

(a) Section 503(b) of the Tariff Act of 1930 (19 U.S.C. 2463(b)) is amended by inserting ", after consulting with the United States Trade Representative," immediately after "The Secretary of the Treasury" in the last sentence thereof.

(b) Section 503(c)(1)(E) of the Trade Act of 1974 (19 U.S.C. 2463(c)(1)(E)) is amended to read as follows:

"(E) footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel which were not eligible articles for purposes of this title on April 1, 1984."

SEC. 505. LIMITATIONS ON PREFERENTIAL TREATMENT.

(a) Section 504(a) of the Trade Act of 1974 (19 U.S.C. 2464) is amended—

(1) by striking out "The President" and inserting in lieu thereof "(1) The President"; and

(2) by adding at the end thereof the following new paragraph:

"(2) The President shall, as necessary, advise the Congress and, by no later than January 4, 1988, submit to the Congress a report on the application of sections 501 and 502(c), and the actions the President has taken to withdraw, to suspend, or to limit the application of duty-free treatment with respect to any country which has failed to adequately take the actions described in section 502(c)."

(b) Section 504 (c) and (d) of the Trade Act of 1974 (19 U.S.C. 2464 (c) and (d)) are amended to read as follows:

"(c)(1) Subject to paragraphs (2) through (7) and subsection (d), whenever the President determines that any country—

"(A) has exported (directly or indirectly) to the United States during a calendar year a quantity of an eligible article having an appraised value in excess of an amount which bears the same ratio to \$25,000,000 as the gross national product of the United States for the preceding calendar year (as determined by the Department of Commerce) bears to the gross national product of the United States for calendar year 1974; or

"(B) has exported (either directly or indirectly) to the United States a quantity of any eligible article equal to or exceeding 50 percent of the appraised value of the total imports of such article into the United States during any calendar year;

then, not later than July 1 of the next calendar year, such country shall not be treated as a beneficiary developing country with respect to such article.

"(2)(A) Not later than January 4, 1987, and periodically thereafter, the President shall conduct a general review of eligible articles based on the considerations described in section 501 or 502(c).

"(B) If, after any review under subparagraph (A), the President determines that this subparagraph should apply because a beneficiary developing country has demonstrated a sufficient degree of competitiveness (relative to other beneficiary developing countries) with respect to any eligible article, then paragraph (1) shall be applied to such country with respect to such article by substituting—

"(i) '1984' for '1974' in subparagraph (A), and

"(ii) '25 percent' for '50 percent' in subparagraph (B).

"(3)(A) Not earlier than January 4, 1987, the President may waive the application of this subsection with respect to any eligible article of any beneficiary developing country if, before July 1 of the calendar year beginning after the calendar year for which a determination described in paragraph (1) was made with respect to such eligible article, the President—

"(i) receives the advice of the International Trade Commission on whether any industry in the United States is likely to be adversely affected by such waiver,

"(ii) determines, based on the considerations described in sections 501 and 502(c) and the advice described in clause (i), that such waiver is in the national economic interest of the United States, and

"(iii) publishes the determination described in clause (ii) in the Federal Register.

"(B) In making any determination under subparagraph (A), the President shall give great weight to—

"(i) the extent to which the beneficiary developing country has assured the United States that such country will provide equitable and reasonable access to the markets and basic commodity resources of such country, and

"(ii) the extent to which such country provides adequate and effective means under its law for foreign nationals to secure, to exercise, and to enforce exclusive rights in intellectual property, including patent, trademark, and copyright rights.

"(C) Any waiver granted pursuant to this paragraph shall remain in effect until the President determines that such waiver is no longer warranted due to changed circumstances.

"(D)(i) The President may not exercise the waiver authority provided under subparagraph (A) with respect to a quantity of eligible articles entered in any calendar year which exceeds an aggregate value equal to 30 percent of the total value of all articles which entered duty-free under this title during the preceding calendar year.

