

EMERGING TEXTILE-EXPORTING COUNTRIES

**Report on Investigation No. 332-126
Under Section 332**

USITC PUBLICATION 1273

AUGUST 1982

United States International Trade Commission / Washington, D.C. 20436



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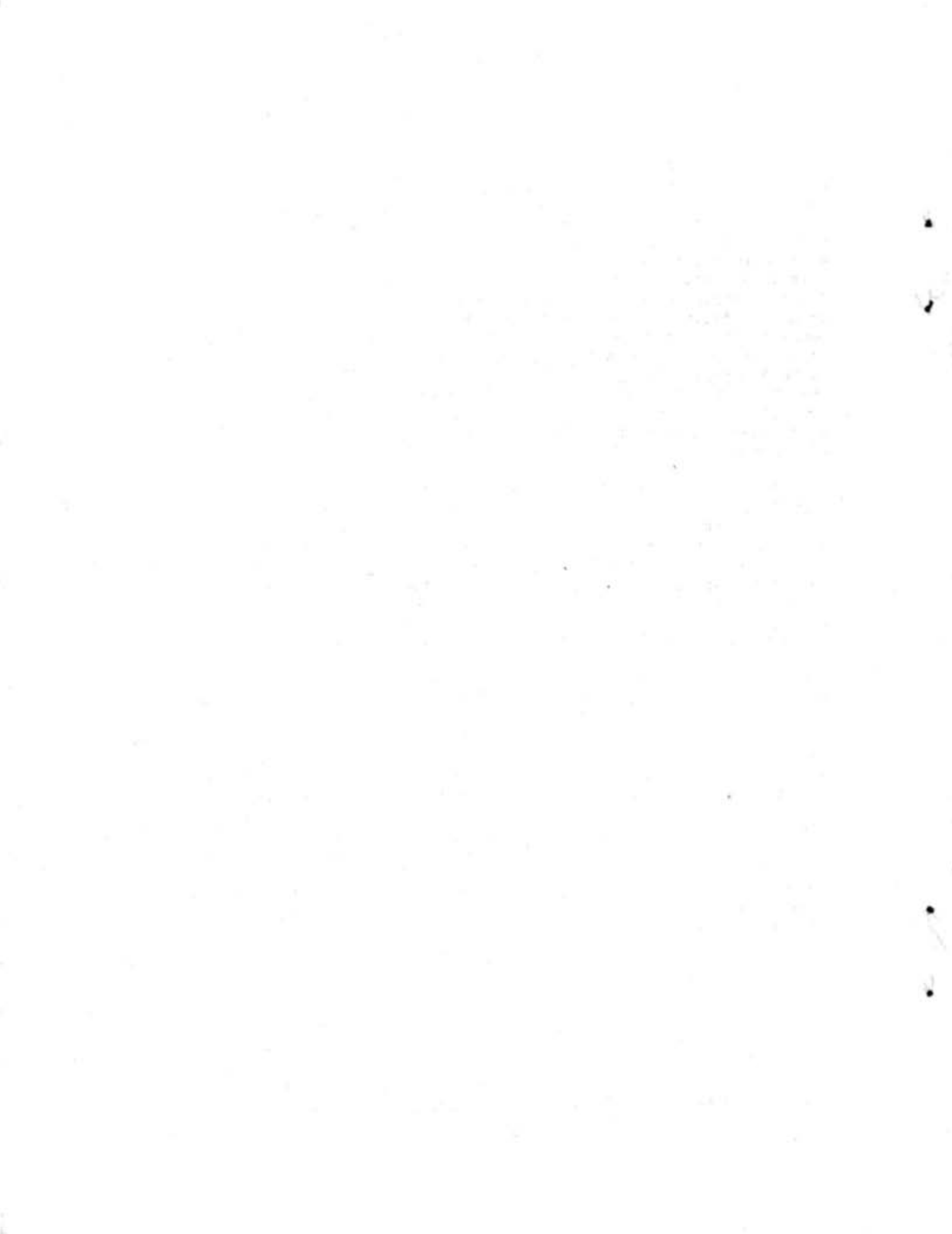
PREFACE

On June 1, 1981, the United States International Trade Commission, on its own motion, instituted Investigation No. 332-126 under section 332 of the Tariff Act of 1930 (19 U.S.C. 1332) on Emerging Textile-Exporting Countries. This study was undertaken to evaluate changes which have taken place in world trade in textiles and apparel with particular emphasis on certain countries which have had recent, significant growth in their exports of textile and apparel products, or which may have potential for significant expansion. Twelve developing countries ^{1/} were selected for study of their textile and apparel industries, trade patterns, Government policies, and resources to analyze their export potential to the United States and other world markets. The so-called "Big Three" suppliers (Hong Kong, the Republic of Korea, and Taiwan) were not among the countries studied. However, the increasingly tight restrictions being placed by developed countries on imports of textiles and apparel from the Big Three may assist in creating opportunities for other developing countries to emerge as important suppliers or to expand their level of exports.

Although many developing countries may have the potential to significantly expand their exports of textiles and apparel during the 1980's, the 12 countries selected for consideration in this study were chosen primarily on the basis of actual export levels or export growth to the United States during 1976-80. They range from small, new suppliers such as Sri Lanka to larger, established suppliers such as India. The People's Republic of China (China), which emerged as an important supplier of textiles and apparel during the mid-1970's, has since increased its exports faster than virtually all other countries. Thus, the term "emerging" as used in this study refers only to the potential of the countries to increase their relative share of world textile and apparel trade, and not to their level of economic development or to a specific level of exports during a given period.

The evaluation of the 12 countries' potential to significantly increase their exports of textiles and apparel is based on information and data primarily from published and unpublished documents of the U.S. Departments of Agriculture, Commerce, and State, the United Nations, and the World Bank. In addition, information was obtained from numerous domestic and foreign publications and from interviews with Government and industry officials. Data on world trade in textiles and apparel and on exports of the 12 developing countries were specially compiled by the Commission from United Nations data. Imports of all reporting countries were summarized according to the exporting country of origin. This provides a method for closely approximating exports of countries which do not report such data to the United Nations or which do not do so on a current basis.

^{1/} Includes Brazil, China, Colombia, India, Macau, Malaysia, Mexico, Pakistan, Philippines, Singapore, Sri Lanka, and Thailand.



CONTENTS

	<u>Page</u>
Preface-----	1
Executive summary-----	1
World trade-----	3
U.S. market-----	4
Emerging textile-exporting countries-----	6
Brazil-----	7
China-----	8
Colombia-----	9
India-----	10
Macau-----	11
Malaysia-----	11
Mexico-----	12
Pakistan-----	13
Philippines-----	14
Singapore-----	15
Sri Lanka-----	15
Thailand-----	15
Background:	
World trade in textile and apparel-----	A-1
Employment-----	A-1
Trade shifts-----	A-2
Production-----	A-4
Emerging textile-exporting countries-----	A-6
The U.S. market-----	A-7
U.S. textile and apparel consumption-----	A-7
The U.S. textile and apparel industries-----	A-9
Apparel industry-----	A-9
Textile industry-----	A-11
Development of U.S. imports:	
Growth in value since 1973-----	A-12
Shifts in import market shares-----	A-13
Quantity of U.S. imports has been stable-----	A-15
Long-term advantages in the cost and availability of labor-----	A-15
Wage impact on textile trade-----	A-16
Wage impact on apparel trade-----	A-19
Growth opportunities in the U.S. market for emerging textile-exporting countries-----	A-21
The Multifiber Arrangement-----	A-21
Non-MFA and less sensitive products-----	A-25
I. Brazil:	
Country profile-----	A-29
Geography, demography, and resources-----	A-29
The economy-----	A-30
Foreign trade-----	A-31
The textile and apparel industries-----	A-32
Structure-----	A-32
Production and capacity-----	A-33
Fiber consumption-----	A-33
Employment-----	A-35
Plants and equipment-----	A-35

CONTENTS

	<u>Page</u>
I. Brazil—Continued	
Trade in textiles and apparel-----	A-36
Imports, exports, and trade balance-----	A-36
Export trends-----	A-37
Principal exported products-----	A-38
Major markets-----	A-38
MFA constraints-----	A-39
The domestic market-----	A-40
Government policy-----	A-41
Assistance to the industry-----	A-41
Export promotion-----	A-41
Export potential-----	A-42
II. China:	
Country profile-----	A-55
Geography, demography, and resources-----	A-55
The economy-----	A-56
Foreign trade-----	A-57
The textile and apparel industries:	
Structure-----	A-59
Plants and equipment-----	A-61
Production and capacity-----	A-62
Employment-----	A-63
Trade in textiles and apparel-----	A-65
The domestic market-----	A-69
Government policy-----	A-69
Export potential-----	A-72
III. Colombia:	
Country profile-----	A-85
Geography, demography, and resources-----	A-85
The economy-----	A-85
Foreign trade-----	A-87
The textile and apparel industries-----	A-88
Structure-----	A-88
Fiber consumption-----	A-89
Production-----	A-92
Employment and wages-----	A-92
Equipment-----	A-93
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-94
Export trends-----	A-95
Principal exported products-----	A-96
Major markets-----	A-97
MFA constraints-----	A-97
The domestic market-----	A-99
Government policy-----	A-100
Import policy-----	A-100
Export promotion-----	A-101
Export potential-----	A-102

CONTENTS

	<u>Page</u>
IV. India:	
Country profile-----	A-115
Geography, demography, and resources-----	A-115
The economy-----	A-116
Foreign trade-----	A-118
The textile and apparel industries:	
Structure-----	A-119
Production and capacity-----	A-121
Employment-----	A-124
Plants and equipment-----	A-126
Trade in textiles and apparel-----	A-129
Government policy-----	A-132
Policy statement-----	A-133
Plans and projections-----	A-134
Export potential-----	A-135
V. Macau:	
Country profile-----	A-149
Geography, demography, and resources-----	A-149
The economy-----	A-149
Foreign trade-----	A-150
The textile and apparel industries-----	A-151
Trade in textiles and apparel:	
Export trends-----	A-151
Principal exported products and major markets-----	A-151
MFA constraints-----	A-152
Imports-----	A-153
Export potential-----	A-153
VI. Malaysia:	
Country profile-----	A-165
Geography, demography, and resources-----	A-165
The economy-----	A-166
Foreign trade-----	A-167
The textile and apparel industries:	
Structure-----	A-168
Production and capacity-----	A-169
Employment and wages-----	A-172
Equipment-----	A-172
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-173
Export trends-----	A-175
Major markets-----	A-176
MFA constraints-----	A-176
Government policy:	
Assistance to the industry-----	A-177
Economic and political importance of the industry-----	A-179
Export potential-----	A-179

CONTENTS

	<u>Page</u>
VII. Mexico:	
Country profile-----	A-193
Geography, demography, and resources-----	A-193
The economy-----	A-194
Foreign trade-----	A-196
The textile and apparel industries:	
Structure-----	A-197
Fiber production and consumption-----	A-197
Production and capacity-----	A-198
Employment and wages-----	A-199
Plants and equipment-----	A-200
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-200
Export trends-----	A-201
Principal exported products-----	A-202
Major markets-----	A-203
MFA constraints-----	A-203
The domestic market-----	A-204
Government policy:	
Economic and political importance of the industry-----	A-205
Assistance to the industry-----	A-205
Export promotion-----	A-205
Export potential-----	A-205
VIII. Pakistan:	
Country profile-----	A-219
Geography, demography, and resources-----	A-219
The economy-----	A-220
Foreign trade-----	A-221
The textile and apparel industries:	
Structure-----	A-223
Production and capacity-----	A-224
Employment and wages-----	A-225
Plants and equipment-----	A-226
Trade in textiles and apparel:	
Export trends-----	A-226
Principal exported products-----	A-227
Major markets-----	A-227
MFA constraints-----	A-228
Imports-----	A-229
The domestic market-----	A-229
Government policy:	
Economic and political importance of the industry-----	A-230
Assistance to the industry-----	A-230
Export promotion-----	A-231
Export potential-----	A-231

CONTENTS

	<u>Page</u>
IX. Philippines:	
Country profile-----	A-245
Geography, demography, and resources-----	A-245
The economy-----	A-246
Foreign trade-----	A-247
The textile and apparel industries:	
Structure-----	A-249
Production and capacity-----	A-250
Plants and equipment-----	A-251
Employment and wages-----	A-251
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-252
Export trends and principal exported products-----	A-254
Major markets-----	A-255
Item 807.00-----	A-255
MFA constraints-----	A-256
The domestic market-----	A-257
Government policy:	
Assistance to the industry-----	A-257
Export promotion-----	A-258
Export potential-----	A-258
X. Singapore:	
Country profile-----	A-275
Geography, demography, and resources-----	A-275
The economy-----	A-276
Foreign trade-----	A-277
The textile and apparel industries:	
Structure-----	A-278
Production and capacity-----	A-278
Employment and wages-----	A-279
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-280
Principal exported products-----	A-281
Major markets-----	A-282
MFA constraints-----	A-282
The domestic market-----	A-283
Government policy:	
Economic and political importance of the industry-----	A-283
Assistance to the industry-----	A-283
Export promotion-----	A-284
Export potential-----	A-284
XI. Sri Lanka:	
Country profile-----	A-297
Geography, demography, and resources-----	A-297
The economy-----	A-297
Foreign trade-----	A-299

CONTENTS

	<u>Page</u>
XI. Sri Lanka—Continued	
The textile and apparel industries:	
Structure-----	A-303
Production-----	A-305
Capacity-----	A-307
Equipment-----	A-309
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-309
Principal exported products-----	A-311
Major markets-----	A-311
MFA constraints-----	A-312
Export potential-----	A-315
XII. Thailand:	
Country profile-----	A-327
Geography, demography, and resources-----	A-327
The economy-----	A-328
Foreign trade-----	A-329
The textile and apparel industries:	
Structure-----	A-332
Production and capacity-----	A-332
Equipment-----	A-337
Employment and wages-----	A-339
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	A-339
Export trends and principal exported products-----	A-340
Major markets-----	A-340
MFA constraints-----	A-341
Government policy:	
Economic importance of the textile and apparel industries-----	A-341
Industrial promotion policy-----	A-342
Export promotion-----	A-342
Assistance to the textile industry-----	A-343
Export potential-----	A-345
Appendix. Statistical tables-----	A-357

Tables

I-1. Textiles and apparel: Exports from Brazil, by specific world markets and countries, 1973 and 1976-80-----	A-44
I-2. Textiles and apparel: Exports from Brazil, by principal markets, 1976-80-----	A-46
I-3. Textiles and apparel: Exports from Brazil, by types, 1973 and 1976-80-----	A-48
I-4. Cotton textiles: U.S. imports from Brazil, by MFA categories, 1976-81-----	A-50

CONTENTS

	<u>Page</u>
Tables	
I-5. Wool textiles: U.S. imports from Brazil, by MFA categories, 1976-81-----	A-51
I-6. Manmade-fiber textiles: U.S. imports from Brazil, by MFA categories, 1976-81-----	A-52
I-7. United States/Brazil bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-53
II-1. Textiles and apparel: Exports from China, by specific world markets and countries, 1973 and 1976-80-----	A-75
II-2. Textiles and apparel: Exports from China, by principal markets, 1976-80-----	A-77
II-3. Textiles and apparel: Exports from China, by types, 1973 and 1976-80-----	A-79
II-4. Cotton textiles: U.S. imports from China, by MFA categories, 1976-81-----	A-81
II-5. Wool textiles: U.S. imports from China, by MFA categories, 1976-81-----	A-82
II-6. Manmade-fiber textiles: U.S. imports from China, by MFA categories, 1976-81-----	A-83
III-1. Textiles and apparel: Exports from Colombia, by specific world markets and countries, 1973 and 1976-80-----	A-104
III-2. Textiles and apparel: Exports from Colombia, by principal markets, 1976-80-----	A-106
III-3. Textiles and apparel: Exports from Colombia, by types, 1973 and 1976-80-----	A-108
III-4. Cotton textiles: U.S. imports from Colombia, by MFA categories, 1976-81-----	A-110
III-5. Wool textiles: U.S. imports from Colombia, by MFA categories, 1976-81-----	A-111
III-6. Manmade-fiber textiles: U.S. imports from Colombia, by MFA categories, 1976-81-----	A-112
III-7. United States/Colombia bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-113
IV-1. Textiles and apparel: Exports from India, by specific world markets and countries, 1973 and 1976-80-----	A-138
IV-2. Textiles and apparel: Exports from India, by principal markets, 1976-80-----	A-140
IV-3. Textiles and apparel: Exports from India, by types, 1973 and 1976-80-----	A-142
IV-4. Cotton textiles: U.S. imports from India, by MFA categories, 1976-81-----	A-144
IV-5. Wool textiles: U.S. imports from India, by MFA categories, 1976-81-----	A-145
IV-6. Manmade-fiber textiles: U.S. imports from India, by MFA categories, 1976-81-----	A-146
IV-7. United States/India bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-147

CONTENTS

	<u>Page</u>
V-1. Textiles and apparel: Exports from Macau, by specific world markets and countries, 1973 and 1976-80-----	A-155
V-2. Textiles and apparel: Exports from Macau, by principal markets, 1976-80-----	A-157
V-3. Textiles and apparel: Exports from Macau, by types, 1973, and 1976-80-----	A-159
V-4. Cotton textiles: U.S. imports from Macau, by MFA categories, 1976-81-----	A-161
V-5. Wool textiles: U.S. imports from Macau, by MFA categories, 1976-81-----	A-162
V-6. Manmade-fiber textiles: U.S. imports from Macau, by MFA categories, 1976-81-----	A-163
V-7. United States/Macau bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-164
VI-1. Textiles and apparel: Exports from Malaysia, by specific world markets and countries, 1973 and 1976-80-----	A-182
VI-2. Textiles and apparel: Exports from Malaysia, by principal markets, 1976-80-----	A-184
VI-3. Textiles and apparel: Exports from Malaysia, by types, 1973 and 1976-80-----	A-186
VI-4. Cotton textiles: U.S. imports from Malaysia, by MFA categories, 1976-81-----	A-188
VI-5. Wool textiles: U.S. imports from Malaysia, by MFA categories, 1976-81-----	A-189
VI-6. Manmade-fiber textiles: U.S. imports from Malaysia, by MFA categories, 1976-81-----	A-190
VI-7. United States/Malaysia bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-191
VII-1. Textiles and apparel: Exports from Mexico, by specific world markets and countries, 1973 and 1976-80-----	A-208
VII-2. Textiles and apparel: Exports from Mexico, by principal markets, 1976-80-----	A-210
VII-3. Textiles and apparel: Exports from Mexico, by types, 1973 and 1976-80-----	A-212
VII-4. Cotton textiles: U.S. imports from Mexico, by MFA categories, 1976-81-----	A-214
VII-5. Wool textiles: U.S. imports from Mexico, by MFA categories, 1976-81-----	A-215
VII-6. Manmade-fiber textiles: U.S. imports from Mexico, by MFA categories, 1976-81-----	A-216
VII-7. United States/Mexico bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-217
VIII-1. Textiles and apparel: Exports from Pakistan, by specific world markets and countries, 1973 and 1976-80-----	A-234
VIII-2. Textiles and apparel: Exports from Pakistan, by principal markets, 1976-80-----	A-236

CONTENTS

	<u>Page</u>
VIII-3. Textiles and apparel: Exports from Pakistan, by types, 1973 and 1976-80-----	A-238
VIII-4. Cotton textiles: U.S. imports from Pakistan, by MFA categories, 1976-81-----	A-240
VIII-5. Wool textiles: U.S. imports from Pakistan, by MFA categories, 1976-81-----	A-241
VIII-6. Manmade-fiber textiles: U.S. imports from Pakistan, by MFA categories, 1976-81-----	A-242
VIII-7. United States/Pakistan bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-243
IX-1. Textiles and apparel: Exports from Philippines, by specific world markets and countries, 1973 and 1976-80-----	A-261
IX-2. Textiles and apparel: Exports from Philippines, by principal markets, 1976-80-----	A-263
IX-3. Textiles and apparel: Exports from Philippines, by types, 1973 and 1976-80-----	A-265
IX-4. Cotton textiles: U.S. imports from Philippines, by MFA categories, 1976-81-----	A-267
IX-5. Wool textiles: U.S. imports from Philippines, by MFA categories, 1976-81-----	A-268
IX-6. Manmade-fiber textiles: U.S. imports from Philippines, by MFA categories, 1976-81-----	A-269
IX-7. United States/Philippines bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-270
X-1. Textiles and apparel: Exports from Singapore, by specific world markets and countries, 1973 and 1976-80-----	A-286
X-2. Textiles and apparel: Exports from Singapore, by principal markets, 1976-80-----	A-288
X-3. Textiles and apparel: Exports from Singapore, by types, 1973 and 1976-80-----	A-290
X-4. Cotton textiles: U.S. imports from Singapore, by MFA categories, 1976-81-----	A-292
X-5. Wool textiles: U.S. imports from Singapore, by MFA categories, 1976-81-----	A-293
X-6. Manmade-fiber textiles: U.S. imports from Singapore, by MFA categories, 1976-81-----	A-294
X-7. United States/Singapore bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-295
XI-1. Textiles and apparel: Exports from Sri Lanka, by specific world markets and countries, 1973 and 1976-80-----	A-317
XI-2. Textiles and apparel: Exports from Sri Lanka, by principal markets, 1976-80-----	A-319
XI-3. Textiles and apparel: Exports from Sri Lanka, by types, 1973 and 1976-80-----	A-321
XI-4. Cotton textiles: U.S. imports from Sri Lanka, by MFA categories, 1976-81-----	A-323

CONTENTS

	<u>Page</u>
XI-5. Wool textiles: U.S. imports from Sri Lanka, by MFA categories, 1976-81-----	A-324
XI-6. Manmade-fiber textiles: U.S. imports from Sri Lanka, by MFA categories, 1976-81-----	A-325
XI-7. United States/Sri Lanka bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-326
XII-1. Textiles and apparel: Exports from Thailand, by specific world markets and countries, 1973 and 1976-80-----	A-347
XII-2. Textiles and apparel: Exports from Thailand, by principal markets, 1976-80-----	A-349
XII-3. Textiles and apparel: Exports from Thailand, by types, 1973 and 1976-80-----	A-351
XII-4. Cotton textiles: U.S. imports from Thailand, by MFA categories, 1976-81-----	A-353
XII-5. Wool textiles: U.S. imports from Thailand, by MFA categories, 1976-81-----	A-354
XII-6. Manmade-fiber textiles: U.S. imports from Thailand, by MFA categories, 1976-81-----	A-355
XII-7. United States/Thailand bilateral agreement: Limits by MFA category, with shipments charged, 1980-----	A-356
A-1. Textiles and clothing: World exports, total and to the United States, by exporting countries, 1980-----	A-358
A-2. Textiles and clothing: World exports, by exporting countries, 1973-1980-----	A-360
A-3. Textiles: World exports, by exporting countries, 1973-1980-----	A-362
A-4. Clothing: World exports, by exporting countries, 1973-1980-----	A-364
A-5. Textiles: World imports, by importing areas and by sources, 1980-----	A-366
A-6. Clothing: World imports, by importing areas and by sources, 1980-----	A-367
A-7. Textiles and clothing: U.S. imports by specified sources, 1976 and 1980-----	A-368

EXECUTIVE SUMMARY

International trade in textiles and apparel initially gained attention as a major trade issue in the 1930's, when Japan emerged as the first large exporter of low-priced cotton products. Japan agreed to voluntarily restrain exports to the United States in 1937 and again in 1957, and the first multilateral controls over textile and apparel trade were instituted in 1961. More recently, the major focus has been on growing exports from Hong Kong, Taiwan, and the Republic of Korea (Korea), the so-called, "Big Three", who emerged as important suppliers during the 1960's, and have since displaced Japan to become the largest suppliers of low-cost textiles and apparel to the world and to the United States. Their share of U.S. imports in 1980 together amounted to 46 percent, up from 24 percent in 1970 and 11 percent in 1965.

Since 1974, international trade in textiles and apparel of cotton, wool, and manmade fibers has been subject to the provisions of the Arrangement Regarding International Trade in Textiles, known as the Multifiber Arrangement (MFA). The MFA provides the legal framework for a series of bilateral agreements among 50 participating countries with the objective of providing for the orderly development of international trade in textiles and apparel. Differences still exist however, as developing exporting countries continue to seek greater access to the developed countries' markets, while labor and producer interests in the developed countries urge their governments to restrict this access to preserve as much of the domestic market as possible.

A major point of debate during the 1981 negotiations concerning renewal of the MFA was whether new and small suppliers should be subject to the same trade restrictions that face larger suppliers, or be accorded more liberal treatment to encourage expansion of their exports of textile and apparel products. The principle of greater growth for new and small suppliers was reaffirmed in the 1981 MFA renewal, which may help smaller suppliers increase their exports and shares of the developed countries' markets.

The specific issue addressed in this study is whether the success of Hong Kong, Korea, and Taiwan as textile exporters is likely to be emulated by other countries. Will a third tier of countries emerge which will achieve parity with or displace the Big Three as major sources of world textile exports during the 1980's, much as the Big Three superseded Japan during the 1960's and 1970's?

In the developed importing countries, there has been little or no real growth in textile and apparel consumption since 1976, and the share of income being spent on these products is now declining. In addition, certain developed countries are pursuing restrictive policies with regard to textile and apparel imports. These conditions would indicate relatively stagnant markets in which the domestic industries and exporting countries compete vigorously to maintain their shares, with little room for significant growth. However, despite of current market conditions, recent evidence suggests that particular suppliers of textile products can and have increased their share of developed countries' markets to become more important sources, either for specific products or on a multiproduct basis. There are many reasons for these increased shares, among the more significant of which are (1) the

long-term movement of apparel production to areas of lower labor cost and (2) the continuing search by importers for foreign sources of supply that are not restricted by quotas imposed primarily as a result of the MFA.

Given the importers' motivation to find new sources, what factors would enable a supplying country to successfully fill such a role and expand its market share? The obvious models for such considerations are Hong Kong, Korea and Taiwan. Although there are considerable differences among the textile and apparel industries of the Big Three in terms of organization and product specialization, all operate in environments which contain common characteristics that contribute to their success. Among the most important of these characteristics are the following:

1. Government policies that encourage efficient textile and apparel production and exportation.
2. Absence of major restrictions on imports of raw materials and machinery.
3. Stable economic and political systems.
4. Industries that are efficient, diversified, and have a reputation for producing a good quality product on a consistent, timely basis.
5. Industries which have the capacity to satisfy domestic needs and still have a sizable surplus for export.
6. A large, productive labor force whose wages are low compared with those in the developed countries.

It would follow that if other supplying countries could emulate these characteristics, their opportunities for significantly increased exports of textile products might be improved. However, the findings of this study are that one or more of these characteristics are lacking in each country, and as a result, export expansion is currently hindered. Some of the most frequently occurring problems in the countries examined include outmoded and inefficient textile industries and government policies which slow expansion and modernization of these industries.

The following is a summary of findings on the textile and apparel industries of 12 developing exporting countries with regard to their specific strengths and weaknesses and potential for growth. A brief overview of world textile trade and an examination of the U.S. market is also included for perspective.

World Trade

o World trade in textiles and apparel grew substantially during 1973-80

World trade in textiles and apparel increased from \$36 billion to \$94 billion during 1973-80, or by 162 percent. During the same period, world trade in all commodities rose 244 percent, from \$574 billion to \$1,973 billion. The higher growth rate for total trade is partially attributable to the large increase in the cost of petroleum shipments, which rose from \$63 billion to \$468 billion during the period. In addition, relatively stable prices for textiles and apparel compared with prices for other manufactured products, a general slowing of textile activity, particularly in the developed countries, and restrictive import policies also hindered expansion of world textile trade.

o Textile activity is weakening in the developed countries, but expanding in the developing countries

Production of textiles and apparel declined slightly in the developed countries during 1973-80, and employment dropped significantly. The production decline resulted from stagnant consumption in the developed countries coupled with increased imports. Employment in the developed countries also suffered from import competition, and stagnant consumption, but increased productivity, particularly in the textile mill sector, was another factor contributing to the employment decline. In addition, the developed countries' share of world textile and apparel exports declined from 68 to 62 percent during 1973-80, as the developing countries steadily increased their share of this trade, particularly in apparel. This shift stems primarily from the long-term movement of apparel production from areas of high labor cost to the developing countries, with their lower cost labor.

Production and employment in the developing countries has been growing as their role in world trade increases and also to meet expanding domestic needs resulting from population growth and rising per capita consumption. Production of textiles and apparel in the developing countries grew at an annual rate in excess of 2.5 percent during 1973-80; the developed countries experienced an annual decline of about 0.5 percent during the period.

o Emerging nations are experiencing the fastest growth in textile and apparel trade

The 12 emerging textile-exporting countries are now increasing their share of world textile and apparel trade at the expense of other developing countries, as well as the developed countries. Textile and apparel exports from the 12 emerging countries rose 223 percent, from \$3.0 billion to \$9.7 billion during 1973-80, increasing their overall share of world trade from 8 to 11 percent during the period. With the exception of Colombia, Mexico, and Pakistan, the other nine countries each equaled or exceeded the overall world growth rate of 162 percent for textile and apparel trade during 1973-80. Looking at more recent trends, the growth rate of 135 percent for textile and

apparel exports from the emerging nations during 1976-80 was far greater than the world average of 82 percent, and even exceeded that of Hong Kong, Korea, and Taiwan.

U.S. Market

o U.S. market offers growth potential for textile-exporting countries

The United States is the world's largest consumer of textile products, with an annual per capita consumption of 52 pounds. However, total consumption of textile products did not grow during 1973-80, and annual growth rates of only 1 to 2 percent are forecast for the 1980's. Despite import limitations under the MFA, recession and stagnant consumption in the U.S. market, and an increasingly competitive domestic textile industry, the United States remains a potential growth market for textile-exporting countries, particularly for new or smaller suppliers. The growth potential exists primarily from the great size and diversity of the U.S. market, provisions of the MFA that are favorable to small- and medium-size suppliers, and the long-term advantage that low-wage labor gives to the developing countries.

o The value of U.S. imports of textiles and apparel (particularly apparel) grew rapidly in value during 1973-80

The value of U.S. textile and apparel imports grew from \$3.8 billion to \$8.5 billion during 1973-80, while the quantity of imports remained relatively level during the period. However, the quantity of imports jumped sharply during 1980-81, increasing 18 percent from 4.9 billion to 5.8 billion equivalent square yards (SYE). ^{1/}

Long-term shifts have taken place in the mix of products imported into the United States. In 1973, apparel accounted for about one-half of the value of all textile products imported by the United States, but by 1980, apparel increased its share to 69 percent. This shift reflects the developing countries' significant cost advantage in the production of labor-intensive apparel products. U.S. imports of textile mill products have not risen nearly as rapidly as apparel imports largely because production of textile mill products is becoming more capital intensive, enabling the United States to better compete with the developing countries.

^{1/} To measure the overall quantity of textile and apparel imports, data are collected on an equivalent square yard (SYE) basis, a common unit into which the various textile and apparel units of measure (dozens, pieces, yards, pounds, and so forth) can be converted.

- o Developing countries, particularly the emerging textile-exporting countries, are improving their position in the U.S. market

During 1973-80, Hong Kong, Korea, and Taiwan increased their collective share of U.S. textile and apparel imports from 29 to 46 percent as their shipments to the United States increased from \$1.11 billion to \$3.97 billion. On the other hand, the share of U.S. textile and apparel imports held by the European Community (EC) and Japan declined from 36 to 19 percent during 1973-80 as their combined shipments increased modestly from \$1.36 billion to \$1.56 billion.

During 1976-80, the 12 emerging textile-exporting countries increased their share of the U.S. market from 18.7 to 23.0 percent, as their shipments to the United States rose from \$0.96 billion to \$1.95 billion. This is a slightly faster growth rate than that experienced by the Big Three during the same period, whose share of the U.S. market went from 43.0 to 46.0 percent, with their shipments increasing from \$2.21 billion to \$3.91 billion.

- o U.S. import restraints will continue to allow for orderly market growth

All of the countries considered in this study have bilateral agreements with the United States that limit the quantity of their textile and apparel exports to this country. With the exception of China, which is not a signatory, the agreements were concluded in accordance with the provisions of the MFA.

However, export growth is still possible for the emerging textile countries since bilateral agreements with the United States usually allow them at least a 6-percent annual quota growth. In addition, the agreements usually allow for flexibility to transfer a limited amount of quota from unfilled categories to filled ones, and to carry forward unused quota from the previous year or to borrow quota from the succeeding year.

The protocol which extended the MFA through July 1986 contains provisions which, under certain circumstances, allow importing countries to limit major supplier's quota growth and flexibility of transferring quota. The protocol also contains provisions reaffirming that less restrictive treatment should be accorded to new suppliers and small suppliers. Consequently, it is possible that the largest suppliers, primarily the Big Three, may be held to little or no growth, particularly in the major apparel categories, but the growth potential for new or small suppliers of textile products may be strengthened during the next 5 years.

In addition to the growth and flexibility provisions of the MFA, potential for additional export expansion exists for the emerging nations through better utilization of underfilled restraint levels. While the MFA has been a factor in slowing export growth, the 12 countries as a group have not

come close to utilizing fully the quotas 1/ available to them. In 1980, the emerging countries shipped less than 60 percent of the quantity available to them in major categories that were subject to specific quotas or consultation levels. Actual shipments to the United States were 733 million SYE while 1,281 million SYE were available. With the exception of China, many of the major product categories, where overall imports and U.S. consumption are extremely large, are underutilized. However, to take advantage of the underutilized quotas, the exporting countries usually must diversify and expand the types of textile and apparel products that they manufacture for export, which in the past has proven to be difficult.

Another area of export growth potential is in products which are not covered by the MFA. In 1980, U.S. imports of non-MFA products from all countries, including all raw fiber, cordage of vegetable fiber (except cotton), and items made of silk and vegetable fibers, amounted to \$1.3 billion. Except for those of raw cotton, imports of such products are rarely subject to import limitations, and, consequently, exporting countries are able to satisfy U.S. market demand without facing quota restrictions. Among the emerging nations, India, Mexico and Brazil are important suppliers to the United States of non-MFA products.

Emerging Textile-Exporting Countries

- o Seven of the 12 countries studied appear to possess the potential to increase their exports to the United States during the next 5 years.

The seven countries, which supplied 15 percent of the value of U.S. textile and apparel imports in 1980, are China, India, Macau, Pakistan, the Philippines, Sri Lanka, and Thailand. A common thread indicating growth potential among these countries is the ongoing diversification from agriculture into industry. This is especially true for labor-intensive, light industry, including apparel production. These nations have attached considerable importance to the development of their textile and apparel industries and have adopted, or plan to adopt, policies designed to encourage greater textile and apparel production for export as well as for growing domestic consumption. Moreover, the textile and apparel industries have become major employers and sources of foreign exchange in most of these countries. In addition, the seven countries' low labor costs, coupled with increasing U.S. restrictions on shipments from Hong Kong, Taiwan, and Korea, are creating opportunities for them to expand their shipments to the United States.

In aggregate, it is likely that the seven countries will gradually increase their share of U.S. imports, largely at the expense of the Big Three's share. In absolute terms, since the Big Three are not being asked to reduce the quantity of their shipments to the United States, such increases

1/ Bilateral textile agreements generally control exports through a combination of specific quotas and consultation levels. In most cases, if an exporting country wishes to permit exports to the United States in any category in excess of the applicable consultation level, it must first request consultations with the United States and reach agreement on some different level of exports.

achieved by the emerging textile countries may result in increased import levels, particularly in apparel, and higher overall import penetration.

Because of China's rapid expansion of exports, that country, on a worldwide basis, may overtake Taiwan as third largest exporter of textile and apparel products among the developing countries. China's world textile and apparel shipments increased by 45 percent during 1979-80, from \$2.4 billion to \$3.5 billion, closing the gap between it and Taiwan, whose world exports increased 22 percent, from \$3.1 billion to \$3.8 billion, during the period. However, it is unlikely that any of the Big Three will be displaced as the largest suppliers to the U.S. market by any of the seven countries, except possibly China, during the next 5 years, for a variety of reasons, including production limitations, quality problems, competition from the Big Three, and MFA provisions which allow the United States to prevent import surges from any supplying country.

Despite China's rapid growth in the U.S. market, its exports to the United States were still far less than that of any of the Big Three. Textiles and apparel shipments to the United States in 1981 totaled \$1.96 billion from Hong Kong, \$1.34 billion from Taiwan, \$1.17 billion from Korea, and \$0.59 billion from China.

- o The five remaining countries--Brazil, Colombia, Mexico, Malaysia, and Singapore--appear to have limited potential to achieve consistent expansion of their exports to the United States in the near future.

These countries have not adopted or implemented policies which will aid in the development of major export-oriented textile and apparel industries. For example, Mexico is encouraging only enough growth in its industry to meet domestic demand. Because of a labor shortage, Singapore is encouraging and aiding the development of capital-intensive, export-oriented industries, especially those employing skilled labor and high technology. Rising raw material and labor costs have made Brazil less competitive in the U.S. market vis-a-vis U.S. textile and apparel producers and Asian suppliers. Colombia has experienced difficulties with product quality and rising labor costs. In Malaysia, the Government is placing high priority on the development of export-oriented and resource-based industries, but because of little specific Government assistance to the industry and a current labor shortage, textile and apparel export potential appears limited.

A country-by-country summary of textile and apparel export potential for the next 5 years follows.

Brazil

- o There appears to be limited potential for expanded exports from Brazil during the next 5 years

Brazil's world exports grew at a relatively modest rate during 1976-80, increasing 71 percent during the period, from \$305 million in 1976 to \$524 million in 1980. Brazil's exports consist primarily of cotton yarns and fabric, with over 65 percent of its 1980 exports going to European countries.

Although the Government of Brazil is anxious to increase textile exports to offset the large cost of imported oil and Brazil has increased the value of total textile and apparel exports in recent years, generally it has not been competitive in the U.S. market. Brazil's export prices are equal to or higher than competing U.S. suppliers for similar quality products. In addition, for many segments of the U.S. market, Brazilian products lack quality and style appeal. Any growth that is achieved in textiles and apparel most likely will continue to be in Europe, where Brazil has experienced success in meeting the price, quality, and style needs of the European market, and in other South American countries.

Brazil's exports have little competitive impact on the apparel exports of the Big Three or the EC since Brazil's exports are largely in cotton yarns, fabric, and other textile mill products. Brazil's exports do compete with countries which produce cotton and export cotton textile products, including Pakistan, Egypt, Mexico, and Peru.

Shipments to the United States declined sharply, from about 75 million SYF in 1976 to 31 million SYE in 1979, and rebounded to about 65 million SYE in 1981. Despite the decline in quantity (which was mainly in low-valued cotton yarn), the value of exports increased from \$58 million in 1976 to \$105 million in 1981. About three-fourths of Brazil's exports to the United States consist of yarns and fabrics. Shipments of these products fluctuate widely, dropping sharply one year and then increasing by millions of SYE the following year, in response to shifts in U.S. market demands for cotton yarn and fabric.

China

o China has the potential for increased exports during the next 5 years

China's world textile and apparel exports increased 221 percent, from \$1.1 billion to \$3.5 billion during 1976-80, and it is now the fourth largest supplier among the developing countries, up from twelfth in 1976. China's markets are extremely diversified. In 1980, the Big Three were China's largest market, followed by the EC, Japan, and the United States.

Government policy in China is expected to continue to place importance on textiles and other light industry, which require lower capital investment than heavy industries as important earners of foreign exchange. If the Government continues to direct resources to the export market, encourages more involvement with foreign firms (which often leads to better styling and improved production methods), and provides more individual incentives to firms and workers, continued growth in exports is very likely. It is reported that in general, the work force is capable, product quality is good, and prices are equal to, or lower than, comparable quality products from other Asian suppliers.

Possible problems which might slow export growth include limited fiber supply, lack of flexibility in meeting market conditions, satisfying rapidly growing domestic consumption needs, and increasingly restrictive import policies by some of the developed countries.

China's textile and apparel industries are extremely large and diversified, with its greatest current strengths, particularly in the textile mill area, in cotton products. Consequently, the principal products where there are possibilities for expansion include fabrics and apparel of cotton and cotton blends, and apparel of manmade fibers, especially knit outerwear. Items which have already had large increases include cotton sheeting and printcloth-type fabrics, women's and girls' coats, playsuits, men's and women's cotton trousers, and men's and women's shirts and blouses of manmade fibers.

China is competing vigorously and successfully with other exporting countries including India, Pakistan, Hong Kong, Korea, and Taiwan. Evidence of China's overall success is that the rate of growth of its exports has been more than twice that of its Asian competitors during 1976-80.

Shipments to the United States (of which both fabrics and apparel are important) increased nearly four times in quantity (SYE basis) and 10 times in value between 1976 and 1981. Administration of the U.S.-China bilateral agreement will probably result in slower growth over the next 5 years, as more product categories which China currently exports to the United States are made subject to specific quota limitations. However, substantial growth should still be possible, as specific limits have not been established for China on most categories of textiles and apparel that are covered by the MFA, and China is diversifying its exports into many of these currently unrestricted product categories.

In addition to growth in the U.S. market, China will probably continue to achieve substantial growth in the markets of other developing countries (Hong Kong is, by far, China's largest customer), Japan, the EC and other European countries. Hong Kong and Macau are likely to play significant roles in the production and marketing of Chinese textile products, both as customers and as partners in joint ventures or other commercial arrangements.

Colombia

o Colombia has limited potential for export growth

Colombia is not currently a major world exporter of textile and apparel products. Its total exports during 1980, valued at \$204 million, placed it 47th among exporting nations. Moreover, its share of world textile and apparel trade is not increasing.

Despite Government policies to promote textile and apparel exports, problems with Colombian exports continue to exist, particularly to the United States and other developed countries, including relatively high prices and inconsistent quality and deliveries. Colombia has been directing most of its textile and apparel exports to the Caribbean countries, particularly Venezuela, which now takes about two-thirds of Colombia's apparel exports. The Caribbean countries should remain Colombia's major textile and apparel market due to geographic proximity, cultural affinity, similar climates, and like pricing structures.

U.S. imports of Colombian textile and apparel products decreased 38 percent, from 55 million equivalent square yards in 1976 to 34 million in 1981.

India

o India has the potential for increased exports during the next 5 years

India ranks 13th among world exporters of textiles and apparel products, and it ranks fifth among the developing countries after Hong Kong, Korea, Taiwan, and China. India's world exports increased 72 percent between 1976 and 1980, from \$1.01 billion to \$1.74 billion.

The principal products that provide possibilities for continued near-term expansion include low-cost fabrics and other textile mill products where quality requirements are not high, and in hand-loomed fabrics and apparel made of hand-loomed fabrics. The advantages that India has with regard to exporting these products are low wage rates, large underutilized quotas, and the unique appeal of its hand-loomed fabrics and apparel made from hand-loomed fabrics.

Official Government textile policy has encouraged production for export, but has generally given higher priority to maintaining high levels of employment in its textile mills, utilizing domestically grown cotton, producing for domestic consumption, and protecting the textile industry against foreign competition.

Reportedly, a large portion of the production of Indian fabric does not meet the quality requirements needed in apparel for the export market. Although wage rates are low, production costs tend to be relatively high, except in products with very large wage content, because of less-modern equipment, labor difficulties, high fiber costs, and erratic power supply. In the longer run, India may be able to achieve larger overall growth through gains in apparel exports, provided Government policies are implemented that will allow for increased use of manmade fibers and industry modernization.

The EC is India's largest customer, accounting for exports valued at almost \$950 million in 1980, consisting of about 55 percent textile products, and the balance in apparel. India's fastest growing market consists of Asian countries, other than the Big Three, whose trade with India increased 205 percent during 1976-80, rising from \$27 million to \$84 million.

Much of India's textile and apparel exports are unique products which do not compete directly with those of the Big Three. However, the possible growth in exports of more conventional apparel may take an increasing share of major markets with some impact on a wide range of other exporters in Europe and Asia.

Shipments to the United States declined each year during 1976-79 (SYE basis) but increased in 1980 and 1981, reaching 185 million SYE in 1981, which was the highest level since 1976. There has been a strong shift from fabrics to apparel in Indian shipments to the U.S. market; in 1976, fabrics constituted more than 60 percent of shipments, but in 1981, they made up less than 20 percent. Partly because of the shift to higher valued apparel, the value of India's exports to the United States increased from \$254 million in 1976 to \$356 million in 1981, or by 40 percent.

Macau

o Macau has potential for increased exports during the next 5 years

Textile and apparel exports from Macau increased rapidly during 1976-80 from \$201 million to \$505 million, or by 152 percent. Over 85 percent of Macau's world exports consisted of apparel, and any increase in production of yarn and fabric finds a ready market among domestic apparel producers or those in nearby Hong Kong.

Macau's strengths, particularly as an apparel producer, stem largely from low wage rates, ready availability of inexpensive fabric from China, long experience in the production of wearing apparel, and proximity to Hong Kong, which is the apparel trading hub of Southeast Asia. Macau's export growth may be hindered by MFA quotas, several of which are filled; generally limited resources; and limited transportation and harbor facilities.

The EC is Macau's largest market, accounting for almost two-thirds of Macau's exports during 1980. The value of the trade increased from \$135 million in 1976 to \$262 million in 1980, and now accounts for 2.7 percent of all EC apparel imports. The EC considers Macau a major supplier along with Hong Kong, Korea, and Taiwan, and consequently, the EC may subject Macau to relatively stringent growth restrictions under the MFA. Macau's growth opportunities, if limited in the EC, may be greater in other markets in which they are currently successful, including the Big Three, European countries other than the EC, and the United States.

Shipments to the United States (of which practically all were apparel in 1980) increased almost 5 times in value between 1976 and 1980 (from \$20 million to \$97 million); the quantity, in terms of SYE nearly tripled to 43 million SYE. Although exports have been restrained by a significant number of apparel quotas, there is still some room for growth through diversification into products not subject to specific quotas. The principal products for which there are current possibilities for export expansion are underwear, skirts, shirts, sweaters, and trousers, as MFA quotas have not been filled in these items. In addition, even for those items where quotas have been filled, there can be yearly expansion as a result of MFA growth and flexibility provisions.

Malaysia

o Malaysia has limited potential for export expansion during the next 5 years

Malaysia's world exports increased 130 percent during 1976-80, rising from \$168 million to \$388 million during the period. Malaysia's export growth rate, which was greater than most developing countries (including the Big Three) during 1976-80, is expected to moderate over the next five years.

Projections of limited growth are based on less favorable Government policies, a labor shortage, a relatively small home market, and MFA restrictions in the developed countries. Government policies which had

promoted expansion of labor-intensive manufacturing, including apparel, have shifted to emphasize development of capital-intensive industry, partially in reaction to Malaysia's recently developed labor shortage.

Malaysia's textile and apparel products are generally competitive in price and quality with those of the Big Three and other Asian suppliers. However, since Malaysia's world market share is not expected to increase appreciably in the near future, existing competitive relationships are likely to remain unchanged.

Malaysia's largest market is the EC which took \$134 million or 35 percent of Malaysia's 1980 exports, with Singapore being the second largest market with \$93 million.

In 1980, only 12 percent of Malaysia's exports of textiles and apparel were shipped to the United States (\$47 million). The relatively small share that went to the United States reflects Malaysia's success in diversifying its markets, motivated at least in part by U.S. quotas which restrict Malaysian exports of important apparel products including cotton shirts, blouses, and trousers.

Mexico

o Mexico has limited potential for increased exports during the next 5 years

Mexico's importance in world textile and apparel trade is relatively minor. In 1980, it was ranked 35th in terms of world textile and apparel exports, contributing about 0.5 percent of the total with a value of \$375 million. Between 1973 and 1980, Mexico's textile and apparel exports increased 72 percent, less than one-half of the worldwide rate during the same period.

Mexico's limited role in world textile trade is largely a result of the relative weakness of its textile industry coupled with Government policies of not promoting export expansion of textiles and apparel but only encouraging enough growth for these industries to meet domestic demand. The value of the country's overall textile and apparel exports increased 23 percent between 1976 and 1980. Virtually all this growth, however, can be attributed to inflation.

Over 80 percent of Mexico's textile and apparel exports in 1980 went to the United States; consequently no other major markets are seriously affected by Mexican exports. The textile and apparel products that Mexico ships to the United States are competitive in terms of price and quality with those of the major Asian apparel exporters. However, as Mexico's share of the U.S. market currently is relatively small (3.3 percent) and not increasing, it is unlikely that other foreign suppliers will lose market share to Mexico during the next 5 years.

The 1982 Mexican currency devaluation should further enhance the price competitiveness of Mexican apparel in the United States. However, the devaluation is not likely to result in sizeable increases of exports of

Mexican apparel to the United States as nonprice factors are the major deterrents to such expansion.

Shipments to the United States declined from 161 million SYE in 1976 to 129 million SYE in 1981. The value of shipments of textile mill products to the United States in both 1976 and 1980 was \$60 million, having risen to a high of \$73 million in 1978 before declining. The value of apparel shipments rose gradually from \$166 million in 1976 to \$248 million in 1980, or by 49 percent, again largely reflecting inflation.

The majority of Mexican apparel exports to the United States are not entirely of Mexican origin; they enter the United States under item 807.00 of the Tariff Schedules of the United States. Production of these products, usually consisting of U.S.-supplied fabric and trimming which are assembled into apparel by Mexican labor, is initiated and controlled by U.S. firms. In 1980, 73 percent of Mexican apparel shipments to the United States entered under item 807.00.

Pakistan

o Pakistan has potential for increased exports during the next 5 years

The value of Pakistan's world exports of textiles and apparel almost doubled during 1976-80 from \$380 to \$745 million. The great majority of these exports were low-priced fabric and yarns of cotton, shipments of which amounted to \$655 million in 1980. Pakistan's apparel exports have been relatively small, but increased from \$63 million to \$91 million during 1979-80.

Textile exports from Pakistan are expected to continue to increase, particularly to other Asian countries for use in their apparel production, and to the United States. Thus, Pakistan may improve its competitive position compared with that of other exporters of low-priced cotton textile products such as Brazil, China, India, and Taiwan.

Shortage of capital is delaying modernization of the textile industry, and new facilities will be necessary for expanded apparel production. The industry must also attempt to overcome its poor quality image in the world market. The Pakistani Government is taking steps to solve these problems with some signs of success, and, despite relatively low efficiency, the industry seems to be able to produce increasing quantities of low-cost products for export. Pakistan's competitive strengths include Government export incentives, large supplies of domestically produced cotton, lower wage rates than many of its competitors, and a relatively large textile industry.

Pakistan's largest market is the EC, which took 345 million dollars' worth, or 46 percent, of Pakistan's 1980 exports. The combined markets of Japan, Hong Kong, Korea, and Taiwan are Pakistan's second largest export destinations, and the United States is Pakistan's third largest customer, taking \$97 million in exports from them in 1980.

Pakistan's exports to the United States fluctuated between 67 million and 177 million SYE during 1973-80, primarily because of large changes in export levels of cotton cloth, which reached a low of 41 million SYE in 1977 and then

rebounded to a high for the period of 122 million SYE in 1978. Pakistan appears to have filled a niche in the U.S. market with low-priced cotton products, particularly fabrics, dresses, knit shirts, underwear, bedding, and towels. Many U.S. producers are finding that the low-end market is unprofitable and are shifting their production away from this type of product. However, there is still a demand for low-priced merchandise in the United States, and Pakistan is one of the countries which is expanding into this area.

Although Pakistan is currently filling some of its MFA quotas, with normal year-to-year quota increases and some diversification of its exports, it should not encounter serious problems with export limitations to the United States or to other developed countries.

Philippines

o The Philippines has potential for increased exports during the next 5 years

The Philippines is expanding its share of the world market, as its exports of textiles and apparel increased by 177 percent during 1976-80, from \$202 million to \$561 million. Most of these exports were apparel which, in 1980, accounted for \$478 million or 85 percent of the total.

Continued growth is anticipated as the Government policies which assisted the apparel industry, particularly establishment of an export processing zone where fabrics can be imported duty free to produce apparel for export, are expected to continue. In addition, the combination of low wage rates and relatively high skill and quality levels make Philippine apparel competitive in world trade. Growth of the textile mill industry has been slow, due in part to outmoded equipment, but apparel production and exports have been growing.

In 1980, the Philippines was the 25th largest supplier of textiles and apparel in the world and its growth rate during 1976-80 was higher than all Asian countries except China and Sri Lanka. Consequently, its competitive position in the developed countries' markets, particularly in conjunction with other smaller but rapidly growing suppliers such as Sri Lanka and Thailand, is gradually improving, compared to the larger, but slower growing suppliers.

The United States is, by far, the leading market for the Philippine textile and apparel exports, taking about half the total in 1980. The EC is the Philippines' second largest market and recently has been the fastest growing one. During 1976-80, Philippine exports to the EC increased from \$40 million to \$169 million, or by 323 percent.

Shipments to the United States, of which 85 percent were apparel in 1981, increased by over 150 percent during 1976-81, from \$100 million to \$258 million. On a quantity basis, shipments increased 36 percent, from 130 million SYE to 177 million SYE, during the same period. Even if the MFA quota levels are not increased significantly in the next bilateral agreement (the current one expires Dec. 31, 1982) there is room for growth from both underutilized quota categories and normal year-to-year growth in those categories that are filled.

The principal products where exports to the United States may expand rapidly include manmade-fiber knit shirts, trousers and sweaters, and cotton blouses. There is a large market for these items in the United States, and they are in MFA categories where the Philippines has a considerable amount of unused quota.

Singapore

o Singapore has limited export potential during the next 5 years

Although Singapore's world exports of textile and apparel more than doubled from \$248 million to \$516 million during 1976-80, its significance in world trade is not particularly large. In 1980, Singapore was ranked 30th in terms of world textile and apparel exporters, providing less than 1 percent of the total. Moreover, Singapore's exports of these products are not expected to increase significantly in the next 5 years, and other developing countries which are encouraging expansion of textile and apparel exports may reduce Singapore's share of the world market.

As a country with limited natural resources and a small population, the Government of Singapore is encouraging production of high value-added products such as petrochemicals, medicinal products, and electronic equipment and components. To promote this policy, the statutory wage rates were increased 60 percent from 1978 to 1981. As a result, the textile and apparel industries, which have the lowest wage rates for manufacturing, had virtually no growth in production between 1976 and 1979, and employment has declined. The garment industry is establishing a training center to provide skilled workers capable of producing higher quality goods to assist the industry. However, even when the effects of this training program are felt, Singapore's ability to expand exports will remain limited.

The United States and the EC are Singapore's largest customers, each taking about one-third of Singapore's exports, although exports to the United States grew more rapidly during 1976-80.

Between 1976 and 1981, shipments to the United States increased erratically from 82 million SYE to 113 million SYE, averaging 98 million SYE for the 6-year period. The value of shipments of textiles and apparel to the United States (of which apparel had a 90 percent share in 1980) rose from \$66 million in 1976 to \$162 million in 1980, or by 150 percent.

Sri Lanka

o Sri Lanka has potential for increased exports during the next 5 years

Sri Lanka, although a small supplier of textiles and apparel, experienced the most rapid growth rate of any exporting country during 1976-80, as their world exports increased 20 times, from \$6 million to \$131 million.

Several factors contributed to this rapid growth. Government policies, including establishment of a free trade zone, and tax and other financial incentives, have assisted development of the apparel industry. Apparel

industry development has been strongly encouraged by the Government of Sri Lanka to provide jobs to alleviate unemployment and to provide foreign exchange earnings. Another important element in the development of Sri Lanka's apparel industry is its large supply of skilled labor, whose wage rates, estimated at approximately \$0.15 per hour, are lower than the rates of their Asian competitors, including China and India. Finally, Sri Lanka's apparel industry has become increasingly attractive to Asian investors and U.S. and EC importers, since its exports to the EC and the United States are subject to less comprehensive restraints than those of the Big Three.

Continued export expansion for Sri Lanka is anticipated, but at less than the 1976-80 rate, as the EC and the United States, which took approximately 90 percent of Sri Lanka's apparel exports, applied MFA restraints in 1978 and 1980, respectively.

Sri Lanka's apparel shipments to the United States increased from \$1 million in 1976 to \$87 million in 1981, and from a little over 1 million SYE to 47 million SYE in the same period. Continued growth in the United States market is possible for Sri Lanka, particularly if it diversifies its relatively narrow product line into apparel items not currently subject to quota, such as knit shirts and blouses, and manmade fiber trousers, coats, and sweaters. Potential also exists in quota categories that are not currently filled, such as manmade fiber shirts and men's cotton coats.

Thailand

- o Thailand has the potential for increased exports during the next 5 years

Although Thailand currently accounts for less than 1 percent of world trade in textiles and apparel, it has made significant progress in recent years, having increased its exports at an average annual rate of 25 percent between 1973 and 1980, from \$111 million to \$525 million.

Export expansion is likely to continue primarily as a result of Thailand's low wage rates, a large labor force, and Government policies to aid export expansion. These policies include exemption of import duties on imported machinery and raw materials used in the production of items for export, and tax and credit incentives for firms manufacturing for export. In addition, Thailand is a low-cost producer, even in comparison with other Asian countries, and its exports to the developed countries are less restricted by MFA quotas than those of the Big Three.

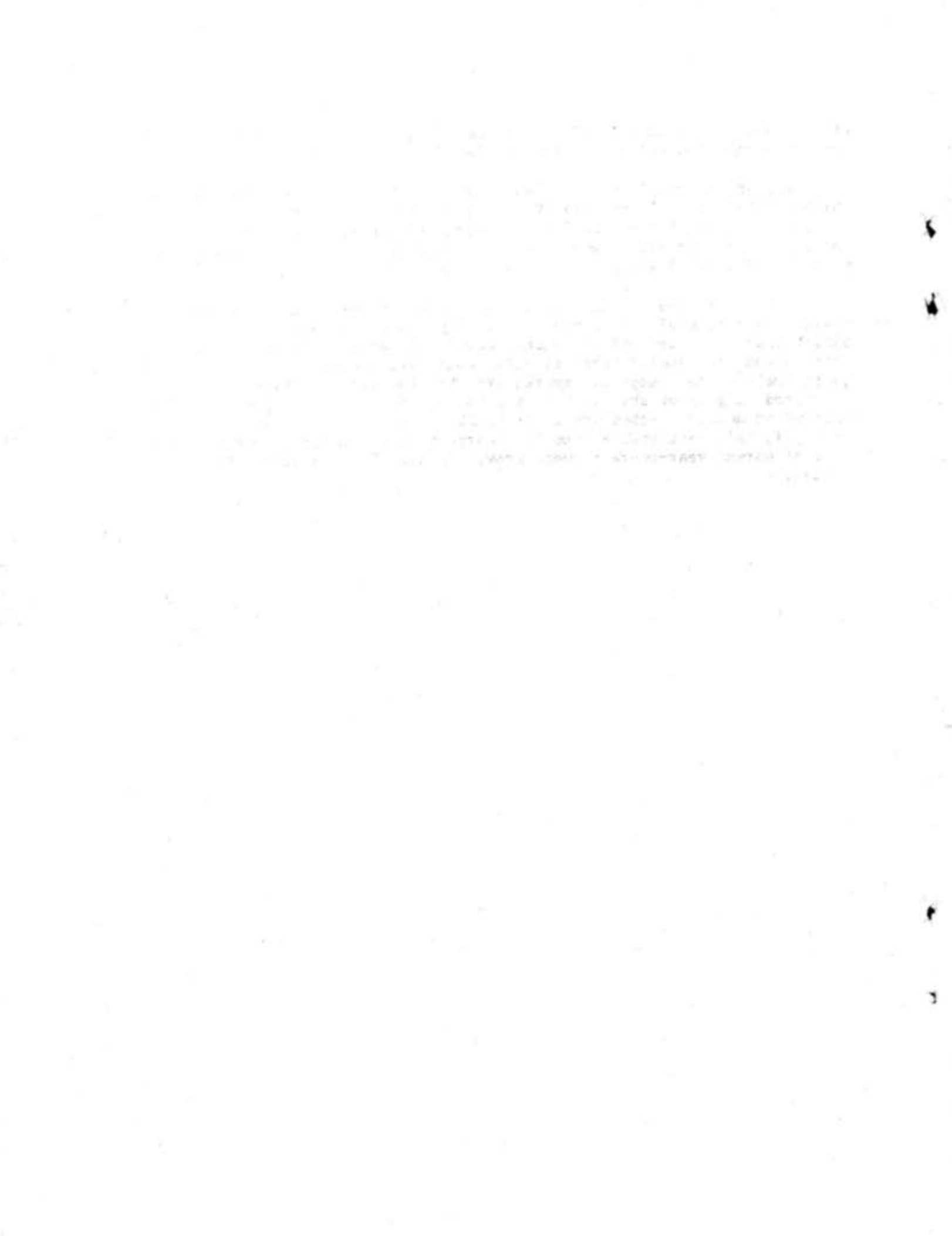
Another area of strength for Thailand is that as a competitive exporter of both textile mill products and apparel, its markets are diversified. In 1980, Thailand's largest customers for textile mill products were Italy, Japan, Hong Kong, and the Federal Republic of Germany, while the United States, the Federal Republic of Germany, and the United Kingdom were its largest apparel customers.

Thailand's biggest market is the EC, which took 45 percent of Thailand's exports in 1980; the U.S. share was 16 percent. Although Thailand's overall impact on the U.S. and EC markets is not great, its exports are growing

rapidly and in conjunction with other emerging textile nations may become a more important competitor for the developed countries' markets.

Thailand's textile and apparel exports to the United States declined during 1976-80 from 58 million SYE to 51 million SYE, but then increased sharply to 91 million SYE in 1981. Apparel shipments generally increased during 1976-81; fabric shipments fluctuated widely, reaching a low of 13 million SYE in 1980 and peaking at 48 million SYE in 1981.

Thailand's export potential to the United States is in both textile mill products and apparel. In terms of quantity, 25 to 50 percent of Thailand's annual exports to the United States consist of fabric. These are usually low-cost cotton and manmade fiber fabrics, which are not subject to specific MFA quota limitations. Apparel exports from Thailand to the United States consisted largely of shirts, blouses, pants, and coats. Although Thailand reached or nearly reached its quota limits on several important cotton apparel items, it had considerable room for growth in most manmade-fiber products as well as normal year-to-year quota growth in the MFA categories that were filled.



BACKGROUND

World Trade in Textiles and Apparel

World trade in textiles and apparel increased from \$36 billion in 1973 to \$94 billion in 1980, or by an average increase of nearly 15 percent annually. This was lower than the growth registered in world trade in all products, which rose more than 19 percent annually, from \$576 billion to \$1,973 billion. ^{1/} As a result, the share of world trade accounted for by textiles and apparel fell during the period from 6.3 to 4.8 percent.

The slower growth recorded in world textile and apparel trade, compared with overall world trade, stemmed from a variety of factors. The most important factor was the escalating cost of petroleum which inflated the value of world trade during 1973-80, when petroleum shipments increased at an average annual rate of 33 percent from \$63 billion to \$468 billion. For textiles and apparel, productivity increases, coupled with wage rates that remained considerably lower than those of other manufacturing sectors, helped to slow price increases. At the same time, market limitations resulting from import restraints and stagnant consumption in the developed countries also contributed to lower growth in textile and apparel trade.

Employment

Although textiles and apparel represent less than 5 percent of total world trade, they are of great importance to both developed and developing countries, particularly in terms of employment. The textile and apparel industries are the world's largest source of manufacturing employment, providing approximately 25 million factory jobs worldwide, divided almost equally between developed and developing countries. Based on 1977 data, the industries account for about 14 percent of all manufacturing employment in the developed countries and about 28 percent in the developing countries. ^{2/} In addition, the cottage and handicraft industries of certain countries provide employment for large numbers of people, with India alone estimated to have as many as 10 million employed in its cottage industries. In individual countries, the share of manufacturing employment provided by textile and apparel production is even higher; between 40 and 50 percent for Egypt, Pakistan, Hong Kong, and Macau.

Employment in textiles and apparel is growing in the developing countries and declining in the developed countries. Between 1973 and 1979, employment in the textile and apparel industries of the European Community, the United States, Japan, and Canada declined from 6.7 million to 5.4 million. Although employment stabilized somewhat in 1980, the long-term downtrend is expected to continue in developed countries. In the developing countries, however, employment has increased, especially in Hong Kong, Korea, and Taiwan, where increases ranged from 22 to 100 percent between 1973 and 1979. Employment

^{1/} General Agreement on Tariffs and Trade, International Trade 1980/81, 1981, table A-22.

^{2/} D. Keesing and M. Wolf, Textile Quotas against Developing Countries, Trade Policy Research Centre, London, 1980, p. 1.

growth moderated in the Big Three in 1980, but the general upward trend in the developing countries should continue, largely because of Government policies encouraging greater production of apparel for export as well as for growing domestic consumption.

Trade shifts

As world trade in textiles and apparel grew during 1973-80, the gradual, shift in sources of supply that developed during the 1960's continued to take place. World production has been shifting from the developed countries to the developing countries, especially where labor is abundant and wages are low. Nevertheless, the developed countries continue to be the major suppliers, as shown in the following table.

Textiles and apparel: World exports, by products and by country groupings, 1/ 1973 and 1977-80

(In billions of dollars)						
Item	1973	1977	1978	1979	1980	<u>2/</u>
Textiles:						
Developed countries-----	17.2	24.5	28.9	34.9	38.5	
Developing countries-----	4.2	6.7	8.4	10.8	11.7	
Centrally planned economies-----	1.8	2.6	3.4	4.2	4.8	
Total-----	23.2	33.8	40.7	49.9	55.0	
Apparel:						
Developed countries-----	7.0	12.1	14.4	17.8	19.9	
Developing countries-----	3.8	8.5	10.5	12.7	15.1	
Centrally planned economies-----	1.8	2.9	3.5	4.2	4.5	
Total-----	12.6	23.5	28.4	34.7	39.5	

1/ Area classifications conform to United Nations regional groupings. Developed countries include principally the United States, Japan, Canada, and the market economies of Western Europe. Centrally planned economies include principally the U.S.S.R., the People's Republic of China, and Eastern Europe. Developing countries encompass the oil-producing countries and other countries with per capita incomes under \$2,000.

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

Source: United Nations, Monthly Bulletin of Statistics, May 1979 and May 1981, except as noted.

In addition, as shown in the following table, most of the world's largest exporters of textile and apparel products are developed countries. 1/

1/ See appendix for complete statistical tables showing world exports of textiles and apparel by leading countries (tables A-1 through A-4), world imports of textiles and apparel from major regions (tables A-5 and A-6), and U.S. imports of textiles and apparel by principal suppliers (table A-7).

Textiles and apparel: Exports of 15 largest exporting countries 1/
and percentage changes, 1973, 1976, and 1980

Country	1973	1976	1980	Percentage change--	
				1980 from 1976	1980 from 1973
	1,000 dollars			Percent	
Italy-----	2,750,012	3,868,863	8,319,356	115	203
West Germany-----	3,391,074	4,405,362	7,331,814	66	116
Hong Kong-----	1,971,162	3,359,928	5,277,415	57	168
France-----	2,476,369	2,871,016	4,869,942	70	97
Republic of Korea-----	1,042,051	2,395,321	4,204,837	76	303
United Kingdom-----	1,794,349	2,195,997	3,947,212	80	120
Belgium <u>2/</u> -----	1,979,554	2,489,792	3,871,644	56	96
Taiwan-----	1,314,910	1,997,182	3,775,309	89	187
China-----	983,950	1,099,083	3,529,050	221	259
United States-----	1,401,863	1,977,547	3,521,188	78	151
Japan-----	2,267,491	2,289,730	3,515,722	54	55
Netherlands-----	1,573,040	1,812,344	2,462,444	36	57
India-----	659,256	860,984	1,735,627	102	163
Switzerland-----	750,427	949,554	1,633,439	72	118
Austria-----	583,110	736,782	1,419,332	93	143
Total-----	24,938,618	33,309,485	59,414,331	78	138

1/ Based on reported imports. Exports of the European Community countries include intra-EC trade and shipments of partially completed textile products for outward processing and subsequent reimportation as completed items.

2/ Includes exports of Luxembourg.

Source: Compiled from United Nations data.

Although the developed countries still provided 70 percent of world exports of textiles and 50 percent of apparel exports in 1980, the developing countries are steadily increasing their share, particularly in apparel. Between 1973 and 1980, the developing countries increased their share of world apparel exports from 30 to 38 percent and their share of textile exports from 18 to 21 percent, largely at the expense of the developed countries, which have lost market share, as shown in the following table.

Textiles and apparel: Percentage distribution of the value of exports,
by products and by country groupings, 1973 and 1977-80

Item	1973	1977	1978	1979	1980 ^{1/}
Textiles:					
Developed countries-----	74	72	71	70	70
Developing countries-----	18	20	22	22	21
Centrally planned economies-----	8	8	8	8	9
Total-----	100	100	100	100	100
Apparel:					
Developed countries-----	56	51	51	51	50
Developing countries-----	30	36	37	37	38
Centrally planned economies-----	14	12	12	12	12
Total-----	100	100	100	100	100

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

Source: United Nations, Monthly Bulletin of Statistics, May 1979 and May 1981, except as noted.

Production

Growth in world production of textiles and apparel has been slowing since 1973, with the developed countries absorbing most of the decline. In terms of quantity, production in the developed countries declined during 1973-80, but production in the developing countries and the centrally planned economies rose, as shown in the following table.

Textiles and apparel: Percentage change in world production, by areas, 1973 from 1963, 1980 from 1973, 1978 from 1977, 1979 from 1978, and 1980 from 1979

(In percent)						
Item	:	Percentage change--				
		1973	1980	1978	1979	1980
		from	from	from	from	from
		1963	1973	1977	1978	1979
Textiles:	:	:	:	:	:	:
World-----	:	5.0	1.5	1.5	3.5	0
Industrial countries-----	:	4.5	-.5	-.5	5.0	-2.5
European Community (9)-----	:	2.0	-1.0	-3.0	5.5	-2.5
United States-----	:	4.5	-.5	2.5	5.5	-4.5
Japan-----	:	7.5	-1.5	1.0	2.0	-1.0
Developing countries-----	:	4.5	2.5	3.0	3.0	.5
Centrally planned economies-----	:	6.0	4.0	4.0	2.0	3.0
Apparel: 1/	:	:	:	:	:	:
World-----	:	4.0	2.0	1.0	2.5	-.5
Industrial countries-----	:	2.0	-.5	-1.0	1.0	-4.0
European Community (9)-----	:	1.5	-1.0	-4.5	5.5	-5.0
United States-----	:	2.5	1.5	0	0	-4.5
Japan-----	:	7.5	-2.5	2.0	-2.0	-5.5
Developing countries-----	:	5.5	3.0	3.0	1.5	1.0
Centrally planned economies-----	:	7.0	5.0	3.5	4.5	3.5

1/ Includes leather products and footwear.

Source: United Nations, Monthly Bulletin of Statistics and Organization for Economic Cooperation and Development, Indicators of Industrial Activity, national statistics.

Two factors are largely responsible for the trends that have been described. Of particular significance is the long-term movement, particularly of apparel production, from areas of high labor cost to the lower cost developing countries. Since production of most apparel remains highly labor intensive, developing countries' growth in that area, at the expense of the developed countries, may continue to take place. The other factor contributing to the divergent trends in developed and developing countries is that textile and apparel production is increasing in the developing countries as their share of world trade increases and as domestic demand rises. Although consumption has been relatively stagnant in the developed countries, growth has been experienced in the developing countries in response to population increases and increased per capita consumption of textile products. Per capita consumption of textile products averages 9 pounds in China and 6 pounds in India, compared with 52 pounds in the United States. It is anticipated that considerably greater growth in per capita consumption will occur, on a percentage basis, in the developing countries than in the developed countries, thus stimulating greater production and employment growth in the developing countries.

Emerging textile-exporting countries

Textile and apparel exports from the 12 emerging textile-exporting countries rose 214 percent during 1973-80, increasing from \$3.1 billion to \$9.6 billion, as shown in the following table.

Textiles and apparel: Exports of the 12 emerging textile-exporting countries 1973, 1976, and 1980, 1/ and percentage changes, 1980 from 1976 and 1980 from 1973

Country	1973	1976	1980	Percentage change--	
				1980	1980
				from	from
				1976	1973
	1,000 dollars				
China-----	983,950	1,099,083	3,529,050	221	259
India-----	659,256	860,984	1,735,627	102	163
Pakistan-----	418,725	380,447	745,233	96	78
Philippines-----	89,642	202,314	561,298	177	526
Thailand-----	111,390	222,638	525,429	136	372
Brazil-----	197,574	305,464	524,255	72	165
Singapore-----	199,341	248,259	515,516	108	159
Macau-----	92,994	200,655	505,255	152	443
Mexico-----	218,292	304,067	374,707	23	72
Malaysia-----	35,747	168,058	387,856	131	985
Colombia-----	65,129	104,739	113,429	8	74
Sri Lanka-----	2,780	6,158	130,512	2,019	4,595
Total-----	3,074,820	4,102,866	9,648,167	135	214

1/ Based on reported imports.

Source: Compiled from United Nations data.

China has made the most impressive growth, particularly from 1976 to 1980. However, all of the emerging countries, except Pakistan, Mexico, and Colombia, equaled or exceeded the world growth rate of 162 percent for textiles and apparel exports during 1973-80. In addition, the average growth rate of 135 percent for the emerging countries during 1976-80 exceeded that of the 15 largest textile- and apparel-exporting countries, shipments from which rose 78 percent. Most of the increase in terms of percentage and absolute trade value was contributed by China and India, which together supplied 55 percent of the exports from the emerging textile-exporting countries in 1980. With the exception of China, it is unlikely that any of the countries analyzed in this study will in the 1980's attain the growth in export volume that the Big Three achieved during the 1970's. Stagnant consumption combined with import controls in the developed countries will tend to limit exports of these nations. In addition, the emerging textile-exporting countries will be competing with the Big Three and Japan, which already have established textile

and apparel industries and export markets, and with the developed countries, whose textile industries are increasingly becoming more capital intensive and competitive.

However, on a worldwide basis, China may overtake Taiwan as the third largest exporter of textile and apparel products among the developing countries. China's world textile and apparel shipments increased by 45 percent during 1979-80 to \$3.5 billion, closing the gap between it and Taiwan, whose world exports increased 22 percent from \$3.1 to \$3.8 billion during the period.

Overall, continued growth is possible for the emerging countries. The growth potential arises out of the interaction of many factors, including the capabilities of each country's textile and apparel industries, labor availability and cost, Government policies, and the emergence of new markets. In addition, these countries may benefit from a shift of trade from the Big Three because of problems related to acquiring export quota on popular apparel items. This shift has become more likely, since the newly extended MFA allows the importing countries to negotiate bilateral agreements which grant more favorable treatment to new and small suppliers and restrict quota growth of the major suppliers. Moreover, rising costs are forcing Hong Kong and Taiwan to trade up in quality and fashion, thereby creating opportunities in the low-end apparel markets for the emerging countries.

The net effect of the interaction of these factors on textile and apparel export growth potential varies greatly from country to country. The balance of this study examines these and other factors for each country to provide conclusions concerning their potential for export growth in the 1980's.