"(ii) The President may not exercise the waiver authority provided under subparagraph (A) with respect to a quantity of eligible articles entered from any beneficiary developing country during any calendar year beginning after 1984 which exceeds 15 percent of the total value of all articles that have entered duty-free under this title during the preceding calendar year if for the preceding calendar year such beneficiary developing country—

"(I) had a per capita gross national product (calculated on the basis of the best available information, including that of the World Bank) of \$5,000 or more; or

"(II) had exported (either directly or indirectly) to the United States a quantity of articles that was duty-free under this title that had an appraised value of more than 10 percent of the total imports of all articles that entered duty-free under this title during that year.

"(iii) There shall be counted against the limitations imposed under clauses (i) and (ii) for any calendar year only that quantity of any eligible article of any country that—

"(I) entered duty-free under this title during such calendar year; and

"(II) is in excess of the quantity of that article that would have been so entered during such calendar year if the 1974 limitation applied under paragraph (1)(A) and the 50 percent limitation applied under paragraph (1)(B).

"(4) Except in any case to which paragraph (2)(B) applies, the President may waive the application of this subsection if, before July 1 of the calendar year beginning after the calendar year for which a determination described in paragraph (1) was made, the President determines and publishes in the Federal Register that, with respect to such country—

"(A) there has been an historical preferential trade relationship between the United States and such country,

"(B) there is a treaty or trade agreement in force covering economic relations between such country and the United States, and

"(C) such country does not discriminate against, or impose unjustifiable or unreasonable barriers to, United States commerce.

"(5) A country which is no longer treated as a beneficiary developing country with respect to an eligible article by reason of this subsection may be redesignated a beneficiary developing country with respect to such article, subject to the provisions of sections 501 and 502, if imports of such article from such country did not exceed the limitations in paragraph (1) (after application of paragraph (2)) during the preceding calendar year.

"(6)(A) This subsection shall not apply to any beneficiary developing country which the President determines, based on the considerations described in sections 501 and 502(c), to be a least-developed beneficiary developing country.

"(B) The President shall—

"(i) make a determination under subparagraph (A) with respect to each beneficiary developing country before July 4, 1985, and periodically thereafter, and

"(ii) notify the Congress at least 60 days before any such determination becomes final.

"(7) For purposes of this subsection, the term 'country' does not include an association of countries which is treated as one country under section 502(a)(3), but does include a country which is a member of any such association.

"(d)(1) Subsection (c)(1)(B) (after application of subsection (c)(2)) shall not apply with respect to any eligible article if a like or directly competitive article is not produced in the United States on January 3, 1985.

"(2) The President may disregard subsection (c)(1)(B) with respect to any eligible article if the appraised value of the total imports of such article into the United States during the preceding calendar year is not in excess of an amount which bears the same ratio to \$5,000,000 as the gross national product of the United States for that calendar year (as determined by the Department of Commerce) bears to the gross national product of the United States for calendar year 1979."

(c) Section 504 (19 U.S.C. 2464) is amended by adding at the end thereof the following new subsection:

"(f)(1) If the President determines that the per capita gross national product (calculated on the basis of the best available information, including that of the World Bank) of any beneficiary developing country for any calendar year (hereafter in this subsection referred to as the 'determination year') after 1984, exceeds the applicable limit for the determination year—

"(A) subsection (c)(1)(B) shall be applied for the 2-year period beginning on July 1 of the calendar year succeeding the determination year by substituting '25 percent' for '50 percent', and

"(B) such country shall not be treated as a beneficiary developing country under this title after the close of such 2-year period.

"(2)(A) For purposes of this subsection, the term 'applicable limit' means the sum of—

"(i) \$8,500, plus

"(ii) 50 percent of the amount determined under subparagraph (B) for the determination year.

"(B) The amount determined under this subparagraph for the determination year is an amount equal to—

"(i) \$8,500, multiplied by

"(ii) the percentage determined by dividing—

"(I) the excess, if any, of the gross national product of the United States (as determined by the Secretary of Commerce) for the determination year over the gross national product of the United States for 1984, by

"(II) the gross national product for 1984."

SEC. 506. EXTENSION OF THE GENERALIZED SYSTEM OF PREFERENCES AND REPORTS.

(a) Section 505 of the Trade Act of 1974 (19 U.S.C. 2465) is amended to read as follows:

"SEC. 505. TERMINATION OF DUTY-FREE TREATMENT AND REPORTS.

"(a) No duty-free treatment provided under this title shall remain in effect after July 4, 1993.

"(b) On or before January 4, 1990, the President shall submit to the Congress a full and complete report regarding the operation of this title.

"(c) The President shall submit an annual report to the Congress on the status of internationally recognized worker rights within each beneficiary developing country."

(b) CONFORMING AMENDMENT.—The table of contents of the Trade Act of 1974 is amended by striking out the item relating to section 505 and inserting in lieu thereof the following:

"Sec. 505. Termination of duty-free treatment and reports."

SEC. 507. AGRICULTURAL EXPORTS OF BENEFICIARY DEVELOPING COUNTRIES.

(a) Title V of the Trade Act of 1974 (19 U.S.C. 2461 et seq.) is further amended by adding at the end thereof the following new section:

"SEC. 506. AGRICULTURAL EXPORTS OF BENEFICIARY DEVELOPING COUNTRIES.

"The appropriate agencies of the United States shall assist beneficiary developing countries to develop and implement measures designed to assure that the agricultural sectors of their economies are not directed to export markets to the detriment of the production of foodstuffs for their citizenry."

(b) The table of contents of such Act of 1974 is amended by adding after the item relating to item 505 the following:

"Sec. 506. Agricultural exports of beneficiary developing countries."

SEC. 508. EFFECTIVE DATE.

The amendments made by this title shall take effect on January 4, 1985.

CHAPTER XV—TRADEMARK COUNTERFEITING

SEC. 1501. This chapter may be cited as the "Trademark Counterfeiting Act of 1984".

TITLE 18 AMENDMENT

SEC. 1502. (a) Chapter 113 of title 18 of the United States Code is amended by adding at the end the following:

"§ 2320. Trafficking in counterfeit goods or services

"(a) Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services shall, if an individual, be fined not more than \$250,000 or imprisoned not more than five years, or both, and, if a person other than an individual, be fined not more than \$1,000,000. In the case of an offense by a person under this section that occurs after that person is convicted of another offense under this section, the person convicted, if an individual, shall be fined not more than \$1,000,000 or imprisoned not more than fifteen years, or both, and if other than an individual, shall be fined not more than \$5,000,000.

"(b) Upon a determination by a preponderance of the evidence that any articles in the possession of a defendant in a prosecution under this section bear counterfeit marks, the United States may obtain an order for the destruction of such articles.

"(c) All defenses, affirmative defenses, and limitations on remedies that would be applicable in an action under the Lanham Act shall be applicable in a prosecution under this section. In a prosecution under this section, the defendant shall have the burden of proof, by a preponderance of the evidence, of any such affirmative defense.

"(d) For the purposes of this section—

"(1) the term 'counterfeit mark' means—

"(A) a spurious mark—

"(i) that is used in connection with trafficking in goods or services;

"(ii) that is identical with, or substantially indistinguishable from, a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered; and

"(iii) the use of which is likely to cause confusion, to cause mistake, or to deceive; or

"(B) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of the Lanham Act are made available by reason of section 110 of the Olympic Charter Act;

but such term does not include any mark or designation used in connection with goods or services of which the manufacturer or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation;

"(2) the term 'traffic' means transport, transfer, or otherwise dispose of, to another, as consideration for anything of value, or make or obtain control of with intent so to transport, transfer, or dispose of;

"(3) the term 'Lanham Act' means the Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (15 U.S.C. 1051 et seq.).

"(4) the term 'Olympic Charter Act' means the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 371 et seq.)."