The U.S. Market

The United States is still a growth market for textile-exporting countries, particularly for new and small suppliers, but with limitations which are generally prevalent in the developed countries' markets. The growth potential exists primarily from the great size and diversity of the U.S. market, the long-term advantage that low-wage labor gives to the developing countries, and provisions of the MFA that are favorable to small and medium size suppliers.

U.S. textile and apparel consumption

The United States is the world's largest consumer of textile products. In 1980, U.S. consumption of textiles and apparel amounted to \$105 billion. In addition, as the following table shows, the United States leads all major regions in per capita textile consumption.

Cotton, wool, and manmade fibers: Consumption, total and per capita, by
selected areas, 1980

Area	Total mill consumption (1,000 tons)	Per capita consumption (Pounds)
United States-----	5,990	52
China-----	4,400	9
European Community-----	4,040	31
U.S.S.R-----	3,554	26
Japan-----	2,322	40
India-----	1,990	6

Source: Partially estimated by the staff of the U.S. International Trade Commission from data provided by the International Cotton Advisory Committee.

The following table shows that U.S. consumption of all textile products (measured by total fiber consumed) has been relatively stagnant, with a slight decline between 1973 and 1980.

Fibers consumed in textiles: 1/ U.S. mill consumption, exports, imports,
and apparent consumption, 1973-80

Year	Mill consumption	Exports	Imports	Apparent consumption	Ratio of imports to consumption
	Million pounds				Percent
1973-----	12,474	647	1,119	12,947	8.6
1974-----	11,101	809	948	11,240	8.4
1975-----	10,553	697	970	10,826	9.0
1976-----	11,588	780	1,287	12,095	10.6
1977-----	12,167	750	1,317	12,734	10.3
1978-----	12,391	811	1,617	13,197	12.3
1979-----	12,773	1,090	1,381	13,064	10.6
1980-----	11,890	1,319	1,455	12,026	12.1

1/ Cotton, wool, and manmade fibers.

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

Note.—Because of rounding, figures may not add to the totals shown.

Most consumption forecasts for the United States and other developed countries predict slow growth in the 1980's, in the range of 1 to 2 percent annually, by quantity. This consumption projection is based primarily on declining population growth, slower economic growth, and shifts in consumer spending habits toward nontextile products.

The U.S. textile and apparel industries

The textile and apparel industries are a major factor in the U.S. economy, but their importance relative to the overall industrial sector has declined over the years. Between 1976 and 1980, the total value of textile and apparel shipments rose at an average annual rate of 9 percent, from \$71 billion to \$101 billion. However, while their share of the Nation's industrial activity remained relatively unchanged during the period at about 6 percent annually, it was lower than the 1973 level of more than 7 percent. Their total employment of 2.16 million workers during 1980 was 5 percent lower than the 1976 level of 2.27 million, resulting in a decline in their share of the Nation's industrial workforce from 12.0 to 10.6 percent during the period. Moreover, their return on sales and equity during 1976-80 was, on the average, lower than that for all manufacturing, according to official data of the Federal Trade Commission and published industry data, ^{1/} as shown in the following tabulation:

Item	1976	1977	1978	1979	1980
	Percent				
Ratio of net profit to--					
Net sales:					
All manufacturing-----	5.4	5.3	5.4	5.7	4.9
Textile mill products-----	2.4	2.4	3.1	3.2	2.2
Apparel-----	3.5	3.9	4.1	4.3	3.9
Stockholders' equity:					
All manufacturing-----	14.0	14.2	15.0	16.6	14.0
Textile mill products-----	8.0	8.7	11.5	11.9	8.5
Apparel-----	12.3	13.0	14.0	14.7	14.4

The data shown for apparel were compiled on approximately 100 publicly held companies which account for about one-fourth of the value of domestic apparel shipments. However, these companies may not be representative of the overall apparel industry, which includes many small privately held firms.

Apparel industry.--Apparel shipments increased at an average annual rate of 8 percent between 1976 and 1980, from \$35 billion to \$47 billion, as shown in the following table.

^{1/} Compiled from data in Perspectives for Apparel Management, Kurt Salmon Associates, Inc., No. 20, May 1978, p. 2; No. 22, May 1979, p. 2.; No. 24, May 1980, p. 2; and The KSA Perspective for Apparel Management, Kurt Salmon Associates, Inc., No. 26, June 1981, p. 2.

Apparel (SIC 23): U.S. producers' shipments, imports for consumption, exports of domestic merchandise, apparent consumption, and employment, 1976-80

Item	1976	1977	1978	1979	1980
Producers' shipments					
million dollars—	34,759	40,245	42,742	43,030	46,669
Imports-----do-----	3,256	3,650	4,833	5,015	5,703
Exports-----do-----	434	524	551	772	1,001
Apparent consumption-----do-----	37,581	43,371	47,024	47,273	51,371
Ratio of--					
Imports to apparent					
consumption-----percent--	8.7	8.4	10.3	10.6	11.1
Exports to producers'					
shipments-----percent--	1.3	1.3	1.3	1.8	2.1
Total employment <u>1</u> /—thousands—	1,318	1,316	1,332	1,304	1,266

1/ Official statistics of the U.S. Bureau of Labor Statistics.

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

Nevertheless, there has been little real growth in output during the period. Output in 1980, as measured by the Federal Reserve Board's Industrial Production Index for Standard Industrial Classification (SIC) No. 23 (predominantly apparel), decreased 5 percent compared with that in 1977-79, and increased 1 percent from that in 1976. The increased value of shipments between 1976 and 1980 reflected primarily higher prices stemming largely from higher labor and material costs, which represent about three-fourths of apparel-manufacturing costs, and sharply higher interest expense.

Apparel production takes place in more than 20,000 establishments, with less than 20 percent employing 100 or more workers, according to official statistics of the U.S. Department of Commerce. Slightly more than one-half of the 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 33 percent in the Northeast. Apparel plants in the South employ, on the average, more than twice as many persons as those in the Northeast, primarily reflecting the South's newer and larger plants and its greater number of producers of men's apparel, the manufacture of which usually takes place on a larger scale than the more fashion-oriented women's apparel.

Average employment in the apparel industry has fluctuated within a narrow range in recent years, as shown in the preceding table. However, official statistics of Bureau of Labor Statistics (BLS) show that the unemployment rate of apparel workers during December 1980 rose to 13.7 percent from 9.6 percent in December 1979; for all manufacturing, the unemployment rate increased from 5.8 to 8.4 percent during the same period. The hourly wage of apparel production workers during 1980 averaged \$4.57, compared with \$7.27 for all manufacturing; nevertheless, it remained considerably higher than the hourly

rates of \$1.50 or less paid in the principal foreign apparel suppliers (i.e., Hong Kong, Taiwan, and Korea). This disparity is significant since labor, on the average, accounts for about one-third of the wholesale value of U.S.-produced apparel.

Productivity in the U.S. apparel industry has increased about 2 percent annually in recent years, according to industry sources. Although this improvement increased the price competitiveness of U.S. producers vis-a-vis imports from other developed countries, it has not been sufficient to close the price gap with the developing countries.

In the short run, the apparel industry will probably have 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 industry's highly fragmented structure, consisting of a large number of small and relatively under-capitalized companies, limits its use of capital-intensive technology. The latest data, provided by the U.S. Department of Commerce, indicate that annual capital expenditures in the industry average \$399 for each employee, compared with \$2,930 for all manufacturing. The industry's labor intensity, as measured by the ratio of payroll to value added by manufacture, was 49 percent in 1979 compared with 44 percent for all manufacturing.

Textile industry.--The value of textile shipments increased 50 percent between 1976 and 1980, from \$36 billion to an estimated \$55 billion, as shown in the following table.

Textiles (SIC 22): U.S. producers' shipments, imports for consumption, exports of domestic merchandise, apparent consumption, and employment, 1976-80

Item	:	1976	:	1977	:	1978	:	1979	:	1980
Producers' shipments	:	:	:	:	:	:	:	:	:	:
million dollars--	:	36,389	:	40,630	:	49,170	:	52,660	:	54,603
Imports-----do-----	:	1,626	:	1,765	:	2,212	:	2,214	:	2,475
Exports-----do-----	:	1,855	:	1,857	:	2,073	:	3,029	:	3,458
Apparent consumption-----do-----	:	36,160	:	40,538	:	49,309	:	51,845	:	53,620
Ratio of--	:	:	:	:	:	:	:	:	:	:
Imports to apparent	:	:	:	:	:	:	:	:	:	:
consumption-----percent--	:	4.5	:	4.4	:	4.5	:	4.3	:	4.6
Exports to producers'	:	:	:	:	:	:	:	:	:	:
shipments-----percent--	:	5.1	:	4.6	:	4.2	:	5.8	:	6.3
Total employment <u>1/</u> ---thousands---	:	919	:	910	:	899	:	885	:	853

1/ Official statistics of the U.S. Bureau of Labor Statistics.

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

Real output, however, rose only 8 percent during the period, according to the Federal Reserve Board's Industrial Production Index for SIC No. 22 (textile mill products), and decreased 5 percent between 1979 and 1980. Output in November 1981 was 6 percent lower than that in November 1980, largely as a result of sluggish demand for apparel and home furnishings.

The number of textile mills totals more than 5,000, about two-thirds of which employ fewer than 100 workers each. In addition, there are more than 5,000 textile-fabricating establishments, many of which cut and sew purchased fabric into curtains, draperies, and other finished textile products. The mills are located primarily in the Southeast, especially in the Carolinas and Georgia.

Although the major impact of import competition on the U.S. textile and apparel sector has been confined primarily to apparel in recent years, the textile and apparel industries are linked economically, since about 40 percent of U.S. textile output is consumed in U.S. production of apparel. Thus, changes in U.S. apparel production levels may significantly affect overall demand for U.S.-produced textiles.

Average employment in the textile industry during 1980 totaled an estimated 853,000 persons, 4 percent lower than the 1979 level and 7 percent lower than the 1976 level. Average hourly wages of textile production workers remained higher than those of apparel production workers—\$5.07 and \$4.57, respectively. Because of the recession and the resulting decline in production during 1980, the unemployment rate of textile mill production workers rose to 13.7 percent in December 1980 from 9.6 percent in December 1979.

Development of U.S. imports

Growth in value since 1973.—U.S. textile and apparel imports increased from \$3.8 billion in 1973 to \$8.5 billion in 1980, ^{1/} or by an average of 12 percent annually. In 1973, 52 percent of such imports were apparel, with textile mill products (yarn and fabric) and other made-up items (linens, floor coverings, home furnishings, and so forth) accounting for the remainder. By 1980, however, apparel's share of U.S. textile and apparel imports increased to 74 percent.

The change in the import product mix largely reflects the significant cost advantage that the developing countries have in the production of labor-intensive apparel products. Production of textile mill products, on the other hand, is becoming more capital intensive, enabling the developed countries, particularly the United States, to generally maintain their competitive position with respect to that of the developing countries. As evidence of this competitive strength, official statistics of the U.S. Department of Commerce show that U.S. exports of textile mill products

^{1/} Includes commodities classified in the following portions of the Tariff Schedules of the United States: schedule 3 (Textile fibers and textile products) and parts 1(B) (Headwear and hat braids), and 1(C) (Gloves) of schedule 7 (Specified products; miscellaneous and nonenumerated products).

increased significantly as a percentage of U.S. producers' shipments during 1973-80, but the ratio of imports to producers' shipments declined. In comparison, apparel imports increased substantially when measured against domestic shipments, as shown in the following tabulation:

Item	1973	1980
Textiles (SIC 22):		
Producers' shipments-----million dollars--:	31,073 :	54,603
Exports-----do-----:	1,163 :	3,458
Imports-----do-----:	1,541 :	2,475
Ratio of--		
Exports to shipments-----percent--:	3.7 :	6.3
Imports to shipments-----do-----:	5.0 :	4.5
Apparel and other made-up articles (SIC 23):		
Producers' shipments-----million dollars--:	30,084 :	46,669
Exports-----do-----:	229 :	1,001
Imports-----do-----:	1,955 :	5,703
Ratio of--		
Exports to shipments-----percent--:	.8 :	2.1
Imports to shipments-----do-----:	6.5 :	12.2

Shifts in import market shares.--In 1980, Hong Kong, Taiwan, and Korea together supplied 46 percent of total U.S. textile and apparel imports, and Japan supplied another 7 percent. Other large suppliers were the European Community with 12 percent, India and China with 4 percent each, Mexico and the Philippines with 3 percent each, and Singapore with 2 percent. No other country accounted for more than 1 percent. Although the four largest Asian suppliers were the dominant suppliers during the 1970's, there have been significant shifts in the importance of individual countries or groups of countries as suppliers. Hong Kong, Korea, and Taiwan increased their combined share of U.S. imports from 29 percent in 1973 to 46 percent in 1980. The increase was largely at the expense of Japan and the EC, whose combined share declined from 36 percent to 19 percent in the same period. Japan accounted for more than 60 percent of U.S. imports during the 1950's. Major shifts in importance among U.S. suppliers are summarized in the following table.

Textiles and apparel: 1/ U.S. imports, by sources, 1973 and 1980

Source	Total		Percentage of	
	1973	1980	total U.S. imports	
	Million dollars		1973	1980
Hong Kong-----	503	1,724	13	20
Taiwan-----	365	1,252	10	15
European Community-----	796	993	21	12
Republic of Korea-----	243	930	6	11
Japan-----	561	565	15	7
China-----	15	389	2/	4
Other-----	1,269	2,637	35	31
Total-----	3,752	8,490	100	100

1/ Includes commodities classified in the following portions of the Tariff Schedules of the United States: schedule 3 (Textile fibers and textile products) and parts 1(B) (Headwear and hat braids), and 1(C) (Gloves) of schedule 7 (Specified products; miscellaneous and nonenumerated products).

2/ Less than 0.5 percent.

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

In addition to these large, long-term shifts, several countries with smaller shares of U.S. imports have experienced notable increases over a shorter period of time, as shown in the following table.

Textiles and apparel: U.S. imports, by selected sources, 1976 and 1980, and percentage increase, 1980 over 1976

Source	Total		Increase 1980 over 1976
	1976	1980	
	Million dollars		Percent
Philippines-----	100	208	108
Singapore-----	63	151	140
Macau-----	19	98	416
Sri Lanka-----	1	64	6,300
Malaysia-----	14	37	164
Peru-----	10	35	250
Indonesia-----	2	7	250

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

Quantity of U.S. imports has been stable.--Although the value of U.S. imports increased steadily during 1973-80, the quantity of imports of cotton, wool, and manmade-fiber textile products, as measured in equivalent square yards (SYE) remained relatively stable. To measure the overall quantity of U.S. imports, data are collected on an SYE basis, a common unit into which the various textile and apparel units of measure (dozens, pieces, yards, pounds, and so forth) can be converted. As the following table shows, the total quantity of imports decreased by about 5 percent between 1973 and 1980. However, 1981 imports increased significantly to 5.8 billion SYE, with the largest increase in cotton fabrics.

Textiles and apparel of cotton, wool, and manmade fibers:
U.S. general imports, by types, 1973-81

(In millions of equivalent square yards)						
Year	Yarns	Fabrics	Apparel	Made-up and miscellaneous	Total	
1973	1,215.3	1,461.5	2,089.8	358.0	5,124.7	
1974	925.6	1,233.1	1,937.0	314.6	4,410.3	
1975	555.3	967.3	2,076.8	228.1	3,827.5	
1976	821.4	1,387.1	2,449.0	329.0	4,986.5	
1977	1,058.5	1,124.8	2,466.3	327.5	4,977.1	
1978	972.5	1,463.8	2,905.4	397.5	5,739.1	
1979	438.8	1,116.1	2,671.2	412.9	4,639.0	
1980	380.3	1,217.2	2,884.1	402.8	4,884.4	
1981	443.5	1,705.6	3,135.9	477.3	5,762.2	

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

Data on the quantity of U.S. imports further highlight the overall trend of apparel taking a steadily increasing share of U.S. imports. Although a large increase in imports took place in 1981, the general stability in total import quantity levels stems primarily from the strong competitive position of the U.S. textile mill industry, quantitative limits on imports of certain apparel products, and stagnant consumption levels in the United States.

Long-term advantages in the cost and availability of labor

Low wages paid in the developing countries constitute a basic reason for their success as exporters of textile and apparel products. As the following table shows, a significant disparity exists in the wage rates of the competing countries.

Textile spinning and weaving: Average hourly labor costs, 1/
by selected countries, summer 1981

(In U.S. dollars)

Country	Hourly labor cost
United States	\$7.03
Japan	4.90
Mexico	3.06
Brazil (Sao Paulo)	2.39
Colombia	1.76
Hong Kong	1.42
Republic of Korea	1.35
Taiwan	1.32
Singapore	1.12
India	.69
Philippines	.43
Pakistan	.42
Thailand	.34
Sri Lanka	.16

1/ Includes wages and fringe costs such as paid holidays, vacations, unemployment insurance, old-age insurance, and workman's compensation.

Source: Werner International Management Consultants, Spinning and Weaving Labour Costs Comparisons, Summer 1981.

The information is abstracted from a 1981 survey of the textile mill industries of 41 countries and represents total compensation, including fringe benefits and other costs. The lowest wage shown, \$0.16 per hour in Sri Lanka, was 2 percent of that paid in the United States. The highest hourly wage in the full survey was \$9.55 in Sweden, which was 36 percent higher than U.S. wages. Although there is no comparable current information about apparel workers' earnings, it is known that they usually make between 10 and 30 percent less than workers in the textile mill industry.

Wage rates are not the only factor which determines success or failure in international trade, as 22 percent of U.S. imports in 1980 came from high-wage, developed countries. However, wage costs are often the decisive competitive factor for apparel and also play an important role in trade in textile mill products.

Wage impact on textile trade.—Between 1976 and 1980, U.S. fabric imports from the 12 countries considered in this study declined by more than one-third. As the following table shows, most of the change occurred in cotton fabrics, as imports of manmade-fiber fabrics from these countries have never been large.

Yarn and fabric of cotton and manmade fibers: U.S. general imports
from the 12 emerging textile-exporting countries, 1976 and 1980

(In thousands of equivalent square yards)

Source	1976		1980	
	Yarn	Cloth	Yarn	Cloth
Cotton				
Brazil	48,805	8,608	0	5,257
Colombia	9,322	34,072	11	20,734
India	68	137,911	0	41,400
Macau	0	0	0	0
Malaysia	0	10,683	0	2,798
Mexico	37,432	27,283	2,044	4,711
Pakistan	2	113,340	25	84,384
China	0	124,141	186	120,827
Philippines	0	116	62	138
Singapore	0	10,621	0	25,771
Sri Lanka	0	0	0	1/
Thailand	0	17,391	0	11,784
Total	95,627	484,166	2,328	317,804
Manmade fibers				
Brazil	4,986	1,206	128	2,399
Colombia	0	187	19	22
India	495	7,263	1/	1,816
Macau	0	0	0	0
Malaysia	2	189	1,787	2,035
Mexico	13,447	1,995	16,563	5,320
Pakistan	0	32	0	47
China	0	13	70	1,691
Philippines	5,621	32	10,226	211
Singapore	907	1,120	3,914	751
Sri Lanka	0	0	0	0
Thailand	34	5,283	2,391	972
Total	25,492	17,320	35,098	15,264

1/ Less than 500 equivalent square yards.

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

The major reasons for this trend are the long-term decline in cotton cloth consumption in the United States and the competitive strength of the U.S. textile mill industry, particularly with regard to manmade-fiber products. The industry's capabilities stem from efficient organization, economies of scale, availability of competitively priced fiber, and heavy

Investment in new specialized equipment which produces fabric at optimum efficiency. Evidence of this growing efficiency is demonstrated in the following table.

Broadwoven fabric mills (SIC 2211, 2221, and 2231): U.S. production, shipments, production payroll, and production hours worked 1967, 1972, 1977, and 1980

Item	1967	1972	1977	1980
Broadwoven fabric production				
million square yards--	16,974	15,830	15,466	15,433
Industry shipments-----million dollars--	6,707	6,967	11,340	13,795
Production payroll-----do-----	1,447	1,579	2,177	2,619
Ratio of payroll to value of shipments				
percent--	21.6	22.7	19.2	19.0
Average unit value per yard-----	\$.40	\$.44	\$.73	\$.89
Production labor cost per yard-----	\$.09	\$.10	\$.14	\$.17
Production hours worked-----million--	683	563	516	475
Production per direct labor hour				
square yards--	24.9	28.1	30.0	32.5

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

As can be seen, the ratio of direct labor costs to shipments of U.S. mills declined from 21.6 percent in 1967 to 19.0 percent in 1980, and the number of square yards produced per direct labor hour increased from 24.9 to 32.5. In contrast, countries such as India and Pakistan, which have large textile industries and low wage rates, lose much of their potential competitive advantage due to production inefficiency. It is estimated that mills in some developing countries are only 20 to 25 percent, or less, as efficient as U.S. mills in terms of labor utilization. Consequently, to compare actual foreign labor costs with those in the United States, the wage rates shown on page A-16 could be multiplied by as much as 4 or 5 or more for countries such as India and Pakistan. On that basis, the gap between U.S. and foreign costs for fabric production closes considerably. Textile mills in Brazil and Mexico are often more efficient than those in Pakistan and India but still require more labor per yard of cloth (of comparable quality) than U.S. mills. In addition to production inefficiency, freight charges, duty, ^{1/} and other costs of importing add to the cost of fabrics exported by the developing countries. Consequently, their wage advantage is greatly reduced or sometimes completely offset in competition with U.S. mills, partly explaining why their share of the U.S. fabric market is not greater. The ratio of imports to consumption in 1980 was 16 percent for cotton fabric, 4.5 percent for manmade-fiber fabric, and 8 percent for all fabrics.

^{1/} Rates of duty on cotton fabric in 1980 ranged between 5.9 percent ad valorem and an ad valorem equivalent of approximately 30 percent. Duty on manmade-fiber fabric in 1980 was an ad valorem equivalent of 22.4 percent.

The modernization of the U.S. textile mill industry has been accompanied by a high degree of specialization. For example, water-jet looms are extremely efficient at weaving fabrics of polyester but cannot be used efficiently on cotton fabrics. To obtain maximum economic benefit from specialized equipment, mills are concentrating on high-volume fabrics and deemphasizing low-volume fabrics or products which do not lend themselves to new, high-speed production equipment. Such products include extremely low-priced fabrics and specialty items such as pile fabrics, which remain relatively labor intensive.

Consequently, the developing countries' wage advantage enables them to produce certain types of fabrics, particularly of locally grown cotton, which are competitive in world trade and sought in the U.S. market. However, their wage advantage is generally not sufficient to overcome the advantages that U.S. textile producers have in the production of most types of manmade fiber fabrics as well as many types of medium and better quality cotton fabrics.

Wage impact on apparel trade.--Unlike textiles, apparel production basically remains a labor-intensive industry. Progress has been made in the United States and certain foreign countries by utilizing computers in production control and planning, and some large companies are also using computers for patternmaking, marking, and cutting. However, 80 percent of the labor in apparel production is concentrated in the sewing and finishing operations, which have changed little over the years. Thus, sewing a seam on a pair of jeans is performed in the same way, and on similar machinery in El Paso, Hong Kong, and Manila.

Trade sources have stated that U.S. apparel producers could significantly improve their productivity and import competitiveness by utilizing all the latest available equipment and engineering techniques. Although there are some notable exceptions, U.S. apparel firms have been slow to take advantage of new technology. Among the reasons given for not adopting some of the latest technology include a reluctance to increase capital investment, uncertainty about style changes, limited financial resources, and pessimism about the future. In addition, the structure of the industry, including approximately 20,000 establishments, of which less than 20 percent have over 100 workers, does not lend itself to a concerted effort to increase efficiency. Some of the large, publicly owned firms are moving ahead with the latest developments in technology, but these firms represent a small percentage of overall U.S. production. Consequently, low wage rates will continue to be a tremendous competitive advantage for the developing countries in their efforts to increase apparel exports to the United States.

The developing countries wage advantage is relatively less important where very rapid fashion change necessitates short delivery lead times (dresses), on items where service to the retailer is extremely important (branded dress shirts), and on items like hosiery and knit underwear that have a low labor content. However, for most apparel products, wage costs make a decisive difference.

The following tabulation illustrates the competitive importance of developing countries' apparel wage rates. The information, in terms of cost per dozen, in the tabulation is drawn from trade sources, published and

unpublished Government data, and Commission estimates. Costs vary widely, depending upon product specifications, countries of origin, and methods of transportation and distribution. It should be emphasized that certain items in the tabulation, particularly estimates of direct labor hours, manufacturing overhead, and overhead and profit, vary considerably, even among producers in the same country. For example, overhead and profit many run as high as 30 to 35 percent for manufacturers with large sales and advertising budgets, and as low as 15 to 20 percent for firms which operate primarily as contractors. To resolve this problem, reasonable midpoints were estimated, and therefore, the tabulation should be considered only as illustrative of the significance of labor rates, tariffs, and other cost elements when applied to a typical product (e.g., a man's sport shirt, designed to retail at \$12).

Item	: United States	: Hong Kong	: Singapore	: Thailand
Material cost <u>1/</u> -----	\$30.00	\$30.00	\$30.00	\$30.00
Direct labor hours-----	3.5	5.0	6.0	6.0
Payroll cost (including fringe benefits)-----	\$22.75	\$7.10	\$6.72	\$2.04
Manufacturing overhead (20 percent of payroll cost)-----	\$4.55	1.42	\$1.34	\$0.40
Total manufacturing cost-----	\$57.30	\$38.52	\$38.06	\$32.44
Overhead and profit (25 percent of total manufacturing cost)-----	\$14.32	\$9.63	\$9.51	\$8.11
Tariff (21 percent ad valorem)-----	-	\$10.11	\$9.99	\$8.52
Freight-----	-	\$3.65	\$3.28	\$3.28
Other importing costs-----	-	\$1.00	\$1.00	\$1.00
Total cost-----	\$71.62	\$62.91	\$61.84	\$53.35

1/ Fabric of 50 percent polyester and 50 percent cotton.

Several related conclusions can be drawn from the tabulation with respect to the future of apparel exports from the emerging countries. First, the downstream effect of the wage cost differences is even greater than might be readily apparent. Direct labor costs are normally marked up for manufacturing overhead, general overhead and profit, duty, the importer's margin, and the retailer's margin. The overall effect of the successive markups is that each \$1 of direct labor cost can easily become \$4 to \$5 at retail. Thus, the payroll cost advantage that Thailand has over Hong Kong, as shown in the tabulation above, of approximately \$5.06 per dozen increases to \$9.18 per dozen by the time the shirts land in the United States. 1/ The retailer then

1/ The calculation is based on successively incrementing the labor difference of \$5.06 by 20 percent for manufacturing overhead, 25 percent for general overhead and profit, and 21 percent for duty, resulting in \$9.18. The importer's markup (usually in the range of 10 to 30 percent) and the retailer's markup (averaging 50 percent on the selling price) were not included in the calculation. If the importer's and retailer's markups were included, the original labor cost difference of \$5.06 provides a difference of over \$22.00 at retail.

has the option of selling the shirts made in Thailand at around \$2 less than the Hong Kong shirts or at the same price as the Hong Kong shirts, but with a much higher markup.

The extremely low wage rates of some of the emerging countries will continue to motivate U.S. manufacturers, retailers, and importers to expand their purchasing in those countries. China, India, Malaysia, Pakistan, the Philippines, and Sri Lanka have wage rates that are one-half or less those paid in Hong Kong, Korea, and Taiwan. The Big Three offer many advantages as sources of apparel, including diversity, long-established commercial relationships, and a tradition of satisfactory quality and on-time deliveries. However, the Big Three also are burdened with quota charges and tight quotas on several important apparel categories. Thus, the Big Three's quota problems, coupled with the significant wage advantage that some of the new or smaller suppliers offer, is a strong inducement for expansion of imports from the emerging textile-exporting countries.

Finally, a word on efficiency. The direct labor hours shown in the tabulation are based on trade sources and Commission estimates and are approximations of the relative labor efficiency of the four countries that are compared. The important issue here is that considerable inefficiency can be absorbed without reducing the large competitive cost advantage for a country like Thailand, whose apparel wage rate is so low (approximately \$0.30 per hour). Even if 7 direct hours were needed for production of the shirts (instead of 6, as in the tabulation), only about \$0.62 would be added to the cost of a dozen shirts, which would not significantly lessen the competitive advantage. Thus, it is reasonable to conclude that for the foreseeable future, apparel production will continue to move toward the lower wage countries which have the capabilities to meet the needs of the developed countries markets.

Growth opportunities in the U.S. market for emerging textile-exporting countries

The significance of the patterns of U.S. trade and consumption for the 12 emerging textile countries is that opportunities continue to exist for overall growth in value but are more limited for growth in quantitative terms. Inflation and the general trend towards trading up into higher valued apparel products should continue to provide annual growth in the value of imports. To increase the quantity of their shipments to the U.S. market, however, these countries will have to selectively exploit those areas where relatively high growth potential exists. These areas include (1) products covered by the MFA for which the countries have significant unused quota and (2) non-MFA and less import-sensitive products, which are discussed below.

The Multifiber Arrangement.--The 12 emerging textile-exporting countries covered in this study have bilateral agreements with the United States which control the quantity of their textile and apparel exports to this country. With the exception of China, which is not a signatory, the agreements were concluded under the provisions of the Multifiber Arrangement. The MFA provides the legal framework for bilateral agreements among its 50 signatories to allow for the orderly development of international trade in textiles and apparel and covers most textiles and apparel manufactured from cotton, wool,

and manmade fibers. The MFA, which became effective on January 1, 1974, has been renewed twice and runs through July 1986. The United States has bilateral agreements with 23 countries, 19 of which are MFA signatories.

U.S. imports of textiles and apparel from the 12 emerging textile-exporting countries in 1980 totaled 1.22 billion SYE, or 25 percent of total U.S. imports, as shown in the following table. However, they were only 26 percent greater than those in 1973, as the decline in shipments from Brazil, Mexico, and Colombia offset most of the growth in imports from China, Pakistan, the Philippines, and Sri Lanka.

Textiles of cotton, wool, and manmade fibers: U.S. general imports from the 12 emerging textile-exporting countries, 1973, 1976, and 1980

(In equivalent square yards)				
Source	1973	1976	1980	
Brazil-----	101,857,681	74,806,292	17,069,934	
China-----	34,265,599	152,582,218	324,721,857	
Colombia-----	64,128,273	55,106,968	27,718,556	
India-----	165,001,255	225,283,672	151,243,651	
Macau-----	29,261,949	15,436,901	42,867,299	
Malaysia-----	18,738,102	19,916,246	24,194,574	
Mexico-----	180,231,162	160,121,143	133,517,386	
Pakistan-----	70,210,772	142,239,806	137,000,289	
Philippines-----	97,293,012	130,187,700	162,865,240	
Singapore-----	148,574,861	81,761,151	106,350,559	
Sri Lanka-----	672,066	1,289,506	42,538,706	
Thailand-----	57,281,105	57,613,613	50,862,515	
Total-----	967,515,837	1,226,345,216	1,220,950,566	

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

While MFA restraints have been a factor in slowing export growth, the 12 countries as a group have not come close to fully utilizing the quotas ^{1/} available to them. In 1980, the emerging countries shipped less than 60 percent of the quantity available to them in major categories that were subject to specific quotas or consultation levels. Actual shipments to the United States in the major categories were 733 million SYE while 1,281 million SYE were available. ^{1/} Although there are exceptions, particularly in the case of China, many of the major quota categories where overall imports and

^{1/} Bilateral textile agreements generally control exports through a combination of specific quotas and consultation levels. In most cases, if an exporting country wishes to permit exports to the United States in any category in excess of the applicable consultation level, it must first request consultations with the United States and reach agreement on some different level of exports.

U.S. consumption are extremely large (e.g., broadwoven fabrics, shirts, sweaters, trousers, and coats) were underutilized. Exports to the United States from the 12 emerging countries are controlled by a combination of specific quotas and consultation levels. In 1980 there were 296 such quotas and consultation levels for the 12 countries, of which only 72 were 75 percent or more filled. To cite a specific example, U.S. consumption of trousers and jeans in 1980 totaled more than 1 billion pairs, of which approximately 260 million were imported. The 12 countries in this study supplied only 6.1 million pairs, less than 70 percent of their collective quota.

Underutilized quotas were not distributed evenly among the countries or product categories in 1980. China, Pakistan, and Sri Lanka fully utilized many of their quotas, but Brazil and Colombia had large amounts of unused quota. With the exception of Pakistan and Singapore, large amounts of fabric quota were not used; the quotas on apparel items, particularly of cotton, were better utilized. Thus, at least at present, there is considerable room for growth through better quota utilization. ^{1/} However, this may require these countries to improve their competitiveness vis-a-vis either the Big Three or the U.S. textile and apparel industries or both.

The quota system sometimes creates opportunities for smaller suppliers. When quotas fill for major suppliers, production often moves to new or small suppliers which do not have specific quotas or whose quotas are not fully used. A surge in demand for wool sweaters in the United States in 1980 resulted in some interesting trade shifts. When several major suppliers filled their quotas, other countries began to meet the demand, as shown in the following table.

^{1/} Importing countries have frequently expressed concern over import surges which may result when a large quota is substantially underfilled one year, but then filled the following year due to a large increase in shipments. The 1981 extension of the MFA deals with surges and allows for possible reductions of underutilized quotas under certain circumstances. Paragraph 10 of the "conclusions of the textiles committee adopted on 22 December 1981" which is part of the Protocol extending the MFA provides:

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.

Sweaters of wool (MFA categories 445 and 446): U.S. general imports,
by selected sources, 1978-80

(In dozens)

Source	1978	1979	1980
Hong Kong-----	1,183,926	1,157,506	1,327,653
China-----	33,432	17,217	542,491
Taiwan-----	98,879	127,783	159,147
Macau-----	69,205	57,952	91,403
Republic of Korea-----	20,285	25,770	70,947
Mauritius-----	10,816	1,425	38,417
Singapore-----	22,373	6,346	32,536
Malaysia-----	42,236	6,305	19,216
Philippines-----	12,937	8,456	18,267
Thailand-----	2,731	3,768	18,044
Sri Lanka-----	-	-	15,019
Mexico-----	2,181	1,898	1,199
India-----	2,030	212	1,000
Brazil-----	2,494	3	149
Colombia-----	91	34	87
Pakistan-----	8	-	0
Subtotal-----	1,503,624	1,414,675	2,335,575
All other-----	405,021	246,279	217,794
Total-----	1,908,645	1,660,954	2,553,369

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

As the above table shows, Sri Lanka, Mauritius, and Thailand expanded their shipments rapidly from a very small base, while China, Taiwan, Macau, and Korea expanded from large bases. Singapore, Malaysia, and the Philippines regained ground lost in 1979, while Mexico, India, Brazil, Colombia, and Pakistan did not avail themselves of the growth opportunity.

Sudden shifts in sources of U.S. imports are sometimes inefficient for importers considering the cost and difficulties of setting up operations in new countries. In addition, the shifts may be short lived if either demand declines or quotas are applied to the new sources. However, demand surges in specific products should continue to provide growth for countries that can react quickly to market conditions.

The recent extension of the MFA to 1986 contains provisions which enable importing countries to negotiate agreements which limit or eliminate quota growth and flexibility ^{1/} from major suppliers. The extension also contains provisions reaffirming less restrictive treatment for new suppliers, small

^{1/} Annex B of the MFA permits shifting of quotas from year to year (either ahead or back—"carryover" or "carryforward", respectively), and from category to category in a given year ("swing"). Quota transfers between categories of 7 percent or more are permitted except under certain circumstances where it may be limited to 5 percent. Carryover and carryforward combined are permitted up to 10 percent, with carryforward no more than 5 percent.

suppliers, and cotton textiles from cotton-producing countries, as well as for 807 supplying countries. ^{1/} Consequently, the largest suppliers may be held to little or no growth, particularly in the major apparel categories, while other smaller suppliers can usually expect the MFA norm of a minimum of 6 percent annual growth and the possibility of additional increased exports through the use of the flexibility provisions of the MFA. As a result, the growth potential for new or small suppliers of textiles and apparel should be enhanced during the next 5 years in comparison with the large traditional sources.

Non-MFA and less sensitive products.--Virtually all U.S. imports of textile products of cotton, wool, and manmade fibers are subject to control under the MFA. As previously discussed, export growth opportunities exist for MFA-controlled products, particularly for small or medium suppliers, through the growth and flexibility provisions of the MFA and by utilization of unfilled quotas. However, even greater growth is available on products which are either not covered by the MFA or which are covered by the MFA but are generally considered less sensitive and consequently subject to less stringent controls than the sensitive products. The non-MFA and less sensitive products account for a significant share of U.S. imports and provide the opportunity for rapid growth, even though they do not include the largest volume apparel and fabric categories.

In 1980, \$1.3 billion, or 16 percent, of U.S. textile and apparel imports were not covered by the MFA. These products include all raw fiber, cordage of vegetable fibers (other than cotton), and yarn, fabric, apparel, and furnishings of silk and vegetable fibers (other than cotton). Some of the more important of these products are shown in the following table.

Selected textile and apparel products not covered by MFA: U.S. imports
for consumption, by types, 1980

(In thousands of dollars)	
Type	Value
Burlap fabrics-----	202,752
Women's silk apparel-----	114,465
Cordage of vegetable fibers, except cotton-----	110,487
Leather gloves-----	102,710
Artificial flowers-----	92,000
Silk fabrics-----	70,043
Certain headwear-----	62,635
Laminated fabrics-----	45,332
Vegetable fibers, except cotton-----	45,041
Belts and belting-----	42,310

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

^{1/} Item 807.00 of the Tariff Schedules of the United States provides that the duty assessed on articles assembled abroad with U.S. fabricated components be applied to the full value of the imported articles less the value of the U.S. components.

The list illustrates opportunities for countries that produce silk and vegetable fibers other than cotton, since products made from those fibers are not covered by the MFA. However, trade in such products is not limited solely to the fiber-producing countries. Hong Kong is a large exporter of all types of apparel, even though it must import a large part of its raw materials (fiber and fabric). Similarly, large quantities of silk are converted into yarn, fabric, apparel, and furnishings by countries other than those that raise silkworms. Economics dictate that most vegetable fibers such as jute, abaca, sisal, and henequen are converted into more advanced products in the countries where they are grown. Vegetable fibers are grown in many tropical countries, including the Philippines, Thailand, Brazil, Mexico, and India, and these countries are able to ship a variety of products made from them without MFA restraint.

There are many items where the ratio of U.S. imports to domestic consumption is relatively high. This ratio exceeds 30 percent for certain coats, sweaters, shirts and blouses, gloves, trousers, and cotton fabrics. Import levels on such products tend to be watched more closely, and sharply increased shipments from any source may be met with import restraints. There are 108 separate MFA categories, and the 40 with the highest import-to-consumption ratios during 1980 are shown in the following table.

Certain apparel and textile articles: Ratio of imports to U.S.
consumption, 1/ by MFA categories, 1979 and 1980

(In percent)			
MFA category :	Description	1979	1980
No. :			
431	: Wool gloves-----	82	80
345	: Cotton sweaters-----	72	76
335	: Cotton coats, women's, girls', and infants'-----	64	72
445/446	: Wool sweaters-----	55	66
341	: Cotton blouses, not knit, women's, girls' and	68	64
	: infants'.		
645/646	: Manmade-fiber sweaters-----	54	60
438	: Wool knit shirts and blouses-----	59	56
631	: Manmade-fiber gloves-----	59	53
340	: Cotton shirts, not knit, men's and boys'-----	48	53
465	: Wool carpets and rugs-----	37	51
333	: Cotton suit-type coats, men's and boys'-----	40	48
342	: Cotton skirts-----	40	47
334	: Cotton coats, except suit-type, men's and	33	46
	: boys'.		
318	: Cotton yarn-dyed fabrics-----	33	44
319	: Cotton duck fabrics-----	33	43
348	: Cotton trousers, women's, girls', and infants'-----	39	41
313	: Cotton sheeting-----	30	38
649	: Manmade-fiber body-supporting garments-----	37	38
635	: Manmade-fiber coats, women's, girls', and	36	37
	: infants'.		
331	: Cotton gloves-----	28	34
338/339	: Cotton knit shirts and blouses-----	32	34
640/641	: Manmade-fiber woven shirts and blouses-----	33	33
443	: Wool suits, men's and boys'-----	38	32
337	: Cotton playsuits-----	24	31
440	: Wool woven shirts and blouses-----	40	31
360	: Cotton pillowcases-----	22	28
634	: Manmade-fiber coats, except suit-type, men's	26	27
	: and boys'.		
351	: Cotton nightwear-----	22	26
638/639	: Manmade-fiber knit shirts and blouses-----	28	26
350	: Cotton dressing gowns-----	21	24
330	: Cotton handkerchiefs-----	14	20
444	: Wool suits, women's, girls', and infants'-----	19	18
647/648	: Manmade-fiber trousers, slacks, and shorts-----	18	18
410(pt.)	: Wool worsted fabrics-----	26	16

1/ No allowance was made for exports.

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

Items not listed in the table because of lower import penetration, include most yarn, fabric, and home-furnishing categories, as well as certain apparel categories. These items are subject to less stringent quota restrictions and, therefore, are potential areas for growth. The following table shows some examples of rapid growth in U.S. imports of less sensitive products.

Textiles and apparel: U.S. general imports from the People's Republic of China, by selected MFA categories, 1979 and 1980, and percentage increase, 1980 over 1979

MFA category No.	Description	Unit of quantity	1979	1980	Increase, 1980 over 1979
			--1,000 units--		Percent
330	Handkerchiefs-----	Dozen-----	506	1,692	234
351	Nightwear-----	-----do-----	27	130	379
369 (pt.)	Shop towels-----	Units-----	1,119	2,938	163
369 (pt.)	Tablecloths and napkins.	Pounds-----	265	556	110
360/361	Sheets and pillow-cases.	-----do-----	438	890	103

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

The growth in imports from China shown above took place without the United States applying specific quota limits. Thus, these categories may be representative of product areas in which textile-exporting countries may find greater potential for export expansion than in the sensitive products where specific quotas are often applied when imports increase rapidly.

I. BRAZIL

Country Profile

Brazil, with an area of 3,290,000 square miles, is the fifth largest country in the world and, with its population of 119 million, which includes Portuguese and other European immigrants, Japanese, Africans, and indigenous and North American Indians, is the sixth most populous. Urban growth has been rapid in recent years; in 1980 two-thirds of the population lived in urban areas. Agriculture, however, remains important, and Brazil ranks first in production of several products, including coffee and sugar; in recent years, it has become the world's second largest exporter of agricultural products. Brazil has the largest and most modern industrial complex in Latin America. Manufactures constitute most of the country's increasing exports, which reached \$20 billion in 1980, but sharply higher oil prices after 1973 and rising consumption caused imports to increase more rapidly, leading to trade deficits during 1978-80. Imports in 1980 reached \$23 billion, and the merchandise trade deficit was approximately \$3 billion. Officially known as "Republica Federativa do Brasil," the nation is a federal republic with an elected President, a legislature, and a judiciary. Rio de Janeiro was replaced as the capital of the nation by the new city of Brasilia in 1960.

Geography, demography, and resources

Brazil's topography varies greatly but may be divided into the Amazon Basin, a vast lowland drained by the world's largest river, the La Plata Basin, a sparsely populated frontier land except near Argentina, the Guiana Highlands, a partly forested, partly hot stony desert north of the Amazon, and the Brazilian Highlands, a tableland of from 1,000 to 3,000 feet high, containing the highest point in Brazil, 9,482 feet. For the most part, Brazil's climate is characterized by high temperatures and moderate to heavy rainfall.

About one-third of the land is used for raising livestock, less than one-tenth is utilized for crops, and less than another one-tenth cannot be used at all (chiefly deserts and sterile land); the remainder is in forests and grasslands. Brazil is believed to contain the third largest forest reserves in the world. The nation possesses vast mineral resources of iron ore and manganese which are exported; recent discoveries of platinum could contain half of the world's known reserves. Coal deposits are large, but high-quality coal is undeveloped and in short supply, especially of the coking grade used in steel production. Brazil is the third leading producer of hydroelectric power in the world, with a generating capacity of nearly 40,000 megawatts. Only 15 percent of Brazil's petroleum requirements are produced locally; imports were estimated at \$4.2 billion in 1978 and nearly \$10 billion in 1980.

The nation has just under 1 million miles of roads, less than 10 percent of which are paved. It has over 15,000 miles of railway, almost all operated by one firm whose majority shares are owned by the Government. The country has the most extensive inland waterway system in the world, estimated between 20,000 and 31,000 miles in length; over one-half of the merchandise

transported was on the Parana and Paraguay rivers of the Southeast, and one-fourth was via the Amazon River. Most international air traffic is handled by airports at Rio de Janeiro and Sao Paulo, and the country has two major international airlines and two important domestic lines. Brazil's merchant fleet is the largest in Latin America. The largest ports are Santos, Rio de Janeiro, Paranagua, Recife, and Vitoria.

The annual population growth rate is 2.47 percent (1980). Elementary education is compulsory, and the literacy rate in 1978 was 76 percent of the adult population. Life expectancy is 60 years. The work force is approximately 45 million. Portuguese is the official language and is spoken by most of the people; however, English is a second language among businessmen and the well educated.

The economy

The gross domestic product (GDP) grew 6.4 percent in 1979 and 8.0 percent in 1980. Services--commerce, transport, communications, banking, and Government--account for half of the GDP, industry, 38 percent, and agriculture, 12 percent. 1/ Per capita income in 1980 was \$1,995, slightly above the average estimated for other South American countries. 2/

Total revenue received by the Government was estimated at \$220 billion in 1980. Of this total, the largest source was taxes, which totaled about \$155 billion. Expenditures in 1980 exceeded revenues, increasing Brazil's external debt to over \$50 billion. 3/

Commerce, transport, communications, banking, and Government account for almost 20 million of the working population. These services are partly owned by the Government, but import and export activities and banking services are generally privately operated.

Industry employs about 11 million of the working population, most of whom are in manufacturing. The chief industries are those which manufacture food products, estimated at about 16 percent of the total value of all industrial products, chemicals, 15 percent, metallurgy, 14 percent, and transport equipment, estimated at 9 percent. Textiles and apparel account for less than 8 percent of the total value of all industrial products. 4/

Over 15 million of the working population in 1980 were engaged in agriculture, hunting, forestry, and fishing. Brazil is the world's leading exporter of coffee, the second largest exporter of cocoa and soybeans, and a major exporter of meat and sugar. Forty-six percent of Brazil's foreign exchange is derived from agricultural exports, of which coffee, cocoa, sugar, and soybeans are the most important. However, Brazil still imports substantial

1/ U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Brazil, December 1981.

2/ U.S. Department of State, Background Notes: Brazil, September 1981.

3/ The Europa Year Book 1981: A World Survey, London, vol. I, 1981, p. 1631.

4/ Ibid., p. 1679.

amounts of wheat to make up for the gap between domestic consumption and production. 1/

The Brazilian economy slowed in 1981 following adoption of tight fiscal and monetary policies aimed at reducing the trade deficit and the high inflation rate and reestablishing confidence of the international financial community. The increase in money supply in 1981 was held to about 65 percent, much lower than the recent rate of inflation. Inflation, as reflected in the price index, reached a rate of about 120 percent in early 1981 but is estimated to have declined to about 100 percent by the end of the year. Interest rates have been allowed to rise as high as 150 percent, substantially above the rate of inflation, leading to an inflow of foreign capital. The 1981 budget provides a slight decrease in real Government expenditures (after adjustment for inflation). The cruzeiro is being depreciated against the dollar at a rate about equal to domestic inflation. Continued import restrictions and reduced petroleum consumption held down imports in 1981, and high priority was placed on increasing exports, estimated to be up about 18 percent in 1981. As a result, the trade account moved from a deficit of about \$2.8 billion in 1980 to a surplus in 1981. 2/

Foreign trade

Brazil had trade deficits in 1978, 1979, and 1980, but a surplus was achieved in 1981 as exports continued to increase and imports declined. The following tabulation shows merchandise imports, exports, and trade balance for 1977-81 (in millions of \$US):

Year	:	Exports	:	Imports	:	Trade balance
1977-----	:	12,120	:	12,023	:	97
1978-----	:	12,659	:	13,683	:	-1,024
1979-----	:	15,244	:	18,084	:	-2,840
1980-----	:	20,132	:	22,961	:	-2,829
1981 <u>1/</u> -----	:	23,300	:	22,100	:	1,200

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

Petroleum imports, which have doubled since 1977 and accounted for more than 40 percent of total imports in 1980, were a major factor in the sharp increase in the value of imports in 1979 and 1980. Nonpetroleum imports have been cut back in order to allow for continued high levels of petroleum imports. Energy conservation plus higher tariffs and restrictive licensing on imports of nonpetroleum products contributed to the decline in imports in 1981. Important nonpetroleum imports include machinery, chemicals, fertilizer, consumer goods, and metals.

1/ U.S. Department of Commerce, Foreign Economic Trends . . ., p. 7.

2/ Ibid., p.3.

The most important merchandise exports in 1980 included coffee, soybean meal, sugar, iron ore, and a variety of manufactured goods. Manufactured goods accounted for about 42 percent of total exports in 1980; textiles and apparel accounted for about 4 percent of total exports. ^{1/} Exports of sugar, other agricultural products, and certain manufactured goods increased in 1980.

The Textile and Apparel Industries

The first textile mills in Brazil were set up in the late 1800's, and as the industry developed, it became concentrated in the Sao Paulo area. In the early 1970's, textile output expanded rapidly, and by 1976, total fiber consumption was over 800,000 tons, double the level in 1963 and 1964. Cotton was the leading fiber consumed, but manmade fibers gained a larger share in the 1970's; they accounted for nearly 30 percent of total fiber consumption in 1980 compared with 20 percent in 1970. In terms of production, the Brazilian textile mill industry is estimated to be the fifth largest in the world, after that in the United States, China, India, and Japan. The quantity produced is about on a par with the industries of Italy, West Germany, and the Republic of Korea (Korea).

Structure

The textile and apparel industries in Brazil are estimated to constitute about 7,000 firms, but some 450 larger firms, with a labor force of about 320,000 people in 1981, account for the bulk of production. Total employment in the industries may be as high as 700,000 persons. The textile and apparel industries today are concentrated in the Southeastern States; the State of Sao Paulo accounts for about 55 percent of total output. The number of spindles in the textile industry rose from 3.6 million in 1970 to around 5.0 million in 1979, and the number of looms increased from 80,000 to about 160,000 during the same period. The number of spindles and looms in 1979 was about two-thirds that in the United States.

Approximately 4,000 firms produce yarns and fabrics, and 3,000 manufacture apparel. Of the firms producing yarns and fabrics, about 150 are large firms employing more than 500 employees and about 500 are medium size, employing 100 to 499 employees. Several of the largest textile mills employ 3,000 to 7,000 employees each and have annual sales ranging from \$50 million to \$150 million. Fewer than 100 firms are estimated to account for more than 60 percent of total textile output.

Apparel manufacturing firms number about 3,000 but only about 70 are large (more than 500 employees) and about 160 are medium sized (100 to 499 employees). A few of the largest apparel manufacturers have sales over \$100 million and employ several thousand workers. Several large apparel manufacturers maintain retail outlets throughout the country, and some are integrated vertically with their own fabric production facilities. ^{2/}

^{1/} Report from U.S. Embassy, Brasilia, December 1981.

^{2/} Donna M. Jablonski, ed., International Textile Review, Washington, 1981, p. 4.

In addition to the yarn and fabric producers and the garment makers, there are another 20 to 25 relatively large companies making household textiles, such as rugs, blankets, and towels.

There is considerable foreign investment in textile mills and synthetic fiber plants in Brazil. Some of the largest companies are affiliated with companies in Argentina, the United Kingdom, Italy, and West Germany. By contrast, apparel manufacturers are primarily Brazilian-owned firms.

Production and capacity

The production index of textiles rose from 100 in 1975 to 123 in 1979, with the smallest annual increase occurring in 1977. ^{1/} The production index of clothing (including footwear) rose from 100 in 1975 to 116 in 1979, after a decline of 5 points in 1977. ^{2/}

Textile activity in Brazil declined in 1981 following growth of 6.8 percent in 1980. In late 1981, the industry was reportedly operating at about 70 percent of capacity, down from over 85 percent in recent years. The reduced activity is attributable to a drop in domestic sales and a much smaller increase in exports than had been expected by producers.

Government aid for modernization or increased capacity through the Industrial Development Council was reduced from more than \$490 million in 1973 to \$4.8 million in 1979 and then suspended in 1980 because the industry is now considered sufficiently developed not to need Government assistance. Substantial investment in modernization is being considered, however, by the companies themselves, possibly amounting to more than \$3 billion over the next 5 years. Profits of major textile companies in Brazil were relatively good in 1980 compared with those of previous years. ^{3/}

Fiber consumption

Total fiber consumption has grown continuously during 1970-80, except in 1977, when consumption was about equal to that in 1976. As shown in the table on the following page, fiber consumption increased from 570,000 tons in 1970 to 847,000 tons in 1975, or by 48 percent. Consumption increased another 37 percent from 1975 to 1980, reaching 1.16 million tons in 1980. From 1975 to 1980, cotton consumption increased by about 30 percent, and consumption of synthetic fibers increased more than 70 percent. The share of total fiber consumption held by cotton was 72 percent in 1975 and 68 percent in 1980.

^{1/} General Agreement on Tariffs and Trade (GATT), Textiles Committee (COM. TEX/21), 1980.

^{2/} GATT Textiles Committee, Statistics on Textiles and Clothing, (COMTEX W/76), September 1980.

^{3/} Report from U.S. Embassy, Brasília, December 1981.

Textile fibers: Domestic consumption in Brazil, by types,
1970 and 1975-81

(In thousands of tons)

Fiber	1970	1975	1978	1979	1980	1981
Total, fiber consumption-----	570.0	846.7	968.1	1,097.2	1,161.2	1,116.1
Natural fibers-----	446.4	612.1	670.2	752.8	793.6	745.1
Cotton-----	321.2	463.1	562.3	609.1	631.7	581.6
Other-----	125.2	149.1	107.2	143.6	161.8	163.5
Noncellulosic manmade fibers-----	67.8	180.7	247.8	290.8	313.8	316.9
Cellulosic manmade fibers-----	55.9	53.9	50.0	53.6	53.8	54.1

Source: Report from U.S. Embassy, Brasília, December 1981.

There is an approximate balance between domestic production of cotton, and the level of demand from domestic textile mills. Brazil no longer exports large quantities of raw cotton, but has generally been able to produce adequate supplies for domestic mill requirements. It is reported that, although domestic stocks are increasing, mills pay a higher price than the world market price for cotton, and that in the longer term, the domestic supply may be inadequate. Brazil has produced an average of about 2.7 million bales of cotton in the last 3 years, nearly all of which is consumed by the domestic textile industry. About three-fourths of Brazil's cotton is grown in the South, largely in Sao Paulo and Parana. In 1980/81, about 2.2 million bales were produced on about 2 million acres planted in the South. The Northeast area produced about 600,000 bales, mostly grown on the unique perennial cotton tree, often interplanted with food crops. Yield of this "Moco" cotton is very low; acreage planted is estimated at more than 3 million acres. Cotton has strong competition for planted acreage from other crops, especially sugar cane, beans, and grain.

Output of manmade fibers has increased sharply, especially noncellulosic fibers, as shown in the following tabulation (in thousands of tons):

	1975	1980	1981
Manmade fiber, total-----	214.5	359.0	364.0
Cellulosic (viscose and acetate)-----	54.2	56.7	57.8
Noncellulosic, total-----	160.3	302.3	306.2
Nylon-----	54.5	95.9	97.8
Polyester-----	70.1	131.9	132.3
Acrylic-----	13.5	24.8	25.4
Other 1/-----	22.3	49.7	50.7

1/ Elastomeric and olefin fibers.

Employment

With the exception of a few years, employment in the textile mill industry of Brazil has fluctuated between 300,000 and 360,000 over the past 20 years. The following tabulation shows employment, salaries, and value of production in the industry for selected years: 1/

Year	Number employed	Salaries	Value of production
		-----Million dollars-----	
1965-----	311,699	180	1,306
1970-----	297,713	239	1,816
1975-----	355,768	569	7,489
1980-----	<u>1/</u> 330,000	<u>2/</u>	<u>2/</u>

1/ Estimated by the staff of the U.S. International Trade Commission based on part-year data.

2/ Not available.

In late 1979, the government instituted a new wage policy providing for semi-annual cost-of-living adjustments based on a consumer price index compiled by the government statistical agency, Instituto Brasileiro de Estatística. It was hoped that this policy would reduce labor disruptions, but strikes have continued to occur as workers feel the need to "catch up" following 15 years without collective bargaining.

According to preliminary 1980 statistics, the earnings of nearly all workers in Brazil fall between \$40 and \$400 per month, with the great majority earning under \$300 per month. Average earnings of textile workers in larger companies are estimated at \$150 to \$175 per month in 1980.

Plants and equipment

Brazil made heavy investments in the textile industry in 1973 and 1974 resulting in significant modernization of the industry. After this, however, many companies reduced capital expenditures sharply, partly because of poor sales and profits in 1975 and again in 1977. There is, therefore, a need for substantial investment in order to acquire much of the more advanced production equipment available since 1974. Although the Government no longer provides subsidized credit for development of the textile industry, private investment increased in 1979 and 1980 and may have reached \$300 million in 1980. It is reported that the industry plans to invest more than \$3 billion

1/ International Cotton Advisory Committee, from data compiled by the Association of the Spinning and Weaving Industry of the State of Sao Paulo.

dollars over the next 5 years. ^{1/} However, poorer than expected sales in 1981 may have altered these plans.

About 65 companies in Brazil produced textile- and apparel-manufacturing machinery in 1979. The share of apparent domestic consumption of textile equipment supplied by imports, including spinning, weaving, finishing, and sewing equipment, increased from about 46 percent in 1978 to about 57 percent in 1980. Domestic production was valued at about \$150 million in 1980. Most of the industrial sewing machines used for apparel manufacture are imported, but local production is being established by several foreign companies. Many of the larger domestic textile machinery manufacturers are foreign owned or are joint ventures of foreign firms with Brazilian companies. Several important producers, however, are entirely Brazilian owned. A number of the largest companies have annual sales of \$10 million to \$30 million.

The leading suppliers of imported equipment during 1978-80 were West Germany and Switzerland, which together supplied over 60 percent of imports in 1980. The United States is an important supplier of apparel-making machinery and, in 1980, increased its sales of fabric making machinery to Brazil.

Descriptions of textile operations in Brazil in trade publications indicate that some weaving mills now have all automatic looms and that some installations in recent years include looms of wide width, shuttleless looms of rapier and missile types, some air-jet looms, and other modern production technology, including computers for planning and control. ^{2/} There is a wide range of technology in the industry, however, and many plants still operate with old equipment and have relatively high production costs.

Trade in Textiles and Apparel

Although Brazil is among the large textile producers of the world, the total value of its trade in textile and apparel products ranks below most other large producers. Since 1973, imports of textile products remained at a very low level because of restrictive import policies, but exports increased over this period, resulting in a growing trade surplus in textile and apparel products.

Imports, exports, and trade balance

Brazil's imports of textiles and clothing totaled less than \$100 million annually during 1976-80, with clothing accounting for under 10 percent of the total in most years. No significant trends are evident in the value of total imports. Imports of fabric and clothing have decreased somewhat in recent years (1978-80), while imports of fiber and yarn have increased. Brazil discourages or prohibits the importation of consumer and other nonessential goods but allows limited importation of capital goods judged to be necessary for industrial growth. Among the restrictive policies are a 25-percent tax on the purchase of foreign exchange to pay for imports and an extensive list of

^{1/} Report from U.S. Embassy, Brasilia, December 1981.

^{2/} Daily News Record, Aug. 10, 1981, and S.A. Moinho Santista, Santista Textiles: Report--79/80, Sao Paulo, 1981.

items for which import licenses have been suspended. Import licenses are refused for nearly all textile and apparel items except certain raw fiber and yarn. Imports of textiles are permitted, however, into the Manaus free-trade zone. ^{1/}

The value of exports of textiles and apparel of cotton, wool, and manmade fibers increased steadily during 1973-80 and was two to eight times the value of imports, as shown in the following table. The resulting trade surplus in textile products also increased steadily during the period, reaching an estimated \$660 million in 1980.

Textiles and apparel: Export, imports, and trade balance of Brazil,
1973 and 1976-80

(In millions of dollars)

Item	1973	1976	1977	1978	1979	1980 ^{1/}
Textiles						
Exports-----	220	274	383	424	588	621
Imports-----	69	72	71	80	68	60
Net trade-----	151	201	312	343	520	561
Clothing						
Exports-----	77	80	77	95	88	103
Imports-----	8	10	7	5	7	6
Net trade-----	68	70	70	90	80	97
Total						
Exports-----	297	354	460	519	676	724
Imports-----	77	82	78	85	75	66
Net trade-----	220	272	382	434	601	658

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

Source: GATT, Statistics on Textiles and Clothing, part 1 (Com. Tex/ W/76), tables 18-20.

Note.—Because of rounding, figures may not add to the totals shown.

Export trends

Exports of textiles and apparel together rose from about \$300 million in 1973 to about \$350 million in 1976, and then to \$670 million in 1979 and \$720 million in 1980. The gains were almost entirely in textile mill products, with annual apparel exports fluctuating in a range of about \$80 million to

^{1/} U.S. Department of Commerce, Marketing in Brazil, OBR 81-23, September 1981.

\$100 million during the period. The share of Brazil's exports going to developed areas decreased from 69 percent in 1973 to 61 percent in 1979; the share going to developing countries meanwhile increased from 22 to 31 percent, and the share going to centrally planned economies decreased from 9 to 7 percent. Exports were boosted in 1979 and 1980 by aggressive promotion in foreign markets and a 30-percent currency devaluation in December 1979.

When textile products other than cotton, wool, and manmade fibers--such as sisal cordage and leather wearing apparel--are included, the total value of exports is increased substantially, as shown in the following table. Early estimates are that exports increased to about \$900 million in 1981 from \$828 million in 1980.

Textile and apparel: Exports from Brazil, by type, 1978-80

(In thousands of dollars)

Type	1978	1979	1980
Yarns and filaments-----	179,452	226,571	264,320
Fabrics-----	119,153	203,761	183,973
Garments-----	163,438	176,365	205,700
Other-----	106,178	149,989	174,349
Total-----	568,221	756,686	828,342

Source: Report from U.S. Embassy, Brasilia, December 1981.

Principal exported products

Cotton yarn is the single most important textile product exported, accounting for about 30 percent of total exports of textiles and apparel (excluding fibers and leather apparel) in 1980 (table 3). Cotton fabrics accounted for another 16 percent, household articles and other textile mill products accounted for about 40 percent, and apparel, for the remainder. From 1976 to 1980, exports of cotton yarn increased 72 percent in value, gray cotton fabrics increased 217 percent, and other textile mill products increased 144 percent. The largest increase among apparel items was in exports of knit outer garments--139 percent.

Major products exported to the United States in 1980 included cotton sheeting, twill and sateen fabrics, children's playsuits, women's knit shirts and blouses, and towels and other household products (table 4). In 1981, carded cotton yarn was again exported to the United States in substantial quantities. Exports of cotton yarn had declined sharply after the United States imposed countervailing duties on this product in 1977.

Major markets

The major markets for Brazilian textile and apparel exports in recent years have been the EC and the United States (table 1). In 1980, over 50

percent of Brazil's exports went to the EC, and about 20 percent went to the United States. Among the EC countries, West Germany is by far the most important market and, in fact, is the leading single-country market for textile exports. The following tabulation shows exports to 10 leading markets in 1979 and 1980 (in thousands of dollars): 1/

Market	1979	1980
West Germany-----	123,478	139,506
United States-----	90,326	89,378
Italy-----	57,900	57,782
Poland-----	25,185	45,124
Paraguay-----	47,619	42,544
Nigeria-----	33,298	35,681
Bolivia-----	22,270	34,205
Argentina-----	45,270	34,067
Japan-----	28,443	28,095
France-----	23,781	26,027

The EC has increased in importance as a market for Brazil's exports since 1976, increasing its share from 50 to 55 percent in 1980. Other European countries have also gained importance, increasing from 6 percent in 1976 to 12 percent in 1980. Japan and some developing countries have decreased; the United States increased until 1978, but then declined from 29 to 20 percent. Brazilian textile exports to the United States were adversely affected by the U.S. countervailing duty noted earlier and Brazil's suspension of rebates on the Industrial Products Tax (IPI) in 1979.

MFA constraints

Brazil's exports of textiles and apparel to the EC and the United States are subject to control under the MFA. Brazil's exports in recent years have been restrained more by competitive factors in the market than by the MFA limitations. The U.S. agreement with Brazil provides limits only on cotton product categories, and the limits on these products have been, on an overall basis, less than 10 percent filled. In 1980, for example, the U.S. limit on cotton yarns from Brazil was equal to more than 10 million pounds, but there were almost no imports charged against this category.

During 1980, the aggregate limitation under the bilateral agreement for cotton products between Brazil and the United States amounted to 149.4 million

1/ Report from U.S. Embassy, Brasilia, December 1981.

SYE, of which 9 percent was filled. Within the aggregate, there were three subgroups with limitations in 1980, as follows:

<u>Subgroups</u>	<u>1980 limit (million SYE)</u>	<u>Percentage filled</u>
Group I--Yarns-----	52.4	1
Group II--Fabrics-----	64.2	9
Group III--Apparel, made- ups, and miscellaneous.	32.8	24

The subgroup limitations on yarns and fabrics for a particular year may be exceeded by not more than 15 percent, and limitations for apparel, made-up products, and miscellaneous items may be exceeded by up to 7 percent. Within the subgroup limits, there were specific limits and designated consultation levels in 1980. These are shown in table 7 with the quantity of imports charged against each level.

Categories with specific limitations were allowed to increase each year by 7 percent. In addition, specific limits could be exceeded by up to 11 percent by the use of carryover and/or carryforward. However, these adjustments were not necessary, since none of the levels were completely utilized during 1980.

Categories which were not given specific limitations or designated consultation levels were subject to minimum consultation levels (1.0 million SYE for each nonapparel category and 700,000 SYE for each apparel category). None of these "minimum" consultation levels were completely utilized, although several products did use some portion, e.g., poplin and broadcloth used 55 percent; shirting used 10 percent; certain yarn dyed fabrics, 20 percent; certain men's and boys' coats, 6 percent; and men's and boys' knit shirts, 15 percent.

In a separate agreement, Brazil also agreed to consult with the United States on manmade-fiber textiles should U.S. imports increase by more than a specified percentage.

The Domestic Market

Brazil has a large domestic textile market. Per capita fiber consumption, estimated to be 11 to 13 pounds annually, is below the world average and is estimated to be slightly below that for the remainder of South America. However, with its large population (about 120 million in 1981), it accounts for well over 40 percent of total fiber consumption in South America.

The domestic textile market in Brazil appears to have grown at an annual rate of 5 to 6 percent in recent years, attributable to the population growth of about 2.5 percent annually and the emphasis on raising the standard of living. Real wage levels are believed to have increased in 1979 and 1980.

Government Policy

Trade in textiles and apparel is less important in the economy of Brazil than in most emerging textile-producing countries of southeast Asia, but the industry is large, and exports have grown. In 1980, about 7 percent of textile production was exported, and such exports were equal to about 13 percent of the value of total manufactured exports. Imports are negligible and are likely to remain small under present Government policies. The industry is significant in Government planning both in terms of employment and as part of a total effort to increase exports and reduce a growing trade deficit resulting largely from oil imports. Textile and apparel employment is about 6 or 7 percent of total industrial employment.

Assistance to the industry

The Government has provided no special assistance to the textile industry, either for investment or for exporting, since the Industrial Development Council stopped approving textile projects in 1980. However, there are a number of programs designed to encourage all exports which also benefit textile exports. Among the export incentives used recently are (1) preferential financing for exports (at an interest rate of about 45 percent compared with a market rate of 65 to 70 percent), (2) income tax exemption for export earnings, and (3) a rebate on the IPI of about 15 percent of export value. ^{1/} ^{2/} Also, with Government approval, companies with export programs may import certain machinery and raw materials without paying import duties and taxes. In 1977, the United States imposed a countervailing duty of 21 percent ad valorem on imports of cotton yarn from Brazil. The countervailing duty was reduced to 2.5 percent in December 1979 when it was determined that overrebatting of the IPI had been eliminated. ^{3/} Elimination of the 15-percent rebate had an adverse affect on Brazil's exports, and in April 1981, it was restored by the Government in an effort to boost exports. In order to avoid countervailing duty action by the United States, however, an offsetting tax has been imposed on exports of products already subject to U.S. countervailing duties, including cotton yarns.

Export promotion

Government agencies play a key role in trade matters. The Foreign Trade Department (CACEX) of the Government-controlled Banco do Brasil participates actively in import and export operations, along with the Ministries of Finance, Planning, and Foreign Affairs. Trade shows sponsored by the Government of Brazil have been held from time to time in most major market countries. A trade fair which toured some half-dozen U.S. cities was held in

^{1/} The rebate has substantially exceeded the IPI actually imposed on most textile items. The rebates were suspended in 1979 but reinstituted in April 1981.

^{2/} U.S. Department of Commerce, op. cit., and Banco do Brasil, Summary of the Investment Legislation in Brazil, January 1980.

^{3/} The required deposit of estimated countervailing duties was increased to 3.55 percent ad valorem on April 9, 1982.

the fall of 1981 and included textile products such as towels and a few items of women's wear. The results for textile products were reportedly disappointing. Some trade representatives feel that, in the premium market, the quality of Brazil's textile products is generally lower than competing products and not consistent from one order to the next, and that in the lower end of the market, they are often not price competitive with some U.S. products or with imports from Asian sources. ^{1/}

Export Potential

Brazil will probably achieve moderate growth in its total textile and apparel exports, with export programs receiving considerable government support, but will achieve only limited growth in the apparel segment of the market and will have limited impact in the U.S. market.

Brazil ranks 28th among world exporters of textiles and apparel, accounts for under 1 percent of world trade in these products, and is one of a number of countries whose exports of textiles total between \$500 million and \$1 billion annually. Brazil's exports have little competitive impact on the major apparel markets of the Big Three or the EC, since Brazil's exports are largely in cotton yarns, fabrics, and other textile mill products. Such exports may impact on countries which are raw cotton producers and exporters of cotton yarn and fabrics, such as Egypt, Pakistan, Mexico, and Peru.

Brazil occupies a middle ground in the world textile market. Wage rates are considerably above those in most countries of Southeast Asia, but the level of technology, especially in textile mill products, is more advanced than in many low-wage countries. There is a large domestic market providing some economies of scale but costs of raw materials are often high. The industry benefits from a Government policy which allows imports of sophisticated textile equipment; a wide range of equipment is also produced domestically. Export earnings are needed to pay the large oil import bill, so official Government policy encourages export activity. However, manufactured goods other than textiles and apparel (along with certain agricultural products) appear to offer greater potential for export growth and may receive more emphasis in Government export programs.

There appears to be limited potential for sustained growth in exports to the United States. Most of the growth in exports of textiles and apparel from Brazil has occurred in European markets rather than in the U.S. market. Long experience in the European markets enables Brazil to supply products which meet the style preferences and quality requirements of that market. Since 1976, growth has also been largely in yarns, fabrics, and other textile mill products, of which the United States is a very efficient producer, rather than in apparel. In the case of cotton yarn exports to the U.S. market, when countervailing duties were imposed to offset certain Government assistance, the exports dropped sharply. Without major changes in the cost structure of the industry in Brazil or in Government policies directly affecting trade, Brazil may not be able to sustain export growth in textiles without subsidies to exporters.

^{1/} Based on discussions with U.S. companies familiar with products offered.

Brazil's anticipated moderate growth in exports of textiles and apparel will likely be directed mainly to Europe and other South American countries. Brazil's exports to these areas will probably have little impact on U.S. exports since, except for some cotton fabrics, the products sold usually differ significantly. The growth in total exports of textiles and apparel was relatively slow in 1980 and 1981, even with certain Government assistance and tax exemptions, and export prices which in some cases were 10 to 20 percent lower than domestic prices. Significant exports most likely will continue in products using native raw materials and not subject to the MFA restraints such as sisal cordage and leather apparel. Exports are most likely to increase in textile mill products such as yarn, fabrics, and household items (towels, sheets, and so forth). Sizable increases in apparel items are unlikely, except possibly in knit items, which have a lower labor content. It will be difficult for Brazil to compete on a price basis with apparel exporters that have lower labor costs. Domestic supplies of both cotton and manmade fibers, which exceeded demand in 1981, are likely to be adequate for the next several years, but could limit expansion of textile output in the long run.

Since imports of all textile products are essentially prohibited, only domestic supplies of fiber, yarn, and fabric are available to producers of finished articles for export, resulting in a more limited selection and possibly higher prices. Prices for raw fibers are at times 10 to 20 percent higher than world prices. Also, the absence of imported finished articles allows domestic producers supplying the home markets to operate in a less competitive atmosphere and may lead to less overall efficiency in the industry.

Table 1.1. Textiles and apparel: Exports from Brazil, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
			1,000 U.S. dollars					
Textiles:								
Developing:								
Big Three...	661	3,739	6,679	10,214	8,352	4,945	465.658	32.255
Other Asia...	1,848	327	952	1,188	437	950	-82.305	190.520
Other								
developing...	9,039	24,304	32,320	6,301	11	462	168.879	-98.099
Socialist...	990	12,131	11,073	355		17,168	1125.354	41.522
Developed:								
EEC...	83,679	116,061	151,059	143,640	216,160	238,991	38.698	105.918
Southern								
Europe...	4,396	1,840	2,550	3,245	4,076	13,042	-58.144	608.804
Other Europe:	3,386	10,718	15,120	18,847	23,125	40,218	216.539	275.238
United								
States...	26,873	39,163	50,837	68,335	83,573	87,746	45.734	124.053
Canada...	10,987	11,982	13,723	13,870	13,403	17,192	9.056	43.482
Japan...	11,672	15,532	7,332	10,258	21,100	11,791	33.071	-24.086
Other...	4,884	5,162	4,787	6,750	11,224	13,595	5.692	163.367
Apparel:								
Developing:								
Big Three...	6	8	12	121	150	182	33.333	2175.000
Other Asia...	127	16	77	9	4	112	-87.402	600.000
Other								
developing...	706	105	1,031	115	32	163	-85.127	55.238
Socialist...		242	29	23			(1)	-100.000
Developed:								
EEC...	11,863	35,176	31,124	27,964	43,978	47,763	196.519	35.783
Southern								
Europe...	34	429	408	424	501	597	1161.765	39.161
Other Europe:	1,088	4,351	4,414	4,143	5,466	10,122	299.908	132.636
United								
States...	21,404	18,582	20,565	32,595	21,212	17,020	-13.184	-8.406
Canada...	3,444	4,769	2,010	1,547	2,534	1,844	38.473	-61.334
Japan...	333	82	118	80	558	309	-75.375	276.829
Other...	154	232	42	96	182	43	50.649	-81.466
Textile & Apparel:								
Developing:								
Big Three...	667	3,747	6,691	10,335	8,502	5,127	461.769	36.829
Other Asia...	1,975	343	1,029	1,197	441	1,062	-82.633	209.621
Other								
developing...	9,745	24,409	33,351	6,416	43	625	150.477	-97.439
Socialist...	990	12,373	11,102	378		17,168	1149.798	38.754

Table 1-1.--Textiles and apparel: Exports from Brazil, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EEC.....	95,542	151,237	182,183	171,604	260,138	286,754	58.294	89.606
Southern Europe.....	4,430	2,269	2,958	3,669	4,577	13,639	-48.781	501.102
Other Europe:	4,474	15,069	19,534	22,990	28,591	50,340	236.813	234.063
United States.....	48,277	57,745	71,402	100,930	104,785	104,766	19.612	81.429
Canada.....	14,431	16,751	15,733	15,417	15,937	19,036	16.077	13.641
Japan.....	12,005	15,614	7,450	10,338	21,658	12,100	30.062	-22.505
Other.....	5,038	5,394	4,829	6,846	11,326	13,638	7.066	152.836
Total.....	197,574	305,464	356,262	350,120	455,998	524,255	54.607	71.626

1/ Data or computation error.
- Data not available.

Table 1-2.--Textiles and apparel: Exports from Brazil, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U. S. dollars				
Textiles:					
United States.....	39,163	50,837	68,335	83,573	87,746
FR Germany.....	61,768	77,952	68,041	88,632	106,855
Italy.....	18,382	20,638	19,396	38,953	37,755
France.....	7,786	14,303	16,202	24,908	30,403
Japan.....	15,532	7,332	10,258	21,100	11,791
United Kingdom....	4,440	6,517	10,652	20,220	14,978
Belgium-Luxemb....	11,352	13,002	12,917	17,778	16,681
Canada.....	11,982	13,723	13,870	13,403	17,192
Netherlands.....	5,457	9,014	9,692	12,660	17,825
Hong Kong.....	3,708	6,679	10,214	8,289	4,916
Australia.....	4,597	4,443	5,740	7,612	8,968
Ireland.....	4,476	6,387	3,816	7,581	7,406
Austria.....	2,880	5,593	6,002	6,347	10,116
Other.....	49,949	60,012	27,868	30,405	73,468
Total.....	241,472	296,432	283,003	381,461	446,100
Apparel:					
United States.....	18,582	20,565	32,595	21,212	17,020
FR Germany.....	23,200	18,462	17,480	28,702	34,583
United Kingdom....	3,086	2,320	3,321	6,623	4,894
Netherlands.....	2,977	2,415	2,783	3,943	4,024
Canada.....	4,769	2,010	1,547	2,534	1,844
Sweden.....	1,525	1,599	1,202	2,202	6,200
Switzerland.....	1,323	2,040	2,384	2,002	2,221
Italy.....	2,209	4,559	2,064	1,977	751
France.....	1,935	2,630	1,723	1,275	1,462
Austria.....	868	266	427	1,064	1,027
Denmark.....	1,122	488	291	1,021	1,507
Japan.....	82	118	80	558	309
Spain.....	415	408	424	500	596
Other.....	1,899	1,950	796	924	1,717
Total.....	63,992	59,830	67,117	74,537	78,155
Textiles & Apparel:					
United States.....	57,745	71,402	100,930	104,785	104,766
FR Germany.....	84,968	96,414	85,521	117,334	141,438
Italy.....	20,591	25,197	21,460	40,930	38,506
United Kingdom....	7,526	8,837	13,973	26,843	19,872
France.....	9,721	16,933	17,925	26,183	31,865
Japan.....	15,614	7,450	10,338	21,658	12,100
Belgium-Luxemb....	11,846	13,128	13,057	17,862	16,906
Netherlands.....	8,434	11,429	12,475	16,603	21,849
Canada.....	16,751	15,733	15,417	15,937	19,036

Table 1-2.--Textiles and apparel: Exports from Brazil, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textile & Apparel:					
Hong Kong.....	3,716	6,691	10,335	8,439	5,098
Ireland.....	4,603	6,496	3,937	7,889	7,650
Australia.....	4,829	4,484	5,836	7,714	9,009
Sweden.....	4,150	4,611	5,680	7,669	14,752
Other.....	54,970	67,457	33,236	36,152	81,408
Total.....	305,464	356,262	350,120	455,998	524,255

Table 1-3.--Textiles and apparel: Exports from Brazil, by types, 1973 and 1976-80

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	1,988	10,917	5,235	3,930	8,692	6,914	449.145	-36.668
Wool yarn...	2,894	3,370	3,327	2,617	3,677	2,688	16.448	-20.237
Cotton yarn...	47,470	83,937	109,642	93,687	121,521	144,703	76.821	72.395
Yarn of manmade fibers...	8,611	6,659	10,197	7,888	5,613	5,523	-22.669	-17.060
Other yarn...	1,358	19	467	207	10	15	-98.601	-21.053
Grey cotton fabrics...	35,598	15,646	27,782	37,541	42,465	49,632	-56.048	217.218
Finished cotton fabrics...	16,179	23,543	19,691	18,608	28,639	28,515	45.516	21.119
Woven fabric of continuous manmade fibers...	508	125	120	295	73	11	-75.394	-91.200
Woven fabric of disconti- nuous manmade fibers...	2,219	2,289	3,155	5,534	12,143	9,672	3.155	322.543
Pile fabrics of manmade fibers...	15	6	78	-	3	19	-60.000	216.667
Woven fabrics of wool...	1,805	198	113	111	400	367	-80.299	85.354
Woven fabrics of other fibers...	6,123	13,187	12,964	15,337	16,079	12,048	115.368	-8.637
Knit fabrics	1,525	832	491	435	871	207	-45.443	-75.120
Other textile products...	29,592	64,774	85,537	89,853	132,721	158,093	118.890	144.069
Floor coverings...	164	987	1,670	1,188	1,542	1,791	501.829	81.459
Subtotal, Textiles and floor coverings...	155,249	226,489	280,469	277,231	374,449	420,198	45.888	85.527

Table I-3.--Textiles and apparel: Exports from Brazil, by types, 1973 and 1976-80--Continued

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit..	7,125	17,593	19,112	20,308	16,263	18,089	166.919	2.819
WGI outer garments, not knit..	3,518	8,057	7,147	6,980	8,509	10,055	129.022	24.798
M&B under garments, not knit..	1,187	2,129	2,103	2,278	2,382	2,265	79.360	6.388
WGI under garments, not knit..	265	653	1,060	1,095	1,250	1,560	146.415	138.897
Accessories, not knit..	1,031	2,463	1,698	1,389	1,503	1,369	138.894	-44.417
Gloves, knit	12	-	-	17	-	16	-	-
Stockings, etc., knit	12	2	3	-	3	11	-83.333	450.000
Under garments, knit.....	5,437	15,956	14,211	14,353	18,973	19,132	193.471	19.905
Outer garments, knit.....	13,568	6,855	5,247	5,704	13,823	16,450	-49.477	139.971
Elastic fab. & art., knit.....	52	56	4	45	14	4	7.692	-92.857
Subtotal, Apparel...	32,207	53,764	50,585	52,169	62,720	68,951	66.933	28.248
Total.....	187,456	280,253	331,054	329,400	437,169	489,149	49.503	74.538

- Data not available.

Table 1-4.—Cotton Textiles: U.S. Imports from Brazil, by MFA categories, 1976-81

(In equivalent square yards)							
Category	Description	1976	1977	1978	1979	1980	1981
100	Carded yarn	40,701,269	13,044,450	7,835,769	125,998	0	13,077,156
101	Combed yarn	103,661	0	0	0	0	317,810
110	Gingham	0	2,229	0	0	0	0
111	Sheeting	3,098,239	8,274,630	22,213,350	1,560,487	1,580,684	20,894,675
114	Poplin and broadcloth	213,491	120,951	779,269	515,893	245,853	979,105
115	Printcloth	52,778	470,975	618,584	224,143	417,044	4,372,723
116	Shirting	226,915	0	0	0	24,362	74,243
117	Twill and saten	2,061,649	2,132,013	5,705,779	1,876,974	1,283,131	5,065,554
118	Yarn-dyed fabric, n.e.s.	102,226	214,970	276,315	530,479	496,891	595,516
119	Buck	216,462	999,569	1,180,209	807,715	904,456	3,402,315
120	Woven fabrics, n.e.s.	2,636,060	1,098,814	5,397,402	720,269	304,703	1,405,215
130	Handkerchiefs	0	0	95	0	0	0
131	Gloves	0	0	2,450	0	0	0
132	Hosiery	626	0	0	0	566	0
133	Suit-type coats, men and boys	15,240	3,584	6,263	0	0	2,896
134	Other coats, men and boys	14,414	74,134	70,293	74,010	44,852	8,013
135	Coats, women, girls, and infants	14,579	125,594	125,264	28,786	6,361	49,560
136	Dresses	18,211	9,558	3,760	9,740	10,057	13,727
137	Play suits	276,900	980,125	1,137,175	1,494,225	1,241,800	1,020,225
138	Knit shirts, men and boys	101,636	159,365	205,049	234,864	111,096	100,433
139	Knit shirts and blouses, women, girls, and infants	1,225,362	601,819	1,595,325	1,226,167	1,075,789	562,436
140	Shirts, not knitted, men and boys	43,872	63,408	47,448	23,088	2,040	4,224
141	Blouses, not knitted, women, girls, and infants	33,432	29,697	10,310	4,495	581	11,021
142	Shirts	21,253	13,225	4,752	13,261	18,601	2,759
145	Sweaters	258	64,363	239,752	286,599	4,306	74
147	Trousers, men and boys	1,462,413	1,436,051	1,576,492	527,325	259,400	72,927
148	Trousers, women, girls, and infants	39,676	132,041	714,279	807,657	795,750	822,377
149	Skirts	11,563	4,714	5,842	0	0	2,765
150	Dressing gowns	962,676	1,643,322	1,442,433	588,285	559,827	912,645
151	Nightwear	0	0	0	87,776	468	4,108
152	Underwear	34,221	54,494	28,721	484	0	29,447
159	Other apparel	247,425	153,597	690,681	40,700	25,821	87,286
162	Bedspreads and quilts	0	0	428	0	0	0
163	Terry and other pile towels	792,212	1,450,240	1,928,950	1,470,521	1,119,928	2,450,486
169	Other manufactures	3,510,691	2,968,248	3,619,498	3,438,149	3,034,637	3,318,674
	Total	66,239,410	36,526,180	57,461,937	16,776,090	13,569,034	59,660,423

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

Table 1-5.--Wool textiles: U.S. imports from Brazil, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
400	Wool tops and yarn	467,224	474,508	197,680	0	6,826	75,890
410	Woolens and worsteds	22,780	6,382	17,760	5,587	78	2,731
411	Tapestries and upholstery	10	0	30	32	0	0
431	Suit-type coats, men and boys	0	72	16,200	16,092	9,720	0
434	Other coats, men and boys	0	3,402	50,760	9,018	2,268	9,504
435	Coats, women, girls, and infants	4,266	9,450	88,344	131,004	42,174	7,722
436	Dresses	148	0	0	787	394	0
438	Knit shirts and blouses	0	30	10,755	0	0	0
440	Shirts and blouses, not knit	96	3,000	5,904	240	0	0
442	Skirts	1,638	6,876	25,668	29,610	8,424	1,728
443	Suits, men and boys	17,442	2,052	5,508	2,916	0	0
444	Suits, women, girls, and infants	2,106	20,034	8,640	28,026	13,176	4,644
445	Sweaters, men and boys	19,850	6,011	34,387	0	0	0
446	Sweaters, women, girls, and infants	7,514	8,570	2,723	45	2,211	238
447	Trousers, men and boys	2,880	10,944	0	0	0	0
448	Trousers, women, girls, and infants	2,862	2,052	3,636	6,282	594	108
459	Other apparel	2,702	956	15,126	43,060	187,216	120,292
464	Blankets	0	0	506	386	0	0
465	Floor coverings	0	32,490	11	0	335	277
469	Other manufactures	710	111,632	62,466	120,092	2,360	4,594
	Total	552,228	698,461	546,104	393,177	275,782	227,728

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

Table 1-6.--Manmade-fiber textiles: U.S. Imports from Brazil, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
600	Textured yarn	973,536	34,819	1,929,801	159,054	97,678	42,098
601	Continuous cellulosic yarn	2,701,447	912,412	0	1,330,566	0	0
602	Continuous noncellulosic yarn	0	196,226	0	5,800	6,113	0
604	Non-continuous noncellulosic yarn	1,283,632	1,133,781	3,673,198	62,869	0	84,940
605	Other yarns	27,486	99,778	69,472	39,169	24,074	22,789
610	Continuous cellulosic woven fabrics	0	15,613	18,996	11,302	31,279	16,001
611	Spun cellulosic woven fabrics	0	2,661	28,205	53,796	6,846	9,150
612	Continuous noncellulosic woven fabrics	24,567	25,383	18,168	4,039	2,012	2,983
613	Spun noncellulosic woven fabrics	35,546	33,163	213,827	62,351	1,458	2,904,829
614	Woven fabrics, n.e.s.	727,762	2,197,921	1,500,488	1,831,618	2,178,770	2,508,111
625	Knit fabric	377,372	44,320	702	0	16,941	14,719
626	File or tufted fabric	0	0	0	164	7,462	671
627	Specialty fabrics	40,739	45,130	83,366	12,940	134,449	50,100
631	Gloves	0	0	0	0	0	756
632	Hosiery	0	644	18	43,870	13,418	548
633	Suit type coats, men and boys	0	12,018	72	0	0	0
634	Other coats, men and boys	0	83	3,263	124	0	0
635	Coats, women, girls, and infants	1,652	16,769	0	207	5,410	124
636	Dresses	11,053	5,844	7,203	0	906	45
637	Play suits	0	0	1,874	0	0	0
638	Knit shirts, men and boys	386,064	58,932	0	36	0	576
639	Knit shirts and blouses, women, girls, and infants	404,880	135,180	97,230	256,515	3,000	415
640	Shirts, not knit, men and boys	2,064	19,192	0	6,384	0	0
641	Blouses, not knit, women, girls, and infants	1,247	305	5,974	15	740	943
642	Skirts	694	1,442	8,615	18	4,165	214
643	Suits, men and boys	0	3,078	0	2,268	0	0
644	Suits, women, girls, and infants	18,954	2,214	4,698	270	8,208	594
645	Sweaters, men and boys	94,245	90,086	132,922	0	0	0
646	Sweaters, women, girls, and infants	39,928	3,018	197,195	60,131	0	14,720
647	Trousers, men and boys	71	11,232	0	961	2,350	89
648	Trousers, women, girls, and infants	19,437	4,058	53	0	1,585	214
649	Brassieres	78,782	106,339	151,819	128,218	13,868	63,119
650	Dressing gowns	0	0	0	0	0	107
651	Nightwear	884	104	0	0	0	0
652	Underwear	232,928	258,000	154,274	59,040	9,600	56,512
659	Other apparel	61,070	56,059	100,595	54,584	68,765	55,996
665	Floor coverings	0	3,273	12,156	0	0	0
666	Other furnishings	421,729	414,976	159,776	15,428	491	1,592
669	Other manufactures	44,905	1,580,990	1,348,558	9,795,415	545,540	145,782
	Total	8,014,654	7,525,245	9,922,890	13,997,372	1,225,128	5,998,772

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

Table I-7.--United States/Brazil bilateral agreement: Limits by MFA category, with shipments charged, 1980

MFA category No.	Type of limit	Description	Units	Limitation	Shipments charged	Percentage filled
				----1,000 units----		
Group I:						
300/301	Specific	Cotton yarn	Lb	11,398	132	1
Group II:						
313	do	Cotton sheeting	Sq. yd.	20,055	2,682	13
315	do	Cotton printcloth	Sq. yd.	16,909	5	1/
317	do	Cotton twill and sateen	Sq. yd.	7,472	1,071	14
319	do	Cotton duck	Sq. yd.	4,195	705	17
320	do	Other cotton woven fabric.	Sq. yd.	10,880	222	2
Group III:						
337	do	Cotton playsuits	Doz	86	39	46
339	do	Knit cotton shirts and blouses.	Doz	243	97	40
340	do	Woven cotton shirts, men's and boys'.	Doz	141	2/	1/
345	do	Cotton sweaters	Doz	53	2/	1/
347	do	Cotton trousers, men's and boys'.	Doz	165	12	7
348	do	Cotton trousers, women's, girls' and infants'.	Doz	112	46	41
350	do	Cotton dressing gowns	Doz	61	13	21
352	do	Cotton underwear	Doz	138	0	-
363	do	Cotton terry towels	No	10,667	2,429	23
369 (pt.)	do	Other cotton manufactures.	Lb	1,035	176	17
369 (pt.)	do	Cotton floor coverings	Lb	672	486	72
359	Designated consultation.	Other cotton apparel	Lb	217	6	3

1/ Less than 0.5 percent.

2/ Less than 500 units.

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

Note.--Table shows only specific levels and a designated consultation level. All other cotton categories are subject to minimum consultations as described in the text.



II. CHINA

Country Profile

The People's Republic of China (China) has the largest population of any nation, with about 1 billion people, and is the third largest country in the world, with an area of 3,704,000 square miles. There was a small but significant amount of U.S.-Chinese trade during 1972-77, a period during which the two countries moved toward "normalization" of relations. Trade increased very sharply beginning in 1978, the year in which the Joint Communiqué on the Establishment of Diplomatic Relations was negotiated and released, and was further boosted when China was granted most-favored-nation (MFN) treatment, effective in February 1980. The Chinese Communist Party is the only party with significant political influence and dominates the Government of the country through the State Council, which is composed of the premier, Vice Premiers, and numerous ministers, and the National People's Congress, a legislative body. A judiciary was established in 1980.

Geography, demography, and resources

Western China consists of high mountains and plateaus, together with great expanses of arid or semiarid plains where rainfall is usually insufficient for agriculture. The highest elevations in China are in this region in the Himalayas along the Indian subcontinent border. Eastern China contains uplands drained principally by the Yellow River, the North China Plain with generally shallow waterways, the Yangtze Basin drained by the longest river in Asia, the Canton Delta region where Hong Kong and Macao are located, and the hill lands, a plateau containing many short rivers that are not navigable. Eastern China has the bulk of China's population and most of the country's resources and productive capacity. The climate ranges from subtropical in the Far South to an annual average temperature of below 50 degrees Fahrenheit in the North. Rainfall is almost nonexistent in the deserts in the North and West, but ranges from about 24 inches a year around Beijing (Peking), the capital, to about 40 to 60 inches a year in the Yangtze Basin in the South.

Only 11 percent of the land in China is arable and is used chiefly to grow cereals, especially rice, wheat, maize, and barley. Other important crops are sugar cane, cotton, sugar beets, and rapeseed (for oil). About 23 percent of the land is in permanent meadows and pastures and is used to graze cattle, water buffaloes, sheep, and goats. Poultry and pigs are fed wherever land is available. Forests and woodland cover 12 percent of the nation's land. The remainder of the land, 54 percent, consists chiefly of waste areas (deserts and bare mountains), inland waters (about 3 percent of the total land area), and urban and industrial areas.

China's coal reserves are exceeded only by those of the United States and the U.S.S.R. China is the world's eighth largest oil producer; it is self-sufficient in petroleum products and exports about 10 percent of its crude oil production. China is also a major producer and exporter of tin, antimony, tungsten, fluorspar, and talc; it also exports strategic metals such as molybdenum, titanium, tantalum, and vanadium. Domestic energy needs are supplied largely by coal with oil, hydroelectric power and natural gas other important energy savers. China also is believed to have over 40 nuclear reactors in operation. 1/

China has made considerable progress in expanding its transportation network, especially railway facilities and its ocean shipping fleet. The railway is by far the major carrier and has been expanded to more than 30,000 miles of track, about 1,000 of which are electrified. Inland waterways total 81,000 miles via rivers and canals and carry over one-third of the country's internal freight traffic. Roads now amount to almost 550,000 miles and reach over 83 percent of China's communes; although highways are well graded, most are unsurfaced. The Civil Aviation Administration of China operates domestic and international air routes. It oversees four international airports, but most international air traffic passes through the new airport at Beijing, which was opened in 1980. China has the world's third largest merchant marine fleet. Bottlenecks still occur at certain rail and port terminals, indicating that further development of the transportation network is needed to meet the needs of a growing domestic and external economy.

The population growth rate is about 1.5 percent annually, having declined significantly during the 1970's. Literacy is over 50 percent; over 90 percent of the children attend the 5-year primary schools. China's work force totals 560 million, with 85 percent engaged in agriculture and 15 percent in industry and services. The national language is Northern Chinese (Mandarin).

The economy

Gross national product (GNP) grew an estimated 5 percent from 1979 to 1980. China's economy is dominated by agriculture, but an expanding manufacturing sector supplies capital and consumer goods. The nation's armed forces absorb 5 to 10 percent of the GNP and China has the world's largest navy. 2/

Budget revenues in 1979 of about \$75 billion were derived largely from Government-owned enterprise profits remitted to the Central Government (\$33 billion) and from an industrial and commercial tax (\$31 billion). Other revenues, including an agricultural tax, were only \$11 billion. China's foreign trade deficit was about \$1.3 billion in 1980.

Agriculture has represented about one-fourth of China's total economic output in recent years; in 1980, its value was estimated at about \$109

1/ The Europa Year Book 1981: A World Survey, London, vol. II, 1981, p. 135.

2/ U.S. Department of State Background Notes: China, June 1981.

billion. China is the world's largest producer of rice, potatoes, sorghum, millet, barley, groundnuts, tea, and pork. Cotton production reached nearly 3 million tons (about 12 million bales) in 1980, but was secondary in tonnage to other plantation crops such as sugar cane and sugar beets.

In 1980, industry employed 104 million persons and had an estimated production value of \$333 billion, up 8 percent from \$306 billion in 1979. The chief industrial products in 1980 included cement, 82.8 million tons; pig iron, 41.8 million tons; crude steel, 40.8 million tons; coke, 37.4 million tons; radio sets, 30.0 million units; wrist watches, 22.2 million units; rubber tires, 11.5 million units; bicycles, 13.0 million units; and sewing machines, 7.7 million units. ^{1/}

Following the revolution and establishment of the People's Republic of China in 1949, the First 5-Year Plan was launched in 1953. A series of 5- or 10-year plans have been used for economic planning since that time. Economic developments have been greatly influenced by political conditions which have sometimes led to abrupt changes in methods and goals. Major economic objectives outlined in 1975 were known as the "four modernizations," referring to agriculture, industry, defense, and technology. Plans in 1978 for extensive modernization and new investment had to be scaled down later, when economic performance was below expectations and a budget deficit developed. ^{2/} In 1981, the Government found it necessary to cut back on capital expenditures (from a 1980 level of about \$33 billion to an estimated 1981 level of about \$20 billion), resulting in the cancelation or postponement of several foreign contracts for construction or equipment.

Despite certain setbacks, China has achieved significant economic growth in recent years. An index of industrial output increased from 502 in 1976 (1957=100) to 765 in 1980. Estimated GNP increased from \$430 billion in 1976 to \$581 billion in 1980. Output of cotton cloth increased from about 11 million yards in 1976 to 16 million in 1980. China's total foreign trade doubled from 1973 to 1978 and nearly redoubled by 1980.

Foreign trade

China's total trade has grown rapidly and most of the growth, especially since 1978, has been with market economies. The following table shows China's exports and imports for selected years.

^{1/} The Europa Year Book, p. 117.

^{2/} U.S. Department of State, op. cit.

Chinese world trade, 1966 and 1976-81

(In millions of dollars)

Year	Exports		Imports	
	Total	To market economies	Total	From market economies
1966-----	2,366	1,792	2,248	1,808
1976-----	6,855	5,816	6,578	5,477
1977-----	7,590	6,269	7,214	6,259
1978-----	9,745	8,250	10,893	9,552
1979-----	13,658	11,994	15,694	13,772
1980-----	18,121	16,309	19,378	17,414
1981 <u>1/</u> -----	20,500	<u>2/</u>	21,200	<u>2/</u>

1/ Estimated by the staff of the U.S. International Trade Commission based on part-year data.

2/ Not available.

Source: Central Intelligence Agency, China: International Trade.

After having a trade surplus in 1977, China had trade deficits of \$1.1 billion in 1978, \$2.0 billion in 1979, and \$1.3 billion in 1980. In 1981, exports are estimated to have increased more than imports, bringing the trade accounts more nearly into balance.

Japan was China's most important trading partner in 1980, with total two-way trade reaching nearly \$9 billion. Hong Kong was second, with over \$5 billion, and the United States was third, with \$4.7 billion. China's major imports in 1980 included metals and minerals, especially steel products; cereals; chemicals; and textile materials, especially raw cotton. Major exports were crude oil, textile products, and cereals, especially rice.

Of China's total imports in 1980, \$3.8 billion, or nearly 20 percent, came from the United States, with raw cotton and manmade fibers accounting for \$1.0 billion of the U.S. shipments. In 1980, China's exports to the United States totaled about \$1.1 billion, or 6 percent of its' total exports, with manufactured textile products being the largest product category, valued at \$360 million.

China's trade with the United States increased in 1981 to \$5.5 billion, up about 15 percent over trade in 1980. 1/ U.S. exports to China declined slightly in 1981 to \$3.6 billion; imports increased 85 percent to \$1.9 billion. Major U.S. imports from China included petroleum products, textiles and apparel, and peanuts; major exports were wheat and textile fibers. 2/

1/ U.S. Department of Commerce, Business America, February 1981.

2/ U.S. International Trade Commission, Quarterly Report to the Congress and the Trade Policy Committee on Trade Between the United States and the Nonmarket Economy Countries During July-September 1981, USITC Publication 1209, December 1981.

China's trade is conducted in accordance with a foreign trade plan which is developed primarily by the Ministry of Foreign Trade, who coordinates with the State Planning Commission and other ministries. Implementation is largely in the hands of 16 Foreign Trade Corporations (FTC's). The FTC handling textile and apparel trade is the China National Textile Import & Export Corp. (known as Chinatex). Chinatex has a U.S. office in New York City, which was opened in 1980.

Since 1979, the government has permitted increased decentralization of foreign trade activities. Many of the separate industrial ministries, such as the Ministry of Textiles, have undertaken direct trade activities whereas formerly they were mainly technical advisors. Also, local interests are much more involved in commercial negotiations, either through participation of city or provincial governments or participation of the local branch of the FTC.

The Textile and Apparel Industries

Structure

China's mechanized textile industry began in the late 1800's with the building of several cotton-weaving mills in the Shanghai area, many of which were financed with foreign capital. In the 1920's and 1930's, much of the industry came under Japanese control, first on the basis of ownership and later as a result of Japanese military occupation of the Northeast area. At the end of World War II, a Chinese Government agency took over the Japanese-run mills, but only about one-half of the equipment was operational. When the Peoples Republic of China was established in 1949, the industry had 5.2 million spindles, of which 47 percent were in Shanghai and 2.7 million were under private ownership. The industry in 1949 was about one-third of its current size. Many new mills built since that time have been located in cotton-producing areas in order to reduce shipping costs of the raw materials. However, a large part of the total industry is still located in Shanghai and adjoining provinces. The growth of the industry since 1949, in terms of number of spindles, is shown in the following tabulation:

<u>Year</u>	<u>Quantity</u> <u>(millions)</u>
1949-----	5.2
1959-----	8.3
1965-----	9.7
1974-----	14.9
1980-----	15.3

The textile industry today encompasses more than 4,500 plants, with over 15 million spindles, and about 0.5 million looms, of which 300,000 are automatic. The number of spindles is about equal to the number of active spindles in the United States; the number of looms exceeds that in the United States.

China has a large area suited to growing silk worms, and silk production dates back many hundreds of years. By 1930, China had a well developed silk industry, with cocoon output of over 200,000 tons annually, but thereafter,

the industry declined rapidly as a result of armed conflicts and the introduction of low-priced rayon goods. Since 1949, however, the silk industry has been rejuvenated, and cocoon output has again exceeded 200,000 tons in recent years. Output of silk fabrics in China is believed to be the world's largest, with most of the output reserved for export. Silk is important both as a source of income to agricultural areas and a source of foreign exchange.

The wool segment of China's textile industry is small and specialized, utilizing mainly raw wool from Australia and New Zealand in better quality fabrics for the export markets and employing native wool in carpet yarns, fabrics for domestic consumption, and knitting yarns.

Cotton is by far the leading fiber used in the Chinese textile industry (over 15 million bales in 1980), but output of manmade fibers for domestic consumption has increased rapidly in recent years, and in 1980 is estimated to have amounted to 495,000 tons, 1/ or more than 10 percent of total fiber consumption.

The following tabulation shows production, exports, imports, and consumption of raw cotton for selected years: 2/

Item	1976	1980	1981
Cotton acreage-----1,000 acres--:	11,500	11,900	12,700
Yield per acre-----pounds--:	416	502	501
Production-----1,000 bales--:	10,000	12,500	13,300
Exports-----do--:	325	0	0
Imports-----do--:	625	3,200	<u>1/</u> 2,500
Consumption-----do--:	11,400	15,500	<u>1/</u> 15,800

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

1/ Foreign Broadcast Information Service, China Report, No. 205, February 1982.

2/ International Cotton Advisory Committee, except as noted.

The total number of enterprises in China's textile and apparel industries and the gross value of output in 1979 are shown in the following tabulation:

	<u>Enterprises</u> (number)	<u>Output</u> (million dollars)
Textiles, including synthetic fibers-----	13,036	39,554
Wearing apparel, footwear and leather products-----	22,551	9,300

The number of enterprises reported above includes many very small producers. The bulk of the output is believed to be accounted for by fewer than half the number of enterprises reported above, in the case of both textiles and apparel.

In the "light industry" segment of Chinese industry, which includes textiles and apparel, about three-fourths of total output was from state-owned enterprises, and about one-fourth was from urban or rural collective enterprises.

Plants and equipment

Weaving and finishing plants are generally integrated with or located near the spinning mills. Integrated fabric production facilities generally have about 25 to 30 looms per 1,000 spindles. Major mills often range in size from 20,000 to 100,000 spindles, with a 50,000-spindle plant being rather common. One printing and dyeing plant recently described employs more than 2,000 workers and produces 12 million yards of finished cloth per month, of which 50 percent is printed, 20 percent is dyed, and 30 percent is bleached. ^{1/}

Beginning in the late 1960's, considerable modernization of the weaving segment took place. A number of mills have converted from shuttle looms to new high-speed shuttleless looms, and experimental work is being done in other areas of advanced technology. The bulk of the industry, however is likely to continue traditional ring spinning of yarn and aim at renovation or improvement of shuttle looms. Although the production rate of shuttleless looms being installed may be 30 to 50 percent higher than shuttle looms, many fabrics may still be produced most economically on improved, automatic shuttle looms when investment, labor costs, and product quality are all considered.

China has the largest output of 100 percent cotton yarn in the world, and this segment of its industry is relatively advanced. The production rate of cotton-spinning equipment in recent years has reached 77 to 88 pounds per 1,000 spindle-hours, about double the output rate of the early 1950's. Some of the modified ring spindles can average 99 pounds per 1,000 spindle-hours.

^{1/} "China Special Report," Japan Textile News, September 1980, p. 96.

New open-end spinning equipment, which is being evaluated in some mills, provides much higher output than conventional spinning. There are also a number of installations equipped for "self-twist" yarn spinning. ^{1/} Claims made for this new method of spinning when compared with ordinary ring spinning include nearly a 50-percent reduction in power required, output 15 to 25 times higher, labor reduced by one-third to one-half, and a reduction of 30 to 80 percent in space requirements. The process has been used mainly for plush, worsted, bulked, acrylic, and similar yarns.

The knitting industry in China is being upgraded, consolidated, and expanded as exemplified by the woolen sweater industry in Shanghai, with 14 mills and 1,600 knitting machines. All the knitting equipment is made domestically, but a good deal of the dyeing and finishing equipment is imported from Europe and Japan. ^{2/}

A description of a spinning and weaving mill in Shaanxi province (No. 4 Northwest Mill in Xian), which is producing good-quality fabrics on older equipment, may be typical of some of the larger mills in China. ^{3/} This mill contains 150,000 spindles and about 3,000 looms. Most of the machinery was built in China in the early 1950's modeled after Japanese machines. The production area occupies 108,000 square feet, and there are adjoining dyeing and finishing plants. Like many large Chinese enterprises, the operation is self-contained, providing housing and services for workers, including kindergartens for children. There are 5,000 production workers and an additional 2,000 engaged in support activities such as maintenance, power generation, and services to the community. About 60 percent of the workers are women. A worker can handle 36 standard shuttle looms; the efficiency rate of the looms is 85 percent. The average monthly wage is about 60 yuan (\$40), but there may be bonuses which add another 5 to 10 yuan per month. The final decision on major questions, such as capital investment, is made by the provincial administration. The production quota is determined by the Ministry of Textile Industry in Beijing, and the state buys the total output of the mill.

Production and capacity

The capacity and output of China's textile industry have grown substantially in recent years through both expansion and modernization of industry facilities. Installed equipment in the industry is estimated in the following tabulation:

<u>Equipment</u>	<u>1980</u>	<u>1981</u>
Cotton and manmade staple fibers:		
Spindles—millions—	15.3	16.6
Looms—thousands—	485	510

^{1/} Self-twist spinning is a spinning method whereby two strands of fiber with false twist are brought together so they combine into a single yarn with balanced twist, utilized mostly as a substitute for worsted yarn.

^{2/} "Textiles in, to, and from China," Textile Industries, July 1981.

^{3/} China Business Report, June 1980, p. 2.

The woolen industry is estimated to constitute about 100 mills with 500,000 to 600,000 spindles. Data are not available on capacity in the silk industry, but current annual production exceeds 770 million yards of fabric.

The total output of various parts of the textile industry in China is shown in the following table. Nearly all branches of the industry increased output by 30 percent or more from 1977 to 1980.

Fiber and textiles: Chinese production, by industry segments
and by selected years, 1949-80

Year	Ginned cotton	Cotton yarn	Silk	Chemical fiber	Cotton cloth	Woolen piece goods	Silk textiles
	1,000 tons			Million yards			
1949-----	490	360	2.0	-	2,079	5.9	55
1952-----	1,434	722	6.2	-	4,213	4.6	72
1957-----	1,804	928	10.9	0.2	5,555	20.0	160
1977-----	2,254	2,453	29.6	208.8	11,165	86.2	582
1978-----	2,384	2,620	32.7	313.1	12,133	97.7	672
1979-----	2,428	2,899	32.7	358.6	13,365	99.2	729
1980-----	2,978	3,223	38.9	495.0	14,817	111.1	835

Source: Ministry of Textile Industry, "China's Textile Industry," 1981
Almanac of China's Economy.

An executive of a U.S. apparel manufacturer, after a recent visit to China, reported that in the best apparel plants, the work pace and quality levels are at acceptable world standards. About 2 million workers are employed in the apparel industry, and apparel exports total about \$700 million annually. In Shanghai, the leading fashion-manufacturing center of China, there are more than 80 apparel plants, producing approximately 100 million dollars' worth of clothing annually, of which 80 percent is exported. Some 15 of these plants were processing materials supplied by customers in Japan, the United States, and Hong Kong into finished garments. Processing fees received from these customers totaled \$835,000 for making 613,000 pieces of clothing in January-June 1981 according to the Shanghai Garments Corp. Popular items were shirts and blouses of polyester crepe or georgette with hand embroidered designs.

Productivity levels of apparel manufacturers are reported to be about one-third of that found in the United States because of a lower level of process scheduling and engineering and older equipment. The lower productivity is more than offset by low wage rates (averaging only about 25 cents per hour), so that labor costs per unit of output are six to eight times lower in China than in the United States.

Employment

Total employment in the textile and apparel industries of China in 1980 is estimated at about 5 million persons, with about 3 million in the textile

industry (including production of cotton, wool, silk, and manmade-fiber yarn and fabrics and other textile mill products) and about 2 million in the apparel industry.

Most clothing consumed in China is made at home or by dressmakers or tailors. Often, retail clothing stores have tailoring departments which make part of the clothing sold. A recent news article indicated that Beijing has about 165 such retail shops, employing 5,600 tailors who made 1.6 million garments in 1980.

Average monthly wages reported for textile workers in particular plants in 1979 and 1980 are shown in the following tabulation: 1/

Type of plant	Average wage	Incentive payment	
		Additional compensation	Bonus
Manmade fiber plant-----	\$40.20	\$6.70	-
Spinning and weaving plant-----	26.80	4.02	-
Finishing plant-----	40.20	5.36	-
Knitting mill-----	36.85	4.69	-
Cotton weaving mill-----	39.53	<u>1/</u>	-
Clothing factory-----	40.20	3.35	\$4.02
Cotton knitwear factory-----	39.53	2.68	6.03
Silk mill-----	34.71	-	4.69

1/ Not available.

Basic wages for workers in most plants seemed to fall in the range of \$27 to \$44 per month. Differences in average wages among plants result mainly from differences in type of product, average age of work force, and number of unskilled workers and trainees. Workers with only a few years of experience are paid lower wages. Average annual employment in textiles (state-owned enterprises only) was 2,740 thousand workers in 1979, with a total annual wage bill of \$1,321 million, for an average of \$482 per year.

Many of the larger textile yarn and fabric mills employ several thousand persons, but most of the apparel plants employ only a few hundred persons, although knitting mills making finished apparel may have larger work forces.

Until recently nearly all textile mills operated 6 days a week in three shifts. A new work cycle has recently been instituted in much of the industry under which workers are on for 6 days and off for 2 consecutive days. Advantages of the system are said to include the creation of more jobs, more time off for workers to handle family responsibilities or to take part-time training, and increased production resulting from the full use of equipment 7 days a week. The system operates using four groups of workers. It is expected that this work schedule may become more widespread.

1/ From "China: Special Report," Japan Textile News, September 1980; China Business Report, June 1980; and "China Looks Abroad," Textile Asia, August 1979.

Several approaches have been taken recently to increasing the productivity of workers. Increased foreign investment, including "compensation trade" agreements, retention of a share of profits by individual mills, and growing exports have all increased interest in productivity. The use of bonuses and awards for high levels of production is now the usual practice. ^{1/} There has been a significant increase in workers participating in training programs, and work schedules have been arranged to make participation easier. Plant managers have been given more freedom in the selection of employees and in the dismissal or transfer of employees who are not productive in particular jobs.

Trade in Textiles and Apparel

Textiles and apparel (excluding fibers) accounted for about one-fourth of the total value of China's exports in 1979 but less than 3 percent of imports.

China's total trade and trade with the United States in textile fibers and products is shown in the following table for 1978-80.

Textile fibers and products: Chinese trade with all countries and the United States, 1978-80

(In millions of dollars)							
Item	All countries			United States			
	1978	1979	1980	1978	1979	1980	
Imports:							
Textile fibers-----	870	1,140	2,146	^{1/} 207	^{1/} 453	^{1/} 1,029	
Textile yarn, fabric and rugs-----	210	310	849	-	-	-	
Clothing-----	-	-	21	-	-	-	
Total-----	1,080	1,450	3,016	207	453	1,029	
Exports:							
Textile fibers-----	400	510	485	9	12	10	
Textile yarn, fabric and rugs-----	1,685	2,225	2,902	50	44	91	
Clothing-----	730	1,115	1,726	53	133	225	
Total-----	2,455	3,850	5,113	111	189	326	

^{1/} Mostly textile fibers but includes manmade-fiber yarns and a small amount of other textile products.

Source: Compiled from statistics of the U.S. Central Intelligence Agency.

Leading textile items which the United States imports from China are shown in the following table.

^{1/} "China's Textile Industry," 1981 Almanac of China's Economy, as translated by the Joint Publications Research Service.

Textiles and Apparel: Leading items imported from China, by TSUS items,
January-June 1981, April-June 1980 and April-June 1981

(In thousands of dollars)

TSUSA item No.	Description	Jan.-June 1981	April-June	
			1981	1980
360.1515	Hand-made wool floor coverings-----	22,003	9,942	7,926
320.2032	Printcloth shirting of cotton-----	16,317	6,413	4,611
382.1220	Womens corduroy coats-----	10,663	7,989	1,217
326.3092	Woven fabrics, not wholly cotton, : grey, n.s.p.f.-----	8,168	3,248	-
382.5871	Women's sweaters, of wool-----	5,577	148	1,527
380.0652	Men's and boys' knit cotton : shirts.-----	6,510	3,299	681
	Total-----	70,238	31,039	15,962

Source: 28th Quarterly Report to the Congress and the Trade Policy
Committee on Trade Between the United States and the Nonmarket Economy
Countries during July-September 1981, USITC Publication 1209, December 1981.

China's exports of textiles and apparel increased only about 11 percent from 1973 to 1976 but jumped 218 percent from 1976 to 1980. In the latter period, exports of textiles (including floor coverings) increased from \$780 million to \$2.1 billion, and exports of apparel increased from \$239 million to \$1.2 billion. Cotton fabrics are the major textile item exported (\$589 million in 1980) and have increased substantially (nearly 100 percent) since 1976. The largest percentage increase, however, has occurred in woven fabrics of spun manmade fibers, which reached \$132 million in 1980. Exports increased sharply in nearly all apparel categories, with the largest increases in women's woven outer garments and in knit outerwear.

Textiles and apparel: Exports from China, by types, 1976 and 1980.

Item	1976	1980	Percentage Increase
	--- Million dollars ---		
Cotton fabrics, gray-----	175	335	92
Cotton fabrics, finished-----	125	255	103
Manmade-fiber fabrics-----	13	132	978
Floor coverings-----	68	255	278
Textiles, total-----	780	2,050	163
Men's and boys' outer garments, woven-----	52	261	398
Women's outer garments, woven-----	30	253	731
Knit outer garments-----	29	238	730
Apparel, total-----	239	1,187	397
Grand total-----	1,018	3,237	208

Source: Compiled from data in table II-3.

Hong Kong is, by far, the most important market for Chinese textile and apparel exports. ^{1/} In the case of textile mill products, Hong Kong was more than twice the size of any other market, including the European Community (EC), which surpassed Japan in 1980 as the second most important market. Hong Kong is also the leading market for apparel exports, but not by such a large margin as in the case of textile mill products. Much of the apparel exported to Hong Kong is believed to be reshipped by Hong Kong merchants to other countries. The United States has grown rapidly in importance as a market for Chinese apparel, and in 1980, the United States was second to Hong Kong, exceeding both Japan and the EC. Developing countries account for over 40 percent of China's textile and apparel exports, but only because of the large Hong Kong market. Developing countries other than Hong Kong account for under 10 percent of the market, and developed countries accounted for over 55 percent of the total in 1980. The EC and Southern Europe, as well as the United States, have been growing markets for Chinese textiles and apparel.

China's imports of textile products consist largely of raw materials rather than advanced manufactured goods. Of total imports in 1979 of textile products, amounting to about \$1.5 billion, raw cotton amounted to \$1.0 billion, manmade fiber totaled \$0.2 billion, and textile yarn and fabric amounted to \$0.3 billion. Over one-half of China's raw cotton imports came from the United States, and such imports are expected to remain at a high level. ^{2/} China will probably also continue to import manmade fibers, because of growing consumption of these fibers in textiles for both the domestic and export markets.

The United States has a bilateral agreement with China to control imports which is similar to agreements with other countries under the MFA. ^{3/} The agreement is effective from January 1, 1980, through December 31, 1982, and although it does not contain an aggregate limit as do most agreements, it does provide specific limits for eight categories of wearing apparel. The specific limits established by the agreement during 1980 were as follows:

^{1/} Tables II-1 and II-2 provide data on the destinations of China's exports.

^{2/} U.S. exports of raw cotton to China in the crop year 1981/82 are projected at 1.6 million bales.

^{3/} China is not a signatory to the MFA.

MFA Category No.	Description	Units	Limita- tion	Shipments charged	Percent- age filled
			—1,000 units—		
331	Cotton gloves	Doz. pr.	1/ 3,406	3,406	100
339	Women's, girls', and infants' cotton knit shirts and blouses.	Dozen	2/ 629	629	100
340	Men's and boys' woven cotton shirts.	—do—	2/ 271	271	100
341	Women's, girls', and infants' woven cotton blouses.	—do—	2/ 350	350	100
347/348	Cotton trousers	—do—	1/ 1,512	1,512	100
645/646	Manmade-fiber sweaters	—do—	1/ 580	452	78

1/ Adjusted upward.

2/ Adjusted downward.

Any of these limitations may be exceeded by up to 5 or 6 percent if the excess is compensated for by an equivalent decrease in the other specific limits. In addition, exports may exceed a limit by up to 11 percent through carryover or carryforward.

The agreement further provides that when the United States believes that imports from China in a category not covered by specific limits are threatening market disruption, consultations may be requested for a "mutually satisfactory resolution of the issue." During the 90-day period following the request, China agrees to limit its exports in this category to 35 percent of the amount entered during the latest 12-month period. If no agreement is reached within the 90-day period, China agrees to limit exports for the succeeding 12 months to 120 percent (106 percent for wool products) of the level entered during the first 12 of the most recent 14 months preceding the request. Consultations have been held regarding several categories and specific limits agreed upon for certain additional categories covering wool sweaters, cotton coats, and knit cotton shirts. In early 1982, consultations were held on printcloth fabrics.

The largest quantity of U.S. imports among cotton apparel items from China in 1980 was in cotton trousers (men's and women's), an item for which specific limits are provided. The largest item among manmade fiber products was sweaters (men's and women's), also under specific limits (tables 4 and 5). However, some of the largest increases in 1981, occurred in women's coats (both cotton and manmade), cotton playsuits, cotton broadwoven fabrics, and in several apparel items of manmade fibers such as men's woven shirts and women's trousers. Of these, only women's cotton coats were under an agreed specific limit, established in May 1981.

The EC agreement with China provides specific limits on more than 20 categories and has provisions for consultations on other items. On certain items, which are considered by the EC as especially "sensitive," very little

growth is allowed through 1983. For cotton fabrics, for example, the total growth allowed from 1980 to 1983 is less than 2 percent (from 19.9 tons to 20.2 tons). Many of the items for which the EC allows little growth are items in which U.S. imports have grown sharply, such as cotton fabrics, and sweaters, trousers, and blouses of all fibers.

The Domestic Market

China's domestic market could readily absorb its entire textile production, so, to some extent, the export market is supplied at the cost of some reduction in available domestic supplies. Although per capita textile consumption in China is very low (under 9 pounds), there is evidence of a strong demand for textile products and interest in greater variety than previously available. However, sales of cotton and cotton blend fabrics are limited by a rationing program under which the annual ration is about 7 or 8 yards per person. ^{1/} The program is administered by the use of quota coupons. Certain manmade fiber and wool blend fabrics are not rationed, and rationing does not apply to material for the military, yarn and other material for further use in the textile industry, and to finished cloth for the export market. Also most factory work clothes are provided to the employee and therefore are outside the rationing system. Total fabric production is equal to over 12 yards per person for the total population.

China's State Statistical Bureau reported in 1981 that the national average expenditures on clothing was \$23, with the average for city dwellers being \$60; for some rural areas, it was only \$14. People living in cities are spending one-quarter of their living expenditures on clothing, but those in rural areas spend a lower proportion, as well as a much lower actual amount.

Domestic consumption of textile products is expected to continue to increase with the rate of increase depending on Government policies with respect to allocation of output and availability of fibers. Consumption of raw cotton in 1980 is estimated at more than 3 million tons, and consumption of manmade fiber, at over 0.4 million tons. A significant portion of the requirements for cotton, manmade, and wool fibers are imported.

It is reported that rising personal incomes resulted in a 34-percent increase in purchasing power from 1978 to 1980, and that a further rise of 8 percent was expected in 1981. The Ministry of Textile Industry states that retail sales of textile products represented 25 percent of the total volume of retail sales of commodities in 1980, up from 20 percent in 1976. ^{2/}

Government Policy

The textile and apparel industry is very important in China, accounting for about 13 percent of total industrial output, employing nearly 10 percent of the industrial labor force, and accounting for over 20 percent of state

^{1/} Report from U.S. Embassy Beijing, August 1980.

^{2/} Joint Publications Research Committee, various articles from the official Chinese news agency, XINHUA.

revenues and export earnings. Recent emphasis by the Government to raise standards of living increases the emphasis on consumer goods such as textiles. The success of textiles and apparel as an earner of foreign exchange also made the industry a key factor in the Government's economic development strategy. Textiles and apparel accounted for about one-fourth of China's total exports in 1980 and about one-third of its exports to the United States.

The importance of earning foreign exchange to pay for its modernization program has been an important influence in shaping Chinese trade and industrial policy. Following trade deficits and balance-of-payments deficits in 1978 and 1979, Government planners concluded that available resources would not support the massive capital construction recently initiated in support of the modernization program. A plan for a 3-year period of "economic adjustment" (1979-81) was adopted, resulting in cancellation or postponement of large capital construction projects and a shift in resources to light industry (including textiles) and away from heavy industry. This has also led to a shift in imports toward consumer goods, or materials to produce consumer goods (such as raw cotton), and away from capital goods such as plant and equipment. The current approach to planning foreign trade is first to promote exports, with due consideration of domestic supplies of essential goods, then to determine the level of imports based on expected foreign-exchange earnings, thereby maintaining the current account balance. Textile products are expected to be one of the key product areas in China's efforts to achieve growth in exports.

China has taken a number of actions aimed at expansion of trade, especially with developed Western countries. These include (1) decentralization of some foreign trade activities; (2) permitting greater use of worker incentives and local retention of a share of profits; (3) freer use of foreign credits; (4) actively seeking joint ventures, coproduction and compensation arrangements, or other joint commercial arrangements with foreign companies, and (5) importing the necessary inputs to allow increased or more efficient output in exporting industries.

Some of the specific commercial arrangements being utilized include the following. 1/

Export processing is an arrangement under which foreign firms supply materials and/or components and the Chinese enterprises process or assemble products according to foreign contractors' designs, specifications, and quality requirements for a processing fee. There are more than 6,000 of these projects in existence, mostly small-or medium sized, and 70 percent were with Hong Kong or Macau. The processing fees in garment, textile yarn, and cloth-making enterprises are considerably lower than the corresponding costs in Hong Kong and Macau, because wage rates are lower in China.

Under compensation trade, China provides the building and labor and the foreign firm supplies capital, equipment, and technology, and is reimbursed by

1/ U.S. Department of Commerce, Doing Business with China, November 1980; "Regional Notes: China," Textile Asia, July 1981.

goods produced. An advantage of this arrangement is that it allows machinery and equipment to be imported without cash payments in foreign exchange. Several hundred of these projects are operational, nearly one-half are textile enterprises, and Japan is the major country involved.

Cooperative production is an arrangement to produce an item under license with the foreign firm providing extensive technical assistance, especially in setting up the factory and early stages of production. This arrangement is being used for some large projects (including production of aircraft with U.S. companies) but has been little used for textile projects.

Joint ventures are business ventures in which there is a sharing of investment, management, and profits between the foreign investors and the Chinese interests. Profits may be remitted outside China subject to a 10 percent tax. Corporate taxes in China are 33 percent, including local surtax. Labor management has sometimes been a problem which discouraged foreign investors in these ventures. Among some eight priority areas for foreign investment, Chinese officials include the following relative to textiles:

Renovation of the Textile and Light Industries. Plants and equipment to upgrade the quality and increase the variety of products, with emphasis on exports and import-substitution in labor-intensive industries.

Special economic zones are now being established in the two coastal provinces of Guangdong and Fujian near Hong Kong and Macau on the South China Sea to attract foreign investment in light and manufacturing industries catering to export markets. These zones provide special facilities and preferential tax treatment. Among the major advantages to the foreign investor are (1) they are allowed to fully run their own business, using their own personnel for technical and administrative work; (2) corporate taxes are at one-half the rate applied outside the zone; (3) import duties are waived for certain machinery and supplies; and (4) salaries and profits may be remitted outside China.

Fiber supplies are crucial to the rate at which the textile industry of China can be expanded. Government policy emphasizes the expansion of domestic supplies of both cotton and manmade fibers, but allows imports as necessary to expand exports of finished products, providing sufficient foreign exchange is available. Chinese production of raw cotton has reached record levels in recent years. Production totaled 2.4 million tons in the 1979/80 crop year, and 3.0 million tons in 1980/81. An additional 0.8 million tons or more may be supplied by imports. Although cotton acreage cannot be expanded substantially because other arable land is needed for food production, United States Department of Agriculture officials who visited China recently reported that increased production is being achieved by using more productive land, improved cotton varieties, and greater use of irrigation, fertilizer, and pesticides. ^{1/} Domestic production of manmade fibers reached nearly 495,000 tons in 1980 (up from 180,000 in 1977). Manmade fiber output now exceeds that in many European

^{1/} U.S. Department of Agriculture, Foreign Agricultural Service, "China Trip Report", Sept., 1981.

countries but is only one-eighth that in the United States. Several plants with substantial capacity are being built. The most important are (1) Shanghai plant, an expansion of about 77,000 tons; (2) Liaoyang plant, with planned capacity of 110,000 tons; (3) Sichuan plant, capacity of 49,000 tons; and (4) Tianjin plant, capacity of 88,000 tons. ^{1/} Also in the planning stage is the Jiangsu project, which will be the world's largest polyester plant, with the capacity to produce 395,000 tons of polyester fibers and 132,000 tons of polyester chips. Production at the other plants listed includes polyester and vinylon, plus smaller quantities of acrylic fiber. Capacity to produce manmade fibers should reach 825,000 tons within the next 2 or 3 years and exceed 1 million tons soon after 1985.

U.S. exports of manmade fibers to China in 1981 included 220,000 tons of polyester staple, up 49 percent from 148,000 in 1980, and about 80,000 tons of polyester yarn, more than double the 1980 level. Trade reports indicate that U.S. fiber companies expect exports to China in 1982 to level off or possibly decline slightly.

Prices of both domestic and foreign goods are still fixed centrally by the State Price Bureau. Domestic prices are isolated from world market prices for the dual purpose of maintaining domestic price stability and of protecting domestic industries. Imported goods are sold in the domestic market at prices consistent with prices of domestically produced goods, regardless of the price at which imported goods were obtained. On the other hand, trade agencies buy export commodities at the ex-factory price for domestic procurement fixed by the price bureau but sell at prices determined by world market conditions. The domestic prices of agricultural products in China are generally lower than world prices, but the domestic prices of manufactured goods are generally higher. As a result, trade agencies dealing in agricultural products tend to show an accounting profit on exports and loss on imports; the reverse is true of manufactured goods. Some exported manufactured goods, including certain textile items, can be purchased in Hong Kong for one-half the cost in Guangzhou. In terms of the domestic cost of manufactured goods worth \$1.00 on the export market, a ratio of 2.6 yuan per dollar is considered acceptable, although the official exchange rate is 1.5 yuan per dollar. In fact, the so-called internal settlement rate for trade transactions has recently been set at 2.8 yuan per dollar.

Since 1978, China has shifted from a policy of not using foreign capital to a policy where external financing is an important element in their overall development planning. China's external debt at the end of 1980 was \$3.4 billion.

Export Potential

China's exports of textiles and apparel have expanded very rapidly in the last 2 or 3 years and China appears to have the potential for additional large increases in exports. The rate of increase will almost certainly slowdown and the actual dollar value of the annual increase in exports may also decrease as

^{1/} Textile Asia, July, 1981 and other sources.

markets mature and as China encounters restrictions from importing countries. China was the ninth largest exporter of textiles and apparel in 1980 (up from twelfth in 1976) and among developing countries, it was the fourth largest. ^{1/} If the average annual increase for 1979 and 1980 (about \$900 million) were continued, China's exports of textiles and apparel would exceed \$6 billion by 1983. As China's exports approach the level of exports of Hong Kong, Korea, and Taiwan, the major importing countries may increasingly take actions to moderate the growth of imports from China.

China has a large textile industry and a growing apparel manufacturing industry. In general, the quality of products being produced is adequate for most of its major markets. Reportedly, the work force is industrious and has the basic skills needed in textile production. Newer economic policies provide incentives, both for workers and companies, to increase productivity. The level of technology is increasing and much of the equipment needed can be produced domestically. Domestic fiber supplies will be increased but fiber supplies could still be a limiting factor if a continued large expansion in exports is planned. A broader range of contacts and working relationships with foreign enterprises is likely to lead to gains in applied technology and marketing skills. The Government will continue to emphasize, at least in the near term, the growth of the textiles and apparel industries as an important supplier of consumer goods and foreign exchange earnings. Prices for textile exports are set administratively at a level to be competitive in the intended market. As costs increase in other exporting countries such as Hong Kong, there may be more investment or contract processing in China by companies in those countries.

China is not known for high-quality apparel products such as that produced in Hong Kong, nor for finely colored and finished fabrics such as that produced in Japan and Korea. In addition, China's response to fashion needs is not as good as some of their competitors due to long leadtimes and inconsistent deliveries. However, these areas of weakness affect a small part of the overall trade and China is fully competitive in the lower and middle price markets. The pressures of growing domestic demand for textiles and clothing may limit quantities available for export but it seems likely that the need to earn foreign exchange will take precedence.

China is probably already the largest textile producer in the world and by 1985 may be the largest exporter of textile and apparel products. Chinese exports are having, and will continue to have, a significant impact on the export trade of the Big Three. For Hong Kong, while China is an important supplier of fabrics to Hong Kong's apparel-manufacturing industry, it is a competitor in other foreign markets with their finished apparel. In the case of Korea and Taiwan, Chinese exports offer strong competition in most of their fabric and apparel markets. The impact of Chinese exports on EC export trade may be relatively small in the near term, since EC exports are generally in higher priced, higher quality apparel products.

Shipments to the United States, which have already increased more than 4 times in quantity (SYE basis) and 10 times in value since 1976, are likely to

^{1/} The largest exporter among developing countries in 1980 was Hong Kong, with an export value for textiles and apparel of \$5.4 billion.

continue to increase. The largest volume gains may occur in cotton products, both fabrics and apparel, where China has a large production capacity. However, large percentage gains are also likely in apparel of manmade fiber as production expands in both fiber and finished products. It is doubtful if China will attempt to expand exports of manmade-fiber fabrics to the U.S. market, preferring to concentrate in apparel where they have greater competitive advantages. In the large U.S. apparel market, China will probably make competitive gains against Hong Kong, Korea, and Taiwan, and in the fabric market, more modest gains against the Big Three and other suppliers such as India and Pakistan.

Table II-1.--Textiles and apparel: Exports from China, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	213,907	258,790	272,724	456,189	620,915	830,053	20.982	220.744
Other Asia...	115,876	91,351	132,731	109,534	97,378	213,760	-21.165	133.999
Other								
developing...	69,753	53,533	48,968	13,531	258	4,439	-23.253	-91.708
Socialist...	10,946	6,656	6,353	1,786	-	4,278	-39.192	-35.727
Developed:								
EEC...	82,992	131,176	150,576	183,736	271,752	376,527	58.059	187.040
Southern								
Europe...	3,965	7,140	11,330	22,652	41,277	49,958	80.076	599.692
Other Europe:	23,352	23,069	20,644	32,106	37,921	53,729	-1.212	132.906
United								
States...	10,511	46,829	36,284	66,954	69,009	149,373	345.524	218.975
Canada...	15,403	25,608	19,980	24,847	48,500	40,044	66.253	56.373
Japan...	147,178	120,291	124,429	221,232	313,075	295,433	-18.268	145.599
Other...	56,755	48,378	58,315	67,998	86,914	97,104	-14.760	100.719
Apparel:								
Developing:								
Big Three...	71,030	68,810	99,942	128,642	210,556	451,307	-3.125	555.874
Other Asia...	24,274	23,156	62,271	17,740	9,802	74,739	-4.606	222.763
Other								
developing...	28,901	20,913	49,368	6,068	1,520	843	-27.639	-95.969
Socialist...	3,153	3,919	5,065	11,243	-	-	24.294	-100.000
Developed:								
EEC...	15,301	35,331	47,668	58,026	98,746	213,625	130.906	504.639
Southern								
Europe...	912	2,222	3,681	5,683	8,931	18,544	143.640	734.563
Other Europe:	7,803	13,800	21,620	21,674	31,517	47,845	76.855	246.703
United								
States...	1,528	16,390	25,463	68,445	165,444	276,429	972.644	1586.571
Canada...	18,168	39,232	30,752	25,465	48,484	46,656	115.940	18.923
Japan...	45,360	44,235	56,635	80,712	163,713	230,727	-2.480	421.594
Other...	12,670	17,563	24,045	25,426	38,598	53,637	38.619	205.398
Textile &								
Apparel:								
Developing:								
Big Three...	284,937	327,600	372,668	584,831	831,471	1,281,360	14.973	291.136
Other Asia...	140,150	114,507	195,002	127,274	107,180	288,499	-18.297	151.949
Other								
developing...	98,654	74,446	98,336	19,599	1,778	5,282	-24.538	-92.905
Socialist...	14,099	10,575	11,418	13,029	-	4,278	-24.995	-59.546

Table 11-1.--Textiles and apparel: Exports from China, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Textile & Apparel:								
Developed:								
EEC.....	98,293	166,507	198,244	241,762	370,498	590,152	69.399	254.431
Southern Europe.....	4,877	9,362	15,011	28,335	50,208	68,502	91.962	631.703
Other Europe:	31,155	36,869	50,264	53,780	69,438	101,574	18.341	175.500
United States.....	12,039	63,219	61,767	135,399	234,453	425,802	425.118	573.535
Canada.....	33,571	64,840	50,732	50,312	96,984	86,700	93.143	33.714
Japan.....	192,538	164,526	181,064	301,944	476,788	526,160	-14.549	219.804
Other.....	69,425	65,941	82,360	93,424	125,512	150,741	-5.018	128.600
Total.....	983,950	1,099,083	1,316,846	1,649,689	2,364,310	3,529,050	11.701	221.090

- Data not available.

Table II-2.--Textiles and apparel: Exports from China, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
1,000 U.S. dollars					
Textiles:					
United States.....	46,829	36,284	66,954	69,009	149,373
Hong Kong.....	258,790	272,726	456,189	618,293	830,053
Japan.....	120,291	124,429	221,232	313,075	295,433
Singapore.....	57,400	55,624	83,940	91,947	117,556
Australia.....	40,966	49,183	57,518	68,614	74,085
FR Germany.....	27,881	33,958	46,727	64,169	94,906
United Kingdom.....	22,105	31,850	46,271	55,894	57,636
France.....	30,360	33,083	36,817	54,883	75,477
Canada.....	25,608	19,980	24,847	48,500	40,044
Italy.....	16,536	22,824	18,554	41,708	64,177
Spain.....	5,931	9,398	18,307	35,808	39,332
Netherlands.....	17,049	14,090	18,325	25,041	37,566
New Zealand.....	7,412	9,132	10,480	18,300	23,019
Other.....	136,245	177,775	94,404	81,758	216,041
Total.....	813,403	890,336	1,200,565	1,586,999	2,114,698
Apparel:					
United States.....	16,390	25,463	68,445	165,444	276,429
Hong Kong.....	68,810	99,942	128,642	210,556	451,307
Japan.....	44,235	56,635	80,712	163,713	230,727
FR Germany.....	16,678	26,959	32,999	56,776	112,119
Canada.....	39,232	30,752	25,465	48,484	46,656
Australia.....	17,273	23,670	25,143	38,139	52,798
Sweden.....	7,704	11,031	11,196	16,983	23,074
France.....	5,743	6,831	6,949	12,042	33,787
Singapore.....	10,420	8,307	10,425	9,786	13,422
Italy.....	2,292	3,509	4,736	9,353	23,726
Spain.....	1,688	2,839	4,005	8,724	17,730
Netherlands.....	2,718	3,115	3,651	7,746	12,785
Denmark.....	3,478	4,489	4,324	6,268	10,741
Other.....	49,019	122,968	42,432	23,297	109,051
Total.....	285,680	426,510	449,124	777,311	1,414,352
Textile & Apparel:					
United States.....	63,219	61,747	135,399	234,453	425,802
Hong Kong.....	327,600	372,668	584,831	828,849	1,281,360
Japan.....	164,526	181,064	301,944	476,788	526,160
FR Germany.....	44,559	60,917	79,726	120,945	207,025
Australia.....	58,239	72,853	82,661	106,753	126,883
Singapore.....	67,820	63,931	94,365	101,733	130,978
Canada.....	64,840	50,732	50,312	96,984	86,700
France.....	36,103	39,914	43,766	66,925	109,264
United Kingdom.....	25,419	33,273	49,863	60,878	73,300

Table 11-2.---Textiles and apparel: Exports from China, by principal markets, 1976-80 -Continued

Market	1976	1977	1978	1979	1980
	<u>1,000 U.S. dollars</u>				
Textile & Apparel:					
Italy.....	18,828	26,333	23,290	51,061	87,983
Spain.....	7,619	12,237	22,312	44,532	57,062
Sweden.....	16,401	21,152	22,032	33,202	45,042
Netherlands.....	19,767	17,205	21,976	32,787	50,351
Other.....	184,143	302,820	137,212	108,420	321,220
Total.....	1,099,083	1,316,846	1,649,689	2,364,310	3,529,050

Table II-3.--Textiles and apparel: Exports from China, by specific markets and countries, 1973 and 1976-80

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	23,493	24,851	30,868	72,436	82,829	61,617	4.888	147.946
Wool yarn...	823	380	502	785	2,574	7,521	-53.827	1879.211
Cotton yarn...	60,557	55,819	60,238	58,730	77,910	124,148	-9.145	125.646
Yarn of manmade fibers....	22,256	19,195	22,476	14,000	22,073	51,008	-13.754	165.736
Other yarn...	0	392	-	13	1	-	(1)	-
Grey cotton fabrics...	154,649	174,768	141,697	259,372	304,197	334,753	13.009	91.541
Finished cotton fabrics...	148,239	125,231	111,058	163,492	213,642	254,749	-15.521	103.439
Woven fabric of continuous manmade fibers....	7,581	4,700	4,093	4,367	6,973	15,096	-38.003	221.191
Woven fabric of discontinuous manmade fibers....	19,391	12,844	16,897	43,071	88,914	132,049	-33.763	928.099
Pile fabrics of manmade fibers....	7,989	7,539	5,250	327	427	1,068	-5.633	-85.834
Woven fabrics of wool.....	6,120	7,116	9,218	10,602	16,888	27,831	16.275	291.105
Woven fabrics of other fibers....	74,889	64,643	81,017	119,718	146,026	280,729	-13.602	210.519
Knit fabrics	703	836	613	401	3,000	7,098	18.919	749.043
Other textile products..	152,461	214,610	268,459	284,373	384,804	577,306	40.764	169.002
Floor coverings.	38,405	67,513	95,087	132,082	188,273	255,160	75.792	277.942
Subtotal, Textiles and Floor coverings.	717,756	779,637	846,673	1,163,769	1,538,531	2,050,153	8.621	162.963

Table II-3.--Textiles and apparel: Exports from China, by specific markets and countries, 1973 and 1976-80--Continued

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
MIB outer garments, not knlt..	46,083	52,467	86,500	85,540	152,205	261,310	13.853	398.046
HGI outer garments, not knlt..	32,569	38,410	48,880	65,337	130,667	252,857	-6.629	731.493
MIB under garments, not knlt..	23,720	37,745	46,394	60,269	124,613	153,665	59.127	307.114
HGI under garments, not knlt..	8,406	9,924	15,488	11,398	17,172	29,090	18.059	193.128
Accessories, not knlt..	17,790	26,201	43,920	39,997	61,277	92,699	47.279	253.799
Gloves, knlt	6,836	9,252	12,097	14,204	22,075	25,514	35.342	175.767
Stockings, etc., knlt	3,154	4,297	5,265	6,664	10,323	15,766	36.240	266.907
Under garments, knlt.....	25,019	38,993	40,921	36,593	63,606	117,796	55.854	202.095
Outer garments, knlt.....	36,132	28,710	38,708	51,283	88,093	238,190	-20.541	729.641
Elastic fab. & art., knlt.....	45	655	348	408	278	300	1355.556	-54.198
Subtotal, Apparel...	199,754	238,654	338,521	371,693	671,109	1,187,187	19.474	397.451
Total.....	917,510	1,018,291	1,185,194	1,535,462	2,209,640	3,237,340	10.984	217.919

1/ Data or computation error.
- Data not available.

Table 11-4.--Cotton textiles: U.S. imports from the People's Republic of China, by MFA categories, 1976-81

(In equivalent square yards)							
Category	Description	1976	1977	1978	1979	1980	1981
300	Carded yarn	0	0	66,325	0	185,840	27,600
310	Gingham	124,238	0	0	0	214,315	0
311	Velveteen	1,800	0	38,400	0	37,000	109
312	Corduroy	1,185	37,668	600	1,050	152,521	17,005
313	Sheeting	33,291,992	17,890,825	30,404,014	11,737,256	29,462,815	40,492,500
314	Poplin and broadcloth	18,583	480,404	549,436	22,980	0	11,100,673
315	Printcloth	67,628,835	28,487,603	91,170,773	56,131,095	66,903,393	110,545,802
317	Twill and saten	13,434,928	3,519,230	4,302,895	3,237,089	6,801,804	10,956,188
318	Yarn-dyed fabric, n.e.c.	32,267	92,708	154,824	238,294	469,618	368,659
319	Duck	2,386,188	1,146,770	884,128	62,381	20,000	59,166
320	Woven fabrics, n.e.c.	7,220,506	1,376,565	3,333,192	2,391,000	16,765,933	62,079,789
330	Handkerchiefs	39,497	112,262	154,114	860,768	2,877,162	4,155,199
331	Gloves	4,213,359	3,792,250	9,162,552	14,212,419	12,971,904	15,697,703
332	Hosiery	460	0	0	529	0	230
333	Suit-type coats, men and boys	45,974	51,730	97,776	183,389	857,470	825,867
334	Other coats, men and boys	314,211	215,918	547,472	1,646,796	5,395,185	8,699,308
335	Coats, women, girls, and infants	236,815	228,635	902,198	2,176,840	7,581,483	16,678,016
336	Dresses	3,986	-4,304	180,883	39,547	439,410	2,493,901
337	Play suits	568,900	442,900	1,455,275	3,304,075	6,204,700	14,303,000
338	Knit shirts, men and boys	109,462	79,884	208,188	1,192,465	3,003,034	5,779,022
339	Knit shirts and blouses, women, girls, and infants	1,593,324	2,430,691	3,478,377	7,141,824	5,060,643	3,662,099
340	Shirts, not knit, men and boys	4,999,128	4,480,272	7,803,864	25,360,728	9,797,448	11,351,328
341	Blouses, not knit, women, girls, and infants	43,964	91,785	612,206	8,976,981	7,930,819	2,017,140
342	Shirts	34,372	7,476	42,720	194,055	877,913	1,485,358
345	Sweaters	298,521	22,080	5,962	258,923	470,524	1,359,355
347	Trousers, men and boys	1,261,753	4,118,226	6,673,183	15,705,599	12,722,141	14,304,866
348	Trousers, women, girls, and infants	937,508	2,722,493	9,899,915	16,837,287	18,035,195	18,375,916
349	Brassieres	0	15,840	0	0	480	0
350	Dressing gowns	930,448	779,280	1,705,236	209,304	527,085	1,388,701
351	Nightwear	1,157,468	437,164	1,506,024	1,413,984	6,777,992	9,854,648
352	Underwear	48,807	41,910	153,428	631,147	1,209,307	805,937
353	Down-filled coats, men and boys 1/2	-	-	-	-	-	67,486
354	Down-filled coats, women, girls, and infants	-	-	-	-	-	55,301
359	Other apparel	2,975,939	2,973,521	4,060,204	3,884,775	6,743,573	7,720,197
360	Pillowcases	587,368	356,134	610,020	464,185	952,463	1,691,880
361	Sheets	9,808	36,791	53,828	100,465	147,616	267,790
362	Bedspreads and quilts	422,067	51,509	130,838	139,968	332,732	487,140
363	Terry and other pile towels	702,272	939,791	408,566	1,045,434	2,922,240	3,891,454
369	Other manufactures	2,746,545	4,356,081	5,511,124	10,444,220	25,325,731	59,511,874
	Total	148,424,678	81,870,600	186,148,720	190,766,852	761,377,489	447,985,975

1/ New category effective April 1, 1981.