(b) The table of sections at the beginning of chapter 113 of title 18 of the United States Code is amended by adding at the end the following new item:

"2320. Trafficking in counterfeit goods or services."

LANHAM ACT AMENDMENT

SEC. 1503. The Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (15 U.S.C. 1051 et seq.) is amended—

(1) in section 34 (15 U.S.C. 1116)—

(A) by designating the first paragraph as subsection (a);

(B) by designating the second paragraph as subsection (b);

(C) by designating the third paragraph as subsection (c);
and

(D) by adding at the end the following:

"(d)(1)(A) In the case of a civil action arising under section 32(1)(a) of this Act (15 U.S.C. 1114) or section 110 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 380) with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.

"(B) As used in this subsection the term 'counterfeit mark' means—

"(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

"(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this Act are made available by reason of section 110 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 380);

but such term does not include any mark or designation used in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

"(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

"(3) The application for an order under this subsection shall—

"(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

"(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

"(4) The court shall not grant such an application unless—

“(A) the person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

“(B) the court finds that it clearly appears from specific facts that—

“(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 32 of this Act (15 U.S.C. 1114);

“(ii) the applicant has not publicized the requested seizure;

“(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

“(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

“(v) the matter to be seized will be located at the place identified in the application;

“(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

“(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

“(5) An order under this subsection shall set forth—

“(A) the findings of fact and conclusions of law required for the order;

“(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

“(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

“(D) the amount of security required to be provided under this subsection; and

“(E) a date for the hearing required under paragraph (10) of this subsection.

“(6) The court shall take appropriate action to protect the person against whom an order under this subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

“(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

“(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

“(9) The court shall order that a United States marshal or other law enforcement officer is to serve a copy of the order under this subsection and then is to carry out the seizure under such order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting the access of the applicant (or

any agent or employee of the applicant) to such secrets or information.

"(10)(A) The court shall hold a hearing, unless waived by all the parties, on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the applicant for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

"(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

"(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621 of the Internal Revenue Code of 1954, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate."

(2) in section 35 (15 U.S.C. 1117)—

(A) by inserting "(a)" before "When"; and

(B) by adding at the end the following new subsection:

"(b) In assessing damages under subsection (a), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 32(1)(a) of this Act (15 U.S.C. 1114(1)(a)) or section 110 of the Act entitled 'An Act to incorporate the United States Olympic Association', approved September 21, 1950 (36 U.S.C. 380) that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 34(d) of this Act (15 U.S.C. 1116(d)), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of the Internal Revenue Code of 1954, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate."; and

(3) in section 36 (15 U.S.C. 1118), by adding at the end of such section "The party seeking an order under this section for destruction of articles seized under section 34(d) (15 U.S.C. 1116(d)) shall give ten days' notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice) and such United States

attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such destruction or participate in any hearing otherwise to be held with respect to such destruction."

Public Law 98-417, Selected Sections

TITLE III—AMENDMENTS TO THE TEXTILE FIBER PRODUCTS IDENTIFICATION ACT AND THE WOOL PRODUCTS LABELING ACT OF 1939

SEC. 301. Subsection (b) of section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended by adding at the end thereof the following new paragraph:

“(5) If it is a textile fiber product processed or manufactured in the United States, it be so identified.”

SEC. 302. Subsection (e) of section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended to read as follows:

“(e) For purposes of this Act, in addition to the textile fiber products contained therein, a package of textile fiber products intended for sale to the ultimate consumer shall be misbranded unless such package has affixed to it a stamp, tag, label, or other means of identification bearing the information required by subsection (b), with respect to such contained textile fiber products, or is transparent to the extent it allows for the clear reading of the stamp, tag, label, or other means of identification on the textile fiber product, or in the case of hosiery items, this section shall not be construed as requiring the affixing of a stamp, tag, label, or other means of identification to each hosiery product contained in a package if (1) such hosiery products are intended for sale to the ultimate consumer in such package, (2) such package has affixed to it a stamp, tag, label, or other means of identification bearing, with respect to the hosiery products contained therein, the information required by subsection (b), and (3) the information on the stamp, tag, label, or other means of identification affixed to such package is equally applicable with respect to each textile fiber product contained therein.”

SEC. 303. Section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended by adding at the end thereof the following new subsections:

“(i) For the purposes of this Act, a textile fiber product shall be considered to be falsely or deceptively advertised in any mail order catalog or mail order promotional material which is used in the direct sale or direct offering for sale of such textile fiber product, unless such textile fiber product description states in a clear and conspicuous manner that such textile fiber product is processed or manufactured in the United States of America, or imported, or both.

“(j) For purposes of this Act, any textile fiber product shall be misbranded if a stamp, tag, label, or other identification conforming to the requirements of this section is not on or affixed to the inside center of the neck midway between the shoulder seams or, if such product does not contain a neck, in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product, or in the case of hosiery items on the outer side of such product or package.”

SEC. 304. Paragraph (2) of section 4(a) of the Wool Products Labeling Act of 1939 (15 U.S.C. 68b(a)(2)) is amended by adding at the end thereof the following new subparagraph:

“(D) the name of the country where processed or manufactured.”

SEC. 305. Section 4 of the Wool Products Labeling Act of 1939 (15 U.S.C. 68b) is amended by adding at the end thereof the following new subsections:

“(e) For the purposes of this Act, a wool product shall be considered to be falsely or deceptively advertised in any mail order promotional material which is used in the direct sale or direct offering for sale of such wool product, unless such wool product description states in a clear and conspicuous manner that such wool product is processed or manufactured in the United States of America, or imported, or both.

"(f) For purposes of this Act, any wool product shall be misbranded if a stamp, tag, label, or other identification conforming to the requirements of this section is not on or affixed to the inside center of the neck midway between the shoulder seams or, if such product does not contain a neck, in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product or in the case of hosiery items, on the outer side of such product or package."

SEC. 306. Section 5 of the Wool Products Labeling Act of 1939 (15 U.S.C. 68c) is amended—

(1) by striking out "Any person" in the first paragraph and inserting in lieu thereof "(a) Any person",

(2) by striking out "Any person" in the second paragraph and inserting in lieu thereof "(b) Any person", and

(3) by inserting after subsection (b) (as designated by this section) the following new subsection:

"(c) For the purposes of subsections (a) and (b) of this section, any package of wool products intended for sale to the ultimate consumer shall also be considered a wool product and shall have affixed to it a stamp, tag, label, or other means of identification bearing the information required by section 4, with respect to the wool products contained therein, unless such package of wool products is transparent to the extent that it allows for the clear reading of the stamp, tag, label, or other means of identification affixed to the wool product, or in the case of hosiery items this section shall not be construed as requiring the affixing of a stamp, tag, label, or other means of identification to each hosiery product contained in a package if (1) such hosiery products are intended for sale to the ultimate consumer in such package, (2) such package has affixed to it a stamp, tag, label, or other means of identification bearing, with respect to the hosiery products contained therein, the information required by subsection (4), and (3) the information on the stamp, tag, label, or other means of identification affixed to such package is equally applicable with respect to each hosiery product contained therein."

SEC. 307. The amendments made by this title shall be effective ninety days after the date of enactment of this Act.

Approved September 24, 1984.

Appendix C
U.S. MFA Categories

Cotton textiles and apparel: U.S. MFA categories, by number.