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

Table 11-5.—Handmade-fiber textiles: U.S. Imports from People's Republic of China, by MFA categories, 1976-81

Commodity	(In equivalent square yards)									
	1976	1977	1978	1979	1980	1981				
604 : Noncellulosic noncellulosic yarn	0	0	0	0	0	0				
605 : Other yarns	0	0	0	39	70,242	49,935				
610 : Continuous cellulosic woven fabrics	2,947	3,001	9,184	3,390	21,227	17,454				
611 : Spun cellulosic woven fabrics	0	0	362	0	0	759				
612 : Continuous noncellulosic woven fabrics	5,453	20,310	417	485,831	0	200,668				
613 : Spun noncellulosic woven fabrics	1,852	0	0	366,424	1,472,448	5,395,112				
614 : Woven fabrics, n.e.s.	2,319	1,625	5,216	17,365	156,494	617,478				
625 : Knit fabric	0	0	0	0	0	2,900				
626 : Pile or tufted fabric	0	0	9,240	0	2,437	6,899				
627 : Specialty fabrics	0	5,483	0	1,552	32,853	50,044				
630 : Handkerchiefs	19,549	27,583	50,930	70,559	97,917	141,411				
631 : Gloves	336	8,761	168,165	258,922	423,358	614,527				
632 : Hosiery	340	23,460	1,937	2,067	1,059	35,000				
633 : Suit-type coats, men and boys	1,810	3,347	2,860	42,354	192,765	347,466				
634 : Other coats, men and boys	36,137	49,395	44,190	286,435	2,378,457	5,989,491				
635 : Coats, women, girls, and infants	304,735	92,264	828,067	5,796,788	1,577,907	5,985,237				
636 : Dresses	41,178	27,995	106,093	251,643	497,359	2,737,162				
637 : Playsuits	311	405	17,060	3,749	108,886	191,424				
638 : Knit shirts, men and boys	55,908	0	297,018	211,464	554,814	3,414,132				
639 : Knit shirts and blouses, women, girls, and infants	26,400	57,930	313,635	825,270	1,569,000	3,736,875				
640 : Shirts, suit suits, men and boys	44,848	36,400	63,912	1,307,520	9,392,304	18,035,720				
641 : Blouses, suit suits, women, girls, and infants	23,200	52,737	79,751	999,573	4,670,718	8,228,562				
642 : Shirts	890	0	0	249	1,442	33,179				
643 : Suits, men and boys	324	5,346	162	20,080	55,115	32,400				
644 : Suits, women, girls, and infants	6,480	0	6,318	18,610	5,470	378,178				
645 : Suits, men and boys	166,537	436,043	1,372,456	5,483,687	4,764,938	4,676,985				
646 : Suits, women, girls, and infants	1,223,378	1,707,858	8,543,341	18,385,354	11,980,387	15,737,556				
647 : Trouser, men and boys	1,887	1,032	7,296	232,076	985,136	4,308,953				
648 : Trouser, women, girls, and infants	18,013	35,311	8,900	393,431	1,246,677	9,252,426				
649 : Brasieres	0	0	0	0	8,227	871,238				
650 : Dressing gowns	183,396	121,890	203,286	303,454	803,505	1,024,417				
651 : Nightgown	335,452	129,324	253,292	451,776	1,675,648	2,972,728				
652 : Undewear	0	800	0	144	18,400	107,464				
653 : Down-filled coats, men and boys 1/2	0	0	0	0	0	861,477				
654 : Down-filled coats, women, girls and infants 1/2	0	0	0	0	0	615,411				
659 : Other apparel	119,263	189,915	317,989	1,303,985	4,036,016	5,070,430				
665 : Floor coverings	7,541	3,282	193	75	3,794	7,433				
666 : Other furnishings	599,281	704,279	975,615	1,695,003	4,085,499	8,173,446				
669 : Other manufactures	206,349	0	0	24,125	9,594	15,490				
Total	3,448,534	5,766,006	13,686,867	39,931,201	57,654,872	169,786,587				

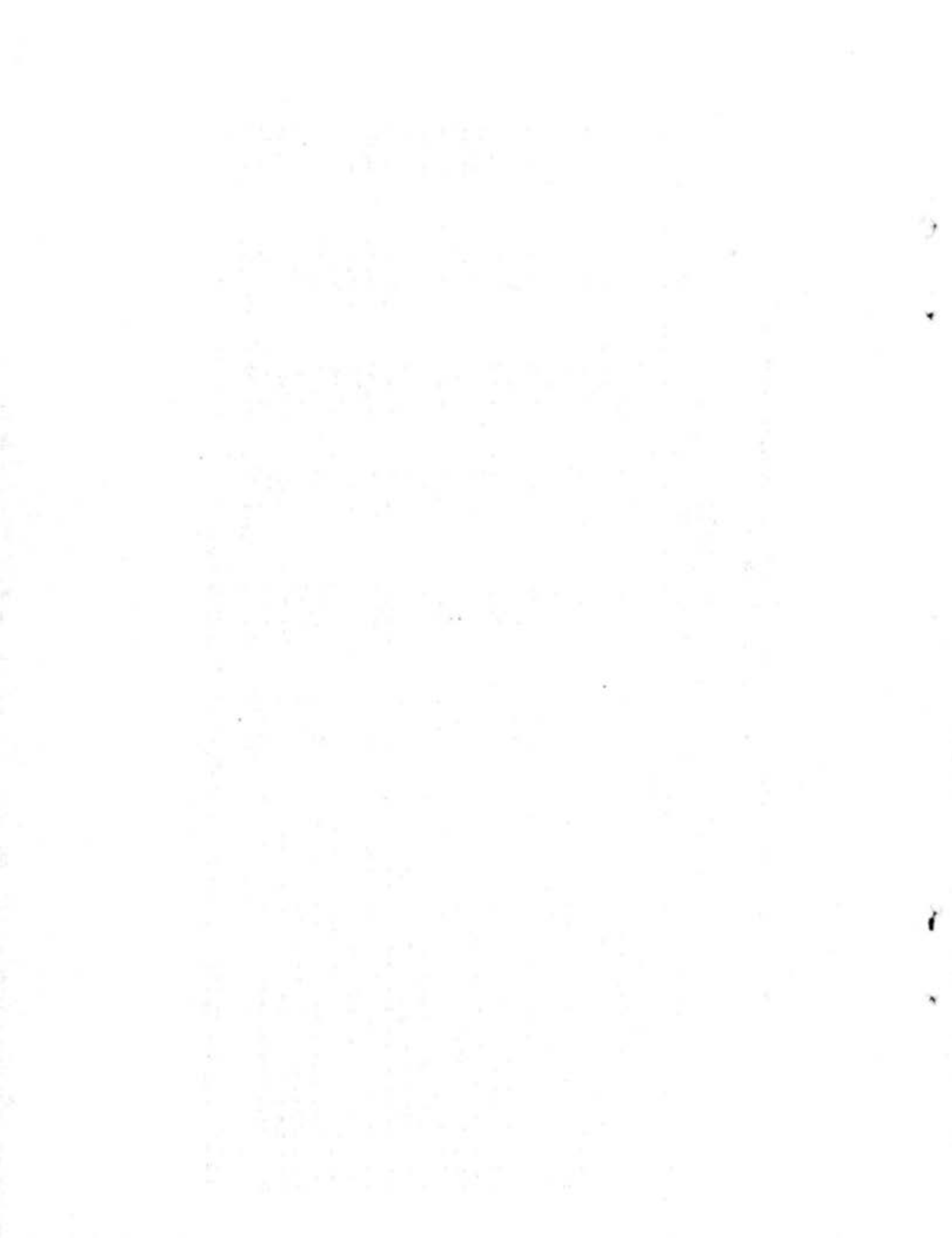
1/ No category effective April 1, 1981.

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

Table II-6.--Wool textiles: U.S. imports from People's Republic of China,
by MFA categories, 1976-81

		(In equivalent square yards)					
Category :	Description :	1976 :	1977 :	1978 :	1979 :	1980 :	1981 :
400 :	Wool tops and yarn-----	216,296 :	110 :	13,412 :	0 :	0 :	17,620 :
410 :	Woolens and worsteds-----	7,148 :	119,609 :	377,689 :	229,291 :	980,567 :	1,654,580 :
411 :	Tapestries and upholstery-----	28,973 :	5,790 :	5,693 :	7,179 :	13,199 :	17,773 :
431 :	Gloves-----	15,559 :	4,872 :	36,441 :	105,428 :	57,502 :	71,133 :
432 :	Hosiery-----	0 :	0 :	0 :	0 :	140 :	157 :
433 :	Suit-type coats, men and boys-----	504 :	4,428 :	2,664 :	2,628 :	144 :	107,712 :
434 :	Other coats, men and boys-----	46,386 :	216 :	24,516 :	9,774 :	17,442 :	2,484 :
435 :	Coats, women, girls, and infants-----	5,886 :	2,322 :	5,940 :	10,908 :	240,678 :	652,752 :
436 :	Dresses-----	0 :	3,838 :	0 :	2,460 :	151,782 :	498,297 :
438 :	Knit shirts and blouses-----	0 :	0 :	1,740 :	0 :	53,805 :	150,360 :
440 :	Shirts and blouses, not knit-----	2,400 :	0 :	0 :	408 :	36,696 :	197,448 :
442 :	Skirts-----	26,730 :	7,218 :	1,530 :	16,776 :	28,512 :	35,568 :
443 :	Suits, men and boys-----	5,184 :	3,240 :	4,806 :	3,672 :	22,788 :	340,740 :
444 :	Suits women, girls and infants-----	0 :	3,402 :	0 :	324 :	3,834 :	5,400 :
445 :	Sweaters, men and boys-----	75,619 :	119,455 :	283,642 :	190,895 :	1,077,892 :	640,570 :
446 :	Sweaters, women, girls, and infants-----	54,952 :	108,177 :	213,826 :	65,293 :	6,994,374 :	3,510,653 :
447 :	Trousers, men and boys-----	306 :	432 :	6,948 :	9,720 :	296,856 :	351,018 :
448 :	Trousers, women, girls and infants-----	61,560 :	0 :	0 :	20,268 :	52,578 :	77,274 :
459 :	Other apparel-----	23,696 :	18,572 :	18,248 :	20,114 :	51,458 :	63,712 :
464 :	Blankets-----	2,786 :	1,444 :	2,719 :	2,123 :	26,588 :	30,066 :
465 :	Floor coverings-----	108,573 :	143,947 :	181,423 :	290,628 :	577,535 :	720,599 :
469 :	Other manufactures-----	34,428 :	4,850 :	1,798 :	1,590 :	5,926 :	8,262 :
:	Total-----	716,986 :	551,922 :	1,183,035 :	989,479 :	10,690,296 :	9,154,178 :

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



III. COLOMBIA

Country Profile

Colombia, with an area of 455,335 square miles, is the fourth largest country in South America, and its population of 27.5 million is the third largest on the continent. It has a Republican form of Government with an elected President, a Congress composed of a Senate and a House of Representatives, and a judiciary. Colombia has extensive coal reserves, supplies a significant portion of the petroleum consumed domestically, and produces 95 percent of the world's emeralds. Agriculture is the single most important sector of the economy and coffee the major export.

Geography, demography, and resources

Colombia has varied topographical features (mountain ranges, rivers, swampland, and low lands) and its proximity to the equator results in tropical weather conditions over 85 percent of the area. Half of the nation's 281 million acres of land is covered by forest, and only 5 percent of the land is used for agriculture. Another 15 percent is pasture or meadows. ^{1/} The remaining 30 percent is highly eroded or other nonproductive land. ^{2/}

Significant reserves of energy-producing and other minerals have been found in Colombia. Domestically produced petroleum provided about one-half the country's total 1979 energy requirements. The nation also has large reserves of coal (1,267 million cubic feet), gas reserves of 11 trillion cubic feet, and a hydroelectric potential of 60,985 megawatt hours. In addition to these resources, significant reserves of gold, silver, emeralds, uranium, platinum, copper, and zinc are also known to exist. ^{3/} There are more than 100 airports served by eight domestic airlines. Four of the airports (Bogota, Barranquillo, Cali, and Medellin) handle international flights. Colombia has six major ports: four on the Caribbean Sea and two on the Pacific Ocean, with major highways connecting the Pacific Ocean and the Caribbean Sea.

From 1976-80, Colombia's population grew 13 percent to 27.5 million people, half of whom are under 20 years of age. Eighty-five percent of the population is literate, and nearly 60 percent reside in urban areas. Ten cities have populations of more than 250,000 people. Colombia's labor force totals 6.4 million people, 35 percent of whom are women. Almost all the population is Roman Catholic, and Spanish is the native language.

The economy

In the past 30 years, the Federal Government aggressively promoted economic expansion. From 1950 to 1970, the Government-built roads, established a national communications system, and provided low-interest loans

^{1/} Food and Agriculture Organization of the United Nations, Production Yearbook, Remeg 1979, p. 50.

^{2/} Howard I. Blutstein, Area Handbook for Colombia, Washington, 1977, p. 15.

^{3/} The Europa Year Book 1981: A World Survey, London, vol. II, pp. 151 and 152.

to encourage housing construction. In addition, high tariffs and taxes were relied on to foster import substitution and to encourage industrial diversification. Tax rebates, periodic currency devaluations, and trade-promoting programs were used to stimulate noncoffee exports. Domestically, money markets were decontrolled in an attempt to allocate capital more efficiently.

In the 1970's, however, with average annual increases in excess of 20 percent in the consumers' price index, the Government modified some programs in an attempt to control inflation. Import restrictions were relaxed, the currency was allowed to appreciate somewhat, and Government spending was slowed. By the beginning of the 1980's, however, price increases significantly reduced the competitiveness of Colombian products, and the Government again tightened restrictions on imports. Currency devaluations were reintroduced, but Government spending accelerated. 1/

In 1980, Gross Domestic Product (GDP) 2/ totaled \$26 billion, representing a 43 percent increase over 1976. Exports jumped 125 percent in value from 1976 to 1980. In addition, unemployment remained fairly stable at around 9 percent during the latter period. However, growth moderated in 1980, and Colombia also had its first trade deficit in the latter year since 1974. This decline in economic growth is expected to continue thru 1981. 3/

Labor costs nearly tripled in manufacturing between 1976 and 1980. In addition, high borrowing costs and tariffs added to manufacturing costs and slowed modernization. Interest rates in 1980 generally ranged between 24 and 30 percent, but ran as high as 47 percent. 4/ Also, restrictive import regulations limited the availability of less expensive intermediate goods. As a result of these cost pressures, the price of Colombian goods increased. The wholesale price index for domestic goods increased 139 percent from 1976 to 1980, compared with an increase of 100 percent for imports. The 1980 rate of inflation was 25 percent. To modify the negative impact of inflation on its competitiveness abroad, Colombia devalued the peso 15 percent in 1980. Still, imports exceeded exports in that year, resulting in a trade deficit of a \$343 million. 5/

Although agriculture's share of GDP has been declining, it is still the most important sector of the economy (other than services), contributing 24 percent of GDP and employing one-third of the labor force. Coffee contributes 60 percent of Colombia's export earnings.

Manufacturing's share of GDP has changed little in the past decade, but the value of its contribution has doubled. Manufacturing accounts for

1/ Report from U.S. Embassy, Bogota, Feb. 5, 1981.

2/ United Nations, Monthly Bulletin of Statistics, March 1982, p. lxxi, and May 1978, p. 209.

3/ Report from U.S. Embassy, Bogota, Sept. 1, 1981.

4/ Ibid.

5/ Banco de la Republica, Revista de la Republica, Bogota, June 1981, and other issues.

approximately 22 percent of GDP and employs 8 percent of the labor force or approximately 0.5 million people. Important segments of this sector are processed foods and beverages; textiles, shoes, and apparel; and, chemical products. ^{1/}

Foreign trade

In the mid-1970's, Colombia began to relax trade restrictions, and imports increased rapidly. As seen in the table on the following page, the value of imports rose 150 percent during 1976-80; exports grew 125 percent. Consequently, Colombia experienced a trade deficit of \$343 million in 1980, its first in 5 years. Principal products imported were machinery, motor vehicles, processed petroleum products, and iron and steel plates, sheets, pipes, and tubes. Coffee is by far Colombia's principal export, accounting for 60 percent of export earnings. Exports of sugar, processed petroleum, cotton, textiles, and apparel are also significant.

Colombian world trade, total and by specified commodities, 1976-80

(In millions of dollars)

Year	Exports		Imports			
	Total	Coffee	Total	Boilers and machinery	Mineral fuel	Motor vehicles
1976	1,745	968	1,708	278	42	231
1977	2,443	1,498	2,028	352	136	249
1978	3,003	1,979	2,836	459	205	364
1979	3,300	2,006	3,233	540	324	433
1980	3,933	2,360	4,268	684	526	509

Source: Departamento Administrativo Nacional de Estadística, Boletín Mensual de Estadística "Comercio Exterior", August 1981.

Colombia's major trading partner is the United States, which accounts for one third of Colombia's imports and exports. Other major trading partners are West Germany, Venezuela, Japan, Netherlands, Spain, and Brazil.

^{1/} Departamento Administrativo Nacional de Estadística, Boletín Mensual de Estadística, Bogota, June 1981, p. 113.

Exports to and imports from Colombia, 1/ by specified trading partners, 1980

(In millions of dollars)

Market or source	Exports	Imports
United States-----	1,087	1,953
West Germany-----	756	337
Venezuela-----	310	376
Japan-----	151	514
Netherlands-----	235	32
Spain-----	151	178
Brazil-----	9	140

1/ Data are based on export and import permits issued rather than actual trade data.

Source: Banco de la Republica, Revista del Banco de la Republica, June 1981.

The Textile and Apparel Industries

Textiles and apparel are two of the most important industries in the manufacturing sector in terms of employment, gross value of production, and export earnings.

The textile and apparel industries employ about one-fifth of the manufacturing labor force and account for 20 percent of the salaries earned. In addition, they rank second in the manufacturing sector in terms of contribution to the gross value of production (11.4 percent) and value added (14 percent), and first in electricity utilization. 1/ Half of Colombia's 1980 cotton crop and all of the manmade fibers produced domestically went to the textile industry. Most of the yarns and fabrics manufactured in Colombia are sold to its garment industry.

In 1980, textiles and apparel accounted for 5 percent of the value of total exports and 15 percent of manufactured exports.

Structure

Approximately 500 Colombian firms manufacture textile products other than knitted products or apparel. Manufacturing operations by these firms include weaving, dyeing, printing, and finishing of fabrics. An additional 174 firms are involved in knitting operations. The textile industry is highly centralized in geography and structure. Three-fourths of the value of the production of textiles is produced in two districts--Medellin and Bogota. 2/ Further, three textile firms--Coltejer, Fabricato, and Tejicondor--account for 70 to 80 percent of total textile production. 3/ The value of all textile products manufactured in 1980 totaled \$1.2 billion.

1/ Report from U.S. Embassy, Bogota, Mar. 6, 1979.

2/ Departamento Administrativo Nacional de Estadística, op. cit., February 1979, pp. 113-120.

3/ Textile World, World Textiles: 1982, January 1982, p. 54.

In 1977, there were 930 firms in apparel manufacturing with about 35,000 sewing machines. Firms and their products vary greatly in size, organization, capacity utilization, price, and quality. Apparel production was valued at \$462 million in 1980.

Fiber consumption

The quantity of fibers consumed by the textile industry increased 6 percent from 1976 to 1979. The 1980 level, however, was 11 percent lower than the 141,100 tons consumed in 1976, as domestic textile production decreased and imports rose. All of the 1980 decrease occurred in cotton consumption. As shown in the following table, fiber consumption in 1980 totaled 125,200 tons.

Textile fibers: Apparent consumption in Colombia, 1976, 1979, and 1980

(In thousands of tons)				
Year	Production	Imports	Exports	Apparent consumption
1976	206.5	12.7	74.1	141.1
1979	184.0	13.0	56.1	149.8
1980	169.6	16.8	58.3	125.2

Sources: Reports from U.S. Embassy, Bogota, Sept. 8, 1981, and Nov. 17, 1981; Textiles Economic Bureau, Inc., Textile Organon, June 1981; and, Food and Agriculture Organization of the United Nations, Production Yearbook, 1977, 1979, and 1980, and Trade Yearbook, 1977, 1979, and 1980.

Colombia produces sufficient cotton to meet domestic needs as well as an exportable surplus. Relative to other producing countries, however, Colombia is not a major world supplier, producing less than 1 percent of the 1981 world cotton crop. The 456 pounds per acre yield in Colombia in 1981 was higher than the 404 pounds per acre in the United States. The number of acres planted in Colombia, however, has been declining, having fallen from 633,000 acres in 1973 to 550,000 acres in 1980. ^{1/} The following table indicates the resulting decline in production.

^{1/} International Cotton Advisory Committee, Cotton-World Statistics, July 1981, pp. 10 and 12.

Cotton: Apparent consumption in Colombia, 1973, 1976, and 1979-81

(In thousands of tons)					
Year	Production	Imports	Exports	Apparent consumption	1/
1973	147.8	7.2	37.6	109.0	
1976	163.4	1.7	74.1	87.0	
1979	137.5	9.4	56.1	90.2	
1980	127.2	0	58.3	66.0	
1981 <u>2/</u>	92.4	0	34.1	52.8	

1/ Data do not include stocks.

2/ Estimated by U.S. Foreign Agricultural service.

Source: Compiled from data supplied by the U.S. Embassy, Bogota.

Cotton's share of total fiber consumption has declined from 70 percent in 1970 to 53 percent in 1980, due to a decline in textile production and substitution of manmade fibers.

Despite decreases in domestic consumption, cotton exports are also expected to decline as growers plant less cotton. 1980 cotton exports reached 58,300 tons and then decreased to an estimated 34,100 tons in 1981.

Prior to planting, agreements are signed between the growers and the cotton textile industry establishing domestic cotton prices and textile industry consumption levels. Payment is made upon delivery. In 1980, the textile industry was late in paying for cotton received. In addition, 1981 domestic purchase levels were lowered to 52,800 tons from 66,000 tons in 1980. The late payment and decreased demand caused financial problems for the heavily indebted cotton growers. 1/ To aid the growers, the Colombian Government extended a line of credit of \$18.5 million to the textile industry to finance nearly half the industry's 1981-82 season cotton purchase. In addition, \$100 million in credit was made available to cotton growers to refinance previous debts and to finance planting and drainage and irrigation projects. 2/ In 1981, cotton production totaled 92,400 tons, a 27-percent decrease from production the previous year.

For 1982, it is estimated that cotton production will be 95,480 tons, consumption will be 53,900 tons, and exports will be 36,300 tons.

Manmade fibers have increased their share of total fiber consumption. As seen in the following table, domestic production of manmade fibers (basically noncellulosic staple and yarns) increased 7.6 percent from 1976 to 1979. However, after peaking in 1978 at 48,340 tons, Colombia's manmade fiber

1/ "Colombia's Textile Industry Gains Time, Money, and Cotton From Agency," *Textile Week*, July 20, 1981, p. 6.

2/ "Colombian Government To Refinance Cotton Growers' Accumulated Debts," *Textile Week*, Nov. 16, 1981, p. 6.

production began to decline. Manmade fiber imports rose 63 percent from 1976 to 1980, increasing 25 percent from 1979 to 1980 alone.

Manmade fibers: Apparent consumption in Colombia, by specified types, 1976, 1979, and 1980 ^{1/}

(In thousands of tons)			
Type and year	Production	Imports	Apparent consumption
Cellulosic:			
1976	3.7	1.7	5.4
1979	3.7	3.0	6.7
1980	2.6	3.0	5.6
Noncellulosic:			
1976	37.3	6.9	44.2
1979	40.4	8.3	48.6
1980	37.3	11.0	48.3
Total:			
1976	41.0	8.6	49.6
1979	44.1	11.2	55.3
1980	39.9	14.0	53.9

^{1/} There were no exports.

Source: Textile Economics Bureau, Inc., Textile Organon, June 1981.

Declining fabric production, increased manufacturing costs and import competition are adversely affecting Colombian manmade fiber producers. Prices for the chemicals and monomers that Colombian fiber producers must import are rising. Also, increased imports of downstream products--manmade-fiber yarns and fabrics--have cut into demand for fibers. Citing competition from imports and increasing costs as the main reason for its decline, Celanese Colombiano S.A., the largest synthetic fiber producer in Colombia, filed prebankruptcy papers in August 1981. ^{1/}

Wool accounts for between 2 and 3 percent of the fiber consumed. Estimates place 1980 wool consumption at 5,200 tons. In 1979, Colombian wool imports totaled \$3.4 million, and wool fabric imports reached \$2.4 million.

^{1/} Daily News Record, Sept. 22, 1981.

Wool: Apparent consumption in Colombia, 1976, 1979, and 1980 1/

(In thousands of tons)

Type and year	Production	Imports	Apparent consumption
1976	2.1	2.4	4.5
1979	2.4	1.8	4.2
1980 <u>2/</u>	2.5	2.8	5.3

1/ There were no exports.

2/ Estimated by the Food and Agriculture Organization of the United Nations.

Source: Food and Agriculture Organization of the United Nations, Production Yearbook, 1977, 1979, and 1980, and Trade Yearbook, 1977, 1979, and 1980.

Production

The value of textile and apparel production, 1/ increased 43 percent during 1976-80. Most of this increase was contributed by the apparel sector.

Textile production, based on value, increased about 30 percent from 1976 to 1980. Much of this increase, however, can be attributed to inflation. For example, in the past three years, fabric production has dropped from 637 million square yards in 1979 to 617 million in 1980, to an estimated 600 million in 1981. 2/ In 1980, total textile production was estimated at \$1.2 billion.

The largest sector of the textile industry in Colombia is the weaving of cotton and cotton blend fabrics. In 1976, the production of these fabrics contributed almost 40 percent of both the value of textile production and the value added. Yarn manufacture is second in importance, contributing one-third of the value. Knitted goods and fabrics of wool or manmade fibers accounted for the remaining production value.

The value of apparel production rose nearly 90 percent during 1976-80. In 1980, the value of apparel production totaled an estimated \$462 million.

Employment and wages

Approximately 64,000 workers are employed in the textile industry. In 1976, 27 percent of the textile labor force was employed by the fabric-weaving sector; one-third, in yarn production; 20 percent, by the knitting industry; and the remainder, in other sectors such as cordage, twine, and silk manufactures. Firms are usually reluctant to lay workers off because of the

1/ Based on data from Departamento Administrativo Nacional de Estadística, op. cit., August 1981, February 1979, and other issues.

2/ Textile World, World Textiles: 1982, January 1982, p. 54.

high severance pay which must be paid. However, as seen in the table below, the number of persons employed in the textile industry has declined in the past 5 years. Union sources report that 4,000 textile workers lost their jobs in 1981 alone. ^{1/} Labor costs nearly tripled during 1976-80. In 1980, workers in the textile industry earned about \$1.00 an hour. In addition to wages, benefits provided equal approximately 45 percent of wages.

Average number of employees and average hourly wages paid to production and related workers in Colombia, by specified industries, 1976, 1979, and 1980

Industry	Average number of employees ^{1/}			Average hourly wage ^{2/}		
	1976	1979	1980	1976	1979	1980
	Thousands					
Manufacturing	470	496	491	US\$ 0.45	US\$ 0.81	US\$ 0.93
Textiles	75	65	64	0.45	0.86	0.99
Apparel	46	48	46	0.30	0.55	0.65

^{1/} Data derived from indexes and information published in Boletín Mensual de Estadística.

^{2/} Converted to U.S. currency using dollar-peso exchange rate for respective year.

Source: Departamento Administrativo Nacional de Estadística, Boletín Mensual de Estadística, February 1979 and August 1981.

Approximately 46,000 persons are employed in the apparel industry. The number of persons employed in this industry increased 5 percent from 1976 to 1979, before dropping back to the 1976 level during 1980. From 1976 to 1980, salaries paid apparel factory workers increased by over 200 percent. Still, garment workers were paid only 65 U.S. cents an hour in 1980 and received nonwage benefits equivalent to about 45 percent of wages paid.

Equipment

Colombia's textile industry, with its approximately 890,000 spindles, 16,000 looms, ^{2/} and 2,000 knitting machines ^{3/} is not particularly large. ^{3/} By comparison, Argentina, a country with a population equal to Colombia's, has approximately 1.5 million spindles and 28,000 looms. ^{4/} In 1977, equipment

^{1/} "Contraband Imports to Colombia Cause Layoffs of 4,000 Workers in 1981," Textile Week, Feb. 8, 1982, p. 5.

^{2/} International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, June 1981, pp. 21 and 28.

^{3/} Guillermo Londono Mejía, The Textile Industry In Colombia, International Federation of Cotton and Allied Textile Industries, 1977, p. 33.

^{4/} International Textile Manufacturers Federation, op. cit., pp. 21 and 28.

in Colombia was used on a 3-shift, 24-hour work-day basis, with the larger firms operating 6 days a week. Current utilization, however, is estimated at only 70 percent. ^{1/}

Colombia's major textile firms have begun modernization programs. Government capital investment loans to textile and apparel firms increased 125 percent, from \$1.6 million in 1976 to \$3.6 million in 1979. In 1980, these loans totaled \$7.3 million, representing a 103-percent increase over such loans in the previous year. Coltejer, the largest textile firm, began a 4-year program costing \$197 million. ^{2/} This firm recently purchased 500 looms and 50,000 spindles for yarn production. Another large firm, Fabricato, has negotiated credits for \$3.3 million of French equipment. Although some equipment is produced domestically, most machinery is imported. Imports of machinery have been increasing since 1978, when the Government banned used equipment imports and granted a 6 year depreciation for tax purposes for new machinery. In 1980, textile machinery imports were reported to total \$128.3 million.

The 930 firms manufacturing apparel have approximately 35,000 sewing machines. Capacity in the apparel industry is often underutilized, and productivity is low relative to that of some Far Eastern and U.S. producers. Single shifts in apparel plants are the general rule. It is estimated that a sewing machine operator in Colombia produces 19 to 24 garments in an 8-hour day compared with 23 to 30 in Far Eastern countries and 44 in the United States. ^{3/}

Trade in Textiles and Apparel

Imports, exports, and trade balance

Textile and apparel products accounted for 2.5 percent of the value of Colombia's imports and 5 percent of its exports in 1980. ^{4/} From 1976 to 1980, the value of textile and apparel imports increased 152 percent, with textiles accounting for most of this increase. Exports of these products, on the other hand, rose only 57 percent, with all of this increase contributed by apparel. Still, the total value of textile and apparel exports (\$204 million) was \$98.4 million higher than imports in 1980.

As shown in the following table, textiles accounted for 85 percent of the textile and apparel products imported into Colombia in 1980. Textile imports totaled \$90 million in that year.

^{1/} Textile World, World Textiles: 1981, January 1981, p. 92.

^{2/} Ibid., p. 94.

^{3/} David Moravetz, Why the Emperor's New Clothes Are Not Made In Colombia, Washington, January 1980, pp. 108-114 and p. 127.

^{4/} Data for 1980 are estimated.

Textiles and apparel: Imports into Colombia, by specified types, 1976, 1979, and 1980

(In thousands of dollars)

Type	1976	1979	1980
Textiles, total	33,245	67,213	1/ 90,065
Continuous manmade-fiber products	6,700	21,677	21,760
Discontinuous manmade-fiber products	12,468	21,274	19,824
All other	14,077	24,262	48,481
Apparel, total	8,628	13,249	1/ 15,633
Knitted or crocheted	433	4,763	2/
Woven	3,493	5,683	2/
All other	4,702	2,803	2/

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

2/ Not available.

Source: Departamento Administrativo Nacional de Estadística, Boletín Mensual de Estadística, June 1981; and, Departamento Administrativo Nacional de Estadística, Anuario de Comercio Exterior, 1976 and 1979.

Textile imports nearly tripled during 1976-80. Prior to 1980, most of this increase was attributed to manmade fiber products not manufactured in sufficient quantity by Colombian firms to meet the needs of domestic apparel manufacturers. Fibers were supplied principally by the United States and Peru, and yarns and fabrics were imported from the United States and Europe. From 1979 to 1980, however, a large increase occurred in textile imports other than of manmade fibers.

Apparel imports, while growing, still only totaled \$16 million in 1980. The United States is Colombia's principal supplier of these products.

Export trends

As seen in the following table, textile exports increased only 23 percent, from \$95 million to \$117 million during 1976-80. While exports of most major categories declined or remained unchanged from 1979 to 1980, the total value of textile exports increased in this period primarily because of expanded sales of cotton netting. Colombian exports of these products rose from \$2 million in 1979 to \$10 million in 1980.

Textiles and apparel: Exports from Colombia, by specified types, 1976, 1979, and 1980

(In thousands of dollars)

Type	1976	1979	1980
Textiles, total	94,926	98,234	1/ 117,000
Cotton yarn	31,112	32,710	29,491
Cotton fabric excluding pile and chenille	41,416	36,342	33,706
Pile and chenille fabrics	1,988	14,628	14,040
Coated and impregnated fabrics	4,608	7,958	7,985
All other	15,802	6,596	17,278
Apparel, total	34,749	96,636	2/ 101,620
Men's and boys' outerwear	19,579	59,135	53,866
Women's, girls', and infants' outerwear	7,690	26,056	23,789
All other	7,480	10,445	23,965

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

2/ Data is preliminary.

Source: Departamento Administrativo Nacional de Estadística, Boletín Mensual de Estadística, June 1981 and August 1981; and Departamento Administrativo Nacional de Estadística, Anuario de Comercio Exterior, 1976 and 1979.

Exports of apparel nearly tripled between 1976 and 1980, totaling \$102 million in the latter year. However, most of this increase occurred during 1976-79, when apparel exports grew on an average of 59 percent a year. These exports were only 5 percent higher in 1980 than in the preceding year, and estimates for 1981 place apparel exports at \$61 million, down 40 percent from 1980. 1/

The decline in Colombia's textile and apparel exports is attributed, to a considerable degree, to high prices and to inconsistent quality and deliveries. 2/ Without lowering production costs and improving performance in nonprice factors, Colombia may continue to find it difficult to compete in international markets in the next 5 years.

Principal exported products

Cotton products account for most of the textiles exported by Colombia. Overall, exports of cotton textiles other than pile and chenille fabrics declined during 1976-80. However, Colombia expanded exports of cotton pile, chenille, and plastic-coated fabrics during this period, as manufacturers took advantage of economies of scale in producing these specific fabrics. As seen in the preceding table, even exports of these speciality fabrics declined slightly in 1980 compared with 1979.

1/ Report from U.S. Embassy, Bogota, Nov. 17, 1981.

2/ David Morawetz, op. cit., pp. 195 and 196.

In 1980, approximately 56 percent of the apparel exports were made from cotton fiber, 42 percent of manmade fibers, and the remainder were made of wool. Knit garment exports totaled only \$2.4 million in 1980. Woven outerwear, such as trousers, coats, dresses, and blouses accounted for over three-fourths of the garments exported from Colombia. During 1976-80, cotton apparel exports rose 265 percent, and manmade fiber product exports rose 237 percent. Shipments of wool products decreased during this period.

Major markets

A major shift has occurred in Colombia's export markets, away from developed markets towards Venezuela and other Caribbean Basin countries. In fact, Venezuela recently replaced the United States as Colombia's major customer for textile and apparel products. In 1976, the United States accounted for 35 percent of Colombia's apparel exports, and Venezuela accounted for 33 percent. By 1979, however, Venezuela's share of garment exports increased to 67 percent, while the U.S. share decreased to 13 percent. In 1980, Venezuela accounted for 40 percent of Colombia's total textile and apparel exports, and the United States accounted for 18 percent.

Geographic proximity to Venezuela and the Caribbean islands, as well as similar sizing, labeling, standards of living, and taste, give Colombia a competitive edge in these markets. Consequently, Venezuela and the Caribbean countries have increased in importance as export markets for Colombia. While the general slowdown in the economies of these countries has contributed to the recent decline in Colombian apparel exports, Venezuela and the Caribbean Basin countries are expected to remain Colombia's most important textile and apparel export markets.

MFA constraints

Colombia's textile and apparel exports to the United States are regulated by a bilateral agreement negotiated under the Multifiber Arrangement. The current agreement is effective until June 30, 1982. The limitations under the agreement apply to exports of cotton, wool, and manmade fiber textiles and textile products. Although there is no overall aggregate limitation, the sum of the individual category limits during this period from July 1, 1980 to June 30, 1981, amounted to 134.1 million SYE. The products covered by this agreement are classified into three subgroups, as follows:

<u>Subgroups</u>	<u>Aggregate limit 1/ (In million of equivalent square yards)</u>	<u>Percentage filled</u>
Group I----Yarns of cotton, wool, and man-made fibers.	0	-
Group II---Fabric and made-up and miscellaneous nonapparel products of cotton, wool, and manmade fibers.	0	-
Group III--Apparel of cotton, wool, and manmade fiber.	42.4	16

1/ July 1, 1980, to June 30, 1981.

Within each subgroup, individual categories are subject to either specific limitations or to consultation levels which require discussions before levels can be exceeded. The specific limits and designated consultation levels in effect during the period from July 1, 1980, to June 30, 1981, are shown in table III-7, with the quantity of imports charged against each level. The aggregate limitation on apparel and all specific limitations can increase by 7 percent annually, except for wool categories, which are limited to a 1-percent annual increase. Any of the specific category limitations were allowed (within the specified group limit) to be exceeded by the following percentages: 10 percent for cotton and manmade-fiber yarn and fabric; 7 percent for cotton and manmade fiber apparel and miscellaneous manufactures; and 5 percent for all wool products. In addition, group or specific limits have generally been allowed further increases of 11 percent per year through carryover or carryforward.

Categories which were not given specific limitations or designated consultation levels were subject to consultation if exports exceeded 1.0 million SYE for each nonapparel category of cotton and manmade fibers, 700,000 SYE for each apparel category of cotton and manmade fibers, and 100,000 SYE for wool categories.

U.S. imports of Colombian textile and apparel products, based on SYE, decreased 38 percent from 1976 to 1981. U.S. imports of Colombian cotton products fell from 46.5 million to 28.0 million SYE, wool products fell from 1.5 million to 1.0 million, and manmade fiber products from 7.2 million to 5.4 million SYE. The value of the textile and apparel imports fluctuated during this period in response to changes in exchange rates and prices. In 1981, U.S. imports of textiles from Colombia totaled \$53 million, and apparel totaled \$30 million. 1/

Although U.S. imports of textile and apparel products from Colombia decreased in general, imports of cotton gingham and sheeting, men's and boys' sport coats, and women's blouses and suits increased during 1976-81. Colombia is a traditional exporter of these products and has been able to meet the needs of established buyers in these particular product areas.

1/ Data include imports under TSUS item 807.00.

Eighty percent of the apparel products imported into the United States from Colombia are entered under Tariff Schedules of the United States (TSUS) item 807, which provides for preferential tariff treatment on imports of articles assembled abroad from U.S. components. In this case, U.S. manufacturers send apparel parts to Colombia where they are sewn into finished apparel and reimported into the United States.

The Domestic Market

Licensing procedures and high tariffs virtually prohibit textile and apparel imports, except for the manmade fibers, yarns, and fabrics needed by the domestic industry. Consequently, the Colombian industry has been primarily the principal source of domestic supply.

The manmade fiber and wool product industries in Colombia are not highly developed. As a result, the range of fabrics and garments available is limited to primarily cotton fiber products of domestic origin. 1/ Since most Colombians live in tropical or temperate climates, there is little seasonal variation in garments and fashions are often dated. 2/

Colombian prices, however, have been rising rapidly. Despite modernization programs by the larger firms and traditionally low wage rates, Colombia's textile and apparel industries maintain a high worker-per-machine ratio and realize lower levels of productivity than in certain other competing countries. At the same time, general inflation (specifically the high cost of capital, increasing costs for fibers and intermediate goods, and wage hikes) has pushed up prices. The wholesale price index for textile products rose 140 percent, and the consumer price index for apparel increased 125 percent from 1976 to 1980, making Colombian products higher priced than equivalent imports. 3/ For example, garment manufacturers contend that Colombian fabrics are priced 40 to 100 percent higher than world market prices. 4/ As a result, illegal trade has become a growing problem since 1977. Industry sources contend that of 130 million square yards of fabric brought into Colombia in 1980, 90 percent entered illegally. It is estimated that illegal imports account for 40 percent of total Colombian textile consumption. 5/

To combat this surge in illegal goods, the Government announced that licenses would not be issued for textile and apparel imports. Also, the textile industry lowered prices 15 percent in October 1980 in an attempt to become more price competitive. A year later, however, two of three largest textile firms, Coltejer and Tejicondor, raised prices 12 percent. The third firm, Fabricato, did not raise prices. 6/

1/ Morawetz, op. cit., p. 156.

2/ Ibid., pp. 141 and 142.

3/ Banco de la Republica, op. cit., June 1981 and other issues.

4/ Textile World, World Textiles: 1981, January 1981, p. 92.

5/ Report from U.S. Embassy, Bogota, November 1981.

6/ Ibid.

Government Policy

The Colombian government continues to promote the growth of the textile and apparel industries, since a recession in these industries would adversely affect the Colombian economy by lessening demand for domestically produced products, substantially increasing unemployment, and lowering export earnings.

Textiles and apparel rank second, following food and beverage processing, in the manufacturing sector in terms of gross value of production, value added, and employment. ^{1/} However, the structure of the textile industry is extremely important. Four firms together account for about 90 percent of the domestic market. Coltejer employs more people in Colombia than any manufacturing firm, excluding companies in food processing. ^{2/} The concentration of textile and apparel plants in only two districts--Medellin and Bogota--adds to their economic and political importance.

Periodic currency devaluations and export incentives are the most important factors in the post 1970 rapid growth in apparel exports. On the other hand, import substitution policies and costly administrative procedures associated with export programs have helped push up costs and contributed to Colombia's current decrease in competitiveness. ^{3/}

Import policy

Colombia's import procedures are structured to protect the domestic industry. Import tariffs are high on processed goods which may compete with domestic products (10 to 100 percent on fabrics) and lower on basic goods not available in sufficient quantities and for which there are no domestically produced substitutes (10 to 35 percent on manmade fibers). Sales taxes ranging from 6 percent on most textile and apparel products to 35 percent on silk products are levied on the duty paid value of these imports. A 6.5-percent surcharge is also levied to finance export promotion programs. A tax of 1 percent is charged for Consular Invoice registration. Textile and apparel importers must deposit 35 percent of the value of the merchandise at the Central Bank. If payment terms are not met by the importer within 150 days, the Central Bank retains the advance payment deposit for 24 months.

Import licenses are required for 65 percent of Colombian tariff categories for textiles and apparel. Currently, import licenses are not being issued. ^{4/}

^{1/} Report from U.S. Embassy, Bogota, March 1979.

^{2/} Morawetz, op. cit., p. 126.

^{3/} Ibid., p. 194

^{4/} U.S. Department of Commerce, Foreign Regulations Affecting U.S. Textile/Apparel Exports, 1982, pp. 41 and 42.

Export promotion 1/

Key programs for export promotion are the Tax Rebate Certificate (CAT), the Plan Vallejo System (Drawback) and the Export Promotion Fund (Proexpo).

The CAT is intended to rebate to exporters indirect taxes levied in Colombia. Several factors are used to determine the percentage of the value rebated for a given product. Higher rebates are offered on labor-intensive products which are manufactured from domestically produced materials, which are produced in excess of local demand, and which are competitive in foreign markets. Rebates range from 1 to 12 percent. Generally, 10 percent is rebated on garments and cotton textiles, and 5 percent is rebated for manmade fiber products.

Under the Plan Vallejo System, materials imported exclusively for use in manufacturing articles destined for export are entered free of all import duties, taxes, or tariffs. Even under this plan, imports are approved only for products not produced domestically. The Plan Vallejo System contributed 22 percent of total garment shipments and 80 percent of the apparel destined for the United States in 1980. 2/

Besides the Plan Vallejo System, Colombia also established several Free Industrial Zones (FIZ). These zones are located near airports or seaports and are therefore readily accessible to overseas transportation. In addition, the government offers FIZ manufacturers a 15-percent bonus of f.o.b. value of Colombian value added in the form of certificates which can be sold on the stock market, redeemed at face value after 1 year from issue, or applied toward income tax payments. The cost of transporting labor and materials to these areas, however, at least partially offset possible benefits. Free Industrial Zones are located in Cali, Barranquilla, and Buenaventura.

PROEXPO (Export Promotion Fund) offers export promotion and investment and working capital credits at below market rates. Trade promotion programs include trade fairs, overseas commercial representation, and technical information such as quality control and market research. Medium-term investment loans to the textile and apparel industry increased over 500 percent in the past 5 years. Investment loans to the textile and apparel industries in 1980 totaled \$7.3 million (double the 1979 level) and accounted for 19 percent of total 1980 PROEXPO investment loans. Short-term working capital credits to the textile industry totaled \$4.6 million in 1980, representing 17 percent of the total of these credits financed by PROEXPO. Short-term working capital credits, which are a revolving account, are projected to account for 84 percent of PROEXPO's \$949 million 1982 budget.

In addition to the export promotion programs, the Government has recently promulgated a development plan, Plan de Integración Nacional (PIN), establishing national priorities for the 1980's. Under this plan, export promotion and investment credit programs were reaffirmed. The Government also announced several measures to restore Colombia's international

1/ U.S. Department of State, Evaluation of GOC Export Incentives, Sept. 15, 1981, unless otherwise footnoted.

2/ Textile World, World Textiles: 1981, p. 92.

competitiveness. To reduce costs, savings will be encouraged, thereby lowering interest rates on capital investments. Although overall import tariffs are not being liberalized, reductions are planned for certain types of new machinery and raw materials. Currency devaluations will also be used as a means of stabilizing inflation vis-a-vis other currencies.

Export Potential

Colombia's potential to expand exports of textiles and apparel in the next five years appears limited even though it enjoys certain comparative advantages in textile production and trade. Cotton fibers are readily available. Also, Colombia began to reorient its industries towards exporting about the same time buyers from developed countries began to look for alternate sources of textile and apparel products. 1/ As a result, some Colombian firms established contacts and gained experience in exporting to these competitive markets. Government programs, especially periodic currency devaluations and tax rebates, stimulated export sales. 2/ In particular, the Plan Vallejo allowed apparel exporters to import intermediate goods, especially manmade-fiber and woolen yarns and fabrics, in short supply in Colombia.

On the other hand, rising domestic costs and relatively low labor productivity have pushed up the price of Colombia's textile and apparel exports despite currency devaluations. Problems also have been encountered with quality control and reliable deliveries. Also, Colombian firms contend that possible benefits from the Plan Vallejo are at least particularly negated by costly delays encountered as a result of import and export procedures. 3/ Consequently, Colombia is not currently a major exporter of textile and apparel products outside the Caribbean Basin area. It contributes less than one percent of the total value of world textile and apparel exports and ranks 47th among the exporting nations. Colombia's relative importance remained virtually unchanged during 1976-80 as increased apparel exports were more than offset by decreases in textile exports. In 1980 and 1981, however, even apparel exports stagnated.

Non-price factors coupled with relatively high prices contributed to the decline in Colombia's exports to the United States of textile and apparel products. Some cotton fabrics such as gingham and sheeting are, and should continue to be, competitive in the United States. Also, a few Colombian firms which have long-term arrangements with U.S. buyers might remain successful in specific categories such as men's and boys' sport coats and women's blouses and suits because of the U.S. 807 provision. In general however, Colombian textile and apparel exports are not likely to improve their competitive position in U.S. markets in the next 5 years.

Geographic proximity, a cultural affinity, and similar climates and pricing structures, all contribute to Colombia's competitiveness in the

1/ Morawetz, op. cit., p. 68.

2/ Ibid., p. 194

3/ Report from U.S. Embassy, Bogota, Nov. 19, 1981.

Caribbean market. As a result, Colombia's textile and apparel exports to this region have increased. Although exports may fluctuate with economic conditions, the Caribbean Basin is likely to remain Colombia's major textile and apparel export market, and it should capture a significant share of any growth in textile and apparel consumption in these markets.

On the other hand, textile and apparel exports to Europe have been declining. In these markets, timeliness and quality control as well as price are important competitive factors and, without improvements in these areas, it will be difficult for Colombia to significantly improve its market share.

Table 111 1.-Textiles and apparel: Exports from Colombia, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three:	177	4	85	68			-97.740	-100.000
Other Asia:	202	4	83	2	3		-98.020	-100.000
Other:								
developing:	6,908	930	11,036	1,039	298	861	-86.537	-7.419 (1)
Socialist:	287		80				-100.000	
Developed:								
EEC:	17,016	35,737	30,686	26,864	37,061	46,664	110.020	30.576
Southern Europe:	744	252	167	54	82	760	68.817	227.586
Other Europe:	709	8,008	6,054	7,402	7,915	7,957	1029.478	657
United States:	10,969	19,350	14,475	25,268	22,159	20,348	76.406	5.158
Canada:	6,069	7,218	5,001	5,567	6,816	8,300	18.932	14.990
Japan:	3,454	6	6	9	30		99.826	-100.000
Other:	139	7	7	9	1	4	94.964	42.857
Apparel:								
Developing:								
Big Three:			0				(1)	(1)
Other Asia:	54	129	101		6		138.889	-100.000
Other:								
developing:	1,463	526	4,379	226	113	121	64.046	76.996
Socialist:								
Developed:								
EEC:	1,401	4,046	4,827	3,111	1,873	1,075	188.794	-73.431
Southern Europe:	18	52	20	1		283	188.889	444.231
Other Europe:	181	1,036	245	189	62	171	472.376	-83.494
United States:	15,157	26,245	23,865	31,547	36,658	26,720	73.154	1.810
Canada:	149	1,057	506	47	374	162	609.396	84.674
Japan:	31			6	66	2	-100.000	(1)
Other:	1	39	1	5	1	1	3800.000	-97.456
Textile & Apparel:								
Developing:								
Big Three:	177	4	85	68			-97.740	-100.000
Other Asia:	256	133	184	2	9		-48.047	-100.000
Other:								
developing:	8,371	1,456	15,415	1,265	411	982	82.607	-32.555 (1)
Socialist:	287		80				-100.000	

Table 111-1. Textiles and apparel: Exports from Colombia, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EFC.....	18,417	39,783	35,513	29,975	38,934	47,739	116.012	19.998
Southern Europe.....	762	284	187	35	82	1,043	-62.730	267.254
Other Europe:	890	9,044	6,299	7,791	7,977	8,128	916.180	-10.128
United States.....	26,126	45,595	38,340	56,815	58,817	47,068	74.520	3.231
Canada.....	6,218	8,275	5,507	5,614	7,190	8,462	33.081	2.260
Japan.....	3,485	6	6	15	96	2	-99.828	-66.667
Other.....	140	46	8	14	1	5	-67.143	89.130
Total.....	65,129	104,739	101,624	101,594	113,517	113,429	60.818	8.297

1/ Data or computation error.
Data not available.

Table 111.2. Textiles and apparel: Exports from Colombia, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textiles:					
United States.....	19,350	14,475	25,268	22,159	20,348
FR Germany.....	13,615	10,738	12,598	14,883	17,220
Italy.....	10,471	5,440	2,718	8,975	14,051
Canada.....	7,218	5,001	5,567	6,816	8,300
Finland.....	1,358	1,691	3,137	4,206	3,983
United Kingdom.....	3,053	6,015	5,799	4,055	3,419
France.....	3,636	3,561	1,638	3,417	4,758
Sueden.....	4,045	2,307	3,537	2,556	1,665
Netherlands.....	802	890	703	2,309	3,551
Belgium-Luxemb.....	2,309	1,696	1,730	1,344	2,169
Ireland.....	665	976	409	1,051	617
Denmark.....	1,180	1,370	1,269	1,027	878
Norway.....	1,064	1,087	581	649	1,596
Other.....	2,843	12,433	1,508	918	2,339
Total.....	71,609	67,680	66,462	74,365	84,894
Apparel:					
United States.....	26,245	23,865	31,547	36,658	26,720
Netherlands.....	2,715	3,172	1,712	865	413
FR Germany.....	776	1,348	1,282	702	501
Canada.....	1,057	506	47	374	162
Ireland.....	-	0	1	146	1
Brazil.....	12	48	100	106	-
Belgium-Luxemb.....	49	114	9	76	7
Japan.....	18	28	57	49	3
France.....	18	28	57	49	3
Sueden.....	913	234	160	34	62
Italy.....	25	114	11	17	10
Switzerland.....	111	9	9	15	17
Denmark.....	427	24	13	11	87
Other.....	782	4,482	184	99	552
Total.....	33,130	33,944	35,132	39,152	28,535
Textile & Apparel:					
United States.....	45,595	38,340	56,815	58,817	47,068
FR Germany.....	14,391	12,086	13,880	15,585	17,721
Italy.....	10,496	5,554	2,729	8,992	14,061
Canada.....	8,275	5,507	5,614	7,190	8,462
Finland.....	1,363	1,691	3,137	4,206	4,064
United Kingdom.....	3,089	6,042	5,825	4,062	3,472
France.....	3,654	3,589	1,695	3,466	4,761
Netherlands.....	3,517	4,062	2,415	3,174	3,964
Sueden.....	4,958	2,541	3,697	2,590	1,727

Table 111-2.--Textiles and apparel: Exports from Colombia, by principal markets, 1976-80--Continued

Market	1976	1977	1978	1979	1980
	<u>1,000 U.S. dollars</u>				
Textile & Apparel:					
Belgium-Luxemb.....	2,358	1,810	1,739	1,420	2,176
Ireland.....	665	976	410	1,197	618
Denmark.....	1,607	1,394	1,282	1,038	965
Norway.....	1,067	1,087	588	653	1,597
Other.....	3,704	16,945	1,768	1,127	2,773
Total.....	104,739	101,624	101,594	113,517	113,429

- Data not available.

Table III 3. Textiles and apparel: Exports from Colombia, by types, 1973 and 1976-80

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	0	-	-	-	-	-	-	-
Wool yarn...	69	70	165	20	8	13	1.449	-81.429
Cotton yarn...	15,575	25,175	25,987	28,287	29,566	36,551	61.637	45.188
Yarn of manmade fibers...	2,136	292	394	63	9	16	-86.330	-94.521
Other yarn...	526	0	168	15	-	-	-100.000	-
Grey cotton fabrics...	14,084	20,799	13,954	16,845	21,863	24,793	47.678	19.203
Finished cotton fabrics...	6,275	18,487	13,653	12,436	14,170	14,043	194.614	-24.039
Woven fabric of continuous manmade fibers...	1,338	13	341	58	2	-	-99.028	-
Woven fabric of disconti- nuous manmade fibers...	1,289	508	501	402	19	8	-60.590	-98.425
Pile fabrics of manmade fibers...	-	139	-	-	50	509	-	266.187
Woven fabrics of wool.....	541	1,593	1,561	504	280	225	194.455	-85.876
Woven fabrics of other fibers...	150	67	92	-	1	19	-55.333	-71.642
Knit fabrics	21	68	42	7	-	-	223.810	-
Other textile products...	3,922	4,179	10,352	7,712	8,148	8,385	6.553	100.646
Floor coverings	89	167	259	94	92	151	87.640	-9.581
Subtotal, textiles and floor coverings	46,015	71,557	67,469	66,443	74,208	84,713	55.508	18.385

Table III-3.--Textiles and apparel: Exports from Colombia, by types, 1973 and 1976-80--Continued

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit..	4,445	13,920	13,044	12,047	13,332	11,001	213.161	-20.970
WGI outer garments, not knit..	2,791	9,235	11,236	14,187	17,071	11,716	230.885	26.865
M&B under garments, not knit..	571	69	365	40	71	48	-87.916	-30.435
WGI under garments, not knit..	140	49	97	33	17	7	-85.000	-85.714
Accessories, not knit..	210	271	641	129	64	411	29.048	51.661
Gloves, knit	0	0	6	2	-	-	(1)	-
Stockings, etc., knit	186	100	56	47	59	15	-46.237	-85.000
Under garments, knit.....	739	2,543	2,182	2,619	1,862	533	244.114	-79.041
Outer garments, knit.....	7,666	5,054	2,996	3,023	3,000	2,765	-34.073	-45.291
Elastic fab. & art., knit.....	-	3	0	-	-	-	-	-
Subtotal, Apparel...	16,748	31,244	30,623	32,127	35,476	26,496	86.554	-15.197
Total.....	62,763	102,801	98,092	98,570	109,684	111,209	63.792	8.179

1/ Data or computation error.

- Data not available.

Table 111-4. Cotton textiles: U.S. Imports from Colombia, by MFA categories, 1976-81

Category	Description	(In equivalent square yards)					
		1976	1977	1978	1979	1980	1981
100	Carded yarn	7,812,551	2,566,012	9,762,493	1,902,182	10,667	323,091
101	Combed yarn	1,509,315	515,412	7,664,258	878,000	0	661,858
110	Glucose	1,293,315	1,315,406	1,365,064	1,099,119	2,561,868	3,807,436
111	Velvet	0	0	50,673	47,870	0	0
112	Conduyt	1,406,307	423,706	536,602	1,759,718	358	4,311
113	Sheeting	6,117,161	4,425,308	7,273,563	4,097,852	7,795,684	8,431,515
114	Poplin and broadcloth	1,257,678	646,889	917,748	1,759,013	621,474	703,829
115	Printed cloth	1,528,068	152,777	2,102,328	505,210	0	0
116	Sheeting	471,979	0	0	0	0	0
117	Twill and sateen	10,930,148	8,044,316	10,278,171	8,218,818	6,946,267	7,914,625
118	Yarn dyed fabric, n.e.s.	984,101	169,547	81,548	238,819	129,658	0
119	Duck	803,691	81,096	16,563	0	35,430	0
120	Woven fabrics, n.e.s.	9,259,373	8,627,619	13,269,339	6,065,180	6,663,057	4,655,774
130	Handkerchiefs	0	0	0	0	180,387	310,512
132	Hosiery	2,157	984	193	0	308	0
133	Suit type coats, men and boys	31,313	19,946	64,617	34,245	3,186	4,379
134	Other coats, men and boys	25,565	4,461	15,777	37,583	0	454
135	Coats, women, girls, and infants	584,146	332,259	175,691	66,534	86,359	111,627
136	Dresses	283,851	188,721	116,691	139,207	107,816	317,598
137	Play suits	26,600	8,300	5,300	26,750	8,975	0
138	Knit shirts, men and boys	43,776	79	590	0	0	0
139	Knit shirts and blouses, women, girls, and infants	25,150	34,012	31,789	14,775	18,569	1,519
140	Shirts, not knit, men and boys	6,672	22,056	5,496	8,328	25,512	0
141	Blouses, not knit, women, girls, and infants	83,651	85,914	150,771	207,408	198,738	241,641
142	Shirts	66,305	45,069	11,962	3,720	10,680	16,447
145	Socks	23,736	296	0	1,860	0	0
147	Trousers, men and boys	198,345	97,492	51,246	76,486	77,157	67,622
148	Trousers, women, girls, and infants	442,864	283,946	46,067	97,259	16,131	26,896
149	Brassieres	0	240	0	0	0	0
150	Decating goods	40,596	224,094	434,571	241,638	54,672	357
151	Hight wear	4,992	4,420	780	2,600	0	104
152	Underwear	18,271	5,665	352	8,250	20,482	5,181
159	Other apparel	90,571	142,301	92,897	65,307	46,635	49,528
160	Flanneaux	270	440	307	495	0	0
161	Sheets	10,354	3,274	5,413	0	446	0
162	Bedspreads and quilts	1,415	0	1,056	0	0	0
163	Terry and other pile towels	598	0	20,262	10,200	91,136	37,715
169	Other manufactures	1,076,608	552,821	430,094	266,644	224,715	258,295
Total		46,481,497	29,034,994	54,980,254	28,631,060	21,911,749	27,954,445

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

Table 111-5.--Wool textiles: U.S. imports from Colombia, by MFA categories, 1976-81

Commodity	Description	(In equivalent square yards)					
		1976	1977	1978	1979	1980	1981
400 : Wool tops and yarn		24,796	8,878	3,086	0	0	0
410 : Monclens and suitings		322,755	282,229	70,103	778	83	610
411 : Tapestries and upholstery		16,258	21,566	27,821	24,209	27,021	19,934
412 : Gloves		0	0	0	0	0	69
413 : Hosiery		104	0	0	0	0	0
414 : Suit-type coats, men and boys		108,612	44,676	53,100	127,796	81,900	109,980
415 : Other coats, men and boys		4,374	15,012	270	7,668	702	216
416 : Coats, women, girls, and infants		201,112	115,364	50,652	14,756	116,008	122,380
417 : Dresses		246	0	0	0	0	541
418 : Knit skirts and blouses		2,640	405	0	480	315	555
419 : Skirts and blouses, not knit		3,432	6,192	1,680	22,872	0	0
422 : Skirts		7,182	6,174	2,754	4,284	51,012	53,136
423 : Suits, men and boys		579,042	439,790	412,128	404,676	242,730	186,154
424 : Suits, women, girls, and infants		18,306	62,708	190,566	149,850	97,740	238,194
425 : Sweaters, men and boys		1,012	45	0	30	640	208
426 : Sweaters, women, girls, and infants		2,946	4,658	1,354	476	655	894
447 : Trousers, men and boys		26,910	6,426	3,546	10,422	5,112	9,196
448 : Trousers, women, girls, and infants		25,002	20,970	1,962	0	0	13,462
449 : Other apparel		72,990	138,852	12,966	15,770	19,538	50,154
444 : Blankets		709	732	670	70	288	161
445 : Floor coverings		883	793	1,117	15	161	140
449 : Other manufactures		24,470	32,354	21,810	29,096	11,322	10,956
Total		1,443,981	1,206,804	855,885	812,548	875,229	1,037,540

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

Table 111-6.--Manmade-fiber textiles: U.S. Imports from Colombia, by MFA categories, 1976-81

Category	Description	(In equivalent square yards)					
		1976	1977	1978	1979	1980	1981
600 : Textured yarn		0	0	3,087	0	928	0
602 : Continuous noncellulosic yarn		0	0	0	0	0	53,615
604 : Noncontinuous noncellulosic yarn		0	28,118	0	0	17,720	0
605 : Other yarns		0	43,033	27,101	704	0	0
612 : Continuous noncellulosic woven							
614 : Fabrics		0	0	204	500	0	0
614 : Woven fabrics, n.e.s.		187,110	163,652	139,641	0	0	0
625 : Knit fabric		0	390	0	0	0	0
627 : Manmade fabric, specialty		0	0	0	0	22,074	59,639
631 : Gloves		0	0	0	0	0	245
632 : Hosiery		143,631	61,093	34,017	57,104	16,054	67,086
633 : Suit-type coats, men and boys		575,471	745,358	1,116,117	1,127,848	1,277,028	1,563,333
634 : Other coats, men and boys		1,685,519	599,429	499,235	474,372	382,149	352,619
635 : Coats, women, girls, and infants		645,559	696,153	456,718	1,067,564	385,948	550,240
636 : Dresses		344,053	469,672	480,362	515,650	162,853	204,348
637 : Playsuits		1,491	5,751	2,258	20,405	68,948	383
638 : Knit shirts, men and boys		696,618	352,278	354,204	114,984	9,900	756
639 : Knit shirts and blouses, women, girls, and infants		1,241,715	386,670	365,505	339,615	129,375	2,685
640 : Shirts, not knit, men and boys		24,456	0	8,064	4,128	9,552	0
641 : Blouses, not knit, women, girls, and infants		730,018	1,201,558	1,828,365	1,869,762	1,176,720	1,647,665
642 : Skirts		35,849	8,936	1,210	60,911	71	4,610
643 : Suits, men and boys		91,908	69,390	39,636	121,878	37,206	17,280
644 : Suits, women, girls, and infants		83,268	199,044	523,854	492,750	575,424	756,000
645 : Socklets, men and boys		0	0	0	0	0	810
646 : Socklets, women, girls, and infants		258	5,520	2,981	0	37	1,546
647 : Trousers, men and boys		79,780	65,059	13,492	4,290	2,866	4,307
648 : Trousers, women, girls, and infants		123,888	135,760	209,274	198,649	36,704	46,992
649 : Briefs		24,490	5,558	254	0	3,216	0
650 : Dressing gowns		3,315	166,921	480,522	689,775	135,048	51
651 : Nightwear		7,592	0	17,212	15,236	0	0
652 : Underwear		56,736	51,904	72,848	60,736	37,040	0
659 : Other apparel		543,478	648,890	214,880	102,180	50,919	25,505
665 : Floor coverings		9	142	0	4	6	0
666 : Other furnishings		36,636	578,361	986,661	535,759	191,892	52,643
669 : Other manufactures		18,642	4,561	0	0	0	0
Total		7,181,490	6,493,225	7,897,742	7,874,804	4,931,578	5,412,358

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

Table III-7.--United States/Colombia bilateral agreement: Limits by MFA category, with shipments charged, 1980--Continued

MFA category No.	Type of limit	Description	Units	Limit-- action	Shipments charged	Percentage filled
				---1,000 units---		
Group I--						
Continued						
459	Designated consultation.	Other wool apparel----	Doz	75	25	2/
634	-----do-----	Other manmade-fiber coats, men's and boys'.	Doz	48	9	18
635	-----do-----	Manmade-fiber coats, women's, girls', and infants'.	Doz	46	12	25
636	-----do-----	Manmade-fiber shirts and blouses, women's, girls', and infants'.	Doz	35	4	12
639	-----do-----	Knit manmade-fiber shirts and blouses.	Doz	200	1	2/
644	-----do-----	Manmade-fiber suits, women's, girls', and infants'.	Doz	27	13	47
652	-----do-----	Manmade-fiber underwear.	Doz	100	1	1

1/ Adjusted upward.

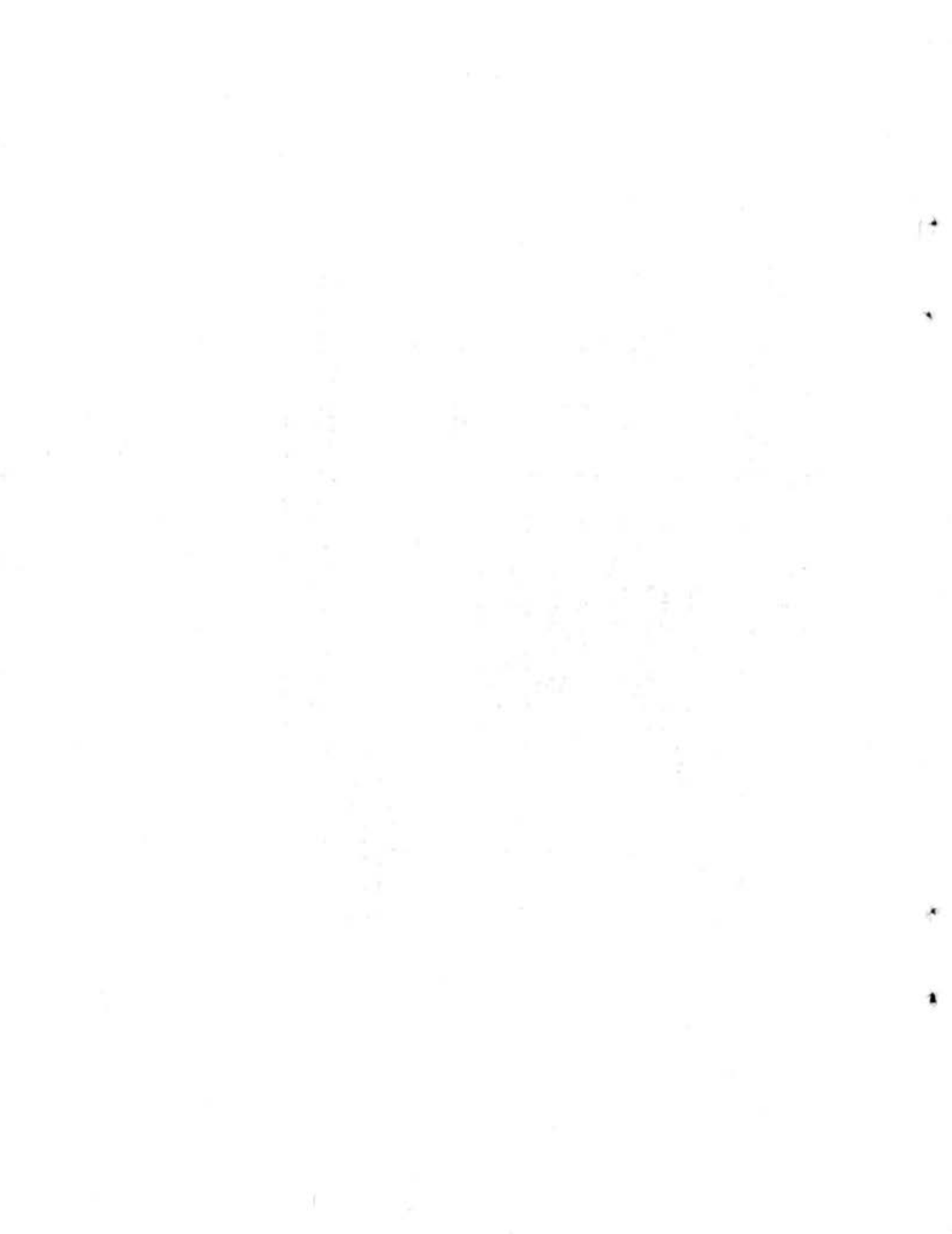
2/ Less than 500 units.

3/ Less than 0.5 percent.

4/ Adjusted downward.

Note.--Table shows only specific levels and designated consultation levels. All other cotton, wool, and manmade fiber categories are subject to minimum consultations as described in the text.

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



IV. INDIA

Country Profile

India, with an area of 1,269,420 square miles, occupies 2.4 percent of the world's land area and, with 667 million people, has 15 percent of its population. It has a large pool of skilled manpower. Industrial production has been increasing in recent years and has been geared toward industries such as heavy engineering, iron and steel, chemicals, and electronics. Despite this industrial development, unemployment and underemployment problems continue to worsen. Agriculture is important and is the mainstay of 74 percent of the population. The total land irrigated exceeds any country in the world except China. Exports have increased in recent years with some new industrial products, such as engineering goods, becoming leading foreign-exchange earners. Officially known as the Republic of India, the nation is a "sovereign socialist secular democratic republic" with an elected President, a parliament, and a judiciary. 1/

Geography, demography, and resources

India's topography can be divided into: (1) the sparsely populated Himalaya Mountains with the highest points in India reaching over 25,000 feet; (2) The heavily populated Gangetic Plain, a well watered and fertile area in the North through which runs the most sacred river of India, the Ganges; and (3) the Deccan Peninsula, consisting chiefly of a broad plateau generally of moderate elevation. The climate is temperate in the North, but tropical in the South. Annual rainfall ranges from 400 inches in the Assam Hills of the Northeast to less than 5 inches in the Rajasthan Desert of the Northwest.

About one-half of the land is arable and chiefly used to grow foodgrains. Rice is grown wherever the land is level and water is plentiful; other grains are millet, wheat, and barley. Cotton and jute are the principal nonfood crops. About 1 percent of the land is used for plantation crops such as tea, rubber, and coffee. About 4 percent of the land is used as permanent meadows and pastures to graze cattle, sheep, goats, buffaloes, and camels. Almost 20 percent of the land is retained as forests and woodlands, used chiefly for the production of timber or for the protection of the water supply. The remainder of the land, about 25 percent, consists chiefly of waste land (mainly in the deserts and the mountains), inland waters, and urban and industrial landscapes.

India has the fourth largest coal reserves in the world, large iron ore reserves, and substantial supplies of bauxite, titanium, manganese, rare

1/ U.S. Department of State, Background Notes: India, May 1978.

metals, and mica. Less than one-half of the annual crude oil consumption of 22 million metric tons is produced locally. By 1980, almost one-half of all the villages in India had electricity furnished by 93 hydroelectric stations and five nuclear power plants. ^{1/}

The Federal or local governments own and control all transportation systems within the country. India's railway system is the largest in Asia and the fourth largest in the world and covers almost 40,000 miles. Roads total almost 1 million miles, over one-third of which are paved. Navigable inland waterways amount to 12,000 miles; about 20 percent of the total is furnished by the rivers, especially the Ganges and the Brahmaputra and their tributaries, and the remainder by canals. The air transport industry in India was nationalized in 1953 and consists of an international air line, four international airports, and a domestic corporation which also serves adjacent countries. India has the 16th largest merchant fleet in the world. The major ports are Bombay, Calcutta, Cochin, Kandla, Madras, Mangalore, Mormugao, Pradip, Tuticorin, and Vishakhapatnam.

The annual population growth rate is about 2 percent. Education up to 9 years is compulsory throughout India, but most States also require elementary education up to 14 years. The literacy rate in 1972 was 34 percent. Life expectancy is an estimated 51 years. The labor force totals about 232 million, of which 32 percent is female. Agriculture (farming, hunting, forestry, and fishing) employs 74 percent of the work force, industry employs 11 percent, and service industry (Government, tourism, finance) accounts for most of the remaining 15 percent. Hindi and English, especially for Government and trade activities, are the languages most used. ^{2/}

The economy

The gross national product (GNP) grew an estimated 1 percent in real terms from 1979 to 1980. Agriculture, forestry, fishing, and mining accounted for about 40 percent of the GNP, transport and other services (including Government and finance), 37 percent, and manufacturing, construction, and utilities, 23 percent.

Total revenue received by the Government was estimated at \$20.2 billion in fiscal year 1980. ^{3/} Of this total, the largest source was excise duties totaling an estimated \$7.2 billion in 1980. Customs duties furnished an estimated \$3.2 billion, interest receipts, \$2.1 billion, corporation tax, \$1.3 billion, and income tax, \$1.8 billion. Most of the remaining \$1.6 billion was from property taxes and dividends and profits from Government-owned operations. The Government operated at a deficit in 1980 and increased its estimated public debt to over \$15 billion. ^{4/}

The Government's role in industrial operations has grown over the past two decades, mainly through new investment rather than nationalization of

^{1/} The Europa Year Book 1981: A World Survey, London, vol. 27, 1981, pp. 1-11.

^{2/} The Europa Year Book, p. 1-71.

^{3/} April 1980-March 1981.

^{4/} The Europa Year Book, p. 1-33.

existing enterprises. Certain industries are operated as Government monopolies (armaments, atomic energy, railways, and so forth) and the Government is heavily involved in many other industries such as iron and steel, heavy electrical equipment, mining, shipbuilding, and generation of electricity. Most of the textile and apparel industry, however, is privately owned.

Agriculture, forestry, fishing, and mining collectively is the largest contributor to India's GNP. Agricultural commodities account for about 20 percent of the value of Indian exports; tea alone supplies 40 percent of the agricultural exports and is the chief earner of foreign currency in agriculture, but jute is also an important foreign exchange earner. Mining is chiefly for coal, zinc, copper, limestone, iron ore, and lead, but only iron ore is exported in substantial quantities.

Cotton, a principal commercial crop, is produced on about 5 percent of the cultivated land. Most is grown in the western part of the country, and about 28 percent of the total cotton acreage is irrigated. Cotton production increased from 5.8 million bales in the 1976/77 crop years 1/ to 7.6 million bales in 1980/81. 2/ Production in 1981/82 is estimated at about 7.8 million bales. Government projections place cotton production in 1984/85 at 9.8 million bales.

India's yield per acre is the lowest among major cotton producers, averaging only slightly more than 150 pounds per acre in recent years. The Government is sponsoring programs to increase yields, especially by greater use of irrigation and improved varieties of cotton, and intends to maintain self-sufficiency in cotton supplies. India has increased output of long staple cotton, which at one time constituted the bulk of imports, and almost no imports have occurred in recent years.

India ranks among the first 10 industrial nations in the world, and yet manufacturing employs only 1 in 10 of the country's workers and is a low contributor to the GNP. Industrial growth from 1979 to 1980, estimated to have been 3 percent, was due chiefly to increases in production of electronics, automobile accessories, light motor vehicles, machine tools, tractors, paper and paperboard, cotton textiles, and railway freight cars. The leading manufactured products in 1979 include petroleum products at 29 million tons, cement at 21 million tons, and refined sugar at about 9 million tons; finished steel products totaled 8 million tons in 1977. 3/

Foreign investment is encouraged by a tax holiday on income up to 6 percent on capital invested for 5 years. There are special depreciation allowances and customs and excise concessions for industries that export their products.

1/ September through August.

2/ Indian Government data as reported by the U.S. Department of Agriculture.

3/ The Europa Year Book, p. 482.

Foreign trade

Both exports and imports of merchandise increased in value each year during 1976-81, but imports grew much more rapidly than exports. Exports increased from \$5.8 billion in FY 1976/77 ^{1/} to about \$9.0 billion in 1980/81, and imports rose from \$6.0 billion to \$15.6 billion. The resulting trade deficit increased from \$0.2 billion in 1976/77 to \$6.2 billion in FY 1980/81.

Imports of petroleum have increased rapidly in value, from about \$1.6 billion in 1976/77 to an estimated \$4.0 billion in 1979/80, and now account for more than one-third of total imports. Other major imported products are machinery, fertilizers, and edible vegetable oils.

Manufactured goods account for over one-half of total exports, having increased from nearly 50 percent in 1976/77 to 53 percent in 1979/80. Textile products and apparel account for nearly one-fourth of manufactured goods exported, but their share has declined slightly since 1976/77. Agricultural products, including tea, have accounted for 21 to 26 percent of total exports during this period. Crude materials, such as metal ores, and miscellaneous products account for the remainder.

India's major trading partners include the United States, Japan, the U.S.S.R., countries of Western Europe and recently the Middle Eastern countries. Imports from the Middle East have increased substantially because of imported petroleum products. The following table shows the value of trade with major trading partners during 1976-79.

^{1/} Fiscal years in India run from Apr. 1, through Mar. 31.

India: Major trading partners and value of trade, 1976-79

(In millions of dollars)

Transaction and partner	1976	1977	1978	1979
Exports:				
United States-----	637	791	937	1,002
Japan-----	609	591	728	823
U.S.S.R-----	508	767	500	800
United Kingdom-----	583	613	647	586
West Germany-----	257	286	384	452
Middle East-----	867	880	915	1,023
Others-----	2,292	2,387	2,865	3,272
Total-----	5,753	6,315	6,976	7,958
Imports:				
United States-----	1,178	883	925	1,077
Japan-----	333	499	688	756
U.S.S.R-----	354	521	572	902
United Kingdom-----	410	538	690	822
West Germany-----	354	648	763	798
Middle East-----	1,486	1,571	1,726	2,961
Others-----	1,561	2,371	2,908	3,441
Total-----	5,676	7,031	8,270	10,757

Source: Compiled from official annual and monthly data of the Government of India.

The Textile and Apparel Industries

Structure

The textile industry in India differs from that in many other countries in that local cottage-type manufacture ^{1/} is more important than in most countries. The two segments of the industry are known as the organized mill sector and the decentralized sector, with the decentralized sector encompassing both powerloom and handloom producers. Official Government policy favors the decentralized sector because of its large employment. It is estimated that over 10 million people make their livelihood in the decentralized sector, including the production of "Khadi" cloth, made in the home on handlooms. Although small quantities of handspun yarns are produced, most of the decentralized sector today is engaged in weaving fabrics from yarns supplied by the mill sector. The organized mill sector employs about 1.2 million workers and produces about 40 percent of the total output of textile fabrics. The decentralized sector has increased its share of total output of textile fabrics since 1970 from 53 percent to 60 percent. ^{2/}

^{1/} Small producers scattered throughout the country, usually employing fewer than a dozen employees (often family members) and operating no more than five or six looms.

^{2/} GATT Textiles Committee, COMTEX 21, p. 100, and International Cotton Advisory Committee, Cotton-World Statistics (Quarterly), January 1982.

Mill consumption of cotton in India in 1980 totaled about 1.5 billion tons (about 6 million 500-lb. bales) and accounted for about three-fourths of total fiber consumption. Domestically grown cotton supplied practically all the mill consumption, whereas in the 1960's and early 1970's, imports often supplied 10 percent or more of total consumption. Wool and silk are both produced and consumed in significant quantities. Annual wool consumption amounts to about 44,000 tons, of which about 16,000 tons is imported. Silk consumption is about 4,000 metric tons annually, much of which is woven into fabrics on handlooms for the export market.

The consumption of manmade fibers and the output of manmade-fiber fabric fluctuates with the availability and price of fibers. Consumption of manmade fibers reached its highest level during FY 1977 and FY 1978 when there was a shortage of raw cotton. Manmade fibers accounted for nearly 15 percent of total fiber consumption in those 2 years. Manmade fiber consumption has since declined but remains above the 1976 level of about 440 million pounds. In September 1981, a contract was announced between an agency of the Indian Government and DuPont to construct an \$80-million petrochemical complex, including a plant with capacity for producing 30,000 metric tons per year of polyester staple fiber. This will nearly double India's present capacity of about 35,000 metric tons. India's imports of manmade fiber have been small because of restrictive import policies but have increased recently following policy changes. U.S. exports to India are mainly composed of filament yarns.

The apparel industry as an organized activity in India came into existence during World War II to meet the need for uniforms; subsequently, their operations changed over to making apparel for the civilian market. It remained essentially a cottage industry, however, until the late 1960's, when a number of medium- and large-scale factories were set up. The organization of larger firms came about as a result of expanding international trade and Government policies which encouraged apparel exports.

There are an estimated 1,500 to 2,000 organized apparel producers in India and some 500,000 persons engaged in making apparel. Probably only about 600 producers have significant employment outside of family members, and most operate from 11 to 100 machines. One sample of producers showed the following distribution according to size: 1/

Number of machines	Distribution of units	
	Number	Percent of total
10 or less-----	26 :	8.5
11-50-----	137 :	45.1
51-100-----	73 :	24.0
101-500-----	60 :	19.8
501 or more-----	8 :	2.6
Total-----	304 :	100.0

1 Fortnightly Journal of Industry and Commerce, New Delhi, August 1980.

According to information in Indian trade journals, a unit with a capacity of 500 garments per shift, at a level of technology in common use, could provide 120 work places with an investment in machinery of about \$375.00 per work place. A cottage industry producer would have an investment per work station of less than one-half this amount with a pedal-operated sewing machine costing only about \$100.00.

A few larger producers handle most of the export business. In general, the types of apparel produced for the domestic market are not the types sold in the export trade. The manufacture and export of garments tends to be divided into two segments--products made from handloom fabrics and those of mill-made fabrics. A substantial amount of knit apparel is also produced, especially wool outerwear and cotton or manmade fiber hosiery. Much of the apparel consumed domestically is made in the home.

Production and capacity

The organized cotton textile industry in India had total shipments of approximately \$250 million in 1980, representing a significant increase over 1979 shipments of about \$200 million. ^{1/} Production of yarns and fabrics in recent years by the organized mill sector and the decentralized sector are shown in the following table. Output of spun yarn increased from 2.5 billion pounds in 1976 to 2.8 billion pounds in 1980 with all-cotton yarns accounting for 88 percent of the total in 1976 and 82 percent in 1980. Total fabric production increased from about 11.4 billion square yards in 1976 to 13.0 billion square yards in 1980. Output of cotton fabrics in 1980 was about equal to that in 1976; output in the decentralized sector had increased, but output in the centralized mill sector decreased. Production increased in fabrics of both manmade-fiber staple and of continuous filament yarns. Most fabrics made in India of continuous filament manmade fiber yarns are known as "artificial silk," and most are made in the decentralized sector.

^{1/} Report from U.S. Embassy, New Delhi, May 1981.

India: Production of yarn and fabrics, 1976-80

Fiber	1976	1977	1978	1979	1980
	Yarn (million pounds)				
Cotton-----	2,213	1,861	2,006	2,094	2,330
Manmade staple or blends-----	308	607	722	524	501
Total-----	2,521	2,468	2,728	2,618	2,831
	Fabrics: Mill sector (million square yards)				
Cotton-----	4,636	3,861	3,889	3,833	4,148
Manmade staple or blends-----	416	1,076	1,176	1,134	832
Total-----	5,052	4,937	5,065	4,967	4,980
	Fabrics: Decentralized sector (millions square yards)				
Cotton-----	4,860	4,399	4,872	5,174	1/ 5,322
Manmade staple or blends-----	303	678	915	874	897
Total-----	5,163	5,077	5,787	6,485	1/ 6,219
	Fabrics: Continuous manmade (million square yards)				
Total-----	1,180	1,387	1,594	1,698	1/ 1,794
	Fabrics: Total (million of square yards)				
Cotton-----	9,467	7,904	8,762	9,007	1/ 9,470
Manmade staple or blends-----	1,809	3,142	3,685	3,706	1/ 3,523
Total-----	11,395	11,046	12,447	12,713	1/ 12,993

1/ Preliminary.

Source: Handbook of Statistics on Cotton Textile Industry, The Indian Cotton Mills Federation, Bombay.

The importance of the decentralized sector is illustrated by the fact that it accounted for over 60 percent of the total output of fabrics in India in 1980. The quantity of cotton fabrics produced in this sector slightly exceeded total U.S. output of cotton fabrics in that year.

After a sharp reduction in the number of spinning mills and installed spindles from 1975 to 1976, the capacity to produce spun cotton yarn has increased slowly but steadily as shown in the table below. As noted earlier, much of the yarn produced on the more than 20 million spindles in the organized mill sector is used in the decentralized sector. In contrast to the

growth in spindles, the number of looms in the organized mill sector has remained almost stable since 1975, partly as a result of Government controls on expansion. Productive capacity, however, has increased as a result of the installation of new looms or modifications of old looms.

Growth of the Indian cotton mill industry 1975-80

Year	Mills			Looms	Spindles
	Spinning	Composite	Total	installed	installed
	mills	mills			
	Number			1,000 units	
1975-----	410	288	698	207	19,363
1976-----	338	289	627	208	19,890
1977-----	347	290	637	208	19,679
1978-----	357	291	648	207	20,085
1979-----	370	291	661	206	20,509
1980-----	400	291	691	208	21,076

Source: Textile Commissioner's Office, Bombay.

There is considerable potential for further modernization in the organized weaving mill sector, since only about one-fourth of the 208,000 installed looms are automatic types. In the decentralized sector, it is estimated that about 3.8 million handlooms and 400,000 power looms are in use. As many as 7 million to 8 million people may be engaged in weaving cloth on hand-looms, but output averages only about 400 to 500 yards per person annually. ^{1/} In the part of the decentralized sector using power looms, a greater production is achieved with fewer than one-third the number of workers, but output per worker is still far below that of the organized mill sector. Output in the organized weaving mill sector probably averages about 5,000 square yards per worker annually. In U.S. cotton weaving mills, output averaged about 50,000 square yards per worker in 1980.

In manmade fiber textiles, there are about 170,000 power looms and 850 warp knitting and rasher knitting machines making fabrics. Only 18,000 of the weaving looms are in the organized mill sector but nearly all fiber and yarn manufacture is done in the organized sector.

Production of manmade-fiber staple reached 264 million pounds in 1979 but declined to 233 million in 1980. Staple fiber production is mainly rayon and polyester; filament yarn production, amounting to 158 million pounds, is mainly rayon and nylon. An additional 55 million pounds of high tenacity rayon and nylon is produced.

Estimated production capacities as of March 1981 for manmade fibers is shown in the following tabulation: ^{2/}

^{1/} Kothari's Economic and Industrial Guide of India, 1980-81, Madras, India.
^{2/} Report from U.S. Embassy, New Delhi, May 1981.

	<u>Staple</u>	<u>Filament</u>
	<u>Million pounds</u>	
Cellulosic:		
Viscose-----	233.2	96.4
High-tenacity rayon----	0	44.2
Acetate-----	17.6	7.0
Non-cellulosic:		
Polyester-----	25.5	26.4
Nylon-6-----	0	50.4
Acrylic-----	35.2	0
High-tenacity nylon----	0	24.4
Polynosic-----	15.4	0
Polypropylene-----	0	9.5

The wool segment of the textile industry is small compared with the other segments. There are only about 5,000 powerlooms and 400,000 spindles (including woollen, worsted, and shoddy) in the organized mill sector. A sizable decentralized sector is engaged in knitting, weaving, spinning hand knitting yarns, and making blankets and handmade carpets. The major item produced for export is carpets, but exports of knit apparel have increased sharply.

An estimated 187,000 handlooms and 8,000 powerlooms are engaged in pure silk weaving and produce approximately 89 million square yards of silk fabrics, including spun silk, each year.

Employment

The number of people employed in various segments of the textile industry of India in 1981 was approximately as follows: 1/

<u>Industry segment</u>	<u>Employment</u> <u>(millions)</u>
Cotton-----	12.0
Mill sector (spinning and weaving)----	1.2
Decentralized sector-----	10.4
Kahdi and handlooms-----	8.0
Powerlooms-----	2.4
Manmade fibers-----	1/
Wool (including decentralized sector)----	.4

1/ Separate data not available; employment on spinning and weaving manmade fibers is included in employment reported for the cotton sector.

Very little exact data are available on the number employed in segments of the decentralized sector producing cotton, manmade-fiber, or wool products. Many of the workers in the wool sector are engaged in producing handmade carpets and rugs. In the decentralized cotton sector, about 1 million workers are engaged in producing "Kahdi," a term for fabrics made of hand spun yarn.

The total number of workers on the rolls of the organized mill sector in India has increased slowly since 1973, from 1.02 million to 1.15 million in 1979. The increase occurred mainly in spinning and preparatory operations; employment in weaving was almost the same in 1979 as in 1973. The average number of workers actually employed has been about 20 percent below the total number on the rolls in recent years. Of the 862,000 workers employed in the mill sector in 1979, 328,000 were in spinning and related operations, 267,000 in weaving, 100,000 in processing and finishing and 167,000 in management, miscellaneous staff, and other activities. ^{1/} Only about 6 percent of the mill employees in India are women, in contrast to most other countries, including the United States (where nearly one-half of the employees in cotton spinning and weaving mills are women). Over 45 percent of the workers are in the first shift, but the proportion working the third shift has increased slightly, from 19.5 to 22.2 percent.

The table below shows annual employment data for the organized cotton mill sector during 1972-80:

Labor on rolls and actual employment in cotton mills
in India, 1972-79

(In thousands)

Year	Average number of persons on the books of the mills			Average number of workers actually employed			Total
	Men	Women	Total	1st	2d	3d	
				shift	shift	shift	
1972-----	926	42	968	377	236	149	762
1973-----	979	42	1,021	387	237	160	784
1974-----	984	43	1,027	384	236	167	787
1975-----	988	42	1,030	380	236	164	780
1976-----	989	41	1,030	370	230	160	760
1977-----	1,020	41	1,061	400	245	172	817
1978-----	1,056	41	1,097	410	252	180	842
1979-----	1,088	60	1,148	416	254	192	862

Source: Annual Statistics Bulletin, Southern India Mills Association, Bombay.

^{1/} Southern India Mills Association, Annual Statistics Bulletin, Bombay, 1981.

In 1980, the minimum monthly earnings of a textile mill worker in Bombay, India, was reported to be about 550 rupees per month, equivalent to about \$70 per month, or 35¢ per hour. In the United States, average hourly earnings in 1980 were over \$5.00 for textile mill workers.

The following table shows minimum monthly earnings of the lowest-paid workers in cotton textile mills in Bombay for a standard month of 26 working days, for the following selected years.

<u>Year</u>	<u>Lowest monthly earnings</u>
1971-----	\$33.24
1975-----	51.34
1976-----	46.50
1977-----	47.75
1978-----	50.70
1979-----	61.71
1980-----	67.90

Monthly earnings shown above include the minimum basic wage, cost of living increases, and special incentive allowances. The lowest paid workers are ones who are not receiving increments for length of service.

Plants and equipment

As described earlier, the Indian textile industry is one of the largest in the world in terms of number of spindles and looms. Producing units range from large centralized mills to rural hand or powerloom operations. Most yarn is spun in the centralized mill sector, where there are 21 million installed spindles. Equipment for weaving cloth, on the other hand, includes some 3.9 million handlooms and 440,000 power looms in the decentralized sector, as well as about 208,000 looms in the centralized mill sector. The number of looms installed in the mill sector has changed little in the past 10 years, but the number of spindles installed has increased by about 17 percent. Some replacement and modernization of equipment has occurred, but this has been limited by recent Government policies preventing any expansions in the weaving capacity of the mill sector. ^{1/} A revised textile policy formulated in 1981 allows marginal expansion of the organized mill weaving sector oriented specifically for exports and, where necessary, imports of appropriate technology and critical components of machinery. However, recent sharp declines in profitability of mills may retard new investment. ^{2/}

India has a large textile machinery industry of its own, capable of producing modern mill equipment, so that much of the machinery needs of textile mills can be met from domestic suppliers. It is estimated that Indian machinery manufacturers supply 80 percent or more of the machinery and

^{1/} Indian Ministry of Commerce, Annual Report, 1980-81, New Delhi, April 1981, pp. 154 and 155.

^{2/} Recent trade reports indicate a majority of mills had a 50-percent decline in profits in 1981 and that several mills sustained losses.

accessories used by the domestic textile industry. The value of textile machinery production in 1979 was about \$185 million with some 10 to 15 percent of output going to the export market. Output of machinery accessories exceeded \$75 million. In 1981, it is estimated that output exceeded \$250 million for machinery and \$100 million for accessories. 1/

There are some 100 firms making textile equipment, and some of the larger companies have a broad range of activities which may encompass selling foreign made machinery, building plants, consulting, and supplying or building foreign installations.

The kinds of equipment installed and the number of workers used to operate them in member mills of the Southern India Mills Association is shown in the following table.

Labor and machinery in cotton mills in selected Southern States, Dec. 31, 1979 1/

Machinery and workers	State			
	Tarniel Nodu		Karutaka	Total, all States
	Cornbatore	Other		
Number of mills-----	75	80	14	208
Licensed capacity(spin- (ning).-----	2,436,954	2,685,119	435,072	6,650,221
Installed capacity:				
Ping spindles-----	2,064,676	2,206,136	395,256	5,537,200
Doubling spindles-----	109,204	235,574	40,920	416,986
Winding spindles-----	52,230	53,288	9,897	134,059
Combing machines-----	512	313	123	1,042
Peeling machines:				
Hand operated-----	248	196	199	695
Power operated-----	5,608	3,791	748	12,155
Looms, installed-----	2,362	5,725	3,739	13,466
Workers:				
Men-----	43,450	67,274	19,832	157,182
Women-----	6,763	2,709	1,339	12,841
Workers, total-----	50,213	69,983	21,171	170,023
Other employees-----	2,766	5,736	1,766	12,064
Number of automatic looms-----	1,806	4,714	2,042	9,402

1/ Southern India has about one-fourth of total spindles installed in India and one-tenth of the total looms.

1/ Report from U.S. Embassy, New Delhi, May 1981.

Open-end spinning for making yarn and shuttleless looms for weaving fabrics represent two of the major recent developments in textile technology. India has made little use of these developments so far. Only about 2,000 rotors for open-end spinning were installed in India in 1980 compared with 21 million standard ring spindles. Of 208,000 looms, only 45,000 to 50,000 are automatic and only about 500 shuttleless looms are in use. The number of shuttleless looms has grown, however, with 170 being added in 1980.

The rates of output of presently installed equipment is estimated as follows: 1/

<u>Equipment</u>	<u>Rate of output</u>
Handlooms-----yards per day--	2.8
Powerlooms (decentralized)-----do-----	30-33
"Artsilk" (manmade filament):	
Decentralized-----do-----	27-29
Organized-----do-----	40
Centralized cotton sector:	
Plain looms-----yards per loom shift--	28
Superspeed automatic-----do-----	36
Shuttleless-----do-----	74-80
Spinning:	
Carded-----ounces per spindle per shift--	3.6
Combed-----do-----	4.0

Data published in 1979 indicated that more than one-half of the spinning and weaving equipment in Indian textile mills was over 20 years old and that much of it was over 40 years old. About 57 percent of the spinning equipment and 68 percent of the weaving equipment was over 20 years old. Only 32 percent of combing equipment was over 20 years old, but 72 percent of the carding equipment was over 20 years old. 2/

Despite having trained textile technologists and strong engineering capabilities, India is relatively far behind many other countries in modernization, as indicated by the following statement of the Chairman of "Texprocil": 3/

One of the principal reasons for an unsatisfactory performance is the backwardness of our technology, with old machines turning out poor quality of yarn and cloth. But what is of even greater concern is the feverish pace at which automation and modernization are progressing in West Europe, Far East Asian countries, and to a lesser extent in the USA, which will further widen the already large gap that exists in technology and quality between their products and ours.

1/ Fortnightly Journal of Industry and Commerce, New Delhi, February 1981.

2/ Ibid., November 1979.

3/ Cotton Textiles Export Promotion Council.

Trade in Textiles and Apparel

Commercial imports of manufactured textiles and apparel into India are banned except for a few specialized items. India does import substantial quantities of raw cotton, manmade fibers, and wool, but the quantities vary widely from year to year depending on the availability of domestically produced fibers. For example, imports of all fibers in 1975 totaled less than \$100 million, but in 1977, totaled about \$575 million. ^{1/}

India's exports of textiles and apparel increased about 70 percent from 1976 to 1979 and totaled about \$1.4 billion in 1979. Exports in the textile segment totaled \$776 million in 1979, representing an increase of 51 percent over those in 1976, and the clothing segment totaled \$614 million, representing an increase of 100 percent (table IV-3).

Exports in the textile segment include two products that are not produced commercially in most developed countries--jute fabrics and handmade floor coverings--with a value of \$400 million in 1979. Of the remaining \$376 million, cotton fabric was by far the most important item, totaling more than \$200 million in 1979 (table IV-3). Exports of gray cotton fabric has fluctuated widely from year to year, but exports of finished cotton fabric has shown a small but steady growth.

An analysis of exports of cotton textiles and apparel, as compiled by the Southern India Mills Association, is shown on the table on the following page.

From this data, it is evident that exports of apparel have increased sharply since the early 1970's, and a substantial increase has occurred in exports of fabrics made by the decentralized sector on hand or power looms. India's large labor force and long experience in producing handwoven fabrics contribute to export growth in these areas.

The EC and the United States have been major markets for Indian exports of textiles and apparel, together accounting for 80 percent of the total in 1979 (table IV-1). Other Western European countries and Japan are also substantial markets. Exports to the United States, the EC, and other Western European countries all increased during 1973-76 and 1976-79; exports to Japan declined during 1973-76 but increased sharply from 1976 to 79. The United States is by far the largest single market for both textiles and apparel of India, followed by West Germany and the United Kingdom (table IV-2). Indian exports of textiles increased 49 percent from 1976 to 1979, with exports to the United States up 22 percent, and exports of apparel increased 102 percent, with exports to the United States up 108 percent.

U.S. imports from India by MFA categories are shown in tables IV-4, IV-5 and IV-6 for cotton, wool, and manmade-fiber textiles. U.S. imports increased in 1980 for cotton and wool products but decreased for manmade fiber products. These trends continued in 1981 with imports up 4 percent for cotton and 27 percent for wool but down about 5 percent for manmade fibers.

^{1/} Indian Textile Bulletin, Ministry of Industry, Bombay.

India: Trend in cotton textiles exports, 1971-79

Year	Mill-made cloth		Cotton yarn		Cotton apparel	Hosiery	Other cotton manufactures	Handloom cloth and manufactures	Power loom cloth and manufactures	Total
	Quantity	Value	Quantity	Value						
	Million m ²	Million dollars	Million Kg							
1971-----	379.2 :	90 :	12.4 :	17 :	16 :	1 :	24 :	21 :	2 :	170
1972-----	430.6 :	105 :	22.2 :	29 :	32 :	1 :	27 :	28 :	2 :	224
1973-----	631.0 :	176 :	11.9 :	17 :	61 :	2 :	34 :	44 :	6 :	340
1974-----	449.8 :	192 :	11.5 :	24 :	115 :	7 :	55 :	59 :	7 :	465
1975-----	332.4 :	117 :	3.9 :	7 :	130 :	9 :	44 :	50 :	4 :	359
1976-----	581.1 :	210 :	15.0 :	25 :	264 :	12 :	59 :	81 :	12 :	662
1977-----	756.5 :	163 :	13.9 :	34 :	267 :	24 :	65 :	126 :	19 :	698
1978-----	272.0 :	136 :	6.0 :	16 :	338 :	17 :	62 :	108 :	20 :	697
1979-----	395.0 :	230 :	5.9 :	18 :	424 :	25 :	56 :	106 :	29 :	888

Source: Annual Statistical Bulletin, Southern India Mills Association, Bombay.

During 1980, the aggregate limitation under the bilateral agreement between India and the United States amounted to 213.2 million square yards equivalent (SYE), 39 percent of which was utilized. Within this aggregate limit, there were two subgroup limitations, as follows:

<u>Subgroup</u>	<u>1980 limit</u> <u>(million SYE)</u>	<u>Percentage</u> <u>filled</u>
Group I--Yarns and fabrics, of cotton, wool, and manmade fibers.	172.7	24
Group II--Apparel, made-up goods and miscellaneous textile products of cotton, wool, and manmade fibers.	<u>1/</u> 44.6	93

1/ Adjusted upward.

The aggregate and subgroup limitations are allowed 7 percent annual increases. Within the overall aggregate limits, the limit for Group I during an agreement year may be exceeded by up to 15 percent, and that for Group II, by up to 10 percent. In addition, exports are allowed to further exceed aggregate and subgroup limits by up to 11 percent through carryover and carryforward. There are no specific limits assigned to any individual categories within each of the subgroup limitations; however, there are a number of designated consultation levels as shown in table IV-7.

These designated consultation levels, none of which were fully utilized during 1980, are not allowed annual increases. All other categories which were not given designated consultation levels are subject to consultation levels of 1.0 million SYE for nonapparel categories of cotton and manmade fibers, 700,000 SYE for apparel categories of cotton and manmade fibers, and 100,000 SYE for all categories of wool. Many of these individual categories were adjusted to substantially higher levels during 1980 following consultation, but were still subject to aggregate group limits. Categories which were subject to upward adjustments included certain cotton coats, skirts, nightwear and other apparel.

Pursuant to the provisions of article 12 of the MFA, handloomed fabrics, handmade handloomed made-up articles, and "India items" are not subject to the agreement. However, the agreement provides for consultations on handloomed apparel products, and the United States may request restraint of these items; the level of such restraints shall not be lower than the highest level of such imports in any previous year. The restraints are not, however, included under the aggregate or subgroup limits of the agreement.

The aggregate agreed limit for calendar year 1981, in SYE, was 228 million, of which about 185 million was in fabrics and yarn, and 43 million in apparel and household items. In January-August 1981, the aggregate limit was only 20 percent filled; the group containing apparel and household items was 70 percent filled, but the yarn and fabric group was only 10 percent filled.

Export data as compiled by the Indian Government is provided below to illustrate the relative importance of different segments of the industry in export trade:

Textiles and apparels: Indian exports, by types, fiscal year 1979 ^{1/}

Item	Value	Item	Value
	Million dollars		Million dollars
Cotton textiles:		Wool and woolen:	
Mill made:		Knitwear	31
Garments	235	Other	11
Fabrics	258	Total	42
Yarn	19	Manmade:	
Hosiery	32	Rayon and synthetic:	
Made-ups	66	Fabrics	24
Total	610	Garments and made-ups	11
Handloom:		Other	3
Garments	188	Total	38
Fabrics	80	Handicrafts:	
Made-ups	33	Wool carpets	103
Total	301	Handprinted items	36
Silk:		Embroidered goods	16
Dress materials	12	Other textiles	10
Carpets	13	Total	165
Other	35		
Total	60	Grand total	1,216

^{1/} April 1979-March 1980.

Source: Government of India, Ministry of Commerce, Annual Report, 1980-81. Values converted at 8 rupees per U.S. dollar.

Government Policy

The textile industry receives considerable attention from the Indian Government because of its importance to the national economy in terms of employment and foreign-exchange earnings. The Government seems to have formulated its policy around several basic objectives: ^{1/} (1) to keep employment in the industry high by expanding the labor-intensive decentralized sector while allowing very little expansion in the centralized mill sector, (2) to maintain the importance of the industry as a consumer of domestically produced cotton, (3) to make fabrics available to the general population through production of controlled cloth ^{2/}, (4) to protect the industry

^{1/} Indian Ministry of Commerce, op. cit.; "Regional Notes: India," Textile Asia, May 1981, p. 64; and other sources.

^{2/} Fabrics required to be produced in specified quantities to meet needs of the poorer segment of the population.

against foreign competition and, if possible, expand exports, and (5) to provide direct assistance to the industry, especially the handloom sector, and to take over and operate mills which are no longer viable as private mills.

Although general objectives have remained about the same, policies have been modified somewhat to encourage export growth. In recent years, the Department of Textiles has placed slightly more emphasis on a multifiber policy permitting greater use of manmade fibers, has permitted some modernization of the centralized mill sector, and eased requirements for mills to produce "controlled" cloth.

Policy statement

A "Statement on Textile Policy" was presented to the Parliament on March 9, 1981. This statement lists the main objectives of the Government's policy and certain actions which will be taken to meet both these objectives and the goals of the Sixth Five Year Plan. The Sixth Plan sets the overall requirement of cloth in the country, including exports, by FY 1984 at 16.3 billion square yards, up from about 12.9 billion in 1980. To meet this level of production, the textile policy calls for (1) revival of dormant looms in the decentralized handloom sector to take full advantage of the rural employment potential, (2) sustained modernization of the handlooms, powerlooms, and the organized mill sector resulting in increased productivity and better utilization of the existing capacity, and (3) any marginal expansion in the weaving capacity of the organized mill sector oriented specifically for export.

The National Handloom Development Corp., a Government agency, handles procurement and distribution of yarn for the handloom sector. Certain yarn output is reserved exclusively for handloom producers. The powerloom segment of the decentralized sector will be more closely regulated with expansion by FY 1984 limited to not more than 5 percent. Fabric specifically intended to meet the needs of the poor (controlled cloth) will continue to be produced and distributed. Production of controlled cloth will be set at 778 million square yards in 1981, and the share allocated to handlooms will be increased to 50 from 38 percent. 1/ The National Textile Corp. (NTC), was established by the Government in 1968 to take over management and/or ownership of "sick" mills. More than 110 mills are owned or managed by NTC; the target output for FY 1980 was 143 million pounds of market yarn and 1.0 billion yards of cloth.

In accordance with the multifiber policy, the Government has stated that it will undertake the following steps to encourage production and use of manmade fibers: 2/

1/ "Regional Notes: India," Textile Asia, May 1981, p. 65.

2/ Indian Ministry of Commerce, op. cit., p. 157.

- (1) Ready availability of synthetic fiber and yarn in adequate quantities from domestic sources augmented as necessary by imports;
- (2) The domestic production base of such fiber and yarn will be expanded, so that they are produced at the lowest possible prices;
- (3) Fiscal levies on manmade fiber and yarn will be reviewed;
- (4) Allow liberalization in export of cotton and such other fiber/yarn that may be surplus to domestic requirements.

The Government intends to adopt a more aggressive export strategy and anticipates that exports will benefit from an improved infrastructure, modernization of the industry and expansion of output for export, wider use of manmade fibers, and promotion of handloom products. Modernization will be assisted by concessional loans for this purpose and for augmenting the output of machinery and accessories by the domestic industry. Also, imports of appropriate technology and critical components of machinery will be allowed.

The Government will also encourage growth in other parts of the textile industry including the sericulture (silk) industry, the woolen industry, and the hosiery industry.

Plans and projections

Government estimates of fabric and fiber requirements at the end of the sixth plan in 1985 are based on a per capita fabric consumption of 16.67 yards in 1985, up from the 1977-79 average of 15.17 yards. This, in turn, was based on income growth of 5 percent per annum and an income elasticity of 0.46, resulting in a growth rate for per capita consumption of textiles of about 1.9 percent. The total fabric requirement is estimated at 14,873 million yards, including about 1,531 million required for the export market. The following table summarizes projected fabric requirements for 1985 as published by the Indian Government.

	<u>Quantity</u> (million yards)
Cotton and manmade:	
Cotton-----	10,542
Manmade-----	1,083
Blends/mixtures ^{1/} -----	2,920
Total-----	14,545
Khadi ^{2/} -----	164
Woolen-----	109
Pure silk-----	55
Total-----	14,873

^{1/} Cotton/viscose blends and other blends where cotton is 80 percent or more account for an estimated 1.3 billion meters of this total.

^{2/} Usually cotton.

In setting production goals, substantial adjustments are made to the cotton and manmade fiber totals because of an anticipated shortage of cotton, and final estimates for 1985, by industry sectors, are as follows.

Cotton and manmade fiber: Production goals, by industry sectors, 1985

Item	: Cotton	: Manmade	: Blends	: Total	: Base 1/ : 1977-79
	Million yards				
Mill-----	3,828	437	1,094	5,359	4,952
Powerloom-----	2,843	1,312	547	4,702	3,552
Handloom-----	3,445	219	820	4,484	3,206
Total-----	10,116	1,968	2,461	14,545	11,710

1/ Average annual output of fabrics during the base period from which projections were made (corrected figures).

Source: Fortnightly Journal of Industry and Commerce, New Delhi, February 1981.

The estimated quantities of additional equipment required in the organized mill sector are 2.1 million spindles and 11,200 looms. These requirements are in addition to modernization and replacement of existing equipment; loom replacement is estimated at about 3,300 per year, comprising 2,000 plain looms, 1,200 automatic looms, and 100 shuttleless looms.

Export Potential

Exports of textiles and apparel from India are expected to increase despite severe limitations, including the lack of quality in domestically produced fabrics and limited variety and fashion appeal in its apparel industry. Government policies which may have a negative effect on exports include: (1) those which prohibit or limit imports of fiber, fabric, and textile equipment; (2) those which favor the decentralized sector and labor-intensive processes and fail to encourage modernization; (3) those which do not assure adequate supplies of power and other supplies to all segments of the industry, and (4) those which limit outside contributions of technology, capital, or marketing skills. However, India has offsetting advantages such as a large, trained work force, low wage rates, a large cotton crop, and unique handloomed fabrics. The Indian Government projects an increase in exports from about 984 million yards in FY 1979 to about 1,531 million yards in FY 1984 or approximately 10-percent annual growth. Although India's access to major markets,--the EC and the United States--is controlled under the MFA, the limits provided under the agreement have, in fact, been greatly underutilized, especially in the fabric categories.

India ranks thirteenth among world exporters of textiles and apparel; among developing countries it ranks fifth after Hong Kong, Korea, Taiwan, and China. India has a large textile industry and has been an important world exporter of handloomed products from its cottage industry for many years.

Many of India's exports, such as handmade rugs, handloomed fabrics, and apparel made of handloomed fabrics, are unique products and compete only indirectly with textile exports of the Big Three. However, the growth in exports of apparel may take an increasing share of major markets with some impact on a large number of other exporters in both Europe and Asia. Depending on the fashion importance of handloomed fabrics, the impact on other apparel suppliers may be more severe in some years than others. India may also gradually develop its organized mill sector to be competitive in producing fabrics of acceptable quality and style either for export or for use in making apparel for export. However, the impact on other suppliers in the near future will be limited mostly to industrial uses where fabric imperfections and styling are not critical considerations.

Wage rates in India are relatively low but this is largely offset, especially in the mill sector, by lower productivity. Although a large, trained labor force exists, output per person appears low, probably as a result of inefficient equipment and labor difficulties. Other conditions which add to production costs include high fiber and other material costs, inferior power supply, and Government requirements to supply cloth or yarn at low prices to domestic consumers.

Since the traditional Indian garments, such as sarees and dhotis, are very different from items manufactured for export, the domestic and export industries are essentially separate. The exported apparel made from handloomed fabrics has an advantage in being a unique product not readily available from other countries but has the disadvantage of being severely affected by changes in fashion. This often results in wide fluctuations in exports of individual items.

Mill-made fabrics (excluding jute fabrics) exported from India have often been the subject of criticism on the basis of quality. Although fabrics may be well constructed, they often contain imperfections which are important to the appearance of the finished article. For apparel manufacturers in higher wage countries, it is very costly to screen out or correct these problems or worse, to discover them after the garment is made and possibly sold. Certain fabrics are not readily available from India, such as cotton blend fabrics and heavier weight cotton fabrics in wide widths.

The supply and price of fiber has been largely dependent on the domestic cotton crop. Imports of cotton and manmade fibers have been permitted only when domestically produced cotton is in short supply. A heavy excise duty has been applied to synthetic fibers. Efforts are now being made to expand the supply of manmade fibers both by increasing domestic production and allowing more imports. Cellulosic fibers predominate in the output of manmade fibers in India but the use of noncellulosics will be expanded, especially in making products for the export market.

India may be expected to continue the growth trend in exports to the United States, which increased 57 percent from 1976 to 1980. The greatest growth has been in textile furnishings and apparel. Woven fabrics, comprised largely of jute fabrics and cotton fabrics, have declined since 1973, although exports of certain specialty fabrics such as silk have increased. Handmade oriental rugs account for a large part of the increase in exports of textile

furnishings. Exports of apparel have grown from a negligible share of total exports in 1973 to more than 40 percent in 1980. The following tabulation shows the value of Indian exports to the United States, by major product categories, in 1973, 1976, and 1980:

Item	Value		
	1973	1976	1980
	Million dollars		
Woven fabrics	148	123	131
Textile furnishings	19	30	63
Apparel	15	86	144
Other	22	15	9
Total	204	254	347

Since India's shipments to the United States in many product categories (especially yarns and fabrics) are far below the annual limits provided in the U.S.-India bilateral agreement, and since apparel of handloomed fabrics is subject to separate, less restrictive limits than other apparel, India has potential for increasing exports under the agreement. Apparel exports will probably achieve moderate growth over the next five years because of the labor content in these items, quota growth and flexibility under the bilateral agreement, and the use of handloomed fabrics. In the case of fabrics, even though India has large amounts of unused quota, it seems unlikely that this potential can be fully utilized without a specific effort to make fabrics to standards suitable for the U.S. market.

The EC is by far the largest market for Indian textile exports, accounting for 55 percent of the total in 1980. This traditional market is expected to provide continued growth, especially since the EC may be less restrictive on imports from India than from other large suppliers such as Hong Kong, Korea, Taiwan, and Macau. In certain types of fabrics, there will be competition from Pakistan and China in the EC market. Among the EC countries, West Germany and the United Kingdom are the largest customers, but Italy has grown rapidly since 1978. Japan has also grown in importance, but from a small base.

India may have difficulty supplying both the export market and increases in domestic consumption if estimates of population growth and increases in per capita consumption prove accurate. On an overall basis, however, it is estimated that in the next 5 years, India has the potential to export annually an additional 500 million square yard equivalents of textile and apparel products valued at \$700 million, about three-fourths of this increase going to markets outside the United States.

Table IV-1.--Textiles and apparel: Exports from India, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	4,835	4,361	4,343	4,251	4,578	4,392	-9.804	0.711
Other Asia...	49,514	18,213	24,963	9,819	5,350	54,218	-63.216	197.688
Other								
developing...	55,912	26,847	14,911	6,898	1,704	757	-51.983	-97.180
Socialist.....	14,756	9,263	10,684	8,980	-	2,841	-37.226	-69.330
Developed:								
EEC.....	132,067	222,258	288,368	322,843	438,580	520,289	68.292	134.092
Southern								
Europe.....	5,052	3,455	4,973	5,110	7,150	5,225	-31.611	51.230
Other Europe:	17,082	27,547	37,053	35,247	48,930	64,716	61.263	134.929
United								
States.....	188,122	165,087	177,329	191,388	201,301	231,836	-12.245	40.433
Canada.....	19,109	17,779	15,246	16,896	19,738	23,453	-6.960	31.914
Japan.....	35,749	16,595	20,331	24,755	38,182	36,052	-53.579	117.246
Other.....	39,126	33,579	42,313	48,517	50,207	64,263	-14.177	91.379
Apparel:								
Developing:								
Big Three...	107	201	375	1,040	2,106	1,146	87.850	470.149
Other Asia...	7,253	9,229	17,688	9,594	9,698	29,738	27.244	222.223
Other								
developing...	4,820	5,614	5,891	1,214	173	858	16.473	-84.717
Socialist.....	3,110	1,176	1,584	1,100	-	-	-62.186	-100.000
Developed:								
EEC.....	38,572	165,194	210,520	235,527	341,257	428,042	328.274	159.115
Southern								
Europe.....	363	1,422	4,313	4,174	3,959	8,397	291.736	490.506
Other Europe:	16,249	20,741	29,060	34,856	40,178	45,365	27.645	118.721
United								
States.....	15,595	87,474	73,662	169,477	181,277	164,664	460.911	88.243
Canada.....	1,629	10,303	5,280	8,122	13,501	15,143	532.474	46.977
Japan.....	1,008	4,339	7,582	15,761	29,677	23,846	330.456	449.574
Other.....	6,598	7,805	16,678	20,013	11,570	10,386	18.293	33.069
Textile &								
Apparel:								
Developing:								
Big Three...	4,942	4,562	4,718	5,291	6,684	5,538	-7.689	21.394
Other Asia...	56,767	27,442	42,651	19,413	15,048	83,956	-51.659	205.940
Other								
developing...	60,732	32,461	20,802	8,112	1,877	1,615	-46.550	-95.025
Socialist.....	17,866	10,439	12,268	10,080	-	2,841	-41.571	-72.785

Table IV-1.--Textiles and apparel: Exports from India, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	<u>1,000 U.S. dollars</u>							
Textile & Apparel: Developed:								
EEC.....	170,639	387,452	498,888	558,370	779,837	948,331	127.059	144.761
Southern Europe.....	5,415	4,877	9,286	9,284	11,109	13,622	-9.935	179.311
Other Europe	33,331	48,288	66,113	70,103	89,108	110,081	44.874	127.968
United States.....	203,717	252,561	250,991	360,865	382,578	396,500	23.976	56.992
Canada.....	20,738	20,082	20,526	25,018	33,239	38,596	35.413	37.440
Japan.....	36,737	20,934	27,913	40,516	67,859	59,898	-43.048	186.128
Other.....	45,724	41,384	50,991	68,530	61,777	74,649	-9.492	80.381
Total.....	659,256	860,984	1,013,147	1,175,582	1,449,116	1,735,627	30.599	101.586

- Data not available.

Table IV-2.--Textiles and apparel: Exports from India, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textiles:					
United States.....	165,087	177,329	191,388	201,301	231,836
FR Germany.....	64,397	87,719	113,779	157,635	202,027
United Kingdom.....	92,384	109,854	109,918	147,611	132,401
France.....	24,008	34,362	32,015	45,928	56,931
Japan.....	16,595	20,331	24,755	38,182	36,052
Australia.....	23,078	28,193	33,901	35,368	46,143
Italy.....	12,343	11,283	10,646	28,231	37,747
Netherlands.....	7,119	16,269	20,821	24,251	30,238
Switzerland.....	9,537	13,044	11,817	20,097	25,617
Canada.....	17,779	15,246	16,896	19,738	23,453
Belgium-Luxemb.....	9,690	14,132	18,519	18,093	37,769
Sweden.....	10,820	14,068	13,487	17,876	21,977
New Zealand.....	10,501	14,120	14,616	14,839	18,120
Other.....	84,148	86,572	62,146	46,570	107,731
Total.....	547,486	640,514	674,704	815,720	1,008,042
Apparel:					
United States.....	87,474	73,662	169,477	181,277	164,664
FR Germany.....	52,008	64,475	71,554	97,526	149,164
United Kingdom.....	50,670	51,372	52,111	92,465	98,412
France.....	22,224	31,463	40,938	61,291	76,259
Netherlands.....	19,239	26,535	32,003	35,316	28,859
Italy.....	12,674	21,108	22,178	31,319	45,295
Japan.....	4,339	7,582	15,761	29,677	23,846
Sweden.....	8,709	11,852	13,562	16,302	17,368
Canada.....	10,303	5,280	8,122	13,501	15,143
Switzerland.....	6,826	7,521	11,246	12,081	13,179
Belgium-Luxemb.....	2,535	6,457	7,990	11,823	15,205
Australia.....	7,754	16,612	19,914	11,406	10,257
Singapore.....	4,010	7,131	8,933	9,692	12,992
Other.....	24,733	41,583	27,089	29,720	56,942
Total.....	313,498	372,633	500,878	633,396	727,585
Textile & Apparel:					
United States.....	252,561	250,991	360,865	382,578	396,500
FR Germany.....	116,405	152,194	185,333	255,161	351,191
United Kingdom.....	143,054	161,226	162,029	240,076	230,813
France.....	46,232	65,825	72,953	107,219	133,190
Japan.....	20,934	27,913	40,516	67,859	59,898
Netherlands.....	26,358	40,804	52,824	59,567	59,097
Italy.....	25,017	32,391	32,824	59,550	83,042
Australia.....	30,832	44,805	53,815	46,774	56,408
Sweden.....	19,529	25,912	27,049	34,178	39,345

Table IV-2.--Textiles and apparel: Exports from India, by principal markets, 1976-80--Continued

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textile & Apparel:					
Canada.....	28,882	20,526	25,818	33,239	38,596
Switzerland.....	16,363	20,563	23,863	32,178	38,796
Belgium-Luxmb.....	12,225	20,589	26,509	29,916	52,974
Denmark.....	14,418	19,831	19,931	21,940	29,499
Other.....	108,974	129,575	92,853	78,881	166,286
Total.....	860,984	1,013,147	1,175,582	1,449,116	1,735,627

Table IV-3.--Textiles and apparel: Exports from India, by types, 1973 and 1976-80

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	1,133	9	9	24	70	74	-99.206	722.222
Wool yarn...	67	124	65	42	2	27	85.075	-78.226
Cotton yarn...	15,070	24,075	22,867	4,167	7,039	11,614	59.754	-51.759
Yarn of manmade fibers....	2,089	1,258	3,326	1,980	2,844	5,356	-39.780	325.755
Other yarn...	-	122	75	1	3	-	-	-
Gray cotton fabrics...	96,528	117,654	122,260	89,498	145,081	126,500	21.886	7.519
Finished cotton fabrics...	59,098	90,117	53,556	58,627	63,182	77,018	-15.185	53.676
Woven fabric of continuous manmade fibers....	1,589	606	1,250	3,061	3,459	8,226	-59.841	1257.426
Woven fabric of discontinuous manmade fibers....	862	818	1,336	1,839	1,542	2,558	-5.104	212.714
Pile fabrics of manmade fibers....	226	449	214	70	43	234	98.673	-47.884
Woven fabrics of wool.....	2,103	1,379	1,077	1,904	2,759	2,953	-34.427	114.141
Woven fabrics of other fibers....	214,915	140,822	160,549	173,854	187,175	243,502	-34.475	72.915
Knit fabrics	461	297	211	1,325	1,778	1,184	-35.575	298.653
Other textile products..	83,660	91,493	110,774	116,359	125,084	199,938	9.363	118.528
Floor coverings.	44,700	83,633	123,462	175,360	236,417	283,212	87.098	238.637
Subtotal, textiles and floor coverings.	522,413	512,856	601,001	628,111	776,478	962,396	-1.829	87.654

Table IV.3.--Textiles and apparel: Exports from India, by types, 1973 and 1976-80--Continued

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit..	9,216	11,498	19,293	23,183	33,407	44,656	24.761	288.381
MGI outer garments, not knit..	53,445	184,344	214,787	328,752	418,705	479,512	244.923	160.118
M&B under garments, not knit..	15,418	81,594	76,795	78,472	117,672	85,862	429.213	5.231
MGI under garments, not knit..	676	3,772	5,182	2,921	3,593	8,047	457.988	113.335
Accessories, not knit..	5,983	12,088	14,395	19,895	28,144	36,249	102.039	199.876
Gloves, knit	113	133	204	361	1,201	1,435	17.699	978.947
Stockings, etc., knit	67	248	277	227	223	244	270.149	-1.613
Under garments, knit.....	2,458	8,191	19,804	14,216	13,073	18,304	233.238	123.465
Outer garments, knit.....	3,103	5,435	9,297	18,982	13,820	19,606	75.153	260.736
Elastic fab. & art., knit.....	17	78	96	138	65	110	358.824	41.026
Subtotal, Apparel...	90,496	307,381	360,050	487,147	613,903	694,025	239.663	125.787
Total.....	612,909	820,237	961,051	1,115,258	1,390,381	1,656,421	33.827	101.944

- Data not available.

Table IV-4.--Cotton textiles: U.S. Imports from India, by MFA categories, 1976-81

Commodity	Description	(In equivalent square yards)					
		1976	1977	1978	1979	1980	1981
100	Carded yarn	0	9,067	0	0	0	0
101	Combed yarn	67,579	0	0	0	0	0
110	Gingham	26,024	0	49,979	0	11,783	0
112	Goodenoy	21,033	22,593	10,536	16,972	12,705	8,432
113	Sheeting	45,760,599	23,614,856	11,355,370	9,192,188	8,681,224	5,149,491
114	Poplin and broadcloth	554,874	222,785	95,798	0	61,362	12,494
115	Printcloth	11,033,148	1,231,835	613,485	1,894,200	3,113	194,806
116	Shirting	150,961	0	22,204	0	1,098	109,891
117	Twill and saten	19,433,073	13,977,146	8,195,768	4,861,194	11,224,493	8,169,395
118	Yarn-dyed fabric, n.e.s.	2,811,048	84,581	185,495	178,109	1,976,888	492,126
119	Duck	14,545,701	11,772,774	5,677,273	6,152,737	7,658,442	6,411,767
120	Woven fabrics, n.e.s.	42,733,760	30,929,329	16,017,249	17,083,824	11,789,138	12,682,373
130	Handkerchiefs	268,810	35,935	19,143	5,681	2,615	4,388
131	Gloves	142,345	241,308	290,308	683,025	176,355	109,872
132	Hosiery	0	0	0	1,546	0	0
133	Suit-type coats, men and boys	104,582	110,808	289,744	396,246	84,708	5,358
134	Other coats, men and boys	328,336	389,087	767,231	409,407	259,570	241,482
135	Coats, women, girls, and infants	1,113,615	818,886	1,736,129	1,650,019	3,732,242	4,523,879
136	Dresses	5,004,110	3,126,180	5,943,723	3,095,802	9,388,923	11,913,449
137	Playuits	75,950	24,225	14,175	19,150	61,200	155,450
138	Knit shirts, men and boys	503,014	299,924	463,089	136,722	87,286	78,991
139	Knit shirts and blouses, women, girls, and infants	898,020	601,135	892,287	370,808	370,520	387,208
140	Shirts, not knit, men and boys	13,806,720	7,959,696	17,302,752	16,731,072	8,358,144	11,499,624
141	Blouses, not knit, women, girls, and infants	28,112,745	11,279,156	36,141,468	32,319,323	32,192,727	34,213,984
142	Shirts	1,314,049	1,409,030	3,381,467	1,772,594	3,899,820	5,195,001
145	Sweaters	29,072	2,613	14,021	71,650	109,812	86,075
147	Trousers, men and boys	113,262	226,131	349,966	350,980	199,160	150,677
148	Trousers, women, girls, and infants	900,858	1,366,756	1,765,795	981,189	1,576,812	2,913,920
149	Brassieres	240	0	240	0	38	0
150	Breeding gowns	54,519	7,936	52,989	7,752	142,545	383,877
151	Nightwear	108,004	91,392	503,048	100,308	1,280,812	1,376,908
152	Underwear	141,218	3,740	22,968	1,793	7,722	2,640
159	Other apparel	2,073,626	1,394,013	4,369,106	2,132,335	3,860,313	4,463,562
160	Pillboxcases	1,053,069	1,167,145	561,675	450,581	134,324	270,874
161	Shoets	1,306,309	414,158	620	90,669	9,077	5,127
162	Bedspreads and quilts	3,116,927	1,111,093	1,714,283	710,459	2,189,191	2,183,910
163	Terry and other pile towels	2,156,242	5,249,679	4,792,886	5,637,738	4,132,147	3,741,711
169	Other manufactures	14,346,307	14,055,793	12,469,768	13,999,705	27,178,762	29,549,174
	Total	213,070,489	154,232,765	136,032,338	121,525,978	141,035,143	146,407,618

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

Table IV-5.--Wool textiles: U.S. imports from India, by MFA categories, 1976-81

(in equivalent value terms)

Category	Description	1976	1977	1978	1979	1980	1981
400	Wool tops and yarn	10,582	438,910	0	0	110	110
410	Woolens and worsteds	39,123	25,627	36,438	84,628	23,784	10,765
411	Tapestries and upholstery	703	413	1,898	2,121	32,845	39,127
425	Knit fabric	0	194	0	0	0	0
431	Gloves	0	242	0	0	0	0
432	Hosiery	227	0	95	0	0	0
433	Suit-type coats, men and boys	0	0	612	720	72	6,516
434	Other coats, men and boys	0	2,646	0	2,808	1,188	0
435	Coats, women, girls, and infants	15,335	14,796	47,574	59,616	25,434	3,942
436	Dresses	1,525	10,480	98	2,558	4,576	295
438	Knit shirts and blouses	150	0	0	3,870	60	0
440	Shirts and blouses, not knit	1,200	25,128	2,856	46,176	2,496	3,096
442	Skirts	6,930	7,056	2,322	41,904	2,934	1,962
443	Suits, men and boys	0	432	7,074	216	54	28,674
444	Suits, women, girls, and infants	0	15,066	972	6,480	0	0
445	Sweaters, men and boys	0	9,344	937	2,009	9,463	5,416
446	Sweaters, women, girls, and infants	10,223	47,229	29,269	1,146	5,416	34,329
447	Trousers, men and boys	47,394	33,066	58,698	113,832	93,636	97,128
448	Trousers, women, girls, and infants	11,826	8,190	1,566	18,954	5,382	23,112
459	Other apparel	5,910	21,706	23,072	23,406	4,980	3,292
464	Blankets	907	163	0	0	44	237
465	Floor coverings	636,770	779,526	700,211	144,085	846,919	2,273,172
469	Other manufactures	92,798	129,012	119,460	59,504	56,192	34,690
	Total	881,604	1,569,226	1,039,152	614,033	1,115,585	2,565,863

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

Table IV-6.--Manmade-fiber textiles: U.S. imports from India, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
600	Textured yarn	0	0	0	0	182	105
601	Continuous cellulosic yarn	493,678	0	0	151,343	0	0
602	Continuous noncellulosic yarn	0	0	0	580	0	0
605	Other yarns	1,540	0	2,226	1,240	278	12,548
610	Continuous cellulosic woven fabrics	5,090,427	5,570,777	5,505,267	2,231,652	1,420,296	728,541
611	Spun cellulosic woven fabrics	16,343	6,387	2,049	26,039	0	8,399
612	Continuous noncellulosic woven fabrics	2,975	195,822	134,718	77,906	8,903	16,796
613	Spun noncellulosic woven fabrics	0	0	2,364	0	95	25,235
614	Woven fabrics, n.e.s.	11,375	61,559	145,434	68,792	27,774	17,490
626	Pile or tufted fabric	15,810	60,752	14,912	16,996	57,599	4,721
627	Specialty fabrics	2,126,429	1,011,833	2,197,314	889,924	301,626	56,869
630	Handkerchiefs	1,870	31	110	1,061	0	0
631	Gloves	0	84	0	0	5,922	0
633	Suit-type coats, men and boys	145	0	109	3,330	0	0
634	Other coats, men and boys	0	0	9,499	15,364	661	950
635	Coats, women, girls, and infants	2,850	3,428	45,099	197,704	56,787	63,478
636	Dresses	30,442	153,531	344,065	555,515	710,870	635,648
637	Play suits	0	2,982	7,647	1,665	1,151	937
638	Knit shirts, men and boys	0	1,080	22,356	2,178	8,460	2,016
639	Knit shirts and blouses, women, girls, and infants	63,975	48,585	126,615	37,560	25,020	35,490
640	Shirts, not knit, men and boys	3,408	179,328	271,536	516,736	570,096	628,824
641	Blouses, not knit, women, girls, and infants	67,629	201,188	984,159	2,704,777	2,750,088	1,527,750
642	Skirts	18,548	87,767	182,165	150,937	76,290	299,681
644	Suits, women, girls, and infants	13,554	23,544	23,976	8,154	6,318	3,564
645	Sweaters, men and boys	0	0	0	2,502	0	0
646	Sweaters, women, girls, and infants	11,077	1,619	0	18,732	17,406	2,245
647	Trousers, men and boys	3,578	320	7,281	14,258	481	1,798
648	Trousers, women, girls, and infants	89,979	76,861	62,637	98,702	80,990	162,603
649	Brassieres	0	0	0	106	0	0
650	Dressing gowns	3,519	1,836	5,100	255	7,803	0
651	Nightwear	0	14,456	55,796	13,572	34,788	11,856
652	Underwear	0	6,400	0	2,128	2,624	592
659	Other apparel	87,857	47,362	357,569	282,305	201,224	579,844
665	Floor coverings	23,879	26,618	36,650	13,248	6,080	4,570
666	Other furnishings	1,148,425	1,897,998	2,452,398	3,596,931	4,048,262	3,757,338
669	Other manufactures	1,927	5,936	3,503	2,160	35,849	18,868
	Total	9,331,239	9,684,932	12,170,385	11,088,829	9,092,923	8,608,756

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

Table IV-7.--United States/India bilateral agreement: Limits by MFA category, with shipments charged, 1980

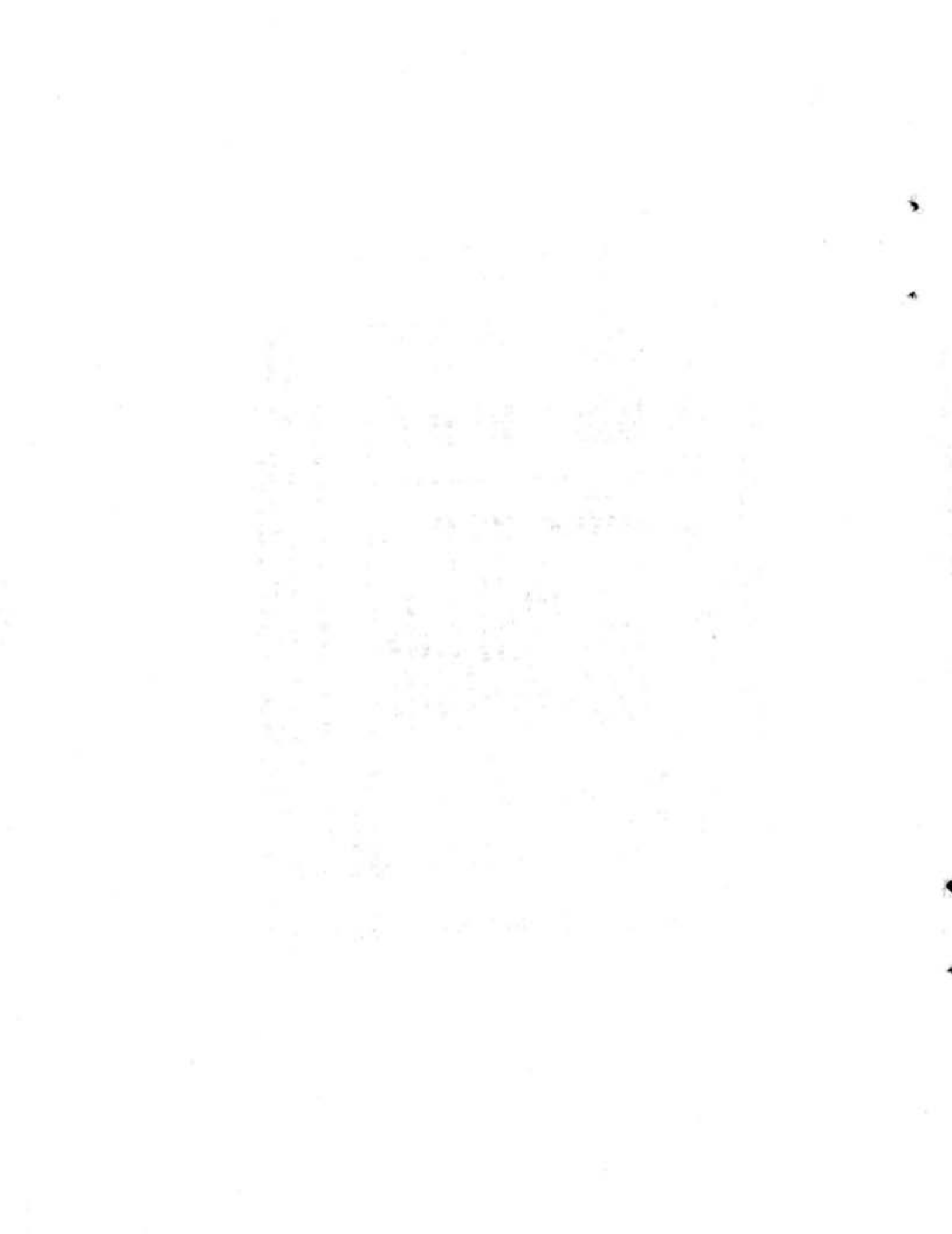
MFA category No.	Type of limit	Description	Units	Limitation	Shipments charged	Percentage filled
				-----1,000 units-----		
313	Designated consultation.	Cotton sheeting-----	Sq. yd.	50,000	8,216	16
315	do-----	Cotton printcloth-----	Sq. yd.	12,500	69	1/
317	do-----	Cotton twill and sateen-----	Sq. yd.	24,000	12,925	54
319	do-----	Cotton duck-----	Sq. yd.	17,500	8,365	48
320	do-----	Other woven cotton fabric.	Sq. yd.	45,000	9,428	21
610	do-----	Woven manmade-fiber fabric, of continuous cellulosic filament.	Sq. yd.	7,000	1,282	18
360	do-----	Cotton pillowcases-----	No	8,182	51	1/
361	do-----	Cotton sheets-----	No	1,613	1	1/
362	do-----	Cotton bedspreads and quilts.	No	333	29	9
363	do-----	Cotton terry towels-----	No	20,000	5,900	29
369	do-----	Other cotton manufactures.	Lb	2,609	841	32
666	do-----	Other manmade-fiber furnishings.	Lb	2/ 1,026	488	48

1/ Less than 0.5 percent.

2/ Adjusted upward.

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

Note.--Table shows only designated consultation levels since there were no specific limits during 1980. All cotton, wool, and manmade fiber categories not subject to designated consultations were covered by minimum consultations as described in the text.



V. MACAU

Country Profile

Macau, with an area of about 6 square miles, is about one-tenth the size of the District of Columbia and has a population of 300,000. Because of a lack of an adequate deep-water port and transportation facilities, most of its trade must pass through the port of Hong Kong, some 40 miles to the northeast. Though Macau is a Portuguese province, its population is almost entirely Chinese. It has some measure of administrative and economic independence. Its leader--a Governor--is appointed by the President of Portugal; a Legislative Assembly is comprised of elected and appointed members.

Geography, demography, and resources

Macau comprises a peninsula on the Southern coast of China and two islands. About 90 percent of the total land area is urban and industrialized, with the remaining 10 percent used for agriculture. Although some rice and vegetables are grown, most food and all of the fresh water are imported from China. The capital is the city of Macau situated on the peninsula.

Over 20,000 shallow-draft vessels annually enter and leave the port of Macau which serves primarily as a transfer point between China and foreign ports, particularly Hong Kong. The entrance to its harbor is shallow and heavily silted and large ships must lie at anchor a considerable distance from shore. A deep-water, multipurpose container port is currently being constructed which is expected to stimulate Macau's foreign trade. 1/ Macau has about 25 miles of roads and can be reached from China by road. It has no airfield or rail connections, but regular ferries connect Macau with Canton, China, and Hong Kong. 2/

Education is not compulsory in Macau, but the literacy rate was 75 percent in 1974. About 77 percent of the workforce is in industry and commerce, 9 percent, in agriculture, and 4 percent, in the service industries, such as Government and the tourist trade. The official language is Portuguese, but English and Cantonese, a Chinese dialect, are widely spoken. 3/

The economy

Macau's economy is based on light industry (particularly apparel production), commerce, tourism, and fishing, however other industries such as plastics, electronics, and precision instruments, have increased in importance in recent years. Tourists, attracted by gambling (casinos and dog racing) and a warm climate, are a major source of revenue in the province; the majority of the visitors arrive by sea ferry, jetfoil, and hydrofoil from Hong Kong.

The budget of Macau generally has been balanced and was estimated at \$57 million in 1980. Government operating revenues are received from direct

1/ Report from U.S. Embassy, Hong Kong, May 1982.

2/ The Europa Year Book 1981: A World Survey, London, vol. II, 1981, pp. 837 and 839.

3/ U.S. Department of State, Background Notes: Macau, January 1979.

taxes, which account for about 35 percent of the total, indirect taxes, which furnish about 30 percent, and miscellaneous income, consisting chiefly of transfer fees for goods passing through the port of Macau and sales taxes, which supply the remaining 35 percent. Of all revenue, the income from gambling (taxes, operating fees, and so forth) provides funds for over one-third of the Government's operations. 1/

Around 70,000 people were included in the workforce of Macau in 1970; it may have been close to 100,000 in 1980. About 45 percent of the working population is employed in the industrial or manufacturing sector, with the textile, apparel, and leather industries accounting for approximately 80 percent of all manufacturing employment.

Foreign trade

From 1970 through 1975, Macau incurred a trade deficit in every year amounting to between about \$16 million and \$48 million. Beginning in 1976, and in every year since then, Macau has maintained a favorable trade balance amounting to between \$10 million and \$39 million. In 1979, Macau's exports amounted to about \$380 million while imports were \$343 million.

Macau's major exported products are apparel and other textile products which accounted for about \$355 million or over 80 percent of the value of all export shipments from Macau in 1979. The largest customers for Macau's exports are the United States, Germany, France, Hong Kong and the United Kingdom. Macau's largest value imports are fibers, yarns and fabrics to be used in apparel production. Imports of these products amounted to about \$90 million in 1979, or 27 percent of total imports. Other important imported products are food and tobacco products, machinery, fuel, and building supplies. Hong Kong, China, and Japan provide over 85 percent of Macau's imports.

All products manufactured in Macau must have either an export license, export authorization, or a certificate of origin. Products destined to countries that have quota limitations (including the United States) are assessed a 1-percent tax based on the c.i.f. value to the country of destination. Products for other countries are assessed a 0.5-percent export tax.

There are no quotas on imports of products into Macau. However, import licenses are required for alcoholic beverages, sugar, livestock, meats, coffee, tobacco, explosives, fuel, chemical products, engines, electrical equipment, metals, weapons, ammunition, and certain medicines. Licenses are usually issued within 24 hours of application. All imports are subject to registration for statistical records. All products imported are subject to a consumption tax; however, Portuguese products are given a preferential tax. 2/

1/ The Europa Year Book, p. 835.

2/ Macau Business Center, A Practical Guide to Macao's Economy, 1980.

3/ "Industry in Trouble," Textile Asia, November 1979, p. 91.

The Textile and Apparel Industries

About 70 percent of the textile mills in Macau are believed to be subsidiaries of Hong Kong companies. ^{3/} Production has been concentrated in particular products, especially men's and boys' trousers and certain types of knitwear. Although there is a small output of cotton yarn (less than 500,000 pounds per year), Macau is becoming an increasingly important producer of wool yarn, output of which increased from 750,000 pounds during 1975 to 3.5 million pounds in 1977 and to about 4.4 million pounds in 1979. Much of the wool yarn production is used in the production of knitwear, which increased from 15.3 million pounds in 1976 to 18.9 million pounds in 1979. Clothing production in 1979 was concentrated in trousers for men and boys (about 17.6 million pounds), jackets for men and boys (about 2.6 million pounds), suits for men and boys (about 1.1 million pounds), skirts and dresses for women, girls, and infants (about 4.4 million pounds), and jerseys, pullovers, and slipovers (about 11.0 million pounds).

Some 618 establishments in the textile sector account for about 80 percent of the employees in manufacturing. Only 3 of these establishments employ more than 500 workers, 141 employ between 100 and 500, and those remaining employ less than 100. Unskilled workers in construction and manufacturing industries received monthly wages in 1979 ranging approximately between \$60 and \$150; skilled workers received between \$75 and \$280. Optional fringe benefits offered include subsidized meals, paid rest days, and free transportation to and from factories.

Trade in Textiles and Apparel

Export trends

During 1976-80, annual exports of textiles and apparel ranged between \$201 million and \$505 million and accounted for over 85 percent of the value of the total exports of Macau (table V-1). During 1980, over 59 percent of total exports went to Europe and most of the remainder went to Hong Kong and the United States.

Principal exported products and major markets

Exports of textiles in 1980 amounted to \$90.0 million, or 18 percent of both textile and apparel exports (table V-2). Wool yarn accounted for about one-third of this amount for textiles. The destinations for textiles were almost evenly divided between the European Community (\$37.7 million) and Hong Kong (\$43.0 million). The United States took only 41,000 dollars' worth of textiles from Macau in 1980.

Exports of wearing apparel in 1980 amounted to \$415.3 million, or 82 percent of shipments of both textiles and apparel. Apparel exports to the European Community amounted to \$262.7 million, or about two-thirds of the total. Exports to other European countries amounted to \$27.0 million. Exports to the United States amounted to \$97.4 million, up from \$20.4 million in 1976.

Knit outer garments account for about one-fourth of the total exports of apparel (table V-3). Other types of wearing apparel constitute a large part of the remainder, although handkerchiefs (\$4.2 million) account for a small but increasing share, and corsets, suspenders, garters, and similar accessories account for about \$9.0 million. Exports of men's and boys' outer garments, not knit, amounted to \$96.6 million; women's, girls', and infants' outer garments, not knit, amounted to \$68.9 million; and undergarments, not knit, amounted to \$60.4 million.

Imports of cotton, wool, and manmade fiber textiles and apparel into the United States from Macau during 1976 to 1981 increased annually from 15.5 million SYE to 46.4 million SYE. Such products of cotton increased annually from 5.8 million to 24.1 million, then declined to 23.0 million in 1981, and have been concentrated in coats, shirts, blouses, and trousers (table V-4). Exports of wool products fluctuated between 500,000 SYE and 2.2 million SYE and have been concentrated in sweaters (table V-5). Products of manmade fibers increased irregularly from 9.2 million to 22.2 million SYE, concentrated in coats, shirts, trousers, and underwear (table V-6).

MFA constraints

The United States currently has a bilateral agreement with Macau which is effective for a period of 4 years from January 1, 1980, through December 31, 1983. The aggregate limitation of 43.1 million square yards equivalent applied to all categories of cotton, wool, and manmade-fiber textiles during 1980. Within the overall aggregate, which was 95 percent filled, there were two subgroups with 1980 limitations, as follows:

<u>Subgroup</u>	<u>Limit</u> <u>(million SYE)</u>	<u>Percentage</u> <u>filled</u>
Group I--Textiles and textile products, of cotton and manmade fibers.	41.6	97
Group II--Textiles and textile products, of wool.	1.5	79

Within these subgroup limitations, certain specific limitations and designated consultation levels were imposed. During 1980, there were 12 specific limitations and two designated consultation levels imposed under Group I and one specific limitation under Group II. These limitations and the shipments from Macau charged against them are shown in table V-7.

Six of the specific limitations in effect for 1980 were filled or nearly filled. The two designated consultation levels were not exceeded during 1980. Those categories which were not given specific limitations or designated consultation levels were subject to consultations if exports were to exceed 1.0 million SYE for yarn, fabric, and other made-up and miscellaneous textile products of cotton or manmade fibers, 700,000 SYE for apparel of cotton or manmade fibers, and 100,000 SYE for wool products.

The specific limitations are allowed 6.25-percent increases for cotton or manmade fiber textiles and 1-percent increases for wool textiles during 1981, 1982, and 1983. The limit for Group I during an agreement year may be exceeded by up to 7 percent and that for Group II, by up to 3 percent. Moreover, any specific category limits may be exceeded by up to 7 percent if in Group I and up to 5 percent if in Group II. In addition, exports are allowed further to exceed aggregate and subgroup limits by up to 11 percent through carryover and carryforward.

Imports

Annual imports of textile raw materials during 1977-79 averaged almost 40 percent of total imports of all products. The value of imports of raw wool declined from approximately \$24 million in 1976 to approximately \$7.8 million in 1979. Imports of cotton fabrics increased from 142.1 million patacas in 1976 (approximately \$26.8 million) to 395.6 million patacas in 1979 (approximately \$74 million). Imports of woven fabrics of cellulosic fibers declined from 71.6 million patacas in 1976 (approximately \$13.5 million) to 46.5 million patacas (approximately \$8.7 million) in 1979; imports of clothing increased from 8.4 million patacas in 1976 (approximately \$1.6 million) to 23.6 million patacas in 1979 (approximately \$4.5 million).

Export Potential

Although there are possibilities for continued expansion of exports from Macau on a moderate scale in the next 5 years, this outlook is tempered somewhat by their limited area, transportation, and harbor facilities. Expansion is also hindered by high land rents and construction costs. Macau is concentrating its efforts toward overcoming difficulties, particularly in the area of harbor improvements, and the potential for expanded exports may become greater toward the end of the next 5-year period.

Although the Government is encouraging diversification of industry in order to decrease the dependence on a single product, ^{1/} exports have always been and will probably continue in the near future to be concentrated predominantly in apparel. Any increase in production of yarn and fabric finds a ready market either among the domestic apparel producers or in Hong Kong. Apparel exports from Macau increased from \$180.9 million during 1976 to \$415.3 million during 1980, which maintained its share in the total value of world exports of apparel at slightly over 1 percent. Their strengths as an apparel producer are impressive, and with low wage rates, availability of inexpensive fabric from China, long experience in apparel production, and proximity to the port of Hong Kong, Macau is likely to continue to expand their share of the world textile market.

Shipments of apparel to the U.S. increased 5 times between 1976 and 1980, from \$20 million to \$97 million. The quantity, in terms of SYE tripled. However, the share of the value of total U.S. imports of apparel increased

^{1/} Report from U.S. Embassy, Hong Kong, May 1982.

less than 1 percentage point, from 0.6 percent to 1.4 percent. Although Macau has nearly filled its aggregate quota and has filled several specific apparel quotas, there is still room for expanded exports to the United States. The bilateral agreement between the United States and Macau provides for 6.25 percent annual growth in the aggregate quota along with provisions for carrying over unused quota from the previous year and/or borrowing quota from a succeeding year. In addition growth is possible in several specific categories, particularly in manmade fiber apparel, where existing quotas are not being fully utilized and even those categories which are full usually are allowed year-to-year growth in accordance with normal MFA provisions. The principal products where there are possibilities for expansion include apparel products, especially underwear, skirts, shirts, sweaters, and trousers.

The EC has been, by far, the largest market for apparel from Macau, accounting for almost two-thirds of their exports during 1980. Macau's apparel exports to the EC increased from \$134.9 million in 1976 to \$262.7 million in 1980, but their percentage of total EC imports declined from 3.0 to 2.7 percent, as total EC imports of apparel more than doubled from \$4.5 billion during 1976 to \$9.6 billion during 1980. Nevertheless, the EC considers Macau as a major supplier and may apply future restraints on their imports that are equally as stringent as those applied on shipments from Hong Kong, Taiwan, and Korea. There may be greater opportunity to expand exports to other Northern European countries outside the EC, where apparel exports from Macau increased from \$9.1 million during 1976 to \$22.2 million during 1980. In addition, exports to Japan also increased from \$2.2 million during 1976 to \$9.9 million during 1980. Macau is undoubtedly going to encounter more intense competition in any market with the traditional apparel exporters of Hong Kong, Taiwan, and Korea, but its greatest opportunities for future expansion lie in areas outside the EC.

Table V-1.--Textiles and apparel: Exports from Macau, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	3,542	7,945	13,454	15,503	25,806	42,998	124.308	441.196
Other Asia...	1	414	111	226	319	251	41300.000	-39.372
Other developing...	89	115	44	3	-	12	29.213	-89.565
Socialist.....	-	-	-	-	-	-	-	-
Developed:								
EEC.....	5,464	8,020	10,249	8,355	20,486	37,656	46.779	369.526
Southern Europe.....	342	1,644	4,962	2,664	2,463	4,297	380.702	161.375
Other Europe	41	62	170	132	258	312	51.220	403.226
United States.....	15	3	19	13	48	41	-80.000	1266.667
Canada.....	-	-	-	-	-	-	-	-
Japan.....	-	1,538	1,330	220	2,452	4,262	(1)	177.113
Other.....	-	-	-	-	30	130	(1)	(1)
Apparel:								
Developing:								
Big Three...	1,697	3,064	3,632	5,389	10,641	16,042	80.554	423.564
Other Asia...	51	2,857	3,008	2,869	392	474	5501.961	-83.409
Other developing...	614	1,142	344	18	57	915	85.993	-19.877
Socialist.....	-	-	-	-	-	-	-	-
Developed:								
EEC.....	45,812	134,903	142,737	134,151	187,704	262,682	194.471	94.719
Southern Europe.....	7,711	4,004	4,785	3,902	3,680	4,775	-48.074	19.256
Other Europe	4,835	9,145	13,508	12,899	12,681	22,220	89.142	142.974
United States.....	18,148	20,387	40,101	58,455	79,663	97,441	12.337	377.957
Canada.....	-	-	-	-	-	-	-	-
Japan.....	4,111	2,242	3,506	4,250	7,910	9,930	-45.463	342.908
Other.....	521	3,170	845	1,021	750	817	508.445	-74.227
Textiles & Apparel:								
Developing:								
Big Three...	5,239	11,009	17,086	20,892	36,447	59,040	110.136	436.288
Other Asia...	52	3,271	3,119	3,095	711	725	6190.385	-77.836
Other developing...	703	1,257	388	21	57	927	78.805	-26.253
Socialist.....	-	-	-	-	-	-	-	-

Table V-1.--Textiles and apparel: Exports from Macau, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Textile & Apparel:								
Developed:								
EEC.....	51,276	142,923	152,986	142,506	208,190	300,338	178.733	110.140
Southern Europe.....	8,853	5,648	9,747	4,566	6,143	9,072	-29.865	60.623
Other Europe:	4,876	9,207	13,678	13,031	12,930	22,532	88.823	144.727
United States.....	18,163	20,390	40,120	58,468	79,711	97,482	12.261	378.087
Canada.....	-	-	-	-	-	-	-	-
Japan.....	4,111	3,780	4,836	4,470	10,362	14,192	-8.052	275.450
Other.....	521	3,170	845	1,021	780	947	508.445	-78.126
Total.....	92,994	200,655	242,805	250,070	355,340	505,255	115.772	151.803

1/ Data or computation error.