Category:	Description	Category:	Description
:		:	
:		:	
:		340 :	Shirts, not knit, men's and boys'
300 :	Carded yarn	341 :	Blouses, not knit, women's, girls', and
301 :	Combed yarn	:	infants'
310 :	Gingham	342 :	Skirts
311 :	Velveteen	345 :	Sweaters
312 :	Corduroy	347 :	Trousers, men's and boys'
:		348 :	Trousers, women's, girls', and
313 :	Sheeting	:	infants'
314 :	Poplin and broadcloth	349 :	Brassieres
315 :	Printcloth	:	
316 :	Shirting	350 :	Dressing gowns
317 :	Twill and sateen	351 :	Nightwear
:		352 :	Underwear
318 :	Yarn-dyed fabrics, n.e.s	353 :	Down-filled coats, men's and boys'
319 :	Duck	354 :	Down-filled coats, women's, girls', and
320 :	Woven fabrics, n.e.s	:	infants'
330 :	Handkerchiefs	355 :	Rubber-plastic coats, men's and boys'
331 :	Gloves	356 :	Rubber-plastics coats, women's, girls
:		:	infants'
332 :	Hosiery	359 :	Other apparel
333 :	Suit-type coats, men's	360 :	Pillowcases
:	and boys'	361 :	Sheets
334 :	Other coats men's and boys'	362 :	Bedspreads and quilts
335 :	Coats, women's, girls', and	363 :	Terry and other pile towels
:	infants'	369 :	Other manufactures
336 :	Dresses	371 :	Other rubber-plastic wearing apparel
:		:	
337 :	Playsuits		
338 :	Knit shirts, men's and boys'		
339 :	Knit shirts and blouses, women's, girls		
:	and infants'		

Wool textiles and apparel: U.S. MFA categories,
by number

Category:	Description
:	
:	
:	
400	: Wool tops and yarn
410	: Woolens and worsteds
411	: Tapestries and upholstery
425	: Knit fabric
429	: Fabrics, n.e.s.
:	
431	: Gloves
432	: Hosiery
433	: Suit-type coats men's and boys'
434	: Other coats men's and boys'
435	: Coats women's, girls', and infants'
:	
436	: Dresses
438	: Knit shirts and blouses
440	: Shirts and blouses, not knit
442	: Skirts
443	: Suits, men's and boys'
:	
444	: Suits, women's, girls', and infants'
445	: Sweaters, men's and boys'
446	: Sweaters, women's, girls', and : infants'
447	: Trousers, men's and boys'
448	: Trousers, women's, girls', and : infants
:	
455	: Rubber-plastic coats, men's and boys'
459	: Other apparel
464	: Blankets
465	: Floor coverings
469	: Other manufactures

Manmade-fiber textiles and apparel: U.S. MFA categories, by number.

Category:	Description	Category:	Description
600	: Textured yarn	640	: Shirts, not knit, men's and boys'
601	: Continuous fiber yarn, cellulosic	641	: Blouses, not knit, women's, girls and infants'
		642	: Skirts
602	: Continuous noncellulosic yarn	643	: Suits, men's and boys'
603	: Non-continuous cellulosic yarn	644	: Suits, women's, girls', and infants'
604	: Non-continuous noncellulosic yarn	645	: Sweaters, men's and boys'
		646	: Sweaters, women's, girls' and infants'
605	: Other yarns	647	: Trousers, men's and boys'
610	: Continuous cellulosic woven fabrics	648	: Trousers, women's, girls', and infants'
611	: Spun cellulosic woven fabrics	649	: Brassieres
612	: Continuous noncellulosic woven fabrics	650	: Dressing gowns
613	: Spun noncellulosic woven fabrics	651	: Nightwear
		652	: Underwear
		653	: Down-filled coats, men's and boys'
614	: Woven fabrics, n.e.s	654	: Down-filled coats, women's, girls' and infants'
625	: Knit fabrics	655	: Rubber-plastic coats, men's and boys'
626	: Pile or tufted fabrics	656	: Rubber plastic coats, women's, girls' and infants'
627	: Specialty fabrics	659	: Other apparel
		665	: Floor coverings
630	: Handkerchiefs	666	: Other furnishings
631	: Gloves	669	: Other manufactures
632	: Hosiery	671	: Other rubber-plastic wearing apparel
633	: Suit-type coats, men's and boys'		
634	: Other coats, men's and boys'		
635	: Coats, women's, girls', and infants'		
636	: Dresses		
637	: Playsuits		
638	: Knit shirts, men's and boys'		
639	: Knit shirts and blouses, women's, girls', and infants'		

Appendix D

Glossary

Glossary of Terms Used in the MFA and in
U.S. Bilateral Agreements

Basket category.—A broad group of items not assigned to more specifically defined categories.