- Data not available.

Table V-2.--Textiles and apparel: Exports from Macau, by principal market, 1976-80

Market	1976	1977	1978	1979	1980
1,000 U.S. dollars					
Textiles:					
United States.....	3	19	13	48	41
Hong Kong.....	7,945	13,454	15,503	25,806	42,998
Italy.....	4,887	5,901	2,979	13,567	30,157
FR Germany.....	2,579	3,909	4,598	4,969	5,620
Japan.....	1,538	1,330	220	2,452	4,262
Spain.....	1,453	4,377	2,452	1,759	287
France.....	290	416	688	1,026	1,554
United Kingdom....	197	-	13	871	6
Portugal.....	191	585	212	704	4,010
Singapore.....	414	102	226	319	141
Austria.....	60	164	129	250	311
Belgium-Luxmb....	3	16	11	53	294
New Zealand.....	-	-	-	30	11
Other.....	181	66	72	8	267
Total.....	19,741	30,339	27,116	51,862	89,959
Apparel:					
United States.....	20,387	40,101	58,455	79,663	97,441
FR Germany.....	52,820	52,668	56,323	67,693	103,508
France.....	39,264	41,300	36,805	64,230	81,929
United Kingdom....	19,494	13,739	16,933	24,913	33,300
Netherlands.....	8,125	14,782	9,778	12,771	19,558
Hong Kong.....	3,064	3,632	5,389	10,641	16,042
Italy.....	5,198	7,188	5,526	7,928	10,528
Japan.....	2,242	3,506	4,250	7,910	9,930
Denmark.....	5,793	8,863	4,997	6,586	8,900
Sweden.....	5,866	8,687	6,370	6,009	9,496
Belgium-Luxmb....	4,146	4,073	3,590	3,336	4,204
Portugal.....	3,863	4,532	3,761	3,311	4,373
Austria.....	1,815	2,017	2,741	3,118	4,650
Other.....	8,837	7,378	8,036	5,369	11,437
Total.....	180,914	212,466	222,954	303,478	415,296
Textile & Apparel:					
United States.....	20,390	40,120	58,468	79,711	97,482
FR Germany.....	55,399	56,577	60,921	72,662	109,128
France.....	39,554	41,716	37,493	65,256	83,483
Hong Kong.....	11,009	17,086	20,892	36,447	59,040
United Kingdom....	19,691	13,739	16,946	25,784	33,306
Italy.....	10,085	13,089	8,505	21,495	40,685
Netherlands.....	8,189	14,788	9,844	12,771	19,583
Japan.....	3,780	4,836	4,470	10,362	14,192
Denmark.....	5,793	8,864	4,997	6,586	8,900

Table V-2.--Textiles and apparel: Exports from Macau, by principal market, 1976-80--Continued

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textile & Apparel:					
Sweden.....	5,866	8,689	6,371	6,016	9,497
Portugal.....	4,854	5,117	3,973	4,815	8,383
Belgium-Luxemb.....	4,149	4,089	3,601	3,389	4,498
Austria.....	1,875	2,181	2,870	3,368	4,961
Other.....	10,821	11,914	10,719	7,478	12,117
Total.....	200,655	242,805	250,070	355,340	585,255

- Data not available.

Table V-3.--Textiles and apparel: Exports from Macau, by types, 1973 and 1976-80

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Silk yarn...	-	1,538	691	380	514	390	-	-74.642
Wool yarn...	1,005	7,630	12,545	13,270	19,439	27,668	659.204	262.621
Cotton yarn...	276	18	319	348	654	887	-93.478	4827.778
Yarn of manmade fibers....	18	409	32	66	133	439	2172.222	7.335
Other yarn...	-	-	-	-	-	-	-	-
Grey cotton fabrics...	294	8	-	52	335	1,056	-97.279	13100.000
Finished cotton fabrics...	1,526	108	682	1,146	4,478	10,042	-92.923	9198.148
Woven fabric of continuous manmade fibers....	42	73	203	8	74	604	73.810	727.397
Woven fabric of disconti- nuous manmade fibers....	57	36	93	134	995	3,240	-36.842	8900.000
Pile fabrics of manmade fibers....	157	33	46	-	-	18	-78.981	-45.455
Woven fabrics of wool.....	0	-	-	-	-	2	-	-
Woven fabrics of other fibers....	10	118	-	27	2,442	4,722	1080.000	3901.695
Knit fabrics	41	22	613	50	91	567	-46.341	2477.273
Other textile products..	5,950	9,705	15,039	11,600	22,643	40,102	63.109	313.210
Floor coverings.	80	40	56	34	66	180	-50.000	350.000
Subtotal, Textiles and floor coverings.	9,456	19,738	30,339	27,115	51,864	89,917	108.735	355.553

Table V 3. Textiles and apparel: Exports from Macau, by types, 1973 and 1976-80- Continued

SIC Description	1973	1976	1977	1978	1979	1980	Percent change: 1976 from 1973, 1980 from 1976	
							1,000 U.S. dollars	
H2B outer garments, not knit	25,579	47,899	51,458	57,311	77,384	96,437	87.259	101.752
H2F outer garments, not knit	7,448	28,181	33,433	36,564	53,983	68,942	277.296	145.336
H2B under garments, not knit	14,565	28,922	32,889	28,999	42,521	48,146	98.572	66.468
H2F under garments, not knit	3,416	6,524	7,722	7,663	11,274	12,286	98.984	88.328
Accessories, not knit	3,389	2,422	4,955	6,459	8,814	14,175	-48.875	568.882
Gloves, knit	158	95	268	589	4,147	5,291	-34.647	5469.474
Stockings, etc., knit	103	241	471	485	778	1,675	153.398	541.762
Under garments, knit	4,453	25,833	30,295	31,859	41,407	64,118	488.126	148.279
Outer garments, knit	24,053	40,917	50,926	51,782	62,161	100,715	78.117	146.145
Elastic fab. garments, knit	5	13	4	3	14	26	168.008	108.008
Subtotal, Apparel	83,161	188,687	212,343	221,714	301,795	412,031	116.752	128.036
Total	92,817	200,425	242,682	248,829	353,659	501,948	115.936	158.442

Data not available.

Table V-4.--Cotton textiles: U.S. imports from Macau, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
330	Handkerchiefs	0	0	18,416	26,161	49,300	66,640
331	Gloves	67,340	160,475	528,227	681,549	492,846	767,701
333	Suit-type coats, men and boys	86,627	243,915	311,827	76,744	175,099	10,897
334	Other coats, men and boys	494,031	1,234,706	2,972,486	3,129,632	3,931,141	4,546,140
335	Coats, women, girls, and infants	303,060	164,582	869,078	1,276,254	625,737	968,526
336	Dresses	28,947	14,088	11,280	997	327,066	86,297
337	Playsuits	5,000	0	93,300	443,350	672,350	465,225
338	Knit shirts, men and boys	90,432	320,652	782,396	835,156	843,004	797,551
339	Knit shirts and blouses, women, girls, and infants	1,474,567	2,024,208	1,855,253	3,362,983	4,592,471	3,669,076
340	Shirts, not knit, men and boys	770,232	2,428,176	1,797,816	2,578,440	2,947,656	3,064,632
341	Blouses, not knit, women, girls, and infants	17,835	134,212	575,332	789,933	1,098,347	1,228,572
342	Skirts	34,140	23,229	242,846	126,968	405,946	292,293
345	Sweaters	269,633	130,641	179,695	170,568	525,872	305,588
347	Trousers, men and boys	888,559	2,258,286	1,928,738	1,756,629	2,559,783	2,479,470
348	Trousers, women, girls, and infants	977,540	3,542,218	3,055,174	2,808,929	3,043,729	2,697,804
349	Brassieres	0	0	0	1,728	0	0
350	Dressing gowns	14,943	0	102,204	117,504	560,847	346,800
351	Nightwear	2,756	522,652	601,848	568,464	637,104	719,648
352	Underwear	0	0	71,808	22,000	0	0
359	Other apparel	297,693	21,588	165,466	101,518	587,382	428,793
363	Terry and other pile towels	0	0	0	8,300	0	6,912
369	Other manufactures	0	12,259	20,741	66,838	14,458	58,254
	Total	5,823,335	13,235,887	16,183,931	18,950,645	24,090,138	21,026,819

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

Table V-5.--Wool textiles: U.S. imports from Macau, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
411	Tapestries and upholstery	0	0	0	0	186	0
431	Coats, women, girls, and infants	0	0	0	0	0	937
433	Suit-type coats, men and boys	0	0	2,412	0	0	0
435	Coats, women, girls, and infants	0	37,368	67,284	0	18,792	52,272
436	Dresses	0	0	0	0	0	36,162
438	Knit shirts and blouses	0	0	1,080	4,500	4,425	8,535
440	Shirts and blouses, not knit	0	0	0	120	25,080	0
442	Shirts	0	24,894	7,398	14,274	0	972
444	Suits, women, girls, and infants	21,492	0	0	0	0	0
445	Sweaters, men and boys	254,121	779,891	284,163	265,266	312,926	411,343
446	Sweaters, women, girls, and infants	152,521	1,343,963	745,608	597,061	1,047,150	595,095
447	Trousers, men and boys	0	3,042	5,400	0	0	0
448	Trousers, women, girls, and infants	0	0	0	0	0	81,000
459	Other apparel	23,244	58,680	4,752	4,146	12,406	0
465	Wool floor coverings	0	0	0	0	42	4
	Total	451,378	2,247,818	1,118,097	885,367	1,421,007	1,186,320

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

Table V-6.--Manmade-fiber textiles: U.S. imports from Macau, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
631	Gloves-----	3,500	0	0	33,390	11,970	34,944
633	Suit-type coats, men and boys-----	0	0	204,277	42,390	0	1,955
634	Other coats, men and boys-----	193,160	2,536,894	4,289,791	3,666,242	2,766,234	5,345,707
635	Coats, women, girls, and infants-----	723,576	2,450,412	2,728,691	2,572,537	1,804,810	2,389,951
636	Dresses-----	0	125,073	54,179	5,572	20,702	98,573
637	Playsuits-----	0	0	0	23,473	94,615	151,294
638	Knit shirts, men and boys-----	62,640	8,694	569,178	1,044,090	2,202,516	2,968,092
639	Knit shirts and blouses, women, girls, and infants.	5,979,105	2,424,195	6,871,875	7,344,855	4,011,945	3,967,320
640	Shirts, not knit, men and boys-----	0	9,960	259,848	338,640	89,064	376,392
641	Blouses, not knit, women, girls, and infants.	102,516	772,749	676,542	864,737	519,478	1,153,490
642	Skirts-----	149,128	4,717	2,136	2,617	5,340	18,939
643	Suits, men and boys-----	60,318	594	0	5,400	0	14,580
644	Suits, women, girls, and infants-----	0	7,884	287,766	0	486	0
645	Sweaters, men and boys-----	0	0	309,120	503,866	319,203	177,928
646	Sweaters, women, girls, and infants-----	1,058,846	883,126	849,307	2,048,251	469,458	1,453,158
647	Trousers, men and boys-----	25,027	32,592	62,389	91,617	138,306	112,567
648	Trousers, women, girls, and infants-----	180,759	35,404	1,098,295	3,674,899	1,529,251	2,064,657
649	Brassieres-----	0	9,739	278,616	356,361	250,761	106,963
650	Dressing gowns-----	0	0	204	6,069	561	918
651	Nightwear-----	0	0	0	31,980	229,736	85,020
652	Underwear-----	480,000	431,200	707,712	968,000	1,476,384	582,528
659	Other apparel-----	143,613	44,842	505,916	1,145,088	1,415,334	1,056,736
669	Other manufactures-----	0	0	4,118	0	0	7,215
	Total-----	9,162,188	9,778,075	19,759,960	24,770,074	17,356,154	22,168,927

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

Table V-7.--United States/Macau bilateral agreements: Limits by NFA category, with shipments charged, 1980

NFA Category No.	Type of limit	Description	Units	Limitation, charged	Shipments, charged	Percentage filled
				1,000 units		
Group I:						
333/334/335	Specific	Cotton coats	Doz	1/ 94	94	100
338	do	Cotton knit shirts, men's and boys'	Doz	1/ 127	127	100
339	do	Cotton knit shirts, women's, girls', and infants'	Doz	1/ 534	534	100
340	do	Cotton shirts, not knit, men's and boys'	Doz	1/ 124	121	97
341	do	Cotton blouses, not knit	Doz	1/ 78	66	84
347/348	do	Cotton trousers	Doz	1/ 296	296	100
633/634/635	do	Manmade-fiber coats	Doz	183	123	67
638/639	do	Manmade-fiber shirts, knit	BYE	11,784	6,236	53
640	do	Manmade-fiber shirts, not knit, men's and boys'	Doz	40	7	17
641	do	Manmade-fiber blouses, not knit	Doz	66	48	73
645/646	do	Manmade-fiber sweaters	Doz	99	21	21
647/648	do	Manmade-fiber trousers	Doz	200	103	51
652	Designated consultation	Manmade-fiber underwear	Doz	159	78	52
659	do	Other manmade-fiber apparel	Lb	294	161	79
Group II:						
445/446	Specific	Wool sweaters	Doz	1/ 75	75	100
1/ Adjusted upward.						

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

Note.--Table shows only specific limits and designated consultation levels. All other categories of cotton, wool, and manmade fibers, are subject to minimum consultation levels as described in the text.

VI. MALAYSIA

Country Profile

Malaysia, a member of the British Commonwealth since its federation in 1963, is known largely for its abundant resources of rubber, tin, petroleum and forest products, and its strategic location in the South China Sea. With an area of about 130,000 square miles, it is approximately the size of Japan, but its small population of about 14 million people, half of which are Malays and one-third Chinese, is only one-eighth as large. Malaysia's capital is Kuala Lumpur. Officially known as the Federation of Malaysia, the Nation is ruled by a King but also has a Parliament, most of whose members are elected, and a judiciary.

Geography, demography, and resources

Malaysia occupies the southern half of the Malay Peninsula and the northern quarter of the East Indian island of Borneo. Peninsular Malaysia is dominated by a range of steep, forest-covered mountains running north and south reaching a maximum height of 7,186 feet. An irregular plain borders both sides of the mountains. About 80 percent of Peninsular Malaysia is covered by tropical jungle and the remainder, by extensive rubber plantations and other agricultural holdings. The part of Malaysia on the island of Borneo, represented by the States of Sabah and Sarawak, consists chiefly of a broad, frequently swampy plain, crossed by a number of wide rivers. The plain merges upward into jungle-covered hills and mountains, the latter reaching a maximum height of 13,455 feet. The climate of Malaysia is tropical, with uniformly high temperatures and rain in all seasons that generally averages more than 100 inches a year.

More than two-thirds of the land is in forests and woodland, one-tenth is arable (where rice, the mainstay of the Malaysian diet, is grown), another one-tenth is in plantation crops (especially natural rubber), and the remainder is in urban, industrial, waste, and inland water areas. Cattle, buffaloes, goats, sheep, and pigs are the principal livestock raised. Fish, another mainstay of the Malaysian diet, is consumed locally both in fresh and processed forms.

Malaysia is the world's largest exporter of tin and its hardwood timber is also a leading foreign exchange earner. Other important mineral resources include crude petroleum, iron ore, gold, ilmenite, and bauxite. Half of the electricity is furnished by oil-fired thermal stations and the remainder by hydro (water-powered) and diesel stations.

Peninsular Malaysia has almost 13,000 miles of public roads, most of which are paved; Bornean Malaysia has more than 5,000 miles of road, less than half of which are paved. Malaysia has less than 1,500 miles of railway, almost all located on the peninsula. It has two international airports on the peninsula, one in Sabah, and one in Sarawak. The Nation has a national airline. Most international shipping is done from the ports of Penang and Port Kelang on the peninsula, from Sandakan in Sabah, and from Kuching in Sarawak.

The annual population growth rate is 2.7 percent. Education is free and compulsory in Peninsular Malaysia, but at the State's discretion in Sabah and Sarawak. The literacy rate was 61 percent in 1979. Life expectancy is 68 years. The work force approximates 4.5 million people. Agriculture employs 42 percent of the working population, industry and commerce employs 32 percent, the Government hires 14 percent, and the service industries account for 12 percent. The official language is Malay, but English is widely used, especially in administration and trade.

The economy

Gross national product (GNP) at constant prices grew 7.5 percent in 1978 and at an estimated 8.2 percent in 1980. 1/ Commerce (including trade, transportation, and banking) accounts for almost half of the GNP, agriculture, forestry, and fishery, about 30 percent, and industry, nearly 20 percent. Largely as a result of its natural resources, Malaysia is well above average in per capita income in Southeast Asia. In 1980, per capita income amounted to an estimated \$1,600.

Total revenue received by the Government was estimated at \$5.2 billion in 1980. Of this total, the largest source was indirect taxes (import and export duties, motor-vehicles taxes, and so forth), which contributed almost 50 percent of the revenue. Direct taxes (income taxes, property taxes, and so forth) were the second largest source, furnishing over 43 percent in 1980. Nontax revenue (interest, service fees, licenses, and so forth) accounted for most of the remainder. The Government operated over its budget in 1980 but had a foreign trade surplus of \$2.1 billion. 2/

The Malaysian Industrial Development Authority provides numerous Government investment incentives to promote foreign investment. These incentives include income tax exemptions for 2 to 10 years, investment tax credits, labor utilization relief for labor-intensive industries, export incentives, and a number of minor, more specific, area or regional incentives.

Commerce, the principal contributor to Malaysia's GNP, is heavily geared toward exports. Exports totaled more than \$12 billion in 1980 and contributed a trade surplus of more than \$2 billion.

Agriculture, forestry, and fishing were the second largest contributors to Malaysia's GNP in 1980. They employ almost 50 percent of the active work force and accounted for about 55 percent to the country's export earnings. The production from plantation crops, especially rubber and palm oil, is the most significant activity in this sector; harvesting of logs and timber is also important. Other notable contributions to the GNP were from rice, cocoa, and pepper production.

1/ U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: Malaysia, FET 81-106, September 1981.

2/ The Europa Year Book 1981: A World Survey, London, vol. II, 1981, pp. 872-873.

Industry employs about 10 percent of the population and contributes about one-fifth of the GNP. It is largely confined to the processing of locally produced raw materials; however, significant progress has been made in recent years toward electronics, processing of petroleum products, timber processing, and textiles and apparel.

Foreign trade

In the last 10 years, the Government has played an important role in foreign economic relations through measures taken to attract foreign investment and aid as well as through the promotion and regulation of trade. The Government has also been active through membership and participation in international organizations bearing on the conduct of trade. Under the direction of the International Trade Division of the Ministry of Trade and Industry are almost all activities relating to foreign economic relations, the most important of which include export development, international trade relations, and membership in regional economic groups. The Economic Division of the Ministry of Foreign Affairs coordinates the country's participation in international economic activities that deal with the foreign policy of Malaysia and its bilateral and multilateral relations with other countries. 1/

As shown below, Malaysia recorded a favorable trade balance in 1980 of \$2.0 billion. Malaysia's major trading partners are Japan, the United States, the ASEAN countries, 2/ and the European Community (EC).

Malaysia balance of trade, 1978-79, and estimates for 1980

(In millions of dollars)

Item	: 1978	: 1979	: 1980 : estimates	: Percentage : change, 1980 : from 1979
Balance of trade-----	1,480	3,069	2,027	-34
Gross exports (f.o.b.)-----	7,432	10,530	12,261	16
Exports to United States-----	1,384	1,818	2,030	12
Gross imports (c.i.f.)-----	5,952	7,461	10,234	37
Imports from the United States--	827	1,115	1,551	39

Source: Compiled from statistics of the Economic Report, Ministry of Finance, Malaysia, 1980-81.

1/ Nena Vreeland Area Handbook For Malaysia, Washington, 1977, p. 339.

2/ Association of South East Asian Nations: Indonesia, Malaysia, Philippines, Singapore, and Thailand.

Malaysia's external trade by principal items are shown in the following tabulation (in millions of dollars):

<u>External trade</u>	<u>1980</u>	<u>1981 1/</u>	<u>1982 1/</u>
Total exports (f.o.b.)-----	12,261	12,182	13,586
Crude petroleum-----	2,917	2,930	3,120
Manufactures-----	2,682	2,870	3,383
Rubber-----	2,007	1,796	1,992
Sawlogs-----	1,140	1,011	1,087
Palm oil-----	1,093	1,252	1,495
Tin-----	1,089	977	1,011
Total imports (c.i.f.)-----	10,234	12,089	13,975
Machinery and transport equipment-----	3,948	4,697	5,496
Manufactures-----	2,136	2,513	2,890
Food, beverages, and tobacco-----	1,161	1,307	1,500
Crude petroleum-----	817	872	913

1/ Projected.

Exports in 1980 totaled \$12.3 billion, of which \$2.0 billion (18 percent) went to the United States. Exports to the United States were primarily of rubber and tin. The 1980 petroleum exports totaled \$2.9 billion and were Malaysia's largest export. Manufactured goods, primarily electronic items from the Free Trade Zones, were the second leading export with a value of \$2.7 billion, or 24 percent of total exports. It is reported that Malaysia is now one of the world's largest exporters of semiconductors. 1/ By 1982, exports of manufactured goods are projected to be 26 percent greater than in 1980.

Malaysia's imports in 1980 totaled about \$10 billion, of which \$1.6 billion, primarily machinery came from the United States. Capital equipment (machinery, metal products, and transport equipment) made up a third of total imports with a value of \$4.0 billion, followed by intermediate goods for manufacturing (\$2.1 billion), and consumption goods (\$1.1 billion).

The Textile and Apparel Industries

Structure

The Malaysian textile and apparel industry is of comparatively recent origin but was one of the industries encouraged by the Malaysian Government in the early years of the country's economic development program. Since its modest beginnings in the late 1950's, it has developed into an important segment of the manufacturing sector with total capital investment estimated at \$300 million and employment of approximately 70,000 people. The textile

1/ U.S. House of Representatives, Report of Trade Subcommittee on Mission to ASEAN Countries: Malaysia, 1981, p. 71.

industry includes the manufacture of synthetic fibers as well as the traditional activities such as spinning, weaving, knitting, printing, dyeing, finishing and garment-making. 1/

The number of apparel factories in 1980 was estimated to be about 300, with the largest factories producing exclusively for export. In 1974, the latest year for which data are available from the Census of Manufacturing Industries in Peninsular Malaysia, the country had 154 textile mills. Until early 1972, Malaysia imported almost all the cloth used in the production of garments and other textile products. Most of the large mills in Malaysia are joint ventures with foreign investors from Japan, India, Italy, West Germany, and Australia. Export-oriented enterprises (both textiles and apparel) are generally foreign owned.

An important factor leading to the early recognition of the textile industry is its traditional skills in batik-dyeing. 2/ The uniqueness of batik-dyed cloth made this item readily exportable. With industrialization of the textile industry, Malaysia's batik-dyed cloth has become less important. The expansion of the textile industry was also aided by labor costs which are lower than those in Hong Kong or Singapore. 3/ Moreover, before 1978, Malaysia's textile and apparel exports to the United States were not subject to restraint under the MFA, causing some manufacturers in Hong Kong (whose exports to the United States have been subject to restraint since 1962) to move to Malaysia to avoid the U.S. textile quotas. 4/

Production and capacity

Textile and apparel production in Malaysia originates in a few large integrated mills and a large number of small mills dealing with one activity of textile manufacturing. Due to the small size of the domestic market (approximately 14 million people) and the potential trade restrictions by some major importing countries, the Malaysian textile and apparel industry has in most cases not established large volume production. This has resulted in higher unit costs of production in Malaysia than in most other nations of the ASEAN region. 5/

1/ Report from U.S. Embassy, Kuala Lumpur, Feb. 4, 1981.

2/ Batik is an Indonesian method of hand-printing textiles by coating the cloth with wax for color separation, and has a long history among Malay peoples. The hand printed batik industry consists mainly of small producers, each employing between 5 and 15 workers, located mostly in the east coast of West Malaysia. Machine printed batik is also produced in small quantities by textile mills.

3/ The wage rate for textile and apparel workers in Malaysia is approximately \$2.25 a day, compared with \$11.36 in Hong Kong and \$11.20 in Singapore.

4/ Wolfgang Kasper, Malaysia: A Study in Successful Economic Development, Washington, Sept. 12, 1974, p. 82.

5/ Report from U.S. Embassy, Kuala Lumpur, Feb. 4, 1981.

Compared with its major East Asian competitors, the Malaysian textile and apparel industry is small. All together Malaysia's mills had 291,000 spindles, 8,000 open-end spinning rotors, and 7,500 looms installed by the end of 1979. In contrast, at that time, Korea had 3 million spindles, 17,350 rotors, and 160,000 looms. ^{1/} However, the rate of growth, in terms of quantity, increased at an average annual rate of approximately 20 percent during 1971-78. The growth rate was highest in 1975 and 1976, due in part to the rebound of international textile demand following the recession in 1974. However, output declined 1.9 percent in 1979 and 1.5 percent in 1980. The decline is attributed to higher prices of raw materials, the high cost of machinery and spare parts, and rapid changes in market conditions and fashion trends.

The following tabulation shows the growth of output of the Malaysian textile and apparel industry for 1969, and 1974-78:

	<u>Index</u>	<u>Gross value</u> <u>(million dollars)</u>
1969-----	100.0	139.6
1974-----	141.0	196.8
1975-----	213.9	298.5
1976-----	302.5	422.2
1977-----	313.9	438.1
1978-----	366.8	511.9

The gross value of output for the Malaysian textile and apparel industry in 1980 was approximately \$600 million. ^{2/}

The Malaysian Industrial Development Authority (MIDA), a government agency responsible for industrial development in Malaysia, has approved a total of 325 textile projects (mills) to date. Approximately 240 of these projects are in operation and the remainder are in various stages of implementation. Among the productive textile mills, about 50 are export oriented and established on a joint venture basis with foreign investors. Those 50 mills accounted for about 70 percent of the total output of yarn estimated at 19,000 tons, and of fabrics, estimated at 242 million yards in 1979. ^{3/}

Production of yarn and cloth in Malaysia during 1974-79 is shown in the following tabulation:

^{1/} International Textile Manufacturers Federation, International Cotton Industry Statistics, vol. 22, 1979, pp. 9 and 17.

^{2/} Bank of Thailand, Quarterly Bulletin, Vol. 21, No. 3, September 1981.

^{3/} Report from U.S. Embassy, Kuala Lumpur, September 1979.

Year	Yarn		Cloth	
	Production	Sales	Production	Sales
	Tons	Million dollars	Thousand yards	Million dollars
1974-----	8,751 :	2.9 :	87,512 :	33.5
1975-----	10,647 :	4.0 :	136,190 :	52.5
1976-----	17,447 :	5.9 :	190,951 :	71.5
1977-----	18,141 :	6.5 :	207,056 :	67.3
1978-----	18,750 :	6.7 :	227,082 :	86.4
1979 <u>1/</u> -----	19,000 :	6.3 :	241,882 :	90.1

1/ Estimated.

The six main sectors that account for the bulk of production are examined in the following discussion.

The spinning sector is composed of six textile establishments with about 86,000 spindles and 5,000 workers. Most spinning mills are integrated and some include finishing operations. However, in most cases the capacities for the different sections are not in balance. Such firms buy or sell to compensate for the imbalance or to dispose of surpluses. This sector is projected to have an expansion rate of 20 percent by 1983, and will invest an estimated \$3 million in equipment. 1/

One firm, the South Pacific Textile Industries Bhd., is the largest manufacturer of synthetic fiber in Malaysia and accounts for 95 percent of such exports. The firm, which has approximately 7,000 employees, produces polyester staple fiber for polyester/cotton blended yarn using high-technology polymerization, spinning, and finishing machinery. The South Pacific Textiles Industries projects an annual growth rate of 15 percent and will invest some \$5 million in manmade-fiber plant equipment by 1983. 1/

Like the spinning mills, most weaving mills are integrated and some include finishing plants. Knitting and weaving mills are projected to have an annual growth rate of 30 percent until 1983 with the recent investment of approximately \$10 million in equipment. The Malaysian Weaving Mills Sdn., Bhd., Taiping Textiles Sdn., and India Malaysia Textiles Bhd., are the three largest knitting and weaving mills in Malaysia--together producing approximately 4 million yards of fabric in 1980. 2/

There are approximately 30 medium-sized tufting and nonwoven fabric mills in Malaysia. These mills manufacture blankets, towels, sheets, and upholstery backing. This sector is projected to invest an additional \$2 million in machinery by 1983. 3/

1/ Ibid.

2/ Ibid.

3/ Ibid.

Finishing operations of the textile industry consists mostly of a number of small scale plants which provide for bleaching, dyeing, printing, and finishing work for knitted and woven fabrics. A few large spinning and weaving mills have their own finishing operations. In recent years, about \$6 million in finishing machinery has been invested. Plants are located in Selangor, Johore, and Penang. 1/

The Malaysian apparel industry is highly labor intensive and is made up of about 300 small factories. Most of the firms use relatively inexpensive and old machines imported from Hong Kong and Taiwan. There is little correlation between what the spinners and weavers produce and what the apparel manufacturers require. Apparel manufacturers are often forced to purchase their material from abroad because local textile manufacturers are unable to adjust quickly to changing quality and design requirements. 2/

Employment and wages

It is estimated that in 1980 the textile and wearing apparel industries provided employment for approximately 70,000 persons, representing about 10 percent of total industrial employment. Employment in this industry grew at an average annual rate of almost 19 percent between 1970 and 1980. Salaries for unskilled workers in the textile and apparel industry of about \$2.25 a day are, on the average, 10 percent less than those paid by the electronics industry in Malaysia.

The shortage of manpower is currently a pressing problem facing the manufacturing sector, and especially in the labor-intensive textile and apparel industry. Some mills have had to delay proposed expansion because they could not obtain the necessary number of workers. The turnover rate is high in the textile and apparel industries, because of higher wages from other industries, such as electronics. 3/

Equipment

Malaysia's domestic production of textile and apparel manufacturing equipment amounted to less than 1 percent of the total market of \$27 million in 1979. 4/ There is only one domestic firm producing dyeing machines. Because domestic production of this equipment is expected to remain insignificant, imports are expected to supply Malaysia's machinery requirements. Imports are estimated to reach \$41 million in 1983, representing an annual growth rate of approximately 15 percent. 5/

1/ Ibid.

2/ Report from U.S. Embassy, Kuala Lumpur, August 1978.

3/ "Malaysia: Committee Reports," Textile Asia, August 1981, p. 84.

4/ Also includes an unknown amount of footwear equipment.

5/ Report from U.S. Embassy, Kuala Lumpur, September 1979.

Japanese manufacturers are the leading suppliers of almost every type of textile and apparel manufacturing equipment, supplying about half of Malaysia's total imports in recent years. The remainder of the market is supplied by numerous other foreign manufacturers—including West Germany, the United Kingdom, Hong Kong, and Taiwan—each supplying less than 10 percent of the total market. 1/

There are no import tariffs on most textile and apparel production equipment, with the exception of sewing machines and parts which are subject to a tariff of 20 percent ad valorem. All imports, including textile and apparel machinery, are subject to a 5-percent sales tax and a 5-percent surtax. 2/

With modernization of many of the existing plants, demand for machinery and equipment is expected to increase substantially by 1983, as shown in the following table.

Total textile, apparel, and footwear manufacturing
machinery and equipment

(In thousands of dollars)

Item	1977	1978	1979	1983 <u>1/</u>
Domestic production-----	11	13	17	25
Imports-----	19,830	20,534	27,157	40,544
Exports <u>2/</u> -----	2,049	449	596	883
Apparent consumption-----	17,792	10,098	26,578	39,686

1/ Projected.

2/ Reexports.

Source: Compiled from statistics of the Department of Statistics, Kuala Lumpur, Malaysia, as reported by the World Bank.

Trade in Textiles and Apparel

Imports, exports, and trade balance

Malaysia's imports of textiles and apparel have increased steadily during 1976-79, from \$150.1 million to \$240.6 million, or by 60 percent. Textiles are by far the largest imported item, accounting for more than 80 percent of the imports. Imports of textiles increased by 70 percent during the period to \$214 million, whereas imports of apparel remained relatively stable at about \$26 million. A factor contributing to these trends is Malaysia's dependence on imports of certain textile mill products for production of fabric and apparel. Principal imported textile items were cotton yarns and woven fabrics, woven synthetic fabrics, knit fabrics, and manmade fibers.

1/ Ibid.

2/ Ibid.

Malaysia's exports of textiles and apparel have grown faster than imports. During 1976-79, exports increased from \$168.0 million to \$332.7 million, or by 98 percent. Although starting from a much lower base, exports of apparel have shown the most rapid growth, increasing from \$67.8 million to \$165.1 million, while exports of textiles increased from \$100.2 million to \$167.6 million.

As shown in the following table, Malaysia had an overall favorable balance of trade in textiles and apparel during 1976-79. Exports of apparel generated the surplus, which was more than \$90 million in 1978 and 1979.

Textiles and apparel: Malaysia's imports and exports, 1976-79

(In millions of dollars)

Item	1976	1977	1978	1979
Imports:				
Textiles-----	126.7	141.3	162.9	213.9
Apparel-----	23.4	23.6	25.6	26.7
Total-----	150.1	164.9	188.5	240.6
Exports:				
Textiles-----	100.2	126.9	159.0	167.6
Apparel-----	67.8	93.0	124.0	165.1
Total-----	168.0	219.9	283.0	332.7
Trade balance:				
Textiles-----	-26.5	-14.4	-3.9	-43.3
Apparel-----	44.4	69.4	98.4	138.4
Total-----	17.9	55.0	94.5	92.1

Source: Compiled from statistics of the United Nations.

As shown in the following table, woven fabrics of manmade fibers were the largest imported item in 1979, accounting for 45 percent of all the imports in this group. During 1978-79, imports in this category showed a 60 percent increase.

Certain textile products: Malaysian imports, 1978 and 1979

(In million of dollars)

Item	1978	1979
	Imports	Imports
Fabrics woven of manmade fibers-----	59.5	95.4
Textile yarn-----	29.1	38.6
Cotton fabrics, woven-----	28.3	28.2
Special textile fabrics and related products-----	16.1	21.2
Knitted or crocheted fabrics-----	14.8	14.6
Manmade articles of textile materials-----	5.3	5.2
Textile fabrics, woven, excluding cotton, and manmade fibers-----	3.2	5.0
Floor coverings-----	3.7	3.2
Tulle, lace embroidery, ribbons, and trimmings-----	2.9	2.5
Total-----	162.9	213.9

Source: Compiled from statistics of the Department of Statistics, Kuala Lumpur, Malaysia.

Export trends

Malaysia's exports of selected textile items are shown in table VI-3. The major textile export item during 1976-80 was woven fabrics of spun manmade fibers, exports of which increased from \$24.4 million to \$79.5 million. These fabrics represented 45 percent of total textile exports in 1980. Finished cotton fabrics were the second most important category, accounting for \$31.5 million or 18 percent of the total in 1980. Exports in this category increased by 58 percent since 1976. Yarns of manmade fibers, the third largest textile export in 1980, showed an increase from \$14.5 million in 1976 to \$23.6 million in 1980. Exports of grey cotton fabrics averaged approximately \$20 million during 1976-80.

In recent years, Malaysia has been successful in expanding its exports of apparel (table VI-3). In 1980, men's and boys' woven undergarments were Malaysia's largest apparel export item, totaling \$40.6 million, or 23 percent of the total, compared with \$19.3 million in 1976. Following a similar trend, Malaysia's exports of knitted undergarments reached \$34.3 million in 1980, the second largest export category, representing approximately 20 percent of the total. Exports of women's, girls', and infants' woven outerwear increased annually from \$11.7 million in 1976 to \$33.3 million in 1980, which was 19 percent of the total. Knitted outergarments also showed a rapid increase, growing from \$10.9 million in 1976 to \$24.0 million in 1980. Men's and boys' woven outergarments accounted for \$18.1 million in apparel exports in 1980, an increase of over a 100 percent since 1976. Accessories and knitted stockings and gloves have also shown rapid gains, from virtually no trade in 1973, to approximately \$26 million in 1980.

Major markets

Textile and apparel exports of Malaysia, by chief markets, are shown in table VI-2. During 1976-80, the major export market for its textiles and apparel was Singapore; this is largely attributed to Singapore's position as a consumer of textiles and as a center for production and reexport.

Such exports to Singapore have doubled since 1976, reaching \$51.8 million in 1980, and representing almost 30 percent of total exports of textiles. Textile yarn and woven cotton fabrics were the principal textile products exported to Singapore. Hong Kong was the second largest export market for textiles during 1976-80, although there was little growth in those shipments, which averaged slightly less than \$21 million in recent years. Exports of textiles to Australia grew from \$8.0 million in 1976 to \$15.3 million in 1980, or by 91 percent. Such exports to the United States increased from \$5.4 million in 1976 to \$8.0 million in 1978, and then declined to \$4.3 million in 1980 (table VI-2). Woven cotton fabrics were a major export item to the United States.

Exports of apparel from Malaysia during 1976-80 increased in almost every major market. In 1980 the United States became the principal export market, ^{1/} accounting for 20 percent of the total apparel exports. Exports to the United States grew rapidly, from \$8.6 million in 1976 to \$42.6 million in 1980. Singapore was the second largest market in 1980, as exports to that country jumped from \$12.3 million in 1976 to \$41.6 million in 1980. West Germany accounted for \$37.6 million in apparel exports in 1980, representing a significant increase from the \$11.9 million exported to West Germany in 1976. Exports to France, Sweden, United Kingdom, and the Netherlands also increased.

MFA constraints

An agreement between the United States and Malaysia was established for a period of 3 years, from January 1, 1978, to December 31, 1980. A new agreement was concluded in January 1981, effective for 4 years through December 31, 1984. Although there was no aggregate limit, the provisions of the 1980 agreement were applicable to textiles of cotton, wool, and manmade fibers in the following subgroups:

<u>Subgroups</u>	<u>1980 Limit (million SYE)</u>	<u>Percent filled</u>
Group I—Yarns, fabrics, made-up goods and miscellaneous textile products of cotton and manmade fibers.	0	-
Group II—Apparel of cotton and manmade fibers.	24.8	66
Group III—Wool textiles and textile products.	1.1	44

^{1/} See tables VI-4, VI-5, and VI-6 of this section.

The limit for Group II was allowed an annual increase of 6.5 percent but that for Group III was allowed to increase annually by 1 percent. The specific limits and designated consultation levels applicable for 1980 are shown in table VI-7. The specific limits for product categories in Group II were allowed 7 percent annual increases. Moreover, group limits and specific limits could be exceeded by up to 11 percent by the use of carryover and/or carryforward.

Designated consultation levels were not allowed to increase. However, in the event that Malaysia wishes to export a product in excess of a designated consultation level, the bilateral agreement provides that a request must be made for a higher level of shipments. Categories which were not given specific limits or designated consultation levels were subject to minimum consultation levels (1.0 million SYE for categories in Group I, 700,000 SYE for categories in Group II, and 100,000 SYE for categories in Group III). Most of these minimum levels were unused although several categories were used significantly, such as spun manmade fiber yarn (100 percent), woolen and worsted fabrics (70 percent), and men's and boys' wool sweaters (74 percent).

Government Policy

Assistance to the industry

Early industrialization policy of Malaysia sought to encourage private enterprise in the manufacturing sector and free it from most Government controls. Taxes and tariffs were kept low and investment incentives, such as accelerated depreciation, were granted.

The Government's Third Malaysian Plan, 1976-80, assigned highest priority to rapid growth of the economy, with the manufacturing sector being the most dynamic force behind this growth. However, under the Fourth Malaysia Plan (1981-85), the Government which had in earlier plans emphasized labor-intensive sectors such as the textile and apparel industries, is now concentrating on the resource-based industry, and an implied movement away from labor-intensive investment. ^{1/}

Malaysia's industrial wages, among the lowest in East Asia, contributed to foreign investment in labor-intensive industries in the 1970's. ^{2/} However, as a foreign investment site, Malaysia will continue to be attractive, but decreasingly so for labor-intensive industries. The Government, under the Fourth Malaysia Plan, is now offering incentives to foreign investors in capital-intensive, export-oriented operations. ^{3/}

A major development in the manufacturing sector in the last 10 years was the increased emphasis given to export-oriented industries. Free trade zones (FTZ) were established in 1972 following the passage of the Free Trade Zone Act of that year. The act provided for the establishment of zones throughout

^{1/} Report from U.S. Embassy, Kuala Lumpur, June 11, 1981.

^{2/} Kasper, op. cit., p. 61.

^{3/} U.S. Department of Commerce, Business America, Feb. 8, 1982, p. 42.

Malaysia, which enable manufacturers to import, free of duty, machinery, raw materials, and component parts, and to export finished goods with a minimum of customs formalities. The FTZ system is administered by the Government's Ministry of Finance, which must approve all goods to be manufactured, as well as raw materials, components, and machinery to be used in production. In 1974, FTZ's were established in the States of Penang, Perak, Selangor, and Malacca. Additional zones were later established in Kuala Lumpur. 1/

The Government's purposes in establishing FTZ's were (a) to provide employment for the growing number of rural-to-urban migrants, especially to first-time industrial workers; (b) to expand foreign investment in Malaysia, with the positive benefits of technology transfer and an improved capital account inflow; (c) to expand foreign exchange earnings, based on the domestic value-added component of reexports from the FTZ's; and (d) to diversify the economy by expanding industrial sectors and reducing the country's dependence on commodity exports. 2/

The FTZ's significantly aided the Government of Malaysia's efforts to expand industrial development, diversify its export base, and encourage foreign investment. Given the goals of the FTZ's, Malaysia actively sought relatively labor-intensive industries. In 1979 there were a total of 67 subsidiaries of foreign firms in the zones, including 51 electronic component assembly operations and 8 textile plants, virtually all of which are 100 percent foreign owned. The firms account for about 40 percent of all manufactured exports and 8 percent of total exports. 3/

FTZ companies, including textile and apparel firms, are required to export at least 80 percent of their production. They were eligible for a broad range of investment incentives, including investment tax credits, accelerated depreciation allowances, and labor utilization relief. Such incentives were granted for a period of from 2 to 8 years, depending on the value of equity invested. For many FTZ companies, these benefits are scheduled to expire over the next few years.

The Malaysian Textile Manufacturers Association (MTMA) was established in November 1973. With a current membership of approximately 70 firms, the MTMA has sought greater Government support to enable export-oriented textile mills to compete more effectively in international markets. Although many Malaysian mills are equipped with modern machinery, some mills are not operating at full capacity and others are not operating at all. The Malaysian Government has urged the textile and apparel industries to (1) restructure, modernize and upgrade; (2) eliminate uneconomic-sized textile mills through mergers; (3) develop "backward" linkages to achieve greater vertical integration required for producing the finished products; and (4) produce less import-sensitive textiles and apparel items for export markets with quotas. 4/

1/ Textile and apparel mills are located in the States of Penang, Perak, and Selangor.

2/ Report from U.S. Embassy, Kuala Lumpur, Nov. 17, 1981.

3/ Ibid.

4/ Report from U.S. Embassy, Kuala Lumpur, Feb. 4, 1981.

The Government's Textile Advisory Committee was established to help achieve these goals. Other measures taken by the Government include the granting of depreciation allowances for new equipment and buildings to encourage expansion and new investment, the introduction of export credit refinancing and preshipment refinancing for finished textiles and apparel exports, and the exemption of import tariffs on certain items of textile and apparel machinery, spare parts, and accessories.

In 1978, textile manufacturers in ASEAN countries formed the ASEAN Federation of Textile Industries (AFTEX) to improve their competitive status in world markets, and to negotiate more effectively with cotton suppliers, shipping agents, and other trading partners. AFTEX also hopes to increase intra-ASEAN trade in textiles and apparel through preferential arrangements and coordinate establishment of textile mills to avoid duplication in production.

Economic and political importance of the industry

The textile and apparel industry has developed into an important segment of the country's manufacturing sector in terms of capital investment, export earnings, and employment. Capital investment in 1979, was estimated at \$300 million and the value of Malaysia's textile and apparel exports grew from \$168 million in 1976 to \$388 million in 1980, an increase of 112 percent. In 1980, exports of textiles and apparel represented approximately 14 percent of Malaysia's total manufacturing export earnings, and about 4 percent of Malaysia's gross exports.

Although presently faced with a labor shortage in certain areas, especially for skilled workers, the textiles and apparel industries provide direct employment for about 70,000 people, or about 1 percent of the total labor force of 5 million people. Although employment growth has slowed, certain sectors of these industries are likely to continue to provide opportunities for increased employment and production. In particular, the knitting and apparel segments of the industry have significant room for expansion as these sectors require relatively small capital investment. There is also the possibility that some of the knitting and apparel manufacturing firms located in Singapore will, because of the higher labor costs, shift production to Malaysia.

Export Potential

Although Malaysia's exports of textiles and apparel grew at an average annual rate of 24 percent during 1976-80, rising from \$168 million to \$388 million, it is likely that they will grow more slowly in the near future. Malaysia's textile and apparel industry is increasingly being faced with a shortage of workers, largely because of competition from other industries such as electronics, which offer higher pay and better working conditions. In addition, the relatively small size of its home market and the quota restrictions in major foreign markets reduced incentives for large-scale production and the resulting economies of scale. Consequently, as labor costs continue to rise, Malaysia may gradually lose its cost competitiveness vis-a-vis other low labor-cost suppliers.

Moreover, after promoting the development of labor-intensive industries such as textiles and apparel, Government policies are now emphasizing major expansion of capital-intensive industries. Despite considerable investment in the textile and apparel industry in recent years, the industry as a whole has been unable to modernize and introduce new manufacturing processes and finishes, thereby limiting the number of successful export firms. Those firms which do export specialize in a limited range of products.

A factor that could also influence the growth of Malaysia's textile and apparels exports is the method of distributing quota for exports to the United States and the EC. Export quotas are distributed by the Government according to past performance, resulting in most of the quota being obtained by firms established in the FTZ. Only a small amount of quota remains for non-FTZ firms providing little or no incentive to expand production. In addition, a company must establish exports in nonquota markets for at least 2 years to qualify for a quota, which makes it difficult for new companies to participate. Although overall, the FTZ's have resulted in expanded employment, a diversified export base, and foreign capital inflows, textile and apparel exports from the FTZ's in recent years have experienced slower growth than other products. This is a result of declining demand in Organization for Economic Cooperation and Development countries, rising production costs, and quotas imposed by the major importing countries. 1/

Approximately 35 percent of Malaysia's increased exports of textiles and apparel during 1976-80 went to the European Community (EC) (table VI-1). Exports to the EC rose 115 percent during the period, from \$64 million to \$135 million. Exports to Singapore, which accounted for approximately 20 percent of the exports, increased from \$38 million to \$93 million, with textiles accounting for a little more than half the total. Shipments to the United States increased from \$14 million in 1976 to \$47 million in 1980; they represented 12 percent of the total in 1980. Apparel made up 90 percent of the exports to the United States, which became the principal export market for Malaysia's apparel in 1980.

Despite the growth of Malaysia's exports of textiles and apparel to the United States during 1976-80, the exports to the U.S. market are likely to grow at slower rate during the next 5 years. Rising labor and other production costs are likely to reduce its price competitiveness vis-a-vis other low labor-cost countries. In addition, although there has been significant investment in the textile and apparel industry, further measures are needed to consolidate and modernize the industry.

Moreover, growth of exports to the U.S. market is likely to depend on the ability of Malaysia's textile and apparel industry to diversify and expand its narrow product line. On the basis of U.S. imports of textiles and apparel from Malaysia during 1979-81, 38 percent of total shipments comprised shirts and blouses, where import penetration is already relatively high. Malaysia reached or nearly reached its U.S. limits on certain cotton gloves, shirts, blouses, and pants, woven manmade-fiber fabrics, and wool sweaters. However, a number of restraint levels were little used.

1/ Report from U.S. Embassy, Kuala Lumpur, Nov. 17, 1981.

The EC is Malaysia's largest customer for textiles and apparel, receiving more than a third of its exports in recent years. Since Malaysia's textiles and apparel compete primarily on price, its increasingly tight labor supply and rising labor costs may undermine their competitiveness vis-a-vis other low labor-cost countries. This, coupled with quota restrictions, may hinder Malaysia's export expansion in the EC and in Sweden, another important customer.

Malaysia has enjoyed considerable success in shipping textiles and apparel to Singapore, which is Malaysia's largest single country market for these products. Singapore will continue to be a likely market for Malaysia, since its labor costs are considerably higher and its proximity partly offsets Malaysia's rising labor costs. Hong Kong and Australia will also continue to be markets for Malaysia's textiles, particularly since they do not currently restrict Malaysia's shipments.

Table VI-1 Textiles and apparel: Exports from Malaysia, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	41	18,008	20,546	22,240	23,983	23,458	43821.951	31.375
Other Asia...	572	26,724	33,153	42,081	47,474	61,820	4572.028	131.328
Other								
developing...	2,849	713	634	1,051	-	72	-74.974	-89.902
Socialist.....	37	-	-	-	-	222	-100.000	(1)
Developed:								
EEC.....	2,453	30,988	40,808	42,664	44,077	43,943	1163.269	41.807
Southern								
Europe.....	16	30	113	7	10	118	87.500	293.333
Other Europe:	163	4,485	6,366	4,579	5,952	8,878	2651.534	97.949
United								
States.....	3,163	5,350	5,666	7,948	7,268	4,315	69.143	-19.346
Canada.....	426	1,614	2,617	4,497	6,234	7,049	278.873	336.741
Japan.....	-	-	-	10,443	9,459	5,480	(1)	(1)
Other.....	6,369	12,307	16,950	23,465	23,178	22,204	93.233	80.418
Apparel:								
Developing:								
Big Three...	-	138	372	454	1,106	1,153	(1)	735.507
Other Asia...	77	12,368	17,458	22,853	30,144	42,543	15962.338	243.976
Other								
developing...	52	128	120	36	21	157	146.154	22.656
Socialist.....	-	-	-	-	-	-	-	-
Developed:								
EEC.....	7,009	31,725	45,057	53,316	78,342	90,682	352.632	185.838
Southern								
Europe.....	32	6	7	86	13	46	-81.250	666.667
Other Europe:	4,331	7,019	10,202	12,298	14,887	22,491	62.064	220.430
United								
States.....	6,856	8,649	15,700	28,620	29,062	42,625	26.152	392.832
Canada.....	1,269	2,323	1,494	1,939	3,962	3,006	83.058	29.402
Japan.....	-	-	-	1,847	3,279	2,948	(1)	(1)
Other.....	25	5,482	2,566	2,488	4,306	4,446	21828.000	-18.898
Textile &								
Apparel:								
Developing:								
Big Three...	41	18,146	20,918	22,694	25,089	24,811	44158.537	36.730
Other Asia...	649	39,092	50,611	64,934	77,618	104,363	5923.421	166.968
Other								
developing...	2,901	841	754	1,087	21	229	-71.010	-72.771
Socialist.....	37	-	-	-	-	222	-100.000	(1)

Table VI-1.--Textiles and apparel: Exports from Malaysia, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1978 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EEC.....	9,462	62,713	85,865	95,980	122,419	134,625	562.788	114.668
Southern Europe.....	48	36	120	93	23	164	-25.000	355.556
Other Europe:	4,494	11,504	16,568	16,877	20,839	31,369	155.986	172.679
United States.....	10,019	13,999	21,366	36,568	36,330	46,940	39.725	235.310
Canada.....	1,695	3,937	4,111	6,436	10,196	10,055	132.271	155.378
Japan.....	-	-	-	12,290	12,738	8,428	(1)	(1)
Other.....	6,394	17,789	19,516	25,953	27,484	26,650	178.214	49.812
Total.....	35,747	168,058	219,829	282,912	332,757	387,856	370.132	130.787

1/ Data or computation error.
- Data not available.

Table VI-2.--Textiles and apparel: Exports from Malaysia, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
1,000 U.S. dollars					
Textiles:					
United States.....	5,350	5,666	7,948	7,268	4,315
Singapore.....	25,298	30,239	38,259	46,943	51,750
Hong Kong.....	17,350	19,865	20,866	20,529	21,973
Australia.....	8,051	10,892	15,106	14,299	15,343
FR Germany.....	12,962	12,411	12,703	14,061	13,951
Italy.....	4,869	10,881	13,249	10,248	9,708
Japan.....	-	-	10,443	9,459	5,480
New Zealand.....	4,256	6,058	8,359	8,879	6,861
United Kingdom....	5,853	5,844	6,564	8,070	7,271
Canada.....	1,614	2,617	4,497	6,234	7,049
Sweden.....	3,552	5,175	3,729	5,092	7,322
France.....	3,230	3,095	3,024	3,916	6,224
Rep of Korea.....	658	681	1,374	3,454	1,685
Other.....	7,177	13,429	12,854	9,183	18,827
Total.....	100,220	126,853	158,975	167,635	177,759
Apparel:					
United States.....	8,649	15,700	28,620	29,062	42,625
FR Germany.....	11,898	20,477	29,152	39,622	37,622
Singapore.....	12,326	17,271	22,631	30,144	41,585
France.....	11,036	11,311	9,567	16,589	22,977
United Kingdom....	3,242	3,326	4,968	7,208	9,974
Sweden.....	3,962	6,009	6,203	7,058	11,921
Netherlands.....	2,804	4,220	4,651	5,719	9,157
Australia.....	5,479	2,481	2,289	4,066	4,178
Canada.....	2,323	1,494	1,939	3,962	3,006
Denmark.....	1,728	3,344	2,260	3,520	3,379
Japan.....	-	-	1,847	3,279	2,948
Italy.....	114	607	1,056	2,912	4,581
Norway.....	1,149	1,375	1,690	2,653	3,744
Other.....	3,128	5,361	7,064	9,328	12,400
Total.....	67,838	92,976	123,937	165,122	210,097
Textile & Apparel:					
United States.....	13,999	21,366	36,568	36,330	46,940
Singapore.....	37,624	47,510	60,890	77,087	93,335
FR Germany.....	24,860	32,888	41,855	53,683	51,573
Hong Kong.....	17,488	20,237	21,247	21,328	22,954
France.....	14,266	14,406	12,591	20,505	29,201
Australia.....	13,530	13,373	17,395	18,365	19,521
United Kingdom....	9,095	9,170	11,532	15,278	17,245
Italy.....	4,983	11,488	14,305	13,160	14,289
Japan.....	-	-	12,290	12,738	8,428

Table VI-2.--Textiles and apparel: Exports from Malaysia, by principal markets, 1976-80--Continued

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textile & Apparel:					
Sweden.....	7,514	11,184	9,932	12,150	19,243
Canada.....	3,937	4,111	6,436	10,196	10,055
New Zealand.....	4,259	6,143	8,558	9,119	7,129
Netherlands.....	4,505	6,853	7,307	7,420	11,057
Other.....	11,998	21,100	22,006	25,398	36,886
Total.....	168,058	219,829	282,912	332,757	387,856

- Data not available.

Table VI-3.--Textiles and apparel: Exports from Malaysia, by types, 1973 and 1976-80--Continued

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit...	3,648	8,713	15,376	14,777	19,220	18,181	138.843	108.665
H&I outer garments, not knit...	3,493	11,733	13,739	19,992	32,028	33,306	235.900	183.866
M&B under garments, not knit...	8,638	19,305	18,677	19,492	33,547	40,607	123.489	110.344
H&I under garments, not knit...	214	458	514	178	657	938	114.819	103.057
Accessories, not knit...	513	1,625	5,027	8,032	9,364	11,030	216.764	578.769
Gloves, knit	7	1,027	4,021	5,113	5,927	6,758	26000.000	269.896
Stockings, etc., knit	141	1,592	4,341	8,067	8,625	8,334	1029.078	423.492
Under garments, knit.....	972	10,881	18,057	22,716	23,639	34,277	1019.444	215.017
Outer garments, knit.....	1,990	10,881	7,688	11,289	15,491	23,861	446.784	119.291
Elastic fab. & art., knit.....	1	17	24	18	47	227	1600.000	1235.294
Subtotal, Apparel...	19,617	67,032	87,464	109,674	148,545	177,511	241.704	164.815
Total.....	35,656	166,818	211,939	267,917	315,404	354,262	367.854	112.364

1/ Data or computation error.
- Data not available.

Table VI-4.--Cotton textiles: U.S. imports from Malaysia, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
113	Sheeting	2,314,865	863,109	1,235,259	0	7,425	941,367
114	Poplin and broadcloth	438,137	2,849	63,372	124,837	5,072	335,536
115	Printcloth	17,655	27,121	0	9,131	0	134,044
116	Shirting	435,162	0	0	169,686	0	0
117	Twill and sateen	1,917,698	1,074,538	3,212,875	1,870,431	960,789	804,355
119	Back	33,333	105,556	1,600,835	12,056	22,002	0
120	Woven fabrics, n.e.s.	5,525,701	5,794,744	6,366,381	3,705,679	1,802,360	5,523,924
130	Handkerchiefs	978	340	0	5,100	0	0
131	Gloves	0	302,750	1,646,750	1,386,175	1,386,210	1,191,750
132	Cotton hosiery					166	37,600
133	Suit-type coats, men and boys	1,339	0	83,260	51,006	0	109
134	Other coats, men and boys	148,804	81,567	390,120	665,963	470,449	514,350
135	Coats, women, girls, and infants	428,694	469,168	537,148	966,255	511,956	863,956
136	Dresses	5,164	6,569	8,063	12,684	17,214	17,259
137	Pyjamas	0	8,725	0	75,000	72,625	54,500
138	Knit shirts, men and boys	82,541	541,807	829,361	567,554	1,376,842	905,191
139	Knit shirts and blouses, women, girls, and infants	55,830	448,156	1,273,082	1,096,791	1,098,741	934,704
140	Shirts, not knit, men and boys	4,831,896	3,790,440	3,517,344	6,302,160	6,167,352	6,745,152
141	Blouses, not knit, women, girls, and infants	8,208	9,875	174,247	261,436	345,492	446,732
142	Skirts	1,940	57,654	4,414	3,382	5,981	7,101
145	Sweaters	11,077	45,963	125,083	18,584	1,840	38,934
147	Trousers, men and boys	426,684	893,239	1,220,332	589,822	847,778	1,337,688
148	Trousers, women, girls, and infants	194,037	391,991	720,598	694,822	960,951	1,510,134
150	Dressing gowns	67,830	510	12,750	283,203	278,919	253,317
151	Hightwear	476,268	110,968	77,896	0	52,104	7,280
152	Underwear	0	0	3,949	1,100	352	0
159	Other apparel	184,295	150,931	414,147	246,187	34,615	32,977
160	Pillowcases	792	0	0	0	0	0
162	Bedspreads and quilts	0	0	7,935	0	0	0
163	Terry and other pile towels	1,200	9,600	23,200	21,250	9,840	26,814
169	Other manufactures	1,402,908	1,386,137	2,070,962	2,144,700	886,669	1,168,187
	Total	19,013,036	16,574,307	25,619,363	21,284,994	17,323,744	23,832,961

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

Table VI-5.--Wool textiles: U.S. imports from Malaysia, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
410	Woolens and worsteds	0	0	0	0	0	69,864
431	Gloves	0	0	0	0	410	71
432	Hosiery	0	0	0	0	963	140
433	Suit-type coats, men and boys	0	1,656	0	0	0	0
434	Other coats, men and boys	0	10,260	15,390	0	0	0
435	Coats, women, girls, and infants	0	0	6,120	0	0	0
438	Wool knit shirts and blouses	0	0	0	0	8,760	0
442	Skirts	0	252	0	5,382	0	0
445	Sweaters, men and boys	0	12,455	144,946	39,551	77,258	83,209
446	Sweaters, women, girls, and infants	18,630	281,618	483,526	54,267	208,678	262,543
459	Other apparel	0	13,970	0	0	0	0
465	Floor coverings	71	245	145	18	49	147
	Total	18,701	320,456	650,127	99,218	296,118	415,974

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

Table VI-6.--Manmade-fiber textiles: U.S. imports from Malaysia, by MFA categories, 1976-81

		(In equivalent square yards)					
Category	Description	1976	1977	1978	1979	1980	1981
600	Textured yarn	770	0	0	0	0	0
604	Noncontinuous noncellulosic yarn	1,419	250,215	221,154	3,951,445	1,786,764	3,246,905
611	Spun cellulosic woven fabrics	0	0	0	0	0	12,040
612	Continuous noncellulosic woven fabrics	0	341,851	0	298,578	1,685	1,146
613	Spun noncellulosic woven fabrics	0	1,631,944	1,058,138	2,125,106	2,032,081	3,389,865
614	Woven fabrics, n.e.s.	189,306	74,204	0	0	1,293	42,252
622	Specialty fabrics	0	0	0	8,510	0	4,922
631	Gloves	361	154	43,506	149,716	71,817	20,675
632	Hosiery	0	0	0	0	0	133
633	Suit-type coats, men and boys	0	0	0	0	0	5,430
634	Other coats, men and boys	0	235,947	330,524	4,130	0	21,476
635	Coats, women, girls, and infants	0	8,714	0	0	743	46,752
636	Dresses	0	680	544	0	4,167	24,417
637	Play suits	0	0	0	0	0	6,135
638	Knit shirts, men and boys	505,944	173,808	373,086	255,060	70,974	175,500
639	Knit shirts and blouses, women, girls, and infants	105,690	570,135	1,565,775	771,810	650,970	1,285,065
640	Shirts, not knit, men and boys	59,640	50,184	0	484,560	1,052,328	1,418,736
641	Blouses, not knit, women, girls, and infants	0	309,242	692,288	403,623	339,431	864,447
642	Skirts	0	2,741	0	0	0	303
643	Suits, men and boys	0	0	0	0	0	66,582
645	Sweaters, men and boys	0	0	0	154,707	165,195	195,518
646	Sweaters, women, girls, and infants	0	47,656	212,704	104,475	288,806	44,086
647	Trousers, men and boys, MFP	0	0	0	0	5,126	63,618
648	Trousers, women, girls, and infants	21,360	13,742	0	0	13,653	360,361
651	Nightwear	0	0	0	0	26,000	0
659	Other apparel	0	46,192	90,207	99,053	63,679	38,547
665	Floor coverings	19	0	0	0	0	0
	Total	884,509	3,757,409	4,587,926	8,810,773	6,574,712	11,334,911

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

Table VI-7.—U.S./Malaysia bilateral agreement: Limits by MFA category, with shipments charged, 1980

MFA category No.	Type of limit	Description	Units	Limit— 1,000 units	Shipments charged	Percentage filled
Group I:						
313	Designated consultation.	Cotton sheeting	Sq. yd.	1,800	7	1/
315	do	Cotton printcloth	Sq. yd.	2,000	133	7
317	do	Cotton twill and sateen.	Sq. yd.	3,000	996	33
319	do	Cotton duck	Sq. yd.	1,350	22	2
320	do	Other woven cotton fabric.	Sq. yd.	6,500	2,396	37
369	do	Other manufactures of cotton.	Lb	652	116	18
605	do	Other yarn of manmade fibers.	Lb	2/ 571	-	-
613	do	Woven fabric of non- continuous manmade fibers.	Lb	2,660	2,442	92
Group II:						
331	Specific	Cotton gloves	Doz. pr.	457	446	98
333/334/ 335	do	Cotton coats	Doz	60	26	44
340	do	Woven cotton shirts, men's and boys'.	Doz	3/ 260	244	94
347	do	Cotton trousers, men's and boys'.	Doz	89	46	52
348	do	Cotton trousers, women's, girls' and infants'.	Doz	3/ 60	64	106
638/639	do	Knit manmade-fiber shirts and blouses.	Doz	141	54	38
338	Designated consultation.	Knit cotton shirts, men's and boys'.	Doz	2/ 182	201	110
339	do	Knit shirts and blouses, women's, girls', and infants'.	Doz	155	155	100
351	do	Cotton nightwear	Doz	38	1	3
640	do	Woven shirts, men's and boys'.	Doz	83	30	36

See footnotes at end of table.

Table VI-7.--U.S./Malaysia bilateral agreement: Limits by MFA category, with shipments charged, 1980--Continued

MFA cate- gory No.	Type of limit	Description	Units	Limit- ation	Shipments charged	Percentage filled
				---1,000 units---		
Group II:--						
Continued						
641	Designated consultation.	Woven blouses, of man- made-fibers.	Doz	76	30	40
Group III:						
446	-----do-----	Wool sweaters, women's, girls' and infants'.	Doz	19	19	100

1/ Less than 0.5 percent.

2/ Adjusted downward.

3/ Adjusted upward.

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

Note.--Table shows only specific limits and designated consultation levels. All other cotton, wool, and manmade categories are subject to minimum consultations as described in the text.

VII. MEXICO

Country Profile

Mexico with over 67 million inhabitants, is the second most populous country in Latin America and the world's largest Spanish-speaking nation. Its area of 760,000 square miles is about one-fourth that of the United States. The capital, Mexico City, with a population of almost 10 million, is one of the largest cities in the world and the oldest in North America. Petroleum reserves, a large part of which have been discovered since 1970, are estimated to be second in size only to those of Saudi Arabia. Major mineral resources include uranium, silver, coal, iron ore, and sulphur. Economic progress in the last two decades has been substantial--power supplies and transportation have expanded, industries producing consumer and capital goods have been developed, and agricultural output for domestic consumption and export has been growing. Officially named the United States of Mexico, the nation is a Federal Republic with an elected President and National Congress, and a judiciary.

Geography, demography, and resources

Mountains dominate the topography of Mexico, however, there are also coastal plains, highland plateaus, and numerous small lakes and rivers. The Tropic of Cancer bisects Mexico from west to east giving the low lands a tropical or semitropical climate. However, because much of the land is at high elevations, the temperatures are generally much cooler than would be expected at this latitude. Most regions have inadequate rainfall, making Mexico a generally dry country requiring irrigation to be used widely in agricultural areas. 1/

Approximately 10 percent of the land is arable and used chiefly to grow grains, especially the basic food crop, maize. Other important crops include beans, wheat, cotton (Mexico was the world's fourth largest exporter of cotton but only the seventh largest producer in 1980), sugar cane, soybeans, henequen, and tobacco. Over 37 percent of the land is used as meadows and pastures chiefly to graze cattle, goats, sheep, and horses. Poultry and hogs are raised throughout Mexico and are important in the people's diet. Forest and woodlands account for 36 percent of the land and contain important commercial woods such as pine, spruce, cedar, mahogany, logwood, and rosewood. The remainder of the land, about 17 percent, consists chiefly of wasteland (deserts and unusable mountain land), inland waters, and urban and industrial areas. 2/

Mexico has abundant and varied mineral resources, including gold, silver, lead, iron, zinc, sulphur, uranium, and coal. In the mid-1970's, large petroleum reserves were discovered. The subsequent growth of the petroleum industry, including rapidly increasing exports, has had a notable effect on the economy and international political status of the country. Mexico has over 3,000 electric generating plants with an installed capacity of 12.2

1/ J.M. Ryan, Area Handbook for Mexico, Washington, 1975.

2/ The Europa Year Book 1981: A World Survey, London, pp. 933-940.

million kilowatts; however, most of the electricity consumption of 46.5 million kilowatts is imported from the United States. Mexico's first nuclear power plant is expected to be completed in 1982 and another one is scheduled for completion in 1983. 1/

Road transport accounts for some 70 percent of all passenger traffic and 60 percent of freight traffic; Mexico has 125,000 miles of roads, most of which are paved. Rail transport is on over 12,000 miles of track, almost all of which is owned by the Government. Mexico has 28 international and 20 national airports which are served by a large number of national and foreign airlines. The nation has 49 ocean ports for international shipping, located on both the Gulf and Pacific coasts; by 1982, it expects to open the largest port in Latin America—Don Bocas, located on the Gulf of Mexico.

Between 1970 and 1978, the annual population growth rate was 3.3 percent. Life expectancy at birth is currently 65 years. Public education for 9 years is free and compulsory, however, illiteracy is high in remote parts of the country. The work force in 1979 was about 20 million, 40 percent of which was in agriculture and 30 percent in industry and commerce. 2/

The economy

The gross domestic product (GDP) grew an estimated 7.4 percent from 1979 to 1980. Industry accounted for 37 percent of the GDP, trade and commerce, 30 percent, services (including the Government and the tourist industry), 22 to 24 percent, and agriculture and fishing, 9 to 11 percent. 3/

Total revenue received by the Government was estimated at \$73 billion in 1981. Of this total, the largest source was Central Government income (chiefly taxes) at an estimated \$28 billion in 1980. The public sector entities' income (Government utilities and Government-owned corporations) was an estimated \$25 billion. Borrowing accounted for the rest of the revenue—the Government itself borrowing \$11 billion and Government-owned corporations the remaining \$9 billion. Mexico is the world's second largest borrower and its foreign debt was estimated at \$30 billion in 1980 and expected to be \$39 billion by the end of 1981. 4/

Of Mexican industries, manufacturing accounted for 24 percent of the GDP in 1979, with an estimated value of \$5 billion. In terms of value added, the food, beverage, and tobacco industry is the largest segment, with approximately a 30-percent share. Significant volumes of sugar, beer, and cigarettes are produced. Fabricated products, including automobiles, trucks, stoves, refrigerators, washing machines, and television sets, account for approximately 20 percent of the value added for all manufacturing. The textile, clothing, and footwear segment contributes 15 percent of value added, and chemicals and pharmaceuticals, 10 percent. Basic metals, minerals, paper, and printing and publishing each contribute from 2 to 8 percent.

1/ The Statesman's Year Book, New York, 1981, pp. 858-859.

2/ The Europa Year Book, p. 937.

3/ U.S. Department of State, Background Notes: Mexico, April 1981.

4/ The Europa Year Book, p. 942.

The manufacturing industry is highly concentrated in and around Mexico City, Monterrey, and Guadalajara. The Government is encouraging firms to locate in other parts of the country and has built industrial parks and offered fiscal incentives to support this program. Also contributing to industrial decentralization is the In-bond Industry Program which has led to the establishment of assembly plants primarily along the U.S.-Mexican border. Through the provisions of this program, foreign firms which establish assembly plants in Mexico may import component parts free of duty if the assembled article is then reexported. This program is further enhanced by a provision of the U.S. tariff schedules (item 807) through which duty is assessed only on the value added outside the United States for such articles. In 1980, the United States imported goods valued at \$2.2 billion under this provision, and only 50 percent of the value or \$1.1 billion was dutiable. Approximately 80 percent of these imports were electronic parts and other metal articles, 9 percent were textile products (chiefly apparel), and the remainder was mostly lumber, paper, ceramic, and glass products. 1/

Trade and commerce contributed the second largest share to the GDP, amounting to 30 percent or an estimated \$6 billion in 1979. Commercial establishments range in size and volume from large, modern department stores to street vendors selling a few items. Trade channels range from sophisticated modern marketing systems to traditional local merchants and peddlers.

Agriculture, including forestry and fishing, employs approximately 40 percent of the labor force and, in recent years, has contributed 8 to 10 percent of GDP. Sugarcane is the principal crop accounting for 35 million tons, or 67 percent of the 53 million tons of crops produced in 1979. 2/ Corn is the second leading crop, with the production of 8.8 million tons in 1979 being 17 percent of the total crop production. The 3.7 million tons of sorghum and 2.3 million tons of wheat produced also contributed significantly to total agricultural production. Other important crops are soybeans, safflower, beans, rice, cotton, and coffee. Corn, wheat, rice, and beans are mostly consumed domestically, whereas production of other crops is exported.

Raising livestock, particularly cattle, is an important part of Mexico's agricultural production. Beef is not only consumed domestically but also is exported to the United States either as beef or as live cattle. Hogs, goats, sheep, and poultry are also extensively raised both in large commercial operations and on small farms. 3/

With its long coastlines, Mexico has access to extensive marine resources. Though fishing now contributes less than 1 percent of the GDP, it is estimated that the industry is producing only 6 percent of its potential. 4/ Forest exploitation is also operating below its potential. Mexico has 100 million acres of forestland. States or the Federal Government

1/ U.S. International Trade Commission, Imports Under Items 806.30 and 807.00 of the Tariff Schedules of the United States, 1977-80, USITC Publication 1170, July 1981.

2/ Banco de Mexico, Mexico Statistical Data 1970-1980, Mexico, 1981.

3/ Ryan, op. cit., p. 301.

4/ The Europa Year Book, p. 934.

own 9 percent of this land, "ejidos," or communal farms, own 18 percent, the remaining 73 percent is private or municipally owned. ^{1/} Services, including the Government, the tourist industry, and construction accounted for the remainder, or 22 to 24 percent, of the GDP.

The Mexican economy is based on free enterprise; however, the Government intervenes to achieve its industrial and social objectives. The private sector dominates the economy, though several major industries, including petroleum, railroads, aviation, electricity, communications, and steel, are primarily Government owned. The Government aids private industry through financial assistance programs including loans, tax concessions, and protection from competing imports. It encourages foreign private investment to complement domestic investment.

Foreign trade

Foreign trade is important to the Mexican economy and has grown rapidly since the early 1970's. In 1973 imports were valued at \$3.9 billion and exports at \$2.1 billion. By 1980, the value of imports rose to \$18.6 billion and exports rose to \$15.3 billion as the following tabulation indicates: ^{2/}

Year	Imports	Exports	Balance
	-----Million dollars-----		
1973	3.9	2.1	-1.8
1974	6.1	2.9	-3.3
1975	6.7	3.1	-3.6
1976	6.3	3.7	-2.6
1977	5.7	4.6	-1.1
1978	7.9	6.1	-1.8
1979	12.0	8.8	-3.2
1980	18.6	15.3	-3.3

Mexico's trade deficit increased from \$1.8 billion in 1973 to \$3.3 billion in 1980. However, as a share of total trade, the deficit declined from 30 percent to 10 percent during the period. The United States has been Mexico's leading trading partner, providing 65 percent of the imports and taking 62 percent of exports in 1980. Other leading trading partners are the EC, Japan, and nations of the Latin American Free Trade Association (LAFTA). ^{3/}

Agricultural products and manufactured goods have traditionally been Mexico's leading exports. However, in the mid 1970's, Mexico began exporting large amounts of oil from its recently discovered petroleum reserves. Exports of

^{1/} Ryan, op. cit., p. 303.

^{2/} Banco de Mexico, Mexico Statistical Data 1970-1980, p. 59.

^{3/} Latin American Free Trade Association: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay.

oil and its derivatives amounted to \$25 million in 1973, or 1 percent of total exports. By 1980 these exports increased to nearly \$10 billion, or 65 percent of total exports. In contrast, Mexico's exports of manufactured products, which were 46 percent of the total in 1973, accounted for 22 percent in 1980. Likewise, the share of Mexico's exports of agricultural products (including forestry and fishing) declined from 44 percent in 1973 to 10 percent in 1980. 1/ Capital goods (largely machinery) and industrial supplies dominate Mexico's imports, accounting for approximately 70 percent of the total. Transportation equipment (chiefly parts and accessories) make up about 16 percent of imports, food products 7 percent, consumer goods 4 percent, and fuels 3 percent. 2/ Though exports of petroleum products led to the great increase in Mexico's exports since 1973, the rapid growth of this and related industries increased demand for imported capital goods and materials, sustaining the nation's trade deficit.

The Textile and Apparel Industries

Structure

The Mexican textile and apparel industries are privately owned. The textile mills range from large, fully integrated firms to small specialized ones. The small- and medium-sized firms generally make cotton yarn or woven fabric, and the large firms tend to produce yarn and fabric of manmade fibers. 3/ A significant amount of the production in rural areas, particularly in isolated villages, is at the cottage industry level.

In 1980, the Mexican textile industry (excluding the cottage industry) was made up of approximately 2,400 firms, an increase of 26 percent over the 1976 number of 1,900 firms. 4/ Most of the industry is located in or near Mexico City or other large cities and along the U.S. border. 5/

Because of the extremely small size of many apparel manufacturing operations, data on the number of firms in this industry are unverified; however, they are believed to number from 10,000 to 15,000.

Fiber production and consumption

Mexico is one of the world's leading cotton producers, with an estimated 1.6 million bales (385 tons), or 2.3 percent of the world total in 1980 and 1981. It is also a major cotton exporter, providing 4 percent of world exports in 1980, or 820,000 bales (approximately half the total Mexican crop). 6/ Mexico's production of cotton is not expected to increase as the

1/ Banco de Mexico, Mexico Statistical Data 1970-1980, p. 61.

2/ UN Yearbook of International Trade Statistics, 1979, p. 652.

3/ U.S. Department of Commerce, Textiles: Mexico, CMS 79-920, December 1979, p. 6.

4/ Report from U.S. Embassy, Mexico City, February 1982.

5/ U.S. Department of Commerce, op. cit., December 1979, p. 6.

6/ International Cotton Advisory Council (ICAC), Cotton-World Statistics, July 1981, p. 30.

Government is stressing use of cropland to produce food crops. In line with this policy, Mexico's cotton acreage in 1981 of 900,000 acres was 1.8 percent below the 1980 cotton acreage. 1/

Aided by its rapidly expanding production of petroleum, Mexico has greatly increased its production of petroleum-based manmade fibers. Production of these fibers more than tripled from 40 million tons in 1970 to 145.5 million tons in 1975. This production continued to rise between 1976 and 1980 when it amounted to 242 million tons, over six times the amount of production in 1970. 2/

For 1980, the consumption of manmade fibers was 243,000 tons, an increase of 10 percent over the amount of 221,000 tons consumed in 1979. During 1980, Mexico's consumption of cotton was 181,500 tons. 3/ Mexico's production and consumption of cotton and manmade fibers between 1976 and 1980 are shown in the following tabulation (in thousands of tons): 4/

Year	Cotton		Manmade fibers	
	Production	Consumption	Production	Consumption
1976	250	182	152	154
1977	388	176	173	175
1978	347	182	186	188
1979	361	182	220	221
1980	387	182	242	243

Consumption of these two fibers accounted for about 98 percent of Mexico's fiber consumption with wool and henequen making up most of the remainder.

Production and capacity

As shown in the following table, Mexico's production of cotton fabric did not change appreciably between 1976 and 1979, averaging 76,000 tons. During the same period, however,, production of fabric of manmade fibers increased 35 percent, from 198,000 to 267,000 tons.

1/ Ibid.

2/ Report from U.S. Embassy, Mexico City, February 1982.

3/ ICAC, Cotton-World Statistics, January 1982.

4/ Manmade fiber data derived from data of the National Chamber of the Textile Industry of Mexico; cotton data from ICAC, Cotton-World Statistics, January 1982.

Mexican production of cotton and manmade-fiber fabrics,
1976-79

(In thousands of tons)				
Item	1976	1977	1978	1979
Cotton fabric-----	80	66	76	82
Manmade fiber fabric-----	198	221	237	267
Total-----	278	287	313	349

Source: ICAC, Cotton-World Statistics, January 1982.

Mexican sources estimate that the combined volume of production of the Mexican textile and apparel industries in 1980 was 3.7 percent below that of 1979. The change was the result of a decline in apparel production which was only partially offset by a 6.6 percent rise in textile production. During the first 6 months of 1981, the level of production was up 2.6 percent over the level of production in 1980. ^{1/} Production for all manufacturing industries was up 6.3 percent in 1980 over the amount in 1979, and up 5.9 percent in 1981.

A recent study of leading industrial enterprises by the Bank of Mexico determined that the textile firms covered were operating at 83.6 percent of capacity and the apparel (including footwear) firms at 85.5 percent. These figures fairly closely parallel general industrial capacity utilization which was 86.5 percent. ^{2/}

Employment and wages

Employment in the textile industry increased steadily from 219,000 in 1976 to 255,000 in 1980. ^{3/} The Mexican minimum wage rate varies according to region, with the border regions and the area near Mexico City, where most of the larger textile and apparel firms are located, generally the highest. For 1981, the minimum wage ranged from \$7.40 to \$9 per day. ^{4/} As in the United States, highly skilled workers and those with technical expertise earn higher wages. Total wages paid to textile industry workers more than doubled between 1976 and 1980, rising from 13 billion pesos (\$519 million) to 27.5 billion pesos (\$1.1 billion). Yearly wages per worker rose from \$2,400 to \$4,300. ^{5/}

^{1/} Banco de Mexico, Review of the Economic Situation in Mexico, October 1981, p. 331.

^{2/} Ibid., p. 324.

^{3/} Report from U.S. Embassy, Mexico City, February 1982.

^{4/} Banco de Mexico, Mexico Statistical Data 1970-1980, p. 31.

^{5/} Report from U.S. Embassy, Mexico City, February 1982.

Plants and equipment

The American Textile Machinery Association (ATMA) reported Mexico's spinning and weaving capability in 1980 in terms of the following installed equipment: 1/

	<u>Quantity</u>
Ring spindles-----	3,300,000
Open-end rotors-----	17,000
Shuttle looms-----	79,000
Shuttleless looms-----	4,000

There has been a steady increase in this equipment since 1977, when Mexico had 2.8 million spindles and 69,600 looms. In comparison, the United States has 17 million spindles, 247,000 shuttle looms, and 38,000 shuttleless looms; and West Germany with approximately the same population as Mexico has 3 million spindles, 36,000 shuttle looms, and approximately 7,000 shuttleless looms. Over half of the spinning and weaving equipment in Mexico is 15 years old or more. Other textile processing equipment, including yarn texturizers, plying, winding, and warp preparation equipment, is predominately 15 to 20 or more years old. 2/ To meet the rising needs of its population and growing industrial sector, the Mexican textile industry has increased its investment from 12 billion pesos (\$484 million) in 1970, to 34 billion pesos (\$1.3 billion) in 1976, and 62 billion pesos (\$2.5 billion) in 1980. 3/ These purchases covered the entire range of processes from fiber preparation through fabric finishing. It is likely that much of this recently purchased equipment is replacing older machinery. Though not substantially increasing the number of machines in place, their greater capacity and efficiency should lead to increased production volume and quality for Mexico's textile industry.

Trade in Textiles and ApparelImports, exports, and trade balance

In recent years, Mexico has had a favorable balance of trade in textile fibers, textile mill products, and apparel, with a surplus of \$223 million in 1980 when imports totaled \$267 million and exports \$490 million. Textiles and apparel, including textile fibers, account for approximately 8 percent of the total value of Mexico's exports and 1.6 percent of its imports. Of the imports of fibers, textiles, and apparel in 1980, approximately 11 percent were fibers, 19 percent were textile yarns and fabrics, and 70 percent were apparel, as shown in the following table.

1/ American Textile Machinery Association, Opportunities and Strategies for U.S. Textile Machinery Manufacturers to Improve their Competitive Positions in Domestic and Foreign Markets--1980-1985, Washington, May 1981, p. 72.

2/ Ibid., p. 73.

3/ Report from U.S. Embassy, Mexico City, February 1982.

Mexico: Imports and exports of textile fibers, yarns, fabrics, and apparel, 1976-80 ^{1/}

(In millions of dollars)

Item	1976	1977	1978	1979	1980
Imports:					
Fibers-----	22.2	23.8	31.2	24.0	30.6
Yarn and fabrics-----	33.2	34.9	49.2	34.8	54.0
Apparel-----	40.1	29.5	42.3	113.3	192.4
Total-----	95.5	88.2	112.7	172.1	277.0
Exports:					
Fibers-----	288.0	190.8	300.6	313.6	324.8
Yarn and fabrics-----	125.7	116.0	105.0	165.7	157.3
Apparel-----	32.8	30.2	32.8	7.9	8.1
Total-----	446.5	337.0	438.4	487.2	490.2

^{1/} Data does not include articles imported duty-free for assembly or exports of the assembled articles. In 1980, 68 percent of all apparel exports from Mexico were sent to the United States under these conditions and therefore are not included in this table.

Source: UN Yearbook of International Trade Statistics, 1980.

Of exports in 1980, 66 percent were fibers (cotton, manmade, and henequen), 32 percent textile mill products, and 2 percent apparel.

Mexico's imports of fibers are virtually all manmade. To protect the domestic cotton industry, cotton imports are subject to prior licensing which is rarely permitted; use of other fibers is minimal and imports are negligible. Imports of yarn, fabric, and apparel must also be given import licenses; these licenses are granted only when there is an absence or shortage of similar domestically produced products. ^{1/} The textile mill products which are imported are primarily special fabrics such as nonwoven, coated, filled, or laminated fabrics, and made-up articles other than apparel. Mexico's exports of textile mill products consist primarily of henequen rope and cordage. Cotton and manmade-fiber yarns and woven fabrics are also significant exports. Apparel exports cover a wide range of articles: brassieres, trousers (particularly jeans), blouses, and dresses dominate.

Export trends

Mexico's overall exports of textiles and apparel rose 18 percent in value from 1976 to 1980, from \$276 million to \$326 million (table VII-3). This increase was all in apparel, which rose 41 percent, whereas exports of textile mill products declined 12 percent, from \$118 million to \$104 million.

^{1/} U.S. Department of Commerce, Foreign Regulations Affecting U.S. Textile/Apparel Exports, p. 158.

Most of the decline in exports was of woven cotton fabric, both finished and unfinished (grey), which went from \$48 million in 1976 to \$10.6 million in 1980. Apparel categories with significant increases include woven outerwear (trousers, coats, dresses, shirts, blouses) and knit undergarments (shirts, blouses).

Throughout the period, the United States has been the leading market for Mexico's exports of textiles and apparel. The United States is less dominant in exports of textiles (where its share has ranged from 50 to 70 percent annually) than in exports of apparel. Though Canada and several Western European nations are the main secondary markets for Mexican textile exports, their relative shares are quite small. The one trend of significance among these countries has been a slight decline in Canada's overall share from a peak of 11 percent in 1977 to 6 percent in 1980.

Mexico's apparel exports are virtually all destined for the U.S. market, whose share ranged between 90 and 94 percent yearly between 1976 and 1980, as shown in table VII-2. The importance of apparel which is assembled in Mexico using U.S.-made components is seen when the data in table VII-2 are compared with the table in the preceeding section which excludes such apparel. ^{1/} When the apparel assembled in free trade zones and then exported is excluded, the value of Mexico's apparel exports are shown to have declined by approximately 75 percent from 1976-78 to 1979-80. Lack of growth in Mexico's textile and apparel exports is seen when looking at the volume of those exports going to the United States. From 1976 to 1980 Mexico's exports of textiles and apparel of cotton, wool, and manmade fibers have varied and generally declined as shown in the following tabulation (in square yards equivalent (SYE)):

	<u>Quantity</u>
1976-----	160,121,143
1977-----	155,249,208
1978-----	201,137,783
1979-----	139,214,491
1980-----	133,517,386

The decline is generally attributed to increased Mexican domestic demand and lack of an exportable surplus.

Principal exported products

In 1980, Mexico exported approximately \$105 million in textile mill products. Rope and cordage exports valued at \$32.6 million had the largest share, 31 percent. The next largest item, cotton yarn, with 18 percent, had a value of \$19 million. Cotton fabric exports, valued at \$10.6 million, were approximately 10 percent of the total; and yarn of manmade fibers, valued at \$14.2 million, accounted for 13 percent. Most of the rest of textile exports are classified as miscellaneous textile products.

^{1/} In 1980, the United States imported apparel from Mexico under TSUS item 807.00 valued at \$182 million.

Of the \$222.4 million of apparel exported from Mexico in 1980, over half was outer garments of woven fabrics, primarily of cotton, polyester, or blends thereof. Knit apparel constituted 32 percent, and accessories such as handkerchiefs, shawls, scarves, and ties accounted for 14 percent of Mexico's apparel exports in that year.

Major markets

The United States is Mexico's primary export market for textiles and apparel, taking an annual average of 80 percent of the total between 1976 and 1980 (tables VII-2 and VII-3). Tables VII- 4, -5, and -6 indicate the levels of imports of cotton, wool, and manmade-fiber textiles in recent years. Canada and Western European nations are other important markets, though none of these individually received more than 7 percent of Mexico's textile and apparel exports between 1976 and 1980.

Nearly 70 percent of Mexico's apparel exports to the United States enter under TSUS item 807.00. This provision covers articles assembled abroad in whole or in part of components which are products of the United States. Such articles are assessed duty on the value of the imported article, less the value of the U.S.-made components. Body-supporting garments, mainly brassieres, are the leading apparel item imported under item 807.00, accounting for \$31 million, or 15.5 percent of total 807.00 imports in 1980. ^{1/} Women's, girls', and infants' slacks and shorts valued at \$30 million were 15 percent of the total, and men's and boys' slacks and trousers with a value of \$26 million, 13 percent. Other articles imported from Mexico under item 807.00 include blouses, suits, coats, jackets, and shirts.

MFA constraints

Mexico's exports of textiles and apparel of cotton, wool, and manmade fibers to the United States and the European Community (EC) are subject to restraint under bilateral agreements negotiated under the Multifiber Arrangement (MFA).

The provisions of the agreement in effect between Mexico and the United States during 1980 were applicable to textiles of cotton, wool, and manmade fibers in the following subgroups:

- Group I--Yarns
- Group II--Fabrics, made-up goods and miscellaneous nonapparel products.
- Group III--Apparel

^{1/} U.S. International Trade Commission, Imports under items 806.30 and 807.00 of the Tariff Schedules of the United States, 1977-80, USITC Publication 1170, July 1981, p. B-26.

There were no aggregate or subgroup limitations. The categories having specific limitations and designated consultation levels, with the quantity of imports charged against each level during 1980, are shown in table VII-7.

Specific category limitations were allowed to increase each year by 7 percent. In addition, these limits could be exceeded by up to 11 percent by the use of carryover and/or carryforward. Categories which were not given specific limitations or designated consultations levels were subject to two types of minimum consultation levels. In the first type, the United States could request consultations "with a view towards eliminating real risks of market disruption" whenever trade in a cotton or manmade fiber product in Group I or Group II exceeded 1.0 million SYE or a wool product exceeded 100,000 SYE. In the second type, Mexico could request consultations with the United States before exports of its cotton or manmade fiber products in Group III could exceed 700,000 SYE or before wool products in Group III could exceed 100,000 SYE.

The current agreement with the United States which expires December 31, 1985, has no specific limits on imports of yarns, fabrics, and nonapparel made-up articles, but these are subject to consultation levels. Specific quota limits apply to 14 apparel categories which cover women's and girls' cotton coats, all cotton and manmade-fiber knit shirts and blouses, men's and women's cotton slacks and shorts, men's and boys' manmade-fiber suit coats, men's and women's manmade-fiber coats, woven blouses of manmade fibers, all manmade-fiber slacks and shorts, and manmade-fiber bras. Articles covered by a number of other apparel categories have designated consultation levels and those remaining are subject to consultation if imports exceed certain quantities. The EC limits imports of cotton yarn and fabric at specific levels with other articles subject to consultations if deemed necessary.

The Domestic Market

The Mexican market for textile mill products is dominated by apparel firms and industrial consumers. As most industry and demand for textile products is primarily in a few large cities, marketing is concentrated in these areas. A significant number of textile firms are also located along the U.S. border. ^{1/} These firms largely produce fabrics for apparel firms located nearby which produce garments for export to the United States.

The apparel market in Mexico is highly diversified. Retail outlets vary from department stores and specialty shops selling expensive, high-fashion goods to market stalls or street vendors selling traditional apparel. Mexicans wear a multitude of styles of dress. Professional and office workers in large cities wear clothing similar to that worn in the United States and Western Europe; traditional costumes are worn by all social and economic groups on special occasions. In small towns and the countryside, traditional handmade regional dress is primarily worn, though blue jeans and casual factory-made trousers are seen. ^{2/} The decline in exports produced outside

^{1/} U.S. Department of Commerce, Textiles: Mexico, p. 6.

^{2/} Ryan, op.cit., p. 167-8.

the free trade zones and the rise in imports of apparel during 1979 and 1980, indicate rising internal demand for apparel.

Government Policy

Economic and political importance of the industry

The textile and apparel industries are of economic importance because they employ approximately 15 percent of the manufacturing workforce. Though these industries are not very modern and consequently have relatively low productivity, they do contribute to the trade balance, accounting for approximately 2 percent of Mexico's imports and 8 percent of its exports.

Assistance to the industry

The Mexican Government has recently instituted several programs aimed at expanding and modernizing small- and medium-sized industrial firms. Such firms employ approximately half the work force of the textile and apparel industries. Among the prime objectives of these programs are reduction of unemployment and underemployment and, for certain industries, making the nation self-sufficient. Though recognized as industries with growth potential, no programs are specifically designed for the textile and apparel industries.

Export promotion

The Mexican Government has no specific program directed at markedly expanding exports of textiles and apparel. The main interest of the Government in these industries is to increase the volume and quality of production to meet domestic demand in this rapidly growing country. The one exception to this is the degree to which the Mexican Government has set up the program through which much apparel for the U.S. market is assembled using parts primarily of U.S. origin. ^{1/} The Government regards these programs more as a source of employment than as a contributor to the nation's trade balance.

Export Potential

Mexico's textile and apparel exports have grown slowly in recent years and have limited potential for increases in the near future. Mexico's importance in world textile and apparel trade is minor. In 1980, it was ranked 35th in terms of world textile and apparel exports, contributing about one-half of 1 percent of the total with a value of \$375 million (table A-1). Between 1973 and 1980, the value of Mexico's textile and apparel exports rose

^{1/} World Bank, Mexico, Manufacturing Sector: Situation, Prospects and Policies, March 1979, p. 11.

72 percent and world exports rose 145 percent. Of Mexico's textile and apparel exports in 1980, 82 percent went to the United States. However, Mexico accounted for only 3.3 percent of the total value of U.S. textile and apparel imports.

Although Mexico has the raw materials and labor supply to expand its textile and apparel production and exports, such expansion is currently limited, primarily by lack of modern, efficient textile production equipment. In addition, Government policies are not encouraging export growth, largely because at present the domestic textile and apparel industries do not have the capacity to meet expanding domestic demand.

The Mexican textile industry has access to domestic supplies of cotton and manmade fibers, however, cotton production is not expected to increase to any great extent because the Government is stressing use of land for food crops. Since approximately half of Mexico's cotton is exported, curtailing cotton fiber exports would increase the supply available to the domestic textile industry.

As Mexico is faced with high unemployment and underemployment, ^{1/} lack of available labor should not hinder expansion of Mexico's textile and apparel industries. However, as many of the unemployed are unskilled workers, training programs would probably be needed to effectively use these workers. Mexico's wages, starting at a minimum of about \$1.15 per hour, are low enough so that labor costs should not be a significant factor affecting the ability of Mexican textiles and apparel to compete in the developed countries' markets.

The recent devaluation of the Mexican peso may somewhat enhance the price competitiveness of Mexican goods. However, as internal factors are currently major deterrents to growth of Mexico's textile and apparel exports, the devaluation should have a minimal positive effect on these exports.

Until substantial capital investment is made in new machinery for the Mexican textile industry, exports should not increase markedly. The recent changes in the protectionist policies affecting the industry (permitting increased imports of machinery and textiles) are the first step in the process of modernizing the industry.

Though quotas under the MFA are sometimes mentioned as a factor limiting exports, this does not appear to currently be a crucial factor for affecting Mexico's trade with the United States. Exports of yarn and fabric currently have no quotas, only consultation levels, and have been declining. Of the apparel categories subject to specific quota restraints, only three were filled in 1980. The largest unfilled quotas and the shipments charged to these quotas for 1980 are as follows (in millions of equivalent square yards):

^{1/} Organization of American States, Short-term Economic Reports: Mexico, SG/Ser.G.41.13, 1980, p. 33-42.

<u>Category description</u>	<u>Quota</u>	<u>Shipments</u>
Men's and women's cotton trousers-----	10.0	7.3
Men's and women's manmade-fiber		
coats-----	11.8	8.1
All knit manmade-fiber shirts-----	13.8	7.7
Men's and boys' manmade-fiber shirts,		
woven-----	9.1	1.4
All manmade-fiber trousers-----	24.9	17.7
Manmade-fiber bras-----	11.7	8.4
Total-----	81.3	50.6

Altogether these quotas were 62 percent used. As the current United States-Mexico bilateral agreement provides for 7 percent growth yearly in each category, potential for growth of these exports within the quota restraints does exist. As Mexican apparel exports to the United States are dominated by imports under TSUS item 807.00, the use of the quotas to a large extent is determined by U.S. firms. Any growth in this market will largely depend on the ability of Mexico's exports to compete with apparel from other leading exporting nations. However, as Mexico currently has a small share of the U.S. market, and its exports are not expected to increase significantly, the market for other exporters should not be affected.

Table VII-1.--Textiles and apparel: Exports from Mexico, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	1,304	208	33	1	518	7	-84.049	-96.635
Other Asia...	1,142	34	29	18	-	3	-97.023	-91.176
Other								
developing...	5,321	3,298	8,781	3,332	223	1,358	-38.019	-58.824
Socialist.....	885	124	-	-	-	560	-85.989	351.613
Developed:								
EEC.....	13,296	36,144	25,774	16,909	29,325	26,248	171.841	-27.379
Southern								
Europe.....	3,623	1,781	3,220	1,551	4,650	4,182	-50.842	134.812
Other Europe:	6,782	6,151	4,199	2,440	4,065	4,902	-8.221	-20.306
United								
States.....	58,633	59,774	63,964	72,612	65,314	60,172	1.946	.666
Canada.....	8,491	10,618	12,841	6,570	8,902	5,835	25.050	-45.046
Japan.....	12,262	139	134	267	198	117	-98.866	-15.827
Other.....	268	76	116	246	557	1,712	-71.642	2152.632
Apparel:								
Developing:								
Big Three...	-	-	4	1	19	1	(1)	(1)
Other Asia...	3	4	20	12	-	3	33.333	-25.000
Other								
developing...	340	157	469	254	21	116	-53.824	-26.115
Socialist.....	-	-	-	-	-	-		
Developed:								
EEC.....	3,277	7,514	13,756	7,156	6,503	10,997	129.295	46.353
Southern								
Europe.....	238	181	183	147	280	475	-23.950	162.431
Other Europe:	667	1,001	747	673	3,265	6,812	50.075	580.519
United								
States.....	99,450	165,707	168,819	205,655	224,045	247,657	66.623	49.455
Canada.....	2,156	10,371	3,015	2,706	3,120	2,953	381.030	-71.526
Japan.....	117	173	242	294	489	406	47.863	134.682
Other.....	117	382	751	687	354	191	226.496	-50.000
Textile & Apparel:								
Developing:								
Big Three...	1,304	208	37	2	537	8	-84.049	-96.154
Other Asia...	1,145	38	49	30	-	6	-96.681	-84.211
Other								
developing...	5,461	3,455	9,250	3,586	244	1,474	-38.968	-57.337
Socialist.....	885	124	-	-	-	560	-85.989	351.613

Table VII-1.---Textiles and apparel: Exports from Mexico, by specific world markets and countries, 1973 and 1976-

80---Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EEC.....	16,573	43,658	39,530	24,065	35,828	37,245	163.428	-14.689
Southern Europe.....	3,861	1,962	3,403	1,698	4,930	4,657	-49.184	137.360
Other Europe:	7,369	7,152	4,946	3,113	7,338	11,714	-2.945	63.786
United States.....	158,083	225,481	232,783	278,267	289,359	307,829	42.635	36.521
Canada.....	10,647	20,989	15,856	9,276	12,022	8,788	97.135	-58.130
Japan.....	12,379	312	376	561	687	523	-97.480	67.628
Other.....	385	458	867	933	911	1,903	18.961	315.502
Total.....	218,292	304,067	307,097	321,531	351,848	374,707	39.294	23.232

1/ Data or computation error.

- Data not available.

Table VII-2.--Textiles and apparel: Exports from Mexico, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
1,000 U.S. dollars					
Textiles:					
United States.....	59,774	63,964	72,612	65,314	60,172
Canada.....	10,618	12,841	6,570	8,902	5,835
United Kingdom.....	451	2,402	5,611	7,222	5,140
Belgium-Luxmb.....	8,227	4,199	1,352	6,989	6,980
France.....	4,870	2,759	3,159	6,971	5,571
Spain.....	1,467	3,185	1,508	4,303	1,614
Netherlands.....	2,812	2,399	1,686	2,468	2,126
Sweden.....	2,410	2,254	1,526	2,466	3,024
Italy.....	7,047	4,879	1,204	2,418	2,818
FR Germany.....	10,332	7,556	2,395	2,352	2,752
Denmark.....	1,777	885	1,368	834	792
Australia.....	54	105	236	522	1,632
Rep of Korea.....	0	31	1	507	-
Other.....	8,738	11,632	4,718	2,484	6,640
Total.....	118,577	119,091	103,946	113,752	105,096
Apparel:					
United States.....	165,707	168,819	205,655	224,045	247,657
Canada.....	10,371	3,015	2,706	3,120	2,953
Sweden.....	779	498	281	3,101	6,442
FR Germany.....	3,824	9,142	4,462	2,981	3,617
France.....	606	450	744	1,098	898
United Kingdom.....	824	865	633	797	2,470
Netherlands.....	700	958	146	612	1,657
Japan.....	173	242	294	489	406
Belgium-Luxmb.....	242	1,221	864	486	1,234
Italy.....	1,064	946	247	441	914
Australia.....	381	747	684	349	190
Spain.....	181	183	147	280	475
Switzerland.....	137	121	111	91	173
Other.....	501	799	611	206	525
Total.....	185,490	188,006	217,585	238,096	269,611
Textile & Apparel:					
United States.....	225,481	232,783	278,267	289,359	307,829
Canada.....	20,989	15,856	9,276	12,022	8,788
France.....	5,476	3,209	3,903	8,069	6,469
United Kingdom.....	1,275	3,267	6,244	8,019	7,610
Belgium-Luxmb.....	8,469	5,420	2,216	7,475	8,214
Sweden.....	3,189	2,752	1,807	5,567	9,466
FR Germany.....	14,156	16,698	4,857	5,333	6,369
Spain.....	1,648	3,368	1,655	4,583	2,089
Netherlands.....	3,512	3,357	1,832	3,080	3,783

Table VII-2. Textiles and apparel: Exports from Mexico, by principal markets, 1976-80--Continued

Market	1976	1977	1978	1979	1980
	-----1,000 U.S. dollars-----				
Textile & Apparel:					
Italy.....	8,111	5,825	1,451	2,859	3,732
Finland.....	955	1,075	876	1,201	1,486
Australia.....	435	852	920	871	1,822
Denmark.....	1,980	926	1,390	856	930
Other.....	8,391	11,709	4,837	2,554	6,120
Total.....	304,067	307,097	321,531	351,848	374,707

Data not available.

Table VII-3.--Textiles and apparel: Exports from Mexico, by type, 1973 and 1976-80

SITC Description	1973	1974	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	-1,000 U.S. dollars-							
Silk yarn...	-	-	-	2	-	-	-	-
Wool yarn...	35	37	33	33	7	32	5.714	-13.514
Cotton yarn...	16,869	24,082	21,081	22,066	24,711	19,085	42.759	-21.082
Yarn of manmade fibers....	5,123	5,758	8,440	11,840	12,510	14,216	12.395	146.891
Other yarn...	958	13	349	282	1	48	-98.643	267.692
Gray cotton fabrics...	19,503	8,132	7,402	5,744	2,297	885	-58.304	-89.117
Finished cotton fabrics...	19,204	39,846	29,553	11,994	12,161	9,731	167.488	-75.578
Woven fabric of continuous manmade fibers....	859	795	407	514	96	33	-7.451	-95.849
Woven fabric of disconti- nuous manmade fibers....	1,874	24	15	745	92	6	-98.721	-75.000
Pile fabrics of manmade fibers....	0	-	-	-	3	-	-	-
Woven fabrics of wool.....	1,172	399	320	213	48	17	-65.956	-95.739
Woven fabrics of other fibers....	1,402	1,704	1,733	2,464	2,257	2,404	14.980	41.197
Knit fabrics	198	184	28	28	27	148	-47.475	34.615
Other textile products..	42,705	35,941	46,710	46,611	58,015	55,833	-15.839	55.346
Floor coverings..	477	1,335	1,602	788	1,074	1,655	179.874	23.970
Subtotal, Textiles and floor coverings..	110,461	118,170	117,865	103,324	113,299	103,999	6.979	-11.992

Table VII-3.--Textiles and apparel: Exports from Mexico, by types, 1973 and 1976-80--Continued

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit...	14,726	40,436	41,556	42,770	52,826	66,318	174.589	64.007
WGI outer garments, not knit...	23,680	43,959	45,943	57,014	56,431	69,577	85.438	58.277
M&B under garments, not knit...	5,405	13,248	3,969	4,258	4,523	4,213	136.360	-68.199
WGI under garments, not knit...	707	57	79	84	137	173	-91.938	203.509
Accessories, not knit...	10,397	26,793	27,516	28,639	28,432	31,592	157.699	17.911
Gloves, knit	15	6	24	34	8	7	-60.000	16.667
Stockings, etc., knit	13	3	12	22	24	44	-76.923	1366.667
Under garments, knit.....	7,522	14,046	17,873	28,833	34,519	34,071	86.732	142.567
Outer garments, knit.....	29,503	19,535	20,302	16,654	15,801	16,449	-33.786	-15.797
Elastic fab. & art., knit.....	0	-	-	1	7	1	-	-
Subtotal, Apparel...	92,168	158,083	157,265	178,309	192,708	222,445	71.516	40.714
Total.....	202,629	276,253	275,130	281,635	306,007	326,444	36.334	18.168

- Data not available.

Table VII-4.--Cotton textiles: U.S. imports from Mexico, by HFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
100	Carded yarn	36,405,217	26,717,360	47,069,182	16,500,158	1,849,683	3,000,412
101	Combed yarn	3,026,355	2,019,335	9,946,309	1,111,571	193,959	25,935
110	Gingham	502	7,001	1,261	0	0	0
111	Velveteen	0	0	0	68	0	0
113	Sheeting	3,894,601	4,554,737	5,809,467	289,913	154,238	70,823
114	Poplin and broadcloth	0	1,335	9,353	640	0	44,918
115	Printcloth	97	653,616	4,431,241	316,185	6,169	11,810
117	Twill and sateen	16,113,343	17,402,297	8,899,582	7,601,057	4,191,607	600,099
118	Yarn-dyed fabric, n.e.s.	21,226	167,627	2,857	32,169	1,801	1,107
119	Duck	2,496,251	1,183,367	918,919	398,502	16,923	58,439
120	Woven fabrics, n.e.s.	4,756,948	3,996,547	3,214,861	453,162	339,763	240,017
130	Handkerchiefs	20,411	31,436	8,044	11,780	10,753	13,013
131	Gloves	60,918	0	0	263	28	0
132	Hosiery	0	0	0	0	0	30,291
133	Suit-type coats, men and boys	228,386	14,862	44,960	111,532	45,222	29,502
134	Other coats, men and boys	201,007	390,945	487,835	569,527	506,132	354,313
135	Coats, women, girls, and infants	81,486	243,011	368,561	390,410	1,571,921	1,220,291
136	Dresses	142,560	149,851	481,313	589,943	950,033	591,573
137	Play suits	11,850	121,450	2,850	67,575	440,750	441,700
138	Knit shirts, men and boys	10,008	162,252	625,802	759,975	859,817	1,204,567
139	Knit shirts and blouses, women, girls, and infants	105,183	1,023,063	1,522,712	784,030	490,710	202,522
140	Shirts, not knit, men and boys	475,872	435,816	834,600	811,344	879,984	589,056
141	Blouses, not knit, women, girls, and infants	211,702	206,786	552,945	549,378	1,076,844	737,820
142	Skirts	30,884	25,098	80,884	263,121	226,718	132,073
145	Sweaters	0	1,951	8,574	75,292	806,252	244,647
147	Trousers, men and boys	1,592,636	1,192,795	2,882,638	3,368,613	3,326,074	2,801,774
148	Trousers, women, girls, and infants	666,306	1,815,743	3,390,598	3,059,447	3,981,272	5,768,626
149	Brassieres	1,934	28,834	68,832	40,781	32,583	0
150	Dressing gowns	6,426	3,570	25,704	3,213	6,936	1,060
151	Nightwear	5,304	2,340	0	10,712	20,436	364
152	Underwear	108,303	122,727	148,775	1,132,428	1,875,104	1,213,364
154	Down-filled coats, women, girls, and infants	0	0	0	0	0	10,449
159	Other apparel	475,918	367,953	876,893	2,043,937	2,239,708	1,545,596
160	Pillboxers	110	266	0	825	0	2,110
162	Bedspreads and quilts	2,871	4,009	59,885	42,724	13,048	718
163	Terry and other pile towels	34,430	71,195	110,273	110,489	27,050	3,077
169	Other manufactures	1,375,369	708,209	1,200,831	1,066,906	1,357,834	862,210
	Total	70,564,494	63,527,346	94,086,531	42,567,670	27,599,452	22,056,806

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

Table VII-5.--Wool textiles: U.S. imports from Mexico, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
400	Wool tops and yarn	33,618	29,802	18,532	4,106	1,826	814
410	Woolens and worsteds	78,035	16,156	20,438	1,164	1,386	5,601
411	Tapestries and upholstery	4,380	4,519	4,642	2,699	2,648	3,022
429	Fabrics, n.e.s.	0	0	0	2,808	282	811
431	Gloves	0	0	0	571	0	0
432	Hosiery	0	146	0	0	0	0
433	Suit-type coats, men and boys	41,004	22,968	24,768	34,164	17,028	54,504
434	Other coats, men and boys	324	19,386	13,122	17,226	3,348	810
435	Coats, women, girls, and infants	356,670	453,060	109,296	137,376	52,002	150,012
436	Dresses	0	492	2,460	2,804	109,962	11,464
438	Knit shirts and blouses	1,575	30,510	15,735	315	3,180	0
440	Shirts and blouses, not knit	1,368	6,744	11,160	1,152	0	312
442	Skirts	612	396	14,850	2,088	1,206	33,192
443	Suits, men and boys	5,832	7,398	21,330	20,034	19,710	7,560
444	Suits, women, girls, and infants	54	0	702	2,430	108	108
445	Sweaters, men and boys	32,542	13,004	10,669	7,113	2,291	1,785
446	Sweaters, women, girls, and infants	25,028	15,579	21,784	21,130	15,550	17,307
447	Trousers, men and boys	288	2,610	1,530	2,988	6,156	7,326
448	Trousers, women, girls, and infants	2,754	0	486	2,016	792	95,004
459	Other apparel	46,390	64,638	22,970	12,120	73,964	40,510
464	Blankets	10,038	7,518	13,104	4,732	4,169	1,639
465	Floor coverings	13,804	24,309	21,170	19,251	35,361	187,275
469	Other manufactures	41,684	32,888	48,616	43,290	22,984	19,044
	Total	696,000	752,123	397,364	341,577	373,953	638,100

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

Table VII-6.--Manmade-fiber textiles: U.S. imports from Mexico, by MFA categories and 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
600	Textured yarn	6,374,138	6,540,609	3,950,931	1,340,431	2,070,345	9,338,784
601	Continuous cellulosic yarn	5,790,366	4,549,444	8,867,360	7,444,182	8,104,652	7,896,491
602	Continuous noncellulosic yarn	889,709	10,177	33,177	124,442	90,341	133,934
603	Noncontinuous cellulosic yarn	0	0	3,257	0	0	0
604	Noncontinuous noncellulosic yarn	75,817	1,607,196	3,565,098	2,416,421	4,496,524	3,334,756
605	Other yarns	316,537	303,451	1,224,885	2,533,239	1,801,234	3,343,078
610	Continuous cellulosic woven fabrics	0	630	640	0	137	0
612	Continuous noncellulosic woven fabrics	16,390	137,736	38,537	42,157	23,413	308
613	Spun noncellulosic woven fabrics	731	284	0	0	0	85,923
614	Woven fabrics, n.e.c.	9,497	21,185	320	0	34	0
625	Knit fabrics	32,943	30,038	6,685	30,717	296,689	444,295
626	Pile or tufted fabrics	0	0	371	0	0	344
627	Specialty fabrics	1,935,554	2,517,934	3,313,051	3,920,725	4,999,754	6,348,435
630	Handkerchiefs	7,982	0	0	306	935	0
631	Gloves	0	0	0	621	49	0
632	Hosiery	1,099	6,698	11,348	29,035	13,943	21,201
633	Suit-type coats, men and boys	888,711	768,707	930,340	739,241	760,815	591,279
634	Other coats, men and boys	3,278,851	3,303,305	3,736,412	3,607,348	5,197,896	3,210,290
635	Coats, women, girls, and infants	3,812,815	3,708,409	4,448,011	3,441,379	2,855,277	1,632,013
636	Dresses	1,335,671	2,150,890	2,690,186	1,525,659	1,807,939	1,358,730
637	Play suits	44,070	2,876	28,053	73,976	88,587	10,863
638	Knit shirts, men and boys	1,654,722	2,067,228	2,454,534	1,697,238	2,041,074	1,592,244
639	Knit shirts and blouses, women, girls, and infants	5,104,965	5,698,545	5,155,080	6,135,405	5,707,515	3,665,565
640	Shirts, not knit, men and boys	7,505,232	1,939,936	1,767,992	2,097,624	1,377,720	899,280
641	Blouses, not knit, women, girls, and infants	2,340,642	3,117,994	4,246,051	4,149,438	4,267,811	4,059,986
642	Shirts	217,800	158,081	398,489	355,484	363,530	422,429
643	Suits, men and boys	540	10,152	324	9,180	5,184	2,376
644	Suits, women, girls, and infants	699,246	1,000,998	656,532	417,312	70,524	46,170
645	Sweaters, men and boys	6,514	27,011	14,447	19,173	20,203	2,024
646	Sweaters, women, girls, and infants	34,556	54,611	44,122	61,125	153,199	34,519
647	Trousers, men and boys	8,991,972	7,725,254	8,191,131	6,935,076	8,325,007	4,887,472
648	Trousers, women, girls, and infants	11,733,884	11,065,933	10,156,449	8,100,727	9,161,626	8,737,521
649	Brassieres	10,171,916	10,257,907	9,391,512	8,500,656	8,441,239	6,707,078
650	Dressing gowns	0	238,017	708,798	124,764	1,527,554	546,567
651	Nightwear	1,267,708	1,417,988	1,373,892	1,257,152	890,344	795,860
652	Underwear	5,079,680	7,085,168	7,536,944	10,079,488	8,647,784	16,652,720
654	Down-filled coats, women, girls, and infants	0	0	0	0	0	7,806
659	Other apparel	6,435,592	9,969,992	14,867,049	9,041,717	10,209,011	8,269,654
665	Floor coverings	1,407	1,252	2,735	1,742	2,252	36
666	Other furnishings	389,843	512,643	3,030,238	6,493,399	9,090,565	7,286,575
669	Other manufactures	1,412,449	2,921,442	3,812,217	3,158,083	2,228,175	4,038,880
	Total	88,860,649	90,969,741	106,455,898	96,305,744	105,643,981	108,905,786

1/ New category effective April 1, 1981.

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

Table VII-7.--United States/Mexico bilateral agreement: Limits by MFA category, with shipments charged, 1980

MFA category No.	Type of limit	Description	Units	Limit- ation	Shipments charged	Percentage filled
			---1,000 units---			
Group I: 604(pt.)	Designated consultation.	Filed acrylic yarn----	Lb	915	799	87
Group III: 335	Specific-----	Cotton coats, women's, girls', and infants'.	Doz	41	38	85
338/339	-----do-----	Knit cotton shirts and blouses.	Doz	394	206	52
347/348	-----do-----	Cotton trousers-----	Doz	363	405	72
633	-----do-----	Suit-type coats, of manmade-fiber, men's and boys'.	Doz	50	21	43
634/635	-----do-----	Other coats, of man- made-fiber.	Doz	286	191	67
638	-----do-----	Knit manmade-fiber shirts, men's and boys'.	Doz	1/ 459	115	25
639	-----do-----	Knit manmade-fiber shirts and blouses.	Doz	1/ 551	390	71
641	-----do-----	Woven manmade-fiber blouses.	Doz	2/ 281	281	100
647/648	-----do-----	Manmade-fiber trousers.	Doz	840	537	64
649	-----do-----	Manmade-fiber brassieres.	Doz	2,438	1,726	71
111	Designated consultation.	Cotton gloves-----	Doz	571	3/	4/
334	-----do-----	Other cotton coats, men's and boys'.	Doz	24	13	53
336	-----do-----	Cotton dresses-----	Doz	22	21	94
340	-----do-----	Woven cotton shirts, men's and boys'.	Doz	92	35	38
341	-----do-----	Woven cotton blouses-----	Doz	5/ 78	74	94
352	-----do-----	Cotton underwear-----	Doz	182	160	88
359	-----do-----	Other cotton apparel-----	Lb	652	452	69
433	-----do-----	Suit-type wool coats, men's and boys'.	Doz	6	3/	9

See footnotes at end of table.

Table VII-7.—United States/Mexico bilateral agreement: Limits by HFA category, with shipments charged, 1980—Continued

HFA category No.	Type of limit	Description	Units	Limit— 1,000 units	Shipments charged	Percentage filled
Group III:—						
Continued						
434	Designated consultation.	Other wool coats, men's and boys'.	Doz	2	3/	3
435	do	Wool coats, women's, girls', and infants'.	Doz	15	1	6
636	do	Manmade-fiber dresses	Doz	166	40	24
640	do	Woven manmade-fiber shirts, men's and boys'.	Doz	379	57	15
642	do	Manmade-fiber skirts	Doz	112	20	18
644	do	Manmade-fiber suits, women's, girls', and infants'.	Doz	37	1	3
651	do	Manmade-fiber nightwear.	Doz	77	17	22
652	do	Manmade-fiber underwear.	Doz	1,500	533	35
659	do	Other manmade-fiber apparel.	Doz	2,308	1,341	58

1/ Within overall limit for categories 638 and 639 amounting to 13.8 million SYE.

2/ Adjusted downward.

3/ Less than 500 units.

4/ Less than 0.5 units.

5/ Adjusted upward.

Note.—Table shows only specific levels and designated consultation levels. All other cotton, wool, and manmade fiber categories are subject to minimum consultations as described in the text.

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

VIII. PAKISTAN

Country Profile

Pakistan, with an area of 310,527 square miles, is a country about the size of the combined area of Texas and Louisiana and has a population of about 80 million of mostly Punjabi, an Indo-Aryan people. It is located between India on the east and Iran on the west and between Afghanistan on the north and the Arabian Sea to the south. Its economy is largely agricultural and, because Pakistan is among the world's largest producers of raw cotton, the textile industry, the backbone of the industrial economy, is based predominantly on that fiber. However, diversification in industry is now occurring, the nation is close to self-sufficiency in foodgrains, and its exports have doubled to \$2.3 billion in 1980 from what they were in 1977. The Nation currently is under martial law administration, which consists of a President, a Cabinet, and a Military Council.

Geography, demography, and resources

Pakistan has a varied relief, consisting of plains, plateaus, and mountains, and is watered by the Indus River and its tributaries. The climate is hot and dry with an average temperature of 80° Fahrenheit, except in the mountains where the winters are quite cold.

About 25 percent of the land is arable and used chiefly to grow sugarcane, wheat, cotton, and rice. About 6 percent of the land is used for the grazing of livestock and about 4 percent of the land consists of forests and woodland. The remaining 65 percent of the land comprises wasteland (especially the Thar Desert, the western and northern mountain slopes, and the predominantly barren Baluchistan Province), inland waters, and urban and industrial properties. ^{1/}

Cotton is grown mainly in the canal-irrigated areas of the Indus Valley. About five million acres are planted in cotton each year out of a total cultivated area of about 40 million acres. Yields per acre during the 1970's ranged between 208 pounds and 330 pounds per acre; the 1981 crop is expected to yield a record level of 332 pounds, still well below the world average of 413 pounds. Production declined sharply during the mid-1970's, but has recovered since then as improvements in plant varieties and cultural practices have resulted in increased yields, and production is expected to reach an all-time high of 3.6 million bales during 1981. This is particularly helpful for the economy which depends heavily on earnings from cotton exports, which declined to as low as 66,000 bales during 1976/77 but are now back to levels of 1.5 million bales a year. Domestic consumption utilized virtually all of the production during some of the years of the 1970's, but in recent years increasing cotton production has allowed about one-third of the crop to be exported.

^{1/} The Europa Year Book 1981: A World Survey, London, vol. II, 1981, p. 1136.

Most of the cotton grown in Pakistan is of American Upland varieties. About 80 percent falls in the staple range of 13/16 to 1 inch and only about 15 percent is over 1 inch. The remainder of the crop is of a harsh variety which has a very short staple and is used primarily for purposes other than yarn.

Graphite, copper, and limestone are the principal known minerals. Domestic petroleum production is expected to meet 50 percent of domestic requirements by 1982; however, Pakistan must still import over 1.5 billion dollars' worth of petroleum each year to meet its requirements. There are also important reserves of coal and natural gas and some small iron ore deposits. Electric power production is increasing significantly and is generated by power plants using oil, natural gas, water (hydroelectricity), and nuclear energy.

Pakistan has almost 52,000 miles of roads, most of which are unsurfaced secondary roads. The railroads are Government owned and total over 7,500 miles of track. International air service is provided by one national airline (mainly owned by the Government) and numerous foreign airlines. The chief seaport is Karachi, but a second port, Port Mohammed bin Qasim, started partial operations in 1980.

Pakistan's population is growing at an average rate of 2.9 percent annually. Education is not compulsory and all educational institutions, except missions, are nationalized. The literacy rate was about 24 percent in 1980. Life expectancy is 51 years. The estimated workforce in 1979 and 1980 was 23 million—agriculture, forestry, and fishing employs about 55 percent of the work force; industry, including manufacturing, mining, and construction, 18 percent; commerce (trade, the tourist industry, transportation, and finance), 16 percent; and services (utilities and the Government), the remaining 11 percent. The national language is Urdu; however, English is spoken in business and in the Central Government. 1/

The economy

The gross national product (GNP) in FY 1980 2/ was estimated at \$23 billion. The 1979 per capita GNP was \$270 and has been growing at an average annual rate of 1.5 percent. Although the per capita GNP is quite low compared with the developed countries, it is higher than that of China and India.

Total revenue received by the Government during the 1980/81 fiscal year was estimated at \$4.4 billion. Of this total, customs duties furnished \$1.4 billion of the revenue, excise duties supplied \$1.1 billion, income taxes accounted for \$0.6 billion, a general turnover tax furnished \$0.3 billion, and other taxes and surcharges supplied \$0.1 billion. Other receipts (chiefly from Government corporations) accounted for the remaining \$0.9 billion. 3/

Agriculture is the mainstay of the economy, employing more than half the labor force. Pakistan has some of the best irrigated agricultural land in the

1/ U.S. Department of State, Background Notes: Pakistan, April 1981.

2/ Pakistan's fiscal year runs from July 1 to June 30.

3/ The Europa Year Book, p. 1139.

world, and numerous dams, including the giant earth-filled Tarbela Dam, are important for irrigation as well as for the generation of electricity. The Government has implemented policies aimed at reclaiming waterlogged land and reorienting agricultural credit in favor of small farmers. Extensive land reforms are in process in which large landholdings are being distributed free to peasants cultivating it. 1/

Industry accounts for about 15 percent of the GNP and employs about 16 percent of the workforce. The organized textile industry employs about 250,000 workers; another 150,000 to 175,000 workers are employed by the cottage industry producing textile products. Textile products account for between a fourth and a third of the value of Pakistan's total annual exports and about half of the exports of manufactured goods. Besides textiles, other major industrial activities include food processing, cement producing, fertilizer manufacturing, light metal fabricating, and a variety of consumer goods manufacturing. The U.S.S.R. has assisted Pakistan in the construction of a large integrated steel mill.

During the latter half of the 1970's, Pakistan faced a deterioration in its finances, accelerated price inflation, and balance-of-payments problems. The principal causes of these conditions include a large increase in the bank-financed budget deficit, a sharp rise in the level of imports, and a continued rapid monetary expansion. Economic growth during the 1970's kept pace with high rates of population increase only because of relatively rapid expansion of construction and services; however, per capita output in the commodity-producing sectors fell during this period.

More recently, Pakistan has been encouraging economic growth and consolidation. Overall, the recent economic growth has been impressive, with sustained export growth and modest improvements in private investment, public savings, the overall budgetary situation, and the balance of payments.

Foreign trade

During FY 1980, the value of exports increased by more than 70 percent from what it was in FY 1978. However, during the same period imports increased by 57 percent, resulting in a continuing trade deficit, as shown in the following table:

1/ Ibid., p. 1133.

Pakistan: Balance of payments, fiscal years 1978-81

(In millions of dollars)

Item	FY 1978	FY 1979	FY 1980	FY 1981 <u>1/</u>
Exports-----	1,644	2,341	2,800	3,250
Imports-----	-3,816	-4,864	-5,987	-6,465
Net invisibles <u>2/</u> -----	1,062	1,372	1,609	1,683
Account balance-----	-1,110	-1,151	-1,578	-1,532

1/ Estimated.2/ Remittances from workers abroad and interest payments.

Source: Pakistan Ministry of Finance and Economic Affairs.

In addition, there are future expectations of sharp increases in the value of imports, as shown in the current and projected price indices, fiscal years 1979-87 as follows:

	<u>Index</u>
1979-----	100
1980-----	106
1981-----	118
1982-----	131
1983-----	142
1984-----	153
1985-----	163
1986-----	175
1987-----	187

Total Pakistani exports of all products increased from \$2.3 billion during FY 1979 to \$2.8 billion during FY 1980. In addition, the flow of remittances from Pakistani citizens working abroad added another \$1.7 billion and \$2.1 billion, respectively, in each of these years to the account balance. Total imports of all products in these years increased from \$4.9 billion during FY 1979 to \$6.0 billion during FY 1980. The unfavorable balance of trade (counting remittances as a plus factor) grew from \$1.1 billion in FY 1978 to \$1.6 billion during FY 1980; it is expected to decline slightly to \$1.5 billion in FY 1981.

Petroleum accounts for about one-fifth of total imports into Pakistan. Despite the Government's success in encouraging the use of natural gas and other domestic fuels, imports of oil doubled from \$611 million in FY 1978 to \$1.2 billion in FY 1979. They are estimated to have increased by another \$350 million in FY 1980. Although excellent wheat crops have resulted in sharp declines in wheat imports, these reductions have been more than offset by price increases for oil and other products and additional imports of fertilizer and sugar to compensate for shortfalls in production.

The Asian Development Bank has stressed the need to develop all of Pakistan's known energy resources and accelerate exploration activities. ^{1/} The recent balance of payments deficit has been eased somewhat by the large level of remittances from workers abroad, but these are not expected to increase as fast as the value of imports. Although the value of exports is expected to increase in every year between now and FY 1987, the value of imports will increase at a much faster rate due to significant liberalizations of import restrictions. After some improvement in the early 1980's, the unfavorable balance of payments will probably approach \$2.0 billion by FY 1987.

The Textile and Apparel Industries

Structure

The textile industry in Pakistan is based predominantly on cotton. ^{2/} Under private ownership in 1977, there were 163 spinning mills (3,636,000 ring spindles and 6,000 rotor spindles); ^{3/} 68 large weaving mills (29,101 looms); ^{4/} around 20,000 mills each with less than 5 looms and less than 11 employees (50,000-70,000 power looms and 50,000 hand looms); 159 towel weaving mills (2,108 looms); approximately 195 finishing plants; around 520 knitting mills (over 10,000 knitting machines); and around 30 large and an unknown number of small apparel plants (around 7,000 sewing machines). A small portion of the industry, amounting to about 20 mills, is publicly owned.

Pakistan's textile industry is divided between an organized mill sector and an unorganized (cottage) industry sector. The organized sector includes large- and medium-size companies which are required to register and pay excise taxes based either on actual production or capacity. The unorganized sector includes small units which are also registered and must pay excise taxes, but

^{1/} Asian Development Bank, Economic Report on Pakistan, Report No. PAK. Ec.-7, July 1980.

^{2/} Textile Asia reported in September 1980 that Pakistan's first polyester project was nearly completed. The plant is reported to have a capacity of 12,000 tons of polyester staple and 3,000 tons of polyester texturized yarn.

^{3/} By June 1981, there were reported to be 190 spinning mills having 4,300,000 ring spindles, of which about 300,000 were not usable because of age. The number of active spindles in Pakistan represent about one-fourth the total active spindles in the United States. About 5 percent of the usable spindles in Pakistan are reported to be for combed yarn. In October 1981, Textile Asia reported the Government's approval of three additional projects involving 37,500 spindles to be purchased from West Germany, the United Kingdom, and the People's Republic of China.

^{4/} By September 1980, there were reported to be 26,744 looms, of which only 14,113 were working--about one-fifth of the total looms producing cotton broadwoven fabrics in the United States. In October 1981, Textile Asia reported the Government's approval of additional projects involving 350 new looms to be purchased from the China, West Germany, and the United Kingdom.

are exempt from social and welfare tax programs. 1/ The numbers of firms and workers in each of these sectors are shown as follows:

<u>Type of operation</u>	<u>Classification</u>	<u>Number of firms</u>	<u>Number of workers</u>
Spinning	Organized	164	95,000
Weaving	Organized	68	55,000
	Unorganized	20,000	175,000
Towel manufacturing	1/	159	7,000
Finishing	Organized	135	
	Unorganized	60	17,000
Knitting	Organized	20	
	Unorganized	500	21,000
Apparel	Organized	30	
	Unorganized	1/	25,000

1/ Not available.

The number of power looms in the cottage industry is currently estimated to be around 55,000, located in units with less than 5 looms and less than 11 workers. During 1979, only about half of the looms in the cottage industry were believed to be in operation.

The apparel industry of Pakistan is likely to continue to include many small firms as long as the Government extends certain exemptions for taxes and labor laws to the cottage industry. Extremely large numbers of household sewing machines and tailors represent a large capacity catering exclusively to local demand.

Production and capacity

Consumption of raw cotton peaked at about 2.5 million bales annually during the early 1970's and has since declined to an annual level of about 2.0 million bales. During those years of high cotton consumption, the industry produced around 1.2 billion pounds of yarn and 625 million square yards of fabric, but production during more recent years has fallen well below 1.0 billion pounds of yarn and 500 million square yards of fabric. 2/

1/ Until 1978, the unorganized sector was exempt from excise taxes.

2/ In March 1982, the U.S. Embassy in Pakistan reported that FY 1980 cotton yarn production reached 825 million pounds, and in the organized sector, cotton fabric production amounted to 368 million square yards.

The raw cotton used by the industry is entirely of Pakistani origin for which they have some price advantage. ^{1/} The quality of the cotton, however, needs improvement as much of it presents problems in spinability. As a result, much of the yarn spun in Pakistan is desirable for use only in coarse, inexpensive fabrics.

Employment and wages

The labor force of the Pakistan textile industry comprises almost 400,000 persons, most of whom are reportedly unskilled. The spinning sector of the industry employs about 95,000 workers. A study of about one-fourth of these workers indicated an average production output of 4.5 pounds per hour compared with almost 26 pounds in some of the better mills of Western Europe. ^{2/} The weaving sector of the industry employs almost 230,000 workers. A study of some of these workers indicated an average production output of about 13 percent of that experienced in some of the better Western European mills. The finishing sector of the industry employs about 17,000 workers. A study of some of these workers indicated an average output of almost 27 yards per hour compared with 175 yards per hour in some of the better plants in Western Europe. In addition, the apparel manufacturing sector of the industry has 25,000 workers and the towel and knitting industries have 7,000 and 21,000 workers, respectively.

Manual labor is evident throughout the mills, and the use of labor-saving devices is limited. Cotton bales, for example, are moved by hand truck and are stacked five high by manpower. Materials are transferred manually from operation to operation. ^{3/}

The monthly wage of a mill worker in Pakistan is reported to be about \$75. This wage is among the lowest of the textile exporting countries and is approximately one-third of that paid in Hong Kong, the Republic of Korea (Korea), and Taiwan. In recent years, textile workers have been granted a wide range of fringe benefits including social security, old age pensions, sick pay, vacations, bonuses, insurance, holidays, and housing allowances.

An increasing problem in Pakistan is the shortage of skilled manpower. To a large extent, this problem has been created by the outflow of labor to the Middle East. Estimates of the number of Pakistanis employed

^{1/} Until 1973, Pakistan levied an export duty on raw cotton, and the world market price minus the export duty determined their domestic price. Since then, all cotton export marketing functions have been performed through a Government agency, the Cotton Export Corp., which sells the cotton at world prices. Domestic mills and the Cotton Export Corp. are the only purchasers of raw cotton from the gins.

^{2/} All-Pakistan Textile Mills Association, Study of the Cotton Textile Industry in Pakistan, Karachi, 1979, pp. 267-8.

^{3/} A recent survey by the Japan Spinners Association reports a "remarkable" increase recently in the modernization of the spinning industry in Pakistan--25 percent of the equipment has adopted automatic winders.

in the Middle East range from 500,000 to over a million persons. About 84 percent of these persons are production workers, divided about evenly between skilled and unskilled. Professional, clerical, and service personnel account for the remainder.

Plants and equipment

Most textile mills in Pakistan have been constructed since World War II. They are modern, single story, masonry buildings for the most part, but many are reported to be poorly maintained and the lighting is inadequate. Many of the floors, which are usually of concrete, are reported to be in need of repair. 1/

About 40 percent of the spinning equipment and 85 percent of the looms are more than 20 years old. On the other hand, the finishing equipment is somewhat newer and only about one-fifth of the machinery is over 20 years old. 1/ Mills that finish fabric have benefitted from the increasing volume of production of grey cloth from the cottage industry in recent years and this has encouraged expanded investment in printing and finishing equipment. 2/

A study of 34 spinning rooms containing 932,922 spindles in place indicated that about 94 percent were actually in operation. Production by these 34 spinning rooms amounted to 26,565 pounds per hour compared with a total capacity of 36,820 pounds per hour. The calculated efficiency (output to capacity) was 72 percent. A similar study was made of 17 weaving mills which indicated that 90 percent of the 10,451 looms in place were actually in operation. The mills averaged 163 picks (filling threads) per minute in the production of fabric having an average of 56.3 threads per inch, resulting in an efficiency of 65.5 percent. 3/

Trade in Textiles and Apparel

Export trends

While exports of raw cotton increased from \$336 million during FY 1979 to \$503 million during FY 1980, exports of cotton yarn (\$206 million to \$210 million) and cotton cloth (\$244 million to \$248 million) changed very little; carpets increased from \$210 million to \$265 million. Total exports of these products increased from \$996 million in FY 1979 to \$1.2 billion in FY 1980, representing 42.5 percent and 43.8 percent, respectively, of total exports from Pakistan. These increases in value were mainly due to relatively higher

1/ All-Pakistan Textile Mills Association, op. cit., pp. 241-2.

2/ Ibid., p. 226.

3/ Report from U.S. Embassy, Islamabad, March 1982.

4/ All Pakistan..., op.cit., pp. 267-9.

prices received for the products. 1/ Textile yarn and fabric account for over two-thirds of the export value of textile fibers and products, clothing for about 10 percent, and textile fibers for about one fourth.

Principal exported products

The EC has been the principal destination for Pakistani textiles and apparel for many years. The value of such exports has increased from \$143 million in 1976 to \$346 million in 1980 when the European Community (EC) accounted for 46 percent of Pakistan's exports (table VIII-1). By far, the most important products exported to the EC consist of textiles, especially fabric, which increased from \$123 million in 1976 to \$293 million in 1980. The value of apparel exports to the EC increased from \$21 million in 1976 to \$53 million in 1980.

Exports of textiles and apparel to the United States increased from \$49 million in 1976 to \$97 million in 1980. The United States was the destination for 13 percent of such exports in 1980, over 80 percent of which were textiles. The principal textile products being exported to the United States include cotton fabrics (e.g., sheeting, printcloth, twills, sateens, and duck), cotton dresses, knit shirts (primarily T-shirts), skirts, terry towels and bar mops. Increases during 1981 appear in both fabrics and apparel, but are especially apparent in towels and bar mops. Pakistani towels are generally of lower quality than most U.S.-made towels and thus do not compete in the same markets. Most Pakistani towels are sold in the United States primarily for institutional uses. A large proportion of the Pakistani pile towel imports consist of bar mops which are not an important item in U.S. towel production.

Major markets

Pakistan's trading patterns in textiles have reflected a high level of concentration in a few markets (table VIII-1). The bulk of yarn exports (94 percent) goes to countries which do not have bilateral textile trade agreements with Pakistan. 2/ The markets of Hong Kong and Japan are the most important destinations for cotton yarn, with 53 percent and 29 percent, respectively, of exports during FY 1978. Although the United States and the European Community are important recipients of cotton fabric, more than half goes to non-agreement countries. 2/ During FY 1978, 33 percent of fabric exports went to countries of the European Community and 18.5 percent went to the United States. Efforts to stabilize export earnings over the long term have resulted in encouragement from the Government to diversify export markets and to encourage trade to those areas which do not have limitations.

1/ Actually the quantity of exported yarn and fabric declined--yarn from 171 million pounds in FY 1979 to 153 million pounds in FY 1980; and fabric from 464 million square yards in FY 1979 to 434 million square yards in FY 1980. Pakistan's exports of finished products may have lost some of their competitiveness due to the increasing strength of the U.S. dollar; since 1972, the Pakistan rupee has been pegged to the dollar at a rate of \$1.00=Rs9.90.

2/ Report from U.S. Embassy, Islamabad, March 1982.

While total textile exports (including fibers) from Pakistan increased from 1979 to 1980, shipments to the United States declined slightly from \$98.9 million to \$96.7 million (tables VIII-2 and VIII-3). The decline may be attributed, in part, to the additional requirement during part of 1980 for U.S. importers to post bond pending the outcome of a countervailing duty investigation by the U.S. International Trade Commission. The case was completed in July 1980 with a negative determination. ^{1/} Cotton textile exports from Pakistan to the United States have recovered and reached a record level of 218.3 million square yards equivalent during 1981 (table VIII-4), although wool and manmade-fiber textiles declined (tables VIII-5 and VIII-6).

MFA constraints

There is currently a bilateral agreement between the United States and Pakistan under the terms of the Multifiber Arrangement (MFA) which controls Pakistani exports of cotton textiles. The agreement, which began on January 1, 1978, is effective through June 30, 1982. The aggregate limitation for cotton textiles during the 18-month period from January 1, 1981, through June 30, 1982, is 282.1 million square yards equivalent (SYE). Cotton yarn, fabric, household products, and certain miscellaneous textiles are limited to 244.4 million SYE, whereas wearing apparel items are limited to 41.4 million SYE.

During 1980, the aggregate limitation amounted to 171.7 million SYE which was 85 percent filled. Within the overall aggregate, there were two subgroup limitations in 1980, as follows:

<u>Subgroups</u>	<u>1980 limit</u> <u>(million SYE)</u>	<u>Percent</u> <u>filled</u>
Group I--Yarns, fabrics, household and miscellaneous textile products, of cotton-----	148.8	89
Group II--Wearing apparel, of cotton-----	25.2	54

The Group I limit may be exceeded in any agreement year by 15 percent and the Group II limit by 7 percent. Within each subgroup limit, there are specific limits and designated consultation levels as shown in table VIII-7 with the quantity of imports charged against each level.

Within the aggregate and applicable subgroup limits, specific limits in Group I may be exceeded by 10 percent, and those in Group II by 7 percent. Exports may also further exceed aggregate, subgroup or category limits by up to 11 percent through carryover and carryforward. Categories not given specific limits or designated consultation levels have been subject (during the first, second, and third years) to annual consultation levels of 1.0 million SYE if in Group I and 700,000 SYE if in Group II. Because the fourth agreement period covers 18 months, the specific and designated consultation levels will be increased by 50 percent. In addition, categories not having

^{1/} Textiles and Textile Products of Cotton From Pakistan: Determinations of the Commission in Investigations Nos. 701-TA-62 and 63 . . . , USITC Publication 1086, July 1980.

specific levels or designated consultation levels will be subject to consultations if imports exceed 1.5 million SYE for those in Group I and 1.1 million SYE for those in Group II.

Two of the specific limitations (cotton sheeting and terry towels) and two of the designated consultation levels (cotton twills and certain miscellaneous apparel) in effect for 1980 were completely utilized. Exports of hand-loomed fabrics of the cottage industry, handmade cottage-industry products made of such hand-loomed fabrics, and traditional folklore handicraft textile products (known as "Pakistan items") are not controlled under this agreement.

Pakistan has also had quota limitations imposed on its textile exports to countries of the EC, Canada, Austria, and Sweden. There has also been some textile trade with a number of Communist countries under various types of barter arrangements.

Imports

The amount of raw fibers and textiles permitted by the Government to be imported into Pakistan is limited. Only long-staple cotton and some small quantities of manmade fiber are allowed. Cotton yarn and fabric imports are prohibited although small quantities of manmade fiber filament yarn and fabric are allowed. 1/ Ready-made articles are banned; however, large quantities of used clothing are imported (over \$9.0 million from the United States in 1980) and a study indicates that these are inhibiting the growth of the garment industry in Pakistan. 2/

The Domestic Market

Home-market demand for textile products in Pakistan is relatively immune to world fashion trends. Product quality standards are relatively low and price is the key factor. In fact, the home market is able to absorb many of the export rejects. The wardrobe of the majority of the population, especially in the vast rural areas, comprises a single, multipurpose garment. Demand for finished cloth is therefore dependent upon the need of individuals to replace this garment. Generally, branded products are available only in the more "sophisticated" urban market of Karachi.

Over three-quarters of the population live in the rural areas and these people are likely to continue to purchase lower-priced, unsophisticated clothing. The urban population is expected to reach 18 million in 1983 and 22 million in 1988. The people in these urban areas have exposure to western TV

1/ Even if imports of textile products of cotton were allowed to enter, duty rates are extremely high; i.e., 85 percent for cotton yarn and 195 percent for cotton fabric. In the Feb. 8, 1982, edition of Business America, the U.S. Department of Commerce lists manmade fibers and yarns among those products for which there exist "excellent opportunities" for export to Pakistan.

2/ All-Pakistan..., op. cit., p. 350.

programs, films, and magazines, and this is creating some demand for western style dress.

The U.S. Consulate General, however, considers it to be "the brightest spot for the industry" ^{1/} It estimates that the domestic market for the textile industry is rising by about 6 percent per annum, on the basis of the increase in population. The increase in per capita income could increase per capita consumption of cloth from 14.7 square yards in 1978 to 19.7 square yards by 1983.

Government Policy

Economic and political importance of the industry

The cotton textile industry is the most important single industry in Pakistan. It employs about 250,000 workers and accounts for about one-half of the total industrial labor force. It also provides 25 to 30 percent of total exports.

Assistance to the industry

During the early and mid-1970's, the Government pursued a policy of extensive nationalization, restrictions on the private sector, and rapid expansion of the public sector. These policies are now being gradually reversed as some industrial units have been denationalized and constitutional amendments are being considered to limit Government acquisitions of private industry. A large number of incentives have been introduced to stimulate the private sector, such as excise and import duty concessions, easier access to imported raw materials, and cash rebates. Projects involving investments of less than \$500,000 no longer require Government approval, while the average period for approving larger investments has been reduced from 12 months to 3 months. In addition, the public sector is undergoing extensive reforms and proposals are being considered for the sale of some enterprises to private investors.

The Government has provided a number of incentives to encourage replacement of old equipment and modernization of mills. Restrictions have been lifted which limited established importers to 125 percent of the value of their previous year's imports. Less complicated procedures are required for obtaining import licenses by certain export-oriented industrial units to import up to 250,000 dollars' worth of equipment. ^{2/} Government reserves of foreign exchange are available for part of the cost of such imports. In addition, imports of equipment for setting up new units for manufacturing ready-made garments, towels, and hosiery, as well as imports for modernization or expansion of such units are exempt from duties.

^{1/} Report from U.S. Consulate, Karachi, July 1980.

^{2/} Report from U.S. Consulate, Karachi, March 1980.

The Government is also encouraging domestic production of certain types of textile machinery. Large investment banks are now encouraged to provide local currency loans for purchasing domestically manufactured equipment. 1/

The Government of Pakistan has formulated a wide-ranging program to assist the textile industry. The plan focuses on improvements in the quality as well as the quantity of raw cotton and cotton lint; training of managerial personnel; modernization of industrial equipment; upgrading of the industry's products; export marketing; and labor-management relations.

In an attempt to slow down the migration of labor into the cities, the Government has exempted small weaving units with four or fewer looms and 10 or less workers from Pakistan's restrictive labor laws and work practices, including those relative to child labor. Cost of production is therefore considerably less in the cottage industry sector.

Export promotion

The Pakistani Government has taken a number of measures to encourage exports of all products: (1) the cost of credit for financing exports was reduced from 10 percent to 3 percent; (2) the scope of the Export Financing Scheme was expanded; (3) standard rebates of duties were implemented; (4) compensatory rebates for yarn and cloth were begun to offset higher costs of raw materials, such as chemicals for finishing and dyeing, other imports, and capital equipment; and (5) import licensing procedures have been simplified to provide easier access to raw materials and industrial machinery for exporters. 2/

Export Potential

Despite many problems, production of cotton textiles in Pakistan should expand and the industry is likely to continue its efforts to increase its exports of textiles in the near future. However, the future of Pakistan's exports is faced with the same limitations that the industry itself is encountering. Although blessed with many favorable competitive factors such as a large low-cost workforce and a ready supply of cotton, the textile industry faces difficult problems with 25 percent of its spinning and 50 percent of its weaving capacity inoperative due to age or need for repairs. Low profits have resulted in the inability of many mills to declare dividends in recent years. Some facilities have shut-down production, placing equipment in "moth-balls." 3/ The Government exempts such machinery and equipment from

1/ Ibid.

2/ The U.S. Embassy in Pakistan reports that the compensatory rebates for yarn and cloth may be eliminated in the near future as Pakistani officials indicate that "Pakistan now produces cotton textiles more cheaply than any other country . . .".

3/ U.S. State Department telegram of March 1982 claims that this idle capacity gives Pakistan "the potential to increase significantly its exports of textiles and apparel . . .".

excise taxes. Some of the factors responsible for this situation include (1) frequent changes in domestic fiscal, industrial, and commercial policies; (2) labor policies limiting hiring and firing rights of employers; (3) scarcity of funds for operational expenses, replacement of equipment, and modernization of facilities; and (4) the burden of repaying foreign exchange loans secured by the textile mills for importation of machinery and equipment.

There can be no immediate turnaround in the conditions existing in the textile industry of Pakistan although a gradual improvement is expected. The All-Pakistan Textile Mills Association reported that the number of fully closed mills nearly doubled from 20 in 1970 to 38 in 1980 and, in addition, there were 48 partially closed mills in 1980. This affected almost one million spindles and 10,000 looms, or more than one-fourth of installed capacity. 1/

Management skills and training programs need improvement. Laborers need greater incentives to improve their productivity and quality control. All of this will be difficult, however, without improvements in the efficiency and obsolescence of the machinery. There appears to be no comprehensive restructuring program, although there are a number of working papers on an Action Plan, which can be divided into three phases:

- (1) Improvement of raw material supplies, promotion of textile sales abroad, improvement of labor-management relations, and development of training programs;
- (2) Implementation of new production and export incentives; and
- (3) Development of financing for industry modernization, replacement of equipment, and new investment needs.

Although the Government has made some significant progress in the first and second phases, much remains to be done in implementing the third phase. A study by Werner International Consultants places investment needs for cotton ginning and textile industries for the 1978-83 period at \$674 million. As of July 1981, less than \$40 million in credits had been made available. Furthermore, for the years 1983-85, another \$1.1 billion is estimated to be needed.

Although Pakistan supplies about 20 percent of the world's cotton yarn exports, export earnings per spindle have been quite low—\$188 per year, considerably less than that for Taiwan, Korea, and Hong Kong. The relative differences in earnings are due to the lesser state of processing in which Pakistan's products are exported—i.e., largely cotton yarn and fabric, whereas exports from the other countries are further manufactured. 2/

1/ "Pakistan: Plan of revival," *Textile Asia*, September 1981, p. 148.

2/ According to the March 1981 edition of *Textile Asia*, the value added to raw cotton by spinning is put at 20 percent for 20's count yarn, as against 116 percent for greycloth, 385 percent for finished fabric, and 533 percent for clothing. The U.S. Embassy in Pakistan reported in March 1982 that one of the major objectives of the Pakistani Government is now "to shift the composition of the textile exports from yarn to fabrics and from fabrics to garments and other cotton made-ups . . .".

The power loom sector of the cottage industry was the primary contributor to the increase in exports of cotton fabric during the late 1970's. However, much of the increased capacity in this sector was due to the exemption granted them on excise taxes. This exemption has now been removed, and any sustained increase in total Pakistani production must be the result of the larger mills which must, somehow, encourage vast new investment in production facilities in an all-out effort to increase efficiency. Moreover, the quality of fabric produced by the cottage industry is relatively low and their product in the world market only serves to reinforce the widely held opinion that Pakistan is a low-quality producer.

Despite all of their problems, Pakistan seems to be able to produce increasing quantities of low-priced textiles for the export market. The value of such exports almost doubled from \$340 million during 1976 to \$655 million during 1980, raising Pakistan's share of total world textile exports from 1.4 percent to 1.6 percent. The value of apparel exports increased during the period from \$40 million to \$91 million which is less than one-half of one percent of world apparel exports. The relative position of Pakistan's textile industry is likely to significantly impact total world trade, and the positions of several established suppliers in the next 5 years, especially certain low cost producers of fabric and yarn such as Brazil and India. The impact from increasing apparel exports will be less significant since Pakistan's exports are at a very low level.