Basket extractor mechanism.—Extracting a specific textile or apparel product from a "basket" category and assigning a specific quota to the extracted article.

Bilateral.—A written agreement governing apparel and textile trade between the United States and another country. In mid-1984, the United States had 28 bilateral agreements, 24 of which were negotiated under the MFA. Agreements with Costa Rica, Mauritius, Panama, and Taiwan exist pursuant to the provisions of section 204 of the Agricultural Act of 1956; they are similar to those under the MFA despite the fact that these 4 countries are not signatories thereto.

Called category.—A category on which the U.S. Government requests or calls for consultations when imports are approaching a certain limit or consultation level.

Category.—A textile or apparel product or aggregation of similar products for import-control purposes. Several thousand apparel and textile products are covered under a multifiber bilateral agreement. These products are aggregated into 115 categories—44 for cotton, 25 for wool, and 46 for manmade fibers. For a description of each category, see appendix C.

The numbering system of the categories designates both the fiber content and the product. All categories numbered 300-371 are cotton, 400-469 are wool, and 600-671 are manmade fibers. The first digit indicates fiber content and the second two digits the product line. Category 635, for example, is women's and children's manmade-fiber coats.

Consultation level—designated.—A designated consultation level (DCL) is a more flexible import control than specific limits; DCL's are usually somewhat above existing levels of trade and once reached cannot be exceeded unless the United States agrees to further shipments. They normally apply to categories in which trade is not as great as those for which specific limits are set.

Consultation level—minimum.—A minimum consultation level (MCL) is the level up to which any country may ship in any category before the United States will request consultations for controlling imports in the category. MCL's usually apply to all categories which do not have specific ceilings or designated consultation levels. Unlike the designated consultation level, the minimum consultation level may be the same for all categories within a group. Generally, the level is 1 million square yard equivalents for categories covering textiles and textile articles (except apparel) of cotton and manmade fibers, 700,000 square yard equivalents for categories covering apparel of cotton and manmade fibers, and 100,000 square yard equivalents for categories covering wool textiles and textile articles.

E-control system.—A provision in the bilateral agreements with Hong Kong, Korea, and Taiwan which is applicable to all categories without specific limits. These governments provide the United States with regular reports of export recommendations (ER's) issued for shipments to the United States. If the United States believes and can substantiate that limits on an E system category are necessary to "eliminate real market disruption", it may request consultations for limitations on further trade.

Embargo.—A prohibition on the imports of additional articles in a category beyond a certain limit or restraint level. If exported to the United States in an amount over the limit, the articles are held in a bonded warehouse until agreement on disposal has been reached.

Export recommendations (ER's).—Authorization given by the exporting country's government to an exporter to ship a stated amount of articles in a category to the United States. ER's are issued by the countries using the E-control system for categories not under specific limits.

Export control system.—A stipulation in a bilateral agreement that the exporting country will administer an export control system. Exports are allocated to exporters by the Government of the exporting country.

Flexibility.—Provisions in a bilateral agreement for increases or decreases in restraint limits through use of carryover, carryforward, or swing. Flexibility provisions apply to group and specific limits set forth in the bilateral agreements. This can include transfer from natural to manmade fibers or vice versa and from one product group to another.

Carryover.—Use in the present agreement year of an unused portion of the limit for the same category of the previous year up to a certain percentage increases specified in the agreement.

Carryforward.—Use for a category in the present agreement year of a portion of the next year's limit for the same category up to a certain percentage increase specified in the agreement. The amount "borrowed" must be deducted from the category's restraint limit in the following year. Most bilateral agreements provide that carryover and carryforward cannot exceed 11 percent of the receiving category's quota and that no more than 7 percent can come from carryforward.

General imports.—Imports that have arrived in the United States regardless of whether they have entered for immediate consumption or are being held in a Customs bonded warehouse to be withdrawn subsequently for consumption. General import data are used for monitoring purposes under the MFA.

Globalization.—A term used to describe a method of controlling imports of textiles and textile products by an overall limit for each category and apportioning a certain percentage of the total to each country under the MFA.

Imports for consumption.—Imports that have entered the U.S. stream of commerce. This includes imports entering directly into consumption and imports withdrawn from U.S. Customs bonded warehouses for consumption.

Limit, aggregate.—Some, but not all bilateral agreements have a limit or ceiling on the total amount of cotton, wool, and manmade-fiber textiles and textile articles which the country agrees not to exceed in its exports to the United States in a given year. The unit of measurement is square yard equivalents obtained by converting the units of each category to square yard equivalents by specified conversion factors.

Limit, group.—A group limit is usually a subdivision of the aggregate limit where there is one. Many U.S. bilateral agreements provide for three groups. Each group is defined in each agreement and usually includes a number of categories. For example, a group may include (1) all apparel of cotton and manmade fibers or (2) yarns, fabrics, madeup goods (except apparel) and miscellaneous textile products of cotton and manmade fibers. Groups do not always have limits. The group limits are measured in square yard equivalents.

Limit, specific.—The limit set on the amount of imports which may enter the United States in a specific category in a designated 12-month period. This limit is subject to change according to the flexibility provisions in the bilateral agreement.

Market disruption.—The definition of market disruption is set out in annex A of the MFA and is found on page A-19 of appendix A. Article 3 of the MFA provides, in part, that if importing countries feel that imports of a textile product not under restraint are causing market disruption, they may seek consultations with the exporting country with a view to removing such disruption.

Shortfall.—The unused portion of the amount of imports which falls short of or is below the restraint limit for an aggregate, group, or category. An agreement may specify that the shortfall must be used in the same category as the one in which it occurred.

Signatories to the MFA.—Countries which accepted the current extension of the MFA which expires July 31, 1986, include Argentina, Austria, Bangladesh, Brazil, Canada, China, Colombia, Czechoslovakia, Dominican Republic, European Community, Egypt, El Salvador, Finland, Guatemala, Haiti, Hungary, India, Indonesia, Israel, Jamaica, Japan, Republic of Korea, Malaysia, Maldives, Mexico, Pakistan, Peru, Philippines, Poland, Portugal for Macau, Romania, Singapore, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, United Kingdom for Hong Kong, United States, Uruguay, and Yugoslavia.

Square yard equivalents (SYE).—The square yard equivalent of imports of apparel and textile articles. It is an overall measure of trade in physical terms. With the exception of broadwoven fabric, all apparel and textile products are assigned a conversion factor which converts units into SYE. For example, a dozen men's and boys' woven shirts represents 24 SYE. Square yard equivalents are an essential measure because limits within bilaterals are set in SYE's.

Surge.—A large increase in imports from one year to the next. This may occur when a quota is underfilled one year and filled the next. The full quota may be augmented by a normal growth factor and use of flexibility. Surges are closely monitored on items that have high import penetration and/or high volume.

Swing.—Swing allows shipments in excess of a specific limit of an individual category or group, by a percentage not to exceed a stated amount, provided that the specific limit for another category or group is reduced by a corresponding amount in the same year. Shift is a variation of swing which provides that the specific limit for a category or group may be exceeded, by a percentage not to exceed a stated amount, without offsetting reductions, provided that group or aggregate limits are not exceeded.

Transshipment.—The exportation of goods from one country which are, in fact, the product of another country.

Visa and certification system.—A certification by the exporting country's government that the articles originated or were produced in that country.