Although Pakistan's exports to the United States increased from \$49.5 million during 1976 to \$96.7 million during 1980, the share of U.S. textile and apparel imports remained at about 1.0 percent. While the value of shipments to the United States almost doubled, the quantity, in terms of square yards equivalent, increased by almost 50 percent in the same period. With normal increases in MFA quotas and diversification of products, Pakistan should not encounter widespread problems with export limitations to the United States. The products where there are possibilities for expansion include woven cotton fabrics, cotton dresses, cotton knit shirts, cotton underwear, sheets, pillowcases, bedspreads, quilts, shop towels, and bar mops.

Pakistani exports of textiles and apparel to the EC more than doubled from \$143.4 million during 1976 to \$345.9 million during 1980. However, their share of total textile and apparel imports by the EC, which increased from \$8.5 billion to \$17.9 billion during the period, remained stable at about 2 percent. The total value of EC imports of textiles from Pakistan represented almost four times the value imported by the United States. In addition, the EC showed a sharper rate of increase than did the United States. The EC market for textiles will probably become more restricted in the next 5 years, resulting in less overall growth. The competition for the market will be intense among the low-value suppliers such as Brazil, China, Taiwan, and India.

The combined textile exports to Japan, Hong Kong, Taiwan, and Korea account for Pakistan's second largest market, not as large as that of the EC, but somewhat larger than its share of the U.S. market. Exports to Japan during 1976-80 annually fluctuated between \$13 million and \$62 million. The other three countries were destinations for exports valued between \$55 million and \$128 million. There is considerably greater potential for increased exports of textiles to these countries and other Asian countries (where there are no import restrictions) to supply their apparel industries.

Table VIII-1. Textiles and apparel: Exports from Pakistan, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Thru...	105,380	94,487	54,821	91,988	128,028	108,974	-10.337	15.332
Other Asia...	61,028	12,216	18,451	7,421	10,752	60,414	-79.980	394.548
Other								
developing...	28,052	6,963	10,507	346	26	334	-75.178	-95.203
Socialist.....	3,436	5,611	4,299	2,102	-	13,472	63.300	140.100
Developed:								
EEC.....	77,262	122,917	128,955	173,756	231,035	292,668	59.091	138.102
Southern								
Europe.....	2,851	1,094	443	968	1,887	10,727	-61.627	880.530
Other Europe:	9,426	15,486	15,674	18,998	23,782	34,057	64.290	119.921
United								
States.....	18,491	39,301	28,112	51,492	78,827	78,606	112.541	100.010
Canada.....	4,565	5,934	2,244	5,384	6,401	8,709	29.989	46.764
Japan.....	80,397	31,189	13,129	40,173	61,879	35,078	-61.206	12.469
Other.....	7,229	4,170	3,405	4,331	7,956	11,580	-42.316	177.698
Apparel:								
Developing:								
Big Thru...	32	16	3	42	35	2	-50.000	-87.500
Other Asia...	887	513	1,415	345	52	7,292	-42.165	1321.442
Other								
developing...	1,098	272	244	1,655	13	63	-75.228	-76.838
Socialist.....	20	157	163	277	-	-	685.000	-100.000
Developed:								
EEC.....	10,523	20,531	24,181	22,394	34,122	53,241	95.106	159.320
Southern								
Europe.....	76	124	274	228	451	282	63.158	127.419
Other Europe:	1,048	4,062	3,763	3,257	4,135	7,337	287.595	80.625
United								
States.....	4,474	10,185	9,069	13,490	20,030	18,105	127.649	77.761
Canada.....	94	2,123	1,353	966	1,358	2,486	124.894	17.098
Japan.....	564	1,001	574	483	449	242	-77.482	-75.824
Other.....	502	1,164	1,023	1,748	2,561	1,564	131.873	34.364
Textile & Apparel:								
Developing:								
Big Thru...	105,412	94,503	54,824	92,030	128,063	108,976	-10.349	15.315
Other Asia...	61,907	12,729	19,866	7,766	10,804	67,706	-79.439	431.904
Other								
developing...	29,150	7,235	10,751	2,001	39	397	-75.180	-94.513
Socialist.....	3,456	5,768	4,462	2,379	-	13,472	66.898	133.564

Table VIII-1.--Textiles and apparel: Exports from Pakistan, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EEC.....	87,785	143,448	153,136	196,150	265,157	345,909	63.488	141.139
Southern Europe.....	2,927	1,218	717	1,196	2,338	11,009	-58.387	803.859
Other Europe:	18,474	19,548	19,437	22,255	27,917	41,394	86.634	111.756
United States.....	22,965	49,486	37,181	64,982	98,857	96,711	115.484	95.431
Canada.....	5,509	8,857	3,597	6,350	7,759	11,195	46.252	38.947
Japan.....	88,961	32,190	13,703	40,656	62,328	35,320	-60.240	9.724
Other.....	7,731	5,334	4,428	6,879	10,517	13,144	-31.005	146.419
Total.....	418,725	380,447	322,102	441,844	613,779	745,233	-9.142	95.884

- Data not available.

Table VIII-2.--Textiles and apparel: Exports from Pakistan, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U. S. dollars				
Textiles:					
United States.....	39,301	28,112	51,492	78,827	78,606
Hong Kong.....	94,415	54,820	91,949	127,052	108,936
FR Germany.....	45,867	50,696	68,171	85,960	117,428
Japan.....	31,189	13,129	40,173	61,879	35,078
United Kingdom....	31,328	35,240	49,547	56,968	52,281
France.....	12,822	12,290	18,540	30,060	44,498
Italy.....	13,858	10,202	12,820	25,004	37,891
Netherlands.....	6,897	9,057	12,041	16,875	18,355
Singapore.....	6,353	6,935	6,113	10,752	15,170
Switzerland.....	4,851	6,161	8,522	9,791	14,580
Belgium-Luxmb....	6,472	5,973	6,290	9,347	15,980
Sweden.....	6,485	5,576	6,064	9,021	10,723
Australia.....	3,768	3,018	4,035	6,677	9,758
Other.....	36,691	38,831	21,202	22,360	95,335
Total.....	340,297	280,040	396,959	550,573	654,619
Apparel:					
United States.....	10,185	9,069	13,490	20,030	18,105
FR Germany.....	7,365	8,562	10,480	14,707	22,330
United Kingdom....	5,295	6,442	4,150	6,826	12,064
France.....	2,400	2,133	2,445	5,518	8,662
Netherlands.....	1,977	2,347	2,626	3,596	3,566
Australia.....	1,163	1,007	1,732	2,525	1,542
Sweden.....	2,497	1,499	1,290	1,783	4,029
Canada.....	2,123	1,353	966	1,358	2,486
Austria.....	405	1,043	928	1,228	1,326
Italy.....	1,983	1,772	728	1,247	2,539
Belgium-Luxmb....	384	849	598	1,067	1,597
Denmark.....	1,032	1,806	1,285	960	1,938
Switzerland.....	675	502	482	586	919
Other.....	2,666	3,478	3,685	1,775	9,511
Total.....	40,150	42,062	44,885	63,206	90,614
Textiles & Apparel:					
United States.....	49,486	37,181	64,982	98,857	96,711
Hong Kong.....	94,431	54,823	91,991	127,087	108,938
FR Germany.....	53,232	59,258	78,651	100,667	139,758
United Kingdom....	36,623	41,882	53,697	63,794	64,345
Japan.....	32,190	13,703	40,656	62,328	35,320
France.....	15,222	14,423	20,985	35,578	53,160
Italy.....	15,841	11,974	13,548	26,251	40,430
Netherlands.....	8,874	11,404	14,667	20,471	21,921
Singapore.....	6,402	7,201	6,223	10,804	15,195

Table VIII-2.--Textiles and apparel: Exports from Pakistan, by principal markets, 1976-80--Continued

Market	1976	1977	1978	1979	1980
--1,000 U.S. dollars--					
Textile & Apparel:					
Sweden.....	8,982	7,075	7,354	10,804	14,752
Belgium-Luxemb.....	6,856	6,822	6,888	10,414	17,577
Switzerland.....	5,526	6,663	9,004	10,377	15,499
Australia.....	4,931	4,025	5,767	9,202	11,300
Other.....	41,851	45,668	27,431	27,145	110,327
Total.....	380,447	322,102	441,844	613,779	745,233

Table VIII-3.--Textiles and apparel: Exports from Pakistan, by type, 1973 and 1976-80

SIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	57	1	-	3,043	-	-	-98.246	-
Wool yarn...	207	210	71	-	-	243	1.449	15.714
Cotton yarn...	209,201	132,329	71,533	124,693	185,098	167,350	-36.746	26.465
Yarn of manmade fibers...	211	146	156	177	260	138	-30.806	-5.479
Other yarn...	-	-	-	-	-	-	-	-
Grey cotton fabrics...	79,568	79,579	52,637	90,379	128,380	107,815	.014	35.482
Finished cotton fabrics...	29,361	9,902	13,397	7,545	12,823	21,963	-66.275	121.804
Woven fabric of continuous manmade fibers...	628	73	70	97	303	5,854	-88.376	7919.178
Woven fabric of disconti- nuous manmade fibers...	317	163	47	182	202	1,465	-48.580	798.773
Pile fabrics of manmade fibers...	12	-	-	1	1	-	-	-
Woven fabrics of wool...	6	5	81	4	3	28	-16.667	460.000
Woven fabrics of other fibers...	3,989	484	163	304	862	853	-87.867	76.240
Knit fabrics	93	12	3,262	727	4,464	3,885	-87.097	32275.000
Other textile products...	27,481	23,309	27,974	19,951	32,572	77,869	-15.181	234.073
Floor coverings	41,551	88,396	104,915	145,371	185,500	252,611	112.741	185.772
Subtotal, textiles and floor coverings	392,682	334,609	274,306	394,474	550,468	640,074	-14.789	91.290

Table VIII-3.--Textiles and apparel: Exports from Pakistan, by types, 1973 and 1976-80--Continued

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit...	854	848	1,018	2,509	1,820	2,450	-0.703	188.915
WGI outer garments, not knit...	5,060	11,557	10,184	12,256	20,199	22,647	128.399	95.959
M&B under garments, not knit...	699	3,692	2,780	1,512	2,680	7,260	428.183	96.641
WGI under garments, not knit...	48	203	145	1,228	1,490	1,892	322.917	832.020
Accessories, not knit...	455	1,334	1,695	2,022	2,154	5,523	193.187	314.818
Gloves, knit	37	244	501	1,000	1,991	2,385	559.459	844.672
Stockings, etc., knit	0	3	1	1	-	-	(1)	-
Under garments, knit.....	4,776	11,526	12,256	9,916	13,382	17,303	141.332	50.121
Outer garments, knit.....	1,002	2,271	1,942	769	1,772	4,114	126.647	81.154
Elastic fab. & art., knit.....	9	51	55	35	54	89	466.667	74.510
Subtotal, Apparel...	12,940	31,729	30,577	31,248	45,542	63,583	145.201	100.394
Total.....	405,622	366,338	304,883	425,722	596,010	703,657	-9.685	92.079

1/ Data or computation error.
- Data not available.

Table VIII-4.--Cotton textiles: U.S. imports from Pakistan, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
100	Carded yarn-----	1,523	0	10,143	0	25,029	25,351
112	Corduroy-----	0	0	0	0	0	61,142
113	Sheeting-----	66,633,986	30,987,453	45,516,573	59,575,651	61,613,002	59,838,474
114	Poplin and broadcloth-----	195,313	0	119,111	208,865	0	0
115	Printcloth-----	23,764,251	1,969,396	32,031,027	30,360,087	6,316,622	42,572,603
117	Twill and sateen-----	4,836,937	1,788,457	1,383,681	2,454,301	6,275,202	5,659,993
118	Yarn-dyed fabric, n.e.s-----	111,111	10,045	0	0	0	0
119	Duck-----	11,687,209	4,745,850	7,245,494	8,820,705	5,663,634	8,869,081
120	Woven fabrics, n.e.s-----	6,111,435	1,428,153	21,962,648	20,129,654	4,516,258	6,777,636
130	Handkerchiefs-----	3,774	0	2,437	0	25,500	56,950
131	Gloves-----	81,106	93,127	767,480	746,505	880,479	1,351,900
133	Suit-type coats, men and boys-----	36	0	0	0	181	0
134	Other coats, men and boys-----	537	0	124	45,182	123,074	66,823
135	Coats, women, girls, and infants-----	40,886	25,938	8,384	31,430	26,474	134,308
136	Dresses-----	571,641	428,856	648,831	613,544	1,522,624	2,574,582
137	Play suits-----	375	125	3,775	0	73,475	30,425
138	Knit shirts, men and boys-----	7,919,971	5,540,645	6,534,152	7,258,038	5,471,050	7,231,802
139	Knit shirts and blouses, women, girls and infants-----	1,455,451	1,032,208	1,327,227	1,985,147	1,896,140	2,847,398
140	Shirts, not knit, men and boys-----	449,016	746,136	509,640	545,592	1,168,128	988,536
141	Blouses, not knit, women, girls, and infants-----	1,816,621	501,238	1,030,342	2,241,759	1,561,725	1,801,988
142	Skirts-----	142,027	70,559	160,912	420,418	1,095,929	3,582,660
147	Trousers, men and boys-----	57,013	54,023	69,064	59,808	43,450	307,121
148	Trousers, women, girls, and infants-----	45,496	37,558	82,557	699,842	718,924	1,179,625
150	Dressing gowns-----	111,843	87,006	125,664	97,206	104,346	689,520
151	Nightwear-----	102,700	3,796	1,225,692	365,820	249,964	1,486,732
152	Underwear-----	1,224,410	595,947	276,177	154,418	104,940	31,196
159	Other apparel-----	1,190,673	950,140	1,242,635	2,224,882	2,087,623	3,080,736
160	Pillowcases-----	219,120	224,620	39,600	180,950	114,180	400,180
161	Sheets-----	207,223	130,386	68,101	7,440	121,309	125,693
162	Bedspreads and quilts-----	205,474	174,625	98,587	109,855	149,448	174,529
163	Terry and other pile towels-----	1,942,854	2,244,567	3,010,734	4,447,239	8,827,057	12,946,713
169	Other manufactures-----	10,917,138	13,279,543	18,893,180	34,051,896	25,232,372	53,443,742
	Total-----	142,047,150	67,150,397	144,393,972	177,816,214	136,008,639	218,137,439

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

Table VIII-5.--Wool textiles: U.S. imports from Pakistan, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
400	Wool tops and yarn	3,748	662	0	0	0	640
410	Woolens and worsteds	0	0	0	519	0	0
411	Tapestries and upholstery	697	0	15	0	226	0
435	Coats, women, girls, and infants	0	216	0	0	0	0
436	Dresses	98	0	0	0	0	0
440	Skirts and blouses, not knits	0	0	0	7,152	5,832	0
442	Skirts	0	54	0	0	0	0
443	Suits, men and boys	0	0	0	0	0	0
445	Sweaters, men and boys	0	0	119	0	0	0
459	Other apparel	526	3,130	1,872	758	2,924	268
465	Floor coverings	143,705	177,513	192,607	156,697	310,793	290,550
469	Other manufactures	1,204	740	38	384	318	22
	Total	149,978	182,315	194,651	165,510	320,093	291,480

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

Table VIII-6.--Manmade-fiber textiles: U.S. imports from Pakistan, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
600	Textured yarn-----	0	4,631	0	0	0	5,912
605	Other yarns-----	0	0	0	0	0	4,001
612	Continuous noncellulosic woven fabrics-----	23,536	0	0	0	0	30,692
613	Spun noncellulosic woven fabrics-----	0	0	0	0	0	4,316
614	Manmade woven fabric, n.e.s-----	0	0	0	0	45,854	0
627	Specialty fabrics-----	8,198	928	881	795	998	1,334
630	Handkerchiefs-----	0	0	0	0	0	40
631	Gloves-----	0	0	0	9,800	0	0
634	Other coats, men and boys-----	496	0	0	0	0	2,643
635	Coats, women, girls, and infants-----	7,806	1,776	207	330	0	1,529
636	Dresses-----	1,903	0	634	2,808	154,610	43,714
637	Playsuits-----	0	0	85	0	11,289	0
638	Knit shirts, men and boys-----	0	0	738	0	0	288
639	Knit shirts and blouses, women, girls, and infants-----	75	0	0	0	3,990	1,920
640	Shirts, not knit, men and boys-----	0	192	72	408	0	1,704
641	Blouses, not knit, women, girls, and infants-----	0	2,320	5,989	300,717	247,401	35,411
642	Skirts-----	0	0	107	1,424	6,764	6,016
643	Suits, men and boys-----	0	0	0	0	0	6,750
644	Suits, women, girls, and infants-----	0	0	0	0	0	4,482
646	Sweaters, women, girls and infants-----	0	0	0	0	6,882	2,502
647	Trousers, men and boys-----	0	0	2,901	0	1,350	285
648	Trousers, women, girls, and infants-----	0	0	160	676	1,798	6,853
650	Dressing gowns-----	102	0	0	0	9,559	0
651	Nightwear-----	0	0	0	936	780	6,396
659	Other apparel-----	562	0	3,378	4,469	180,008	40,389
665	Floor coverings-----	0	7	0	0	188	0
666	Other furnishings-----	0	0	15,436	5,483	0	0
669	Other manufactures-----	0	0	6,934	0	86	125
	Total-----	42,678	9,854	37,522	327,846	671,557	207,310

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

Table VIII-7.--United States/Pakistan bilateral agreement: Limits by MFA category, with shipments charged, 1980

MFA category No.	Type of limit	Description	Units	Limitation	Shipments charged	Percentage filled
				---1,000 units---		
Group I:						
313	Specific	Cotton sheeting	Sq. yd.	61,384	61,384	99
315	do	Cotton printcloth	Sq. yd. 1/	30,411	11,154	37
319	do	Cotton duck	Sq. yd.	12,041	7,125	59
363	do	Cotton terry towels	No.	19,458	19,245	99
317	Designated consultation	Cotton twill and sateen	Sy. yd.	6,512	6,819	105
320	do	Miscellaneous cotton fabric.	Sy. yd. 2/	10,000	5,805	58
369 (pt.)	do	Cotton manufactures, except bar mops.	Lb.	5,217	4,371	84
Group II:						
338	Specific	Knit cotton shirts, men's and boys'.	Doz.	1,829	706	39
339	do	Knit cotton blouses	Doz.	396	128	32
341	do	Woven cotton blouses	Doz.	147	61	42
351	Designated consultation	Cotton nightwear	Doz.	19	4	18
352	do	Cotton underwear	Doz.	245	8	3
359	do	Other cotton apparel	Doz.	267	267	100

1/ Adjusted downward. 2/ Adjusted upward.

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

Note.--Table shows only specific limits and designated consultations. All other categories of cotton are subject to minimum consultation levels as described in the text.

IX. PHILIPPINES

Country Profile

The Republic of the Philippines, with an area of 115,707 square miles (equivalent to Arizona) and a population of 48 million, includes more than 7,000 islands, only 400 of which are permanently inhabited. The nation is located on the western side of the North Pacific Ocean, just east of the South China Sea. The islands are relatively rich in natural resources having one of the world's great stands of commercial timber and some of the world's largest deposits of chromite, nickel, and copper. The Philippines is self-sufficient in rice, one of the basic food crops, and it has a growing industrial sector. Officially known as the Republic of the Philippines, the nation is a parliamentary republic with a President and a Prime Minister elected from the National Assembly. The Government is currently operating under the Transitory Provisions of the Constitution which grant the President full executive and legislative powers.

Geography, demography, and resources

The nation's islands stretch over an area 1,100 miles north to south and 700 miles east to west. Luzon and Mindanao, the two largest islands, make up 65 percent of the total land area. Over 6,900 of the islands have areas less than 5 square miles. The larger islands are mountainous with narrow coastal plains; some have interior valleys formed by rivers. The Philippines has a tropical climate with wet and dry seasons.

About 17 percent of the land is arable and used chiefly to grow food crops (mainly rice and corn but also some important fruits and vegetables). The land under permanent crops totals 9 percent of the land area and is used to grow coconuts, a leading export crop, bananas, mangoes, and plantains. About 13 percent of the land is permanent meadows and pastures used to graze water buffaloes, cattle, and sheep. Chickens, hogs, and ducks are raised everywhere in the Philippines and provide meat for the people's diet. Forests and woodland cover about 43 percent of the land. Besides wood, the forests yield rubber, quinine, kapok, and nut oil (for varnishes and paints). The remaining 37 percent of the land is wasteland (swamps, deserts, and unusable mountain land), inland waters, and urban and industrial areas.

The Philippines has extensive reserves of metallic and nonmetallic minerals. The most important minerals mined are chromite, nickel, copper, iron ore, silver, manganese, coal, gypsum, sulphur, mercury, gold, clay, limestone, dolomite, feldspar, marble, silica, and phosphate. Deposits of oil were discovered in 1978; however, they provide only a small percent of the national requirements. In 1980, imported petroleum accounted for over 30 percent of the value of all Philippine imports. Oil is the primary source of energy to produce electricity; however, plans were put forth by the Government in 1980 to develop the nation's hydroelectric and geothermal energy capacity. Coal currently accounts for less than 5 percent of the total energy output.

The Philippines has over 76,000 miles of roads, most of which are surfaced. The railway system, with over 1,000 miles of tracks, is owned by

the Government and is confined to the island of Luzon and a few miles on the island of Panay. Bus services provide the most widely used form of inland transport. One national airline provides domestic and international service; numerous foreign airlines also serve the two major international airports. The nation has many seaports but most international tonnage passes through Manila. Shipping plays an important role in carrying passengers and cargo among the islands.

The annual population growth is 2.5 percent. Education is compulsory for 6 years. The literacy rate in 1980 was 88 percent—one of the highest in the East Asian and Pacific area. Average life expectancy in 1980 was 62 years. The work force totaled 17 million in 1980; agriculture employs 47 percent of the workers, industry and commerce, 20 percent, services, 13.5 percent, and Government and other sectors, the remaining 19.5 percent. Pilipino, based on Tagalog, is the national language; English is the language of government, education, and commerce and is widely spoken throughout the country.

The economy

The gross national product (GNP) grew an estimated 4.7 percent in real terms from 1979 to 1980. In 1980, industry accounted for 34 percent of the GNP, agriculture, forestry, fishing, and mining, 29 percent, commerce (trade and transportation), 20 percent, and services (Government, utilities, tourist industry, and finance), 17 percent. 1/

Total revenue received by the Government was estimated at \$5.4 billion in 1980. Of this total, income taxes furnished about 22 percent of the revenue, import and export duties supplied 21 percent, excise charges accounted for about 17 percent, and other receipts (chiefly from Government corporations) furnished 9 percent. Other taxes (estate, corporation, transportation, and so forth) supplied the remaining 31 percent of the Government's income. The total internal public debt of national and local Governments, including that of the Government corporations, was about \$4.8 billion at the beginning of 1980.

Industry, including manufacturing, is the largest contributor to the GNP with a 35 percent share in 1979. 2/ Manufacturing alone contributes approximately 25 percent of the GNP and employs almost 2 million of the work force. In 1978 there were 9,976 large manufacturing establishments (those employing 20 or more workers), of which 2,282 were engaged in food, 1,368 in wood and cork products including furniture, 1,018 in wearing apparel, 440 in industrial chemicals and other products, 388 in transport equipment, 237 in footwear, and 96 in beverages. The Philippines had five petroleum refineries in 1978. Production currently is centered on processing and assembly operations involving food, beverages, tobacco, and rubber products, the manufacture of textiles, clothing, and footwear, and the production of pharmaceuticals, paints, plywood and veneer, paper and paper products, small appliances, and automobiles. 3/

1/ U.S. Department of State, Background Notes: Philippines, August 1981.

2/ The Europa Year Book 1981: A World Survey, London, vol. II, p. 1220.

3/ Ibid., p. 1222.

Agriculture, forestry, and fishing, make up the second largest contributor to the GNP with a 26-percent share in 1979, and employs over 8 million of the work force. It provides approximately one-fifth of all Philippine exports. Chief earners of foreign currency are coconut oil, copper concentrates, logs and lumber, sugar, and copra. Production of the principal agricultural products in 1979 was as follows: rough rice, 7.3 million tons, coconuts, 4.4 million tons, shelled corn and sugar, each 3.3 million tons, and copra, 3.0 million tons. 1/

Commerce, including trade, transportation, storage, and communications, also contributed 27 percent to the GNP in 1979 and employs more than 2 million persons. Most of the workers are employed in the wholesale and retail trade, exporting, importing, and transportation. Over 10 million tons of international cargo annually enter and leave Philippine ports. 2/

Services provide the remainder of the Philippine GNP. This sector employs almost 3 million workers, most of whom are employed by the Government. Government expenditures are chiefly for national defense, which accounts for about 1.6 percent of the GNP, Government administration, education, and other social services. 3/

Foreign trade

Foreign trade is important to the Philippine economy. In 1980, exports were valued at \$4.3 billion and imports at \$8.3 billion. In recent years, the Philippines has had a negative balance of trade, as shown in the following tabulation:

Year	Exports	Imports	Deficit
-----Million dollars-----			
1976-----	2,574	3,953	1,379
1977-----	3,151	4,270	1,119
1978-----	3,425	5,143	1,718
1979-----	4,601	6,613	2,012
1980-----	4,346	8,295	3,949

The United States has traditionally been the prime trading partner of the Philippines. In 1979 the United States accounted for 26 percent of the Philippines total trade, providing 23 percent of the Philippines' imports and taking 31 percent of its exports. Japan is the Philippines other major trading partner accounting for 24 percent of the total in 1979. The EC as an

1/ The Statesman's Year Book, New York, 1981, p. 995.

2/ The Europa Year Book, p. 1229.

3/ U.S. Department of State, Background Notes: Philippines, August 1981.

entity is the Philippines third largest source of trade with approximately a 16-percent share. However, on a country basis, the Philippines third ranking trading partner in 1979 was West Germany with a 4.7 percent share. 1/

Traditionally the leading exports of the Philippines have been agricultural products, principally coconut products, sugar and its products, tobacco, and abaca (hemp). Since 1976, however, the value of exports of manufactured products rose sharply (from \$546 million in 1976 to \$1,975 million in 1980) and have exceeded the value of agricultural exports as shown in the following table.

Philippine exports by commodity groups, 1976-1980

(In millions of dollars)						
Commodity	1976	1977	1978	1979	1980	
Coconut products-----	542	763	872	965	735	
Sugar and products-----	456	535	216	239	737	
Forest products-----	270	263	328	484	465	
Mineral products-----	431	520	534	861	1,424	
Fruits and vegetables-----	142	157	177	218	245	
Nontraditional manufactures, total:	546	711	1,053	1,520	1,975	
Garments-----	185	250	326	1/	1/	
Electrical equipment-----	84	124	253	1/	1/	
Textile mill products-----	15	13	24	1/	1/	
Cordage and rope-----	10	13	12	1/	1/	
Other-----	187	202	245	314	354	
Total-----	2,574	3,151	3,425	4,601	5,935	

1/ Data not available.

Source: Compiled from data of the Central Bank of the Philippines.

Among the leading manufactured products are garments, electrical equipment and components, handicraft items, and chemicals.

Leading imports of the Philippine are industrial goods, petroleum and its products, capital equipment and parts, and transport equipment. 2/ Imports to the Philippines are shown in the following table.

1/ 1979 Foreign Trade Statistics of the Philippines, National Census and Statistics Office, p. 1.

2/ UN Yearbook of International Trade Statistics, 1980, p. 769.

Philippine imports by commodity group, 1976-80

(In millions of dollars)					
Commodity group	1976	1977	1978	1979	1980
Food and food products-----	299	299	296	353	423
Beverages and tobacco-----	35	44	44	48	51
Inedible crude materials-----	133	189	219	260	249
Mineral fuels-----	891	993	1,030	1,385	2,403
Animal and vegetable oil and fats-----	7	11	14	19	23
Chemicals-----	352	432	523	670	732
Manufactured goods-----	460	549	703	945	1,069
Machinery and transport equipment-----	1,088	1,022	1,329	1,708	1,987
Miscellaneous manufactures---	80	97	128	141	155
Commodities and transactions not elsewhere classified---	288	279	446	612	733
Total-----	3,633	3,915	4,732	6,141	7,865

Sources: Compiled from data of the Central Bank of the Philippines.

The Textile and Apparel Industries

Structure

The Philippine textile mill industry consists of more than 3,000 privately owned establishments. Most of these establishments are small, averaging five workers, and could be classified as cottage industries. Approximately 200 of the establishments are large, relatively modern, mills. While the small cottage-type textile-producing establishments are spread throughout the country, the larger mills are concentrated in and around Manila.

The larger textile mills in the Philippines generally accomplish all phases of textile production--yarn spinning, weaving or knitting, and finishing--in one facility. Of the approximately 30 mills which produce spun yarn, only one or two exclusively manufacture yarn; they also weave or knit fabric. Very few firms specialize in weaving, and no firms specialize in finishing.

The Philippine apparel industry is composed of several distinct segments. Less than 100 firms are what could be called large, having more than 50 workers: nearly 70 percent of these have 51 to 200 employees. Of the large firms, approximately 20, or one-fifth, are major exporters, though exports account for nearly three-fourths the value of all apparel produced. Approximately 500 small factories have from 10 to 50 employees. More than half of Philippine apparel is produced in more than 27,000 establishments having from 1 to 10 employees, with single-worker cottage industry establishments the predominate type. ^{1/} A notable sector of the apparel industry is the embroidery sector which operates as a cottage industry.

^{1/} World Bank, PHILIPPINES: Industrial Development Strategy and Policies, 1980, p. 120.

Garments are imported under bond, embellished with embroidery, and reexported. Though not technically considered as part of the apparel industry, a considerable portion of domestic apparel needs is met by home sewing. Most of the large apparel firms are located in the Manila area. The small firms and cottage industry are spread throughout the country.

Production and capacity

The Philippine textile industry produces fabrics from cotton, wool, manmade fibers, and ramie, a domestically grown fiber with qualities similar to those of flax (linen). Cotton and manmade fibers are by far the dominant fibers used. In 1980, Philippine textile mills consumed slightly over 110,000 tons of these two fibers with manmade fibers (both filament and staple) accounting for 70 percent of the total. Because little cotton is produced in the Philippines, the textile industry has emphasized use of manmade fibers. In 1980, the Philippines produced 5,500 tons (22,900 bales) of cotton and imported nearly 33,000 tons (137,600 bales). In contrast, more than half the approximately 82,500 tons of manmade fibers consumed was produced domestically.

Since the Philippine manmade-fiber industry is operating at only 75 percent of capacity, there are no plans to expand domestic production. ^{1/} Increased demand will be met by a combination of increased production and importation from the abundant worldwide supply of manmade fibers. A program to expand cotton production which was established in 1977 has met with some success. During the 1976/77 crop year, cotton production was 488 tons (2,000 bales). By the 1980/81 crop year, production increased more than nine-fold to 5,107 tons (21,280 bales) and is expected to rise to 7,106 tons (29,608 bales) in 1981/82 crop year. ^{2/} A grant from the Asian Development Bank to provide technical assistance to the Cotton Development Project was approved in December 1980. This assistance will help the Philippines further its attempts to increase self-sufficiency in cotton. The production of yarn from ramie is currently approximately 2,200 tons annually.

Virtually all of the fabric produced in the Philippines is consumed domestically. Because of the high cost and frequent low quality of domestically made fabric, imported fabric is primarily used to produce apparel made for export. ^{3/} The Philippine textile industry currently produces approximately 96,000 tons of fabric annually. However, with 1 million spindles, 21,000 looms, and 3,000 knitting machines, production should be twice as great by world standards. The low production is largely attributed to the lack of specialization of the Philippine industry. ^{4/} In contrast Thailand, also with 1 million spindles, but 52,000 looms, and 34,000 knitting machines, produced 250,000 tons of fabric in 1979.

^{1/} Compiled from published data of the Textile Economics Bureau.

^{2/} International Cotton Advisory Council, Cotton—World Statistics, January 1982.

^{3/} World Bank, op. cit., p. 88.

^{4/} Ibid.

Because such a large portion of domestic apparel consumption is produced in small factories, in the cottage sector, or in the home, production data is largely estimated. In 1974, domestic apparel consumption was estimated to be valued at \$52 million and is estimated to have increased at approximately 5 percent annually since then. Growth of apparel exports averaged 30 percent between 1976 and 1980. 1/

Plants and equipment

The majority of the equipment used in the textile industry is old: only 23 percent of the 1 million spindles are less than 10 years old, 60 percent are 10 to 25 years old, and of the remaining 17 percent, the majority are more than 35 years old. Of the 21,000 looms currently installed in the Philippines, 20 percent are less than 10 years old, another 20 percent are between 10 and 20 years old, and the remaining 60 percent are more than 20 years old. 2/

In addition to the age of much of the textile machinery, the lack of specialization of the majority of companies in the industry results in much inefficiency in the Philippines textile industry. 3/

As with the textile industry, much of the equipment used by the apparel industry is quite old. However, the age of equipment used by the apparel industry is a factor far less critical than for the textile industry as clothing construction is highly labor intensive and can operate efficiently on older, unsophisticated cutting, sewing, and pressing equipment. The growth of apparel exports from \$54 million in 1973 to \$479 million in 1980 demonstrates the ability of this industry to expand with existing equipment.

Employment and wages

Since the cottage industry accounts for a large proportion of production in the Philippines textile and apparel industries, it is difficult to determine the actual number of persons employed. The Philippine Federation of Garment and Textile Industries has reported that in 1978 total employment of these two industries, including cottage workers and part-time factory workers, was more than 1 million. 4/ In the organized sector, employment in 1976 and 1980 was reported to be as follows: 5/

	<u>Textiles</u>	<u>Apparel</u>
1976-----	84,800	39,500
1980-----	100,000	120,000

1/ U.S. Department of Commerce, Apparel: Philippines, CMS 80-813, August 1980, p. 8, and World Bank, op. cit., p. 122.

2/ Derived from data of the International Textile Manufacturers Federation.

3/ World Bank, op. cit., p. 88.

4/ Department of Commerce, op. cit., p. 9.

5/ United Nations Year Book of Industrial Statistics.

These numbers confirm the slower growth of the Philippine textile industry than of the apparel industry.

Wage rates and benefits for all industry are established by the Government. In 1981, total hourly compensation for textile mill workers was approximately 43 cents. 1/ A specific wage rate for apparel workers is not available. However, the overall earnings of apparel workers are known to be lower than those of textile workers and to vary according to the size and type of establishment. Data of the Philippines National Census and Statistics Office show that in 1974 the average annual wage for workers in the large apparel factories was \$440, in smaller factories it was \$250, and for cottage workers it was \$60. Average wages have risen approximately 30 percent since then. 2/ As most of the growth in the apparel industry has been due to exports which are primarily produced in the larger factories, it may be concluded that the average earnings per apparel worker have risen more than the national average, since this sector is employing a higher proportion of apparel workers.

Trade in Textiles and Apparel

Imports, exports, and trade balance

Official trade statistics of the Philippines show the nation currently has an overall favorable trade balance in fibers, textiles, and apparel. Certain fiber, textile, and apparel trade data for 1978-80 are shown in the following table.

1/ Werner International Management Consultants, Spinning and Weaving Labour Cost Comparisons, Summer 1981.

2/ Based on data from the Central Bank of the Philippines, Quarterly Bulletin.

Fibers, textiles, and apparel: Philippine imports and exports,
by selected SITC classifications, 1978-80

(In millions of U.S. dollars (f.o.b.) value)

SITC No.	Description	1978		1979		1980	
		Imports	Exports	Imports	Exports	Imports	Exports
	Total-----	191.1	222.4	232.6	303.4	253.6	386.3
26	Fibers and their wastes.	101.2	18.6	112.8	30.8	106.7	32.5
263	Cotton-----	44.3	.1	35.8	1/	44.0	1/
265	Vegetable fibers except cotton and jute.	-	18.0	.1	30.3	-	31.5
266/267	Manmade fibers.	56.3	.5	75.3	.5	62.1	.7
65	Textile yarns, fabrics, and made-up articles.	88.2	43.7	117.1	55.3	144.4	74.5
651	Textile yarn--	25.4	7.3	25.6	8.8	21.2	18.0
652	Woven cotton fabric.	18.5	.1	28.3	2.7	41.8	2.6
653	Woven fabric of manmade fibers.	18.4	1.5	28.7	4.7	36.6	4.0
655	Knitted or crocheted fabrics.	10.4	11.4	15.0	8.6	19.7	13.2
657	Special fabrics and related products (incl. cordage).	11.1	14.7	14.4	21.1	16.4	25.9
84	Articles of apparel and accessories.	1.7	160.1	2.7	217.3	2.5	279.3

1/ Less than 0.5 percent.

Source: Compiled from official statistics of the Philippines National Census and Statistics Office.

Note.--Because of the omission of low trade 3-digit SITC classifications figures may not add to the totals shown.

In 1978, Philippine exports of these items were \$31.3 million, or 16 percent greater than imports. In 1979, the favorable trade balance increased to \$70.8 million. By 1980 the balance rose to \$132.7 million, with exports 34 percent greater than imports. For all three years, exports of apparel and accessories (SITC No. 84) accounted for 72 percent of the value of exports of these categories.

For textile yarns, fabrics, and made-up articles (SITC No. 65) the Philippines had a negative trade balance between 1978 and 1980. Imports of yarns, broadwoven fabrics, and knit fabrics accounted for more than 80 percent of the imports. The exports in this category were dominated by cordage which accounted for roughly 30 percent of the total each year.

Unspun fibers and their wastes (SITC No. 26) also incurred a deficit with the value of imports of \$101 million exceeding that of exports over four times in 1978, and by \$82 million or 266 percent in 1979. This deficit fell to \$72.4 million in 1980. The decline in the trade deficit for unspun fibers is largely due to replacement of fiber imports with those of yarn and fabrics. Manmade fibers and cotton account for most fiber imports. Philippine exports of textile fibers are dominated by abaca exports which annually amount to 97-98 percent of the total.

Export trends and principal exported products

Philippine exports of selected textile mill and apparel items for 1973 and 1976-80 are shown in table IX-3. Apparel and textile accessories dominate these exports with their share ranging from a low of 67 percent in 1973 to a high of 87 percent in 1977, and accounting for 84 percent in 1980. Of the apparel items exported, women's, girls', and infants' woven outer garments dominate, with a value of \$123 million, accounting for 29 percent of the total in 1980. However, the 153-percent growth in value of this category from 1976 to 1980 was less than the 172-percent growth for all apparel and accessories. Men's and boys' outer garments, which were the second leading export category with 18 percent of the total, or \$75 million in 1980, increased 292 percent between 1976 and 1980. The change in shares of these two categories indicates diversification in the Philippine apparel industry which traditionally was a major exporter of infants' and children's wear.

Though not currently accounting for a large volume of exports, some apparel categories have grown considerably. Exports of men's and boys' woven undergarments increased from \$345,000 in 1973 to \$4 million in 1976 and to \$26 million in 1980 when they accounted for 6 percent of the total apparel exports. Knit gloves' share of exports in 1980 was 5 percent of the total, but the value of these exports rose fivefold, from \$3.5 million in 1976 to \$21 million in 1980. Nearly 75 percent of glove exports go to the United States, for which the Philippines is the largest foreign supplier.

Though exports of textile mill products were only one-fifth the value of apparel exports in 1980, exports in a few categories were significant. The value of exports of cordage, primarily of abaca, and other miscellaneous textile products in 1980 was nearly half of all textile exports. The value of exports in this category more than tripled from 1973 to 1980, rising from \$11 million to \$37 million. Exports of manmade fiber yarns and of knit fabrics

increased substantially between 1976 and 1980 when each accounted for approximately 20 percent of textile exports.

Major markets

The United States is the principal market for Philippine exports of textiles and apparel, averaging 54 percent of such exports between 1976 and 1980 (tables IX-1 and IX-2). In 1980, exports to the United States were valued at \$269 million, or 48 percent of total textile and apparel exports, the lowest share during the 5-year period. The second leading market in 1980 was West Germany with \$82 million, or 15 percent of the total. That year Hong Kong imported 7 percent and the United Kingdom 6 percent of the Philippines' textile and apparel exports. The decline in the U.S. share of these exports was offset by the increased share going to the other three leading markets (from 15 to 28 percent).

When textiles and apparel are considered separately the market picture varies. For textile mill products, the United States was the leading market in 1980, taking \$28 million, or 34 percent of the total with Hong Kong a close second at \$25 million. Italy was the third largest market in 1980 with 7 percent of the total. Textile exports to the United States increased steadily from \$17 million to \$28 million between 1976 and 1980. Nearly half of the value of these exports to the United States annually is accounted for by abaca cordage. The exports to Hong Kong and Italy in 1976 were valued at \$1.9 and \$1.2 million, respectively. In 1978, exports to Hong Kong rose to \$11 million, then doubled to \$22 million in 1979. Exports to Italy in 1977 declined to \$407,000, increased to \$1.1 million in 1978 and 1979, then jumped to \$6 million in 1980.

For the years 1976 through 1980, the United States was consistently the leading market for Philippine exports of apparel, its share ranging from 51 to 65 percent. During each of these years, West Germany was the second largest market, taking from 11 to 20 percent. The value of these exports to West Germany increased from \$14 million in 1976 to \$80 million in 1980. The share of Philippine apparel exports to the United Kingdom, the third largest market, ranged from 5 to 7 percent. These exports increased in value from \$11 million in 1976 to \$32 million in 1980.

Item 807.00

During 1980 approximately 10 percent of U.S. apparel imports from the Philippines entered under TSUS item 807.00. These imports were valued at \$21 million. Articles imported under this provision are assembled abroad using components produced in the United States. When the assembled articles enter the United States, duty is assessed only on the value added outside the United States.

Body-supporting garments (primarily bras) accounted for almost 90 percent of 807.00 apparel imports from the Philippines during 1980. However, the duty-free value of these imports was only 13 percent of their total value because the major component parts, particularly the fabric, are being produced in the Philippines or imported from other Asian countries.

MFA constraints

Exports of textiles and apparel of cotton, wool, and manmade fibers from the Philippines to the United States are limited by a bilateral agreement negotiated under the Multifiber Arrangement (MFA). During 1980, the aggregate limitation under the agreement amounted to 270.6 million square yards equivalent (SYE) of which 55 percent was filled. The provisions of the agreement were applicable to textiles in the following subgroups:

<u>Subgroup</u>	<u>Description</u>
Group I-----	Yarn and fabric of cotton and manmade fiber
Group II-----	Made-up and miscellaneous goods of cotton and manmade fiber
Group III-----	Wool textiles and apparel
Group IV-----	Traditional (infants') <u>1/</u> apparel
Group V-----	Nontraditional apparel of cotton and manmade fiber

1/ Through size 6X.

Group I had the only aggregate group limitation during 1980—25.6 million SYE, which was 36 percent filled. In addition, there were a large number of specific limits for individual categories for 1980, shown in table IX-7, with the quantity of imports charged against each level.

This agreement is unique in that it does not allow for swing, carryover, or carryforward and, other than Group I, does not have aggregate group limits, but has specific limits for each category. Additionally, the growth rate of 4 percent the first year and 3 percent each successive year are below the 6 to 7 percent annual growth in most other agreements. This agreement also has an unusual provision for "traditional exports" which applies to infants' and children's wear up to and including size 6X, reflecting that the Philippines initial apparel exports to the United States were predominantly such infants' and children's wear.

The limitations specified in the agreement do not apply to certified exports of handloom fabrics of the cottage industry, or to handmade cottage industry products made of such handloom fabrics, or to folklore handicraft textile products traditional to the Philippines. Also exempt from the provisions of the agreement are hand-plied or hand-braided and hand-tied macrame handicraft articles.

The EC limits imports in 12 categories of apparel items from the Philippines. The largest limits are for five apparel categories considered "most sensitive items." Five categories in the "other sensitive items" group have smaller limits, and two categories covering babies' garments are also limited.

The Domestic Market

The domestic market for textile mill products (yarn, thread, and fabric) is highly protected by tariffs of 30 to 70 percent. An exception is made for goods used to manufacture finished products in the free-trade zone which enter the country duty free. Most of the items manufactured in this zone are exported, though up to 20 percent of production may be shipped into the Philippine market. When domestic production is unable to meet demand the Government may authorize a preferential tariff rate of 30 percent. Therefore, the textile goods that are imported fill an existing need and domestically produced goods face little market competition. Virtually all the fabric produced by the Philippine textile industry is consumed domestically. ^{1/}

In most areas of the Philippines, dress is predominately Western style, though in some rural areas traditional ethnic dress is worn. Most of the apparel is produced by the cottage industry or in the home. The remainder, particularly that purchased in urban areas, is made in tailor shops and factories. Most apparel, even that produced by the cottage industry, is purchased by wholesalers for distribution to retailers. Apparel and textiles for home sewing are sold through approximately 9,000 retail outlets. Though these range from small owner operated shops to large retail stores, average employment is 2.5 persons, indicating a preponderance of small one-person establishments. ^{2/} Tariff rates of 100 percent virtually eliminate imports of apparel. In 1979 imports of wearing apparel were valued at \$381,000; imports of textile accessories (ties, scarves, socks, stockings, and so forth) were valued at \$1.3 million.

Government Policy

Assistance to the industry

Until recently, the Government of the Philippines had done very little to assist or influence the textile industry. The main exception to this nonintervention policy has been in the indirect form of highly restrictive tariff rates and import policies. Current tariff rates for textile mill products and apparel are as follows (in percent):

<u>Product</u>	<u>Tariff rate</u>
Cotton	10
Manmade fiber	30
Yarn	50
Fabric	70
Clothing	100

Imports of clothing and of fabrics, other than for production of apparel for export, are virtually prohibited. These measures have protected the domestic industry from foreign competition. As a result, textile mills have not had to compete in the market and some are inefficient and produce poor quality

^{1/} World Bank, op. cit., p. 99.

^{2/} U.S. Department of Commerce, op. cit., pp. 11 and 13.

goods. In the past few years, the Government has realized the advantages of improving the quality of domestic textiles so they can compete in the international market and be used by the clothing industry to produce apparel for export. To this end, the Board of Investments has given approval to proposals from several mills to purchase a total of approximately 250,000 new spindles or 25 percent of the number currently installed. ^{1/}

The Philippine apparel industry, particularly the portion of this industry which produces apparel for export, has been aided by government policy. In addition to the tariffs and imports restrictions mentioned earlier, the Board of Investments programs of incentives for increased capital expenditures have aided the expansion of this industry.

Export promotion

The establishment of an Export Processing Zone to facilitate duty-free imports of fabrics to produce apparel for export, was an indirect means through which the Philippine Government is promoting apparel exports. However, a formal program of export promotion for the textile or apparel industries has not been established. The Textile Export Board, which controls allocations of quotas established as a result of MFA restraints, indirectly affects how much firms can export and, consequently, produce of articles affected by quotas.

Export Potential

Although not among the world's major exporters of textiles and apparel, the Philippines is expanding its share of the market. Of the countries with larger exports, only China's export growth of 221 percent between 1976 and 1980 exceeded the 177 percent growth of Philippine exports (table A-2). Exports, particularly of apparel, are expected to continue to rise in the next 5 years. The recent growth in apparel exports is attributed to the establishment of the Export Processing Zone coupled with the availability of capable workers. The recent efforts of the Government to help resolve some of the problems of the textile mill industry indicate its continued interest in export expansion.

The Philippine Government policies in regard to increasing the export potential of its textile and apparel industries have been primarily directed at apparel exports. The establishment of an Export Processing Zone and elimination of duty for imported fabrics to be used to produce apparel for export enabled this industry to increase its exports more than seven-fold between 1973 and 1980. Only recently has the Government provided assistance to the textile mill industry. Such assistance to the textile mill industry currently is not so much aimed at increasing direct exports, as it is to enable the industry to provide a larger share of the fabric used to produce apparel for export and consequently reduce dependence on imported fabrics.

Quality and cost improvements are necessary before Philippine yarns and fabric can compete in the international market, or fully meet the needs of its

^{1/} World Bank, op. cit., p. 98.

own apparel export industry. Efforts are being made to bring about these changes. New equipment is now being purchased which is expected to help achieve the needed improvements.

The future of the Philippine textile industry will be largely influenced by the success of a modernization program, sponsored by the World Bank, which will provide as much as \$450 million to upgrade the textile mill industry. The program calls for modernization and expansion of 30 of the 42 spinning mills in the country and the establishment of one new weaving mill. This will be accomplished by rehabilitating 370,000 existing cotton and worsted spindles and installation of 305,400 new spindles and 9,560 open-end rotors to upgrade yarn production. Additionally 6,753 existing shuttle looms will be modernized, 4,625 new looms, and 500 new circular knitting machines will be purchased. Included in the program are plans to increase specialization of mills, provide training programs for employees, decrease use of energy, and increase the overall efficiency of the mills through maintenance and management practices.

Exports of cordage of abaca, which constituted 8 percent of the Philippines total textile and apparel exports in 1980, are not restricted by the MFA. Consequently the continued growth of these exports will be dependent on demand and availability; neither of these factors is expected to change in the next few years.

The growth and variety of apparel exports from the Philippines in recent years is evidence that the country has the capability to produce apparel which is competitive in international markets. The Philippines has an abundant labor supply and lack of capable workers is not a potentially restrictive factor. The capital needed for equipment for apparel production is not great, and as the government has loan and depreciation programs favoring such investment, capital should be available for continued growth of this industry and its exports.

The United States is, by far, the leading market for Philippine textile and apparel exports, taking half the total in 1980. Despite MFA quota restraints, there is considerable room for export growth in categories that have not been fully utilized. Under the current bilateral agreement with the United States, in 1980 quotas of only five categories were filled or nearly filled, 10 other categories were half filled or more than half filled, and more than half of the categories had no or negligible imports charged to them. The most fully used quotas and the shipments charged to them during 1980 are as follows: 1/

1/ Shipments in excess of quota reflect adjustments to quotas which were agreed to by the Philippines and the United States.

Category	Specific limits	Imports charged	Percent filled
	Equivalent square yards		
Men's and boys' wool suits-----	117,288	147,258	125.5
Wool sweaters-----	259,224	262,632	101.3
Infants' cotton coats-----	988,185	988,185	100.0
Cotton gloves-----	2,047,679	2,047,679	100.0
Men's and boys' woven cotton shirts-----	5,291,808	5,284,752	99.8
Men's and boys' cotton trousers-----	4,085,207	3,920,219	95.9
Women's and girls' cotton trousers-----	3,931,593	4,247,169	108.0
Women's and girls' manmade-fiber coats-----	8,112,105	6,799,054	83.8
Men's and boys' woven manmade-fiber shirts-----	2,223,296	1,898,760	85.0
Women's and girls' woven manmade-fiber blouses-----	2,368,488	1,951,729	82.5
Manmade-fiber brassieres-----	17,315,947	14,810,299	85.5

The EC is the next largest market for Philippine textile and apparel exports, taking 30 percent of the total in 1980. The extent of continued growth in exports to the EC may depend on quota restraints negotiated under the MFA. Throughout its markets, the growth in exports from the Philippines combined with those of other rapidly growing exporters such as Sri Lanka and Thailand is likely to increasingly compete with exports from larger but less rapidly growing suppliers.

Table IX-1.--Textiles and apparel: Exports from Philippines, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	4,618	2,376	4,464	11,595	22,618	25,598	-48.549	977.357
Other Asia...	4,272	4,357	4,472	3,996	14,982	8,630	1.990	98.072
Other developing...	118	66	471	66	10	42	-44.068	-36.364
Socialist.....	3	-	-	-	-	-	-100.000	(1)
Developed:								
EEC.....	1,269	4,851	3,299	4,088	5,897	11,471	282.270	136.467
Southern								
Europe.....	29	496	865	525	203	246	1610.345	-50.403
Other Europe:	373	630	554	653	873	1,080	68.901	71.429
United States.....	6,728	16,716	15,335	18,902	23,310	27,786	148.454	66.224
Canada.....	402	1,671	1,587	1,210	1,843	2,164	315.672	29.503
Japan.....	6,749	787	784	1,568	4,576	2,468	-88.339	213.596
Other.....	2,426	1,820	1,856	2,121	2,994	3,265	-24.979	79.396
Apparel:								
Developing:								
Big Three...	1,103	4,374	4,371	6,176	7,761	11,789	296.555	169.524
Other Asia...	422	3,096	5,315	3,552	1,717	6,894	633.649	122.674
Other developing...	108	225	276	48	13	170	108.333	-24.444
Socialist.....	-	-	-	-	-	-	-	-
Developed:								
EEC.....	1,000	35,098	68,724	71,269	135,907	157,276	3409.800	348.105
Southern								
Europe.....	16	125	162	399	477	536	681.250	328.800
Other Europe:	425	3,630	6,700	9,467	12,630	17,960	754.118	394.766
United States.....	56,150	98,053	130,803	206,700	215,361	241,681	74.627	146.480
Canada.....	640	6,957	5,692	5,687	10,519	11,696	987.031	68.118
Japan.....	2,149	9,532	4,928	5,931	17,852	17,869	343.555	87.463
Other.....	610	7,454	9,273	8,584	11,786	12,677	1121.967	70.070
Textile & Apparel:								
Developing:								
Big Three...	5,721	6,750	8,835	17,771	30,379	37,387	17.986	453.881
Other Asia...	4,694	7,453	9,787	7,548	16,699	15,524	58.777	108.292
Other developing...	226	291	747	114	23	212	28.761	-27.148
Socialist.....	3	-	-	-	-	-	-100.000	(1)

Table IX-1.--Textiles and apparel: Exports from Philippines, by specific world markets and countries, 1973 and 1976-80--Cont Inued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EEC.....	2,269	39,949	72,023	75,357	141,804	168,747	1660.643	322.406
Southern Europe.....	45	621	1,027	924	680	782	1280.000	25.926
Other Europe:	798	4,260	7,254	10,120	13,503	19,040	433.835	346.968
United States.....	62,878	114,769	146,138	225,602	238,671	269,467	82.526	134.791
Canada.....	1,042	8,628	7,279	4,897	12,362	13,860	728.023	60.640
Japan.....	8,898	10,319	5,712	7,499	22,428	20,337	15.970	97.083
Other.....	3,036	9,274	11,129	10,705	14,780	15,942	205.468	71.900
Total.....	89,642	202,314	269,931	362,537	491,329	561,298	125.691	177.439

1/ Data or computation error.
- Data not available.

Table IX-2.---Textiles and apparel: Exports from Philippines, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
1,000 U.S. dollars					
Textiles:					
United States.....	16,716	15,335	18,902	23,310	27,786
Hong Kong.....	1,916	3,727	11,152	22,305	25,300
Singapore.....	2,520	2,583	2,057	10,989	3,551
Japan.....	787	784	1,568	4,576	2,468
Pakistan.....	-	174	1,195	3,993	4,144
Australia.....	1,591	1,658	1,940	2,880	3,091
Canada.....	1,671	1,587	1,210	1,843	2,164
FR Germany.....	1,461	1,199	1,406	1,789	1,856
France.....	433	951	673	1,328	1,956
Italy.....	1,179	407	1,185	1,138	5,908
United Kingdom....	93	207	363	702	548
Netherlands.....	1,457	361	274	688	395
Sweden.....	320	161	300	493	630
Other.....	3,626	4,553	2,499	1,272	2,953
Total.....	33,770	33,687	44,724	77,306	82,750
Apparel:					
United States.....	98,053	130,803	206,700	215,361	241,681
FR Germany.....	13,962	38,366	36,066	71,030	80,287
United Kingdom....	11,376	13,432	17,174	30,205	32,078
Japan.....	9,532	4,928	5,931	17,852	17,869
Netherlands.....	1,881	6,239	7,037	11,854	10,756
Australia.....	7,371	9,153	8,429	11,493	12,194
France.....	5,767	5,120	5,765	11,326	17,842
Canada.....	6,957	5,692	5,687	10,519	11,696
Hong Kong.....	4,374	4,369	6,167	7,756	11,767
Sweden.....	1,283	3,288	4,941	4,791	4,836
Denmark.....	1,152	2,228	2,268	4,628	6,490
Italy.....	497	1,865	1,178	4,274	5,157
Austria.....	628	820	931	2,943	4,451
Other.....	5,711	9,941	9,539	9,991	21,444
Total.....	168,544	236,244	317,813	414,023	478,548
Textile & Apparel:					
United States.....	114,769	146,138	225,602	238,671	269,467
FR Germany.....	15,423	39,565	37,472	72,819	82,143
United Kingdom....	11,469	13,639	17,537	30,907	32,626
Hong Kong.....	6,290	8,096	17,319	30,061	37,067
Japan.....	10,319	5,712	7,499	22,428	20,337
Australia.....	8,962	10,811	10,369	14,373	15,285
Singapore.....	5,219	5,740	5,289	12,706	6,521
France.....	6,200	6,071	6,438	12,654	19,798
Netherlands.....	3,338	6,600	7,311	12,542	11,151

Table IX-2. Textiles and apparel: Exports from Philippines, by principal markets, 1976-80--Cont. (in millions of U.S. dollars)

Market	1976	1977	1978	1979	1980
Textiles & Apparel:					
Canada.....	8,628	7,279	6,897	12,342	13,868
Italy.....	1,476	2,272	2,363	5,412	11,865
Sweden.....	1,603	3,449	5,241	5,284	5,466
Denmark.....	1,328	2,319	2,316	4,818	6,973
Other.....	7,898	12,248	18,864	16,388	29,539
Total.....	202,314	269,931	362,337	491,329	561,298

- Data not available.

Table IX-3.--Textiles and apparel: Exports from Philippines, by type, 1973 and 1976-80

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	-	-	-	-	1,336	1	-	-
Wool yarn...	0	-	5	107	512	324	-	-
Cotton yarn...	49	171	154	75	88	233	248.980	36.257
Yarn of manmade fibers...	4,078	3,216	2,731	7,104	17,968	15,055	-21.138	368.128
Other yarn...	-	-	7	-	-	-	-	-
Gray cotton fabrics...	2,689	13	49	20	268	1,416	-99.517	10792.308
Finished cotton fabrics...	909	3,909	892	624	931	1,260	330.033	-67.767
Woven fabric of continuous manmade fibers...	1,167	285	914	1,369	1,938	997	-75.578	249.825
Woven fabric of disconti- nuous manmade fibers...	3,032	948	1,480	1,046	1,246	909	-68.734	-4.114
Pile fabrics of manmade fibers...	2,210	512	61	-	17	48	-76.833	-90.625
Woven fabrics of wool.....	11	-	1	1	33	-	-	-
Woven fabrics of other fibers...	49	30	104	87	86	428	-38.776	1326.667
Knit fabrics	143	727	3,071	5,086	14,032	16,314	408.392	2144.017
Other textile products...	11,030	20,096	21,025	24,911	32,110	37,562	82.194	86.913
Floor coverings	1,257	1,882	2,112	3,445	4,687	4,728	59.722	151.222
Subtotal, Textiles and floor coverings	26,624	31,789	32,606	63,875	75,252	79,275	19.400	149.379

Table IX-3.- Textiles and apparel: Exports from Philippines, by types, 1973 and 1976-80-Continued

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
188 outer garments, not knit...	2,369	19,256	33,984	43,360	69,816	75,437	712.832	291.758
461 outer garments, not knit...	17,581	48,724	69,786	98,132	112,229	123,339	177.140	153.138
188 under garments, not knit...	345	3,930	4,423	9,900	26,436	26,106	1039.130	544.275
461 under garments, not knit...	461	1,619	2,713	3,390	5,729	6,468	251.193	299.506
Accessories, not knit...	14,730	32,239	42,523	42,744	51,799	62,726	118.866	94.566
Gloves, knit	4,754	3,520	5,116	17,029	18,133	20,733	-25.957	489.806
Stockings, etc., knit	284	1,186	902	1,556	2,502	2,533	317.606	113.575
Under garments, knit.....	2,106	20,224	22,956	33,742	45,542	56,345	860.304	178.605
Outer garments, knit.....	11,565	24,691	32,000	37,482	47,198	48,554	113.498	96.647
Elastic fab. & art., knit.....	-	0	18	18	28	162	-	(1)
Subtotal, Apparel...	54,195	155,389	214,261	287,353	379,412	422,403	186.722	171.836
Total.....	80,819	187,178	246,867	331,228	454,664	501,678	131.601	168.022

1/ Data or computation error.

- Data not available.

Table IX-4.--Cotton textiles: U.S. imports from the Philippines, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
300	Carded yarn	0	0	60,196	0	0	0
301	Combed yarn	0	0	0	0	62,082	0
311	Cotton velveteen	0	0	0	0	80	205
312	Corduroy	0	0	6,400	240	6,725	896
313	Sheeting	0	0	83,333	0	0	0
317	Twill and sateen	92,358	17,500	101	0	0	0
318	Yarn-dyed fabric, n.e.s.	4,917	42	0	0	0	0
319	Duck	0	0	0	0	130,556	0
320	Woven fabrics, n.e.s.	18,866	1,518	1,990	629,068	335	983
330	Handkerchiefs	989,646	925,036	1,094,227	959,177	970,588	1,201,286
331	Gloves	1,443,223	1,055,161	1,866,695	2,194,138	1,990,195	2,345,845
332	Hosiery	0	0	0	0	0	33,088
333	Suit-type coats, men and boys	304,370	411,124	496,447	362,218	461,116	513,678
334	Other coats, men and boys	464,666	1,547,469	2,284,426	1,757,769	1,621,644	1,631,186
335	Coats, women, girls, and infants	1,345,060	1,541,027	2,011,725	2,068,882	3,147,679	2,511,910
336	Dresses	3,524,703	2,897,298	4,210,365	3,150,706	3,468,167	3,518,589
337	Playsuits	2,786,800	4,176,975	3,891,475	2,989,625	4,586,000	6,255,775
338	Knit shirts, men and boys	329,839	514,318	1,064,859	1,266,861	1,813,501	2,822,263
339	Knit shirts and blouses, women, girls, and infants	2,620,923	2,294,735	2,881,878	2,954,453	1,555,718	1,737,596
340	Shirts, not knit, men and boys	156,144	721,056	4,027,080	4,494,576	5,082,408	5,004,768
341	Blouses, not knit, women, girls, and infants	827,168	627,242	930,061	1,830,597	1,024,136	2,195,895
342	Skirts	283,109	122,268	400,357	427,164	387,453	303,650
345	Sweaters	458,712	539,893	310,776	45,191	54,721	237,213
347	Trousers, men and boys	349,325	1,295,947	2,417,524	1,791,624	3,206,919	5,446,106
348	Trousers, women, girls, and infants	1,898,690	2,777,941	5,948,990	3,994,497	4,997,740	9,283,356
349	Brassieres	1,044,528	659,247	424,032	506,261	396,600	250,080
350	Dressing gowns	121,125	88,995	258,060	171,411	61,098	115,617
351	Nightwear	10,192	245,076	458,484	731,692	527,540	924,664
352	Underwear	33,770	4,697	57,871	39,017	1,441	2,409
359	Other apparel	5,391,780	7,276,436	5,957,936	5,831,030	8,735,595	9,420,289
360	Pillowcases	15,310	9,513	0	1,265	297	0
361	Sheets	0	0	415	62	0	0
362	Bedspreads and quilts	5,810	9,984	0	559	380	1,698
363	Terry and other pile towels	0	0	0	26,160	0	120
369	Other manufactures	2,353,794	5,442,075	7,531,639	4,374,994	3,108,206	4,213,958
	Total	26,874,828	35,202,573	48,677,342	42,599,237	47,198,920	59,973,123

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

Table IX-5.--Wool Textiles: U.S. imports from the Philippines, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
400	Wool tops and yarn	0	78	0	0	0	4,970
410	Woolens and worsteds	0	0	0	63	0	0
411	Tapestries and upholstery	488	301	527	264	10	0
431	Gloves	25,773	18,701	36,704	41,202	55,615	120,492
432	Hosiery	216	0	0	0	0	0
433	Suit-type coats, men and boys	0	50,724	27,972	6,264	62,928	26,172
434	Other coats, men and boys	27,000	17,226	0	0	0	0
435	Coats, women, girls, and infants	0	0	10,692	0	28,080	5,076
436	Dresses	0	22,780	0	0	0	0
438	Knit shirts and blouses	0	0	0	7,500	0	3,750
440	Shirts and blouses, not knit	0	0	2,928	0	0	0
442	Skirts	0	0	16,506	68,166	0	0
443	Suits, men and boys	144,990	40,770	50,760	22,680	102,492	138,132
444	Suits, women, girls, and infants	0	0	0	0	3,078	0
445	Sweaters, men and boys	1,458	655	134,902	125,826	159,826	185,137
446	Sweaters, women, girls, and infants	26,531	128,578	57,600	0	111,986	131,138
447	Trousers, men and boys	24,606	1,386	216	180	11,376	0
448	Trousers, women, girls, and infants	0	0	8,964	25,452	234	23,238
459	Other apparel	35,200	10,132	255,968	111,360	66,012	61,982
464	Blankets	0	289	0	0	499	0
465	Floor coverings	872	670	1,180	5,103	1,321	3,076
469	Other manufactures	2,670	568	392	288	0	6,718
	Total	289,804	292,858	605,311	414,328	603,457	709,881

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

Table IX-6. Handmade fibers: U.S. imports from the Philippines, by MFA categories 1976-81

		(In equivalent square yards)									
		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Category	Description										
400	Textured yarn	0	455,541	3,733	342	308	2,043				
401	Continuous cellulosic yarn	0	0	0	0	0	0				
402	Continuous noncellulosic yarn	0	0	0	0	0	0				
403	Monofilament cellulosic yarn	0	0	0	0	0	0				
404	Monofilament noncellulosic yarn	5,423,403	4,544,117	4,687,408	4,342,142	10,135,197	10,202,288				
405	Other yarns	195,450	329,802	1,189,343	854,444	80,447	2,700				
410	Continuous cellulosic woven fabrics	0	0	0	0	0	0				
411	Spun cellulosic woven fabrics	0	0	0	0	0	0				
412	Continuous noncellulosic woven fabrics	1,048	331	95,239	11,900	17,543	4,518				
413	Spun non-cellulosic woven fabrics	2,442	0	262,333	444,094	640	0				
414	Woven fabrics, n.e.c.	15,710	33,014	15,142	4,118	100	215				
415	Salt fabrics	0	3,458	0	4,137	0	0				
416	Film or tufted fabrics	0	0	0	0	0	0				
417	Specialty fabrics	12,314	32,239	418,314	194,903	192,350	430,542				
418	Headwraps	20,883	48,237	75,487	17,503	9,116	30,818				
419	Glens	3,403,960	4,440,991	5,079,373	4,130,375	4,119,034	3,419,331				
420	Shirtings	196,432	68,409	116,453	107,165	85,478	122,568				
421	Built-type coats, men and boys	144,545	216,983	345,022	138,985	61,097	424,044				
422	Other coats, men and boys	3,230,011	5,354,649	4,351,018	3,786,197	1,484,593	1,589,342				
423	Coats, women, girls, and infants	5,197,908	6,028,107	6,904,294	6,072,213	7,564,739	8,958,733				
424	Dresses	20,117,929	14,292,324	17,760,704	17,404,390	17,798,235	18,409,194				
425	Playclothes	7,187,714	6,333,383	6,998,341	6,348,977	5,132,044	5,090,329				
426	Suit shirts, men and boys	249,404	210,312	1,254,114	1,493,434	413,400	534,076				
427	Suit shirts and blouses, women, girls, and infants	6,481,510	2,363,410	5,011,170	6,912,415	2,420,235	3,011,405				
428	Shirts, not built, men and boys	359,080	339,434	804,940	1,453,940	2,038,340	422,060				
429	Blouses, not built, women, girls, and infants	939,805	1,474,037	3,274,928	3,774,599	2,111,493	2,745,790				
430	Shirts	52,124	31,335	132,394	341,001	286,038	434,375				
431	Suits, men and boys	341,404	457,018	1,203,958	903,502	259,716	677,754				
432	Suits, women, girls, and infants	342,948	319,264	37,314	37,314	1,080	5,940				
433	Suits, men and boys	512,550	452,505	2,232,876	2,417,392	519,744	873,448				
434	Suits, women, girls, and infants	2,931,709	5,938,894	5,011,330	5,019,803	4,449,773	4,139,913				
435	Trousers, men and boys	278,772	217,354	145,426	48,096	19,014	139,140				
436	Trousers, women, girls, and infants	1,285,712	987,101	1,092,487	1,505,043	1,477,323	1,408,817				
437	Trousers	10,098,072	10,444,408	12,498,724	13,391,378	15,497,818	15,084,880				
438	Dressing gowns	204,031	253,011	421,309	349,335	503,370	432,784				
439	Highwaists	2,171,000	1,444,944	2,443,844	1,454,534	3,902,708	2,261,488				
440	Underwear	1,946,112	1,480,044	3,705,700	2,941,774	2,977,104	3,854,352				
441	Non-filled coats, women, girls, and infants	0	0	0	0	0	0				
442	Other apparel	21,925,453	30,376,928	34,378,747	30,037,114	31,590,488	28,072,942				
443	Flower coverings	8,925	9,487	3,185	17,083	8,339	3,351				
444	Other furnishings	553,060	830,783	441,984	415,493	915,124	509,904				
445	Other manufactures	44,417	41,710	42,400	163,342	204,911	421,191				
446	Total	101,023,048	106,531,050	125,431,315	118,870,580	111,847,841	115,849,405				

1/ New category effective April 1, 1981.

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

Table 12-7.--United States/Philippines bilateral agreements: Limits by HVA category, with shipments charged, 1980

HVA category	Type of limit	Description	Units	Limit-shipment charged	Percentage filled
Sub No.				1,000 units	
Group 1:					
300	Specific	Carded cotton yarn	lb	801	-
301	do	Combed cotton yarn	lb	801	13
310	do	Cotton glazings	Sq. yd.	3,683	-
311	do	Cotton velveteen	Sq. yd.	3,683	2/
312	do	Cotton cordurey	Sq. yd.	3,683	2/
313	do	Cotton sheeting	Sq. yd.	3,683	-
314	do	Cotton poplin and broadcloth	Sq. yd.	3,683	-
315	do	Cotton printcloth	Sq. yd.	3,683	-
316	do	Cotton shirting	Sq. yd.	3,683	-
317	do	Cotton twill and saten.	Sq. yd.	3,683	-
318	do	Cotton yarn-dyed fabric	Sq. yd.	3,683	-
319	do	n.s.s.			
320	do	Cotton duck	Sq. yd.	3,683	131
	do	Other cotton woven fabric.	Sq. yd.	3,683	-
600	do	Textured manmade-fiber yarn.	lb	1,052	2/
601	do	Manmade filament yarn (cellulosic).	lb	708	-
602	do	Manmade filament yarn noncellulosic).	lb	317	-
603	do	Spun manmade-fiber yarn (cellulosic).	lb	1,083	-
604	do	Spun manmade-fiber yarn (noncellulosic).	lb	2,033	100
605	do	Other manmade-fiber yarn.	lb	1,052	26
610	do	Woven fabric of manmade filament	Sq. yd.	3,683	-
611	do	(cellulosic).	Sq. yd.	3,683	-
	do	Woven fabric of spun manmade-fiber yarn (cellulosic).	Sq. yd.	3,683	-
612	do	Woven fabric of manmade filament (noncellulosic).	Sq. yd.	3,683	2/
613	do	Woven fabric of spun manmade-fiber yarn noncellulosic).	Sq. yd.	3,683	-
614	do	Other woven manmade-fiber fabric.	Sq. yd.	3,683	2/
625	do	Knit manmade-fiber fabric.	lb	472	-
626	do	Filo manmade-fiber fabric.	Sq. yd.	3,683	-
627	do	Manmade-fiber specialty fabric.	lb	472	19

See footnotes at end of table.

Table 12-7. United States/Philippines bilateral agreement: Limits by MFA category, with shipments charged, 1980--Continued

MFA cate- gory No.	Type of limit	Description	Units	Limit-- action 1 charged 1,000 units	Percentage filled
Group II:					
360	Specific	Cotton pillowcases	Mo	1,184	1/
361	do	Cotton sheets	Mo	210	2/
362	do	Cotton bedspreads and quilted	Mo	189	1/
363	do	Cotton terry towels	Mo	2,403	2/
369	do	Other cotton manufactures	Lb	1,273	216
665	do	Manmade-fiber floor coverings	Sq. ft.	13,024	49
666	do	Other manmade-fiber furnishings	Lb	167	131
669	do	Other manmade-fiber manufactures	Lb	167	23
Group III:					
400	do	Wool tape and yarn	Lb	36	2/
410	do	Woolen and worsted fabric	Sq. yd.	116	2/
411	do	Wool tapestry and up- holstery	Sq. yd.	116	1/
425	do	Knit fabric	Lb	56	2/
429	do	Other fabrics	Sq. yd.	116	2/
431	do	Wool gloves	Dos. pr.	55	2/
432	do	Wool hosiery	Dos. pr.	41	2/
433	do	Suit-type wool coats, men's and boys'	Dos	3	2/
434	do	Other wool coats, men's and boys'	Dos	2	2/
435	do	Wool coats, women's, girls' and infants'	Dos	2	2/
436	do	Wool dresses	Dos	2	2/
438	do	Wool knit shirts and blouses	Dos	8	2/
440	do	Woven wool shirts and blouses	Dos	5	2/
442	do	Wool skirts	Dos	6	2/
443	do	Wool suits, men's and boys'	Dos	2	2/
444	do	Wool suits, women's, girls' and infants'	Dos	2	2/
445/446	do	Wool sweaters	Dos	17	17
447	do	Wool trousers, men's and boys'	Dos	6	1
448	do	Wool trousers, women's, girls' and infants'	Dos	6	1/
459	do	Other wool apparel	Lb	116	22
464	do	Wool blankets	Lb	89	1/
465	do	Wool floor coverings	Sq. ft.	1,161	12
469	do	Other wool manufactures	Lb	58	2/

Sum footnotes at end of table.

Table 18-7.--United States/Philippines bilateral agreements: Limits by MFA category, with shipments charged, 1980--Continued

MFA category No.	Type of limit	Description	Units	Limit-- shipment charged	Percentage filled
---1,000 units---					
Group IV:					
335 (pt.)	Specific	Infants' cotton coats	Box	3/ 24	24
336 (pt.)	do	Infants' cotton dresses	Box	335	62
337 (pt.)	do	Infants' cotton play-suits	Box	295	148
341 (pt.)	do	Infants' woven cotton blouses	Box	63	44
342 (pt.)	do	Infants' cotton shirts	Box	3/ 51	13
348 (pt.)	do	Infants' cotton trousers	Box	183	112
352 (pt.)	do	Infants' underswear	Box	83	1/
359 (pt.)	do	Other infants' cotton apparel	Box	1,147	304
635 (pt.)	do	Infants' manmade-fiber coats	Box	32	1/
636 (pt.)	do	Infants' manmade-fiber dresses	Box	1,030	394
637 (pt.)	do	Infants' manmade-fiber play-suits	Box	619	263
641 (pt.)	do	Infants' woven manmade-fiber blouses	Box	63	42
642 (pt.)	do	Infants' manmade-fiber shirts	Box	51	12
646 (pt.)	do	Infants' manmade-fiber trousers	Box	212	102
648 (pt.)	do	Infants' manmade-fiber underwear	Box	170	52
652 (pt.)	do	Infants' manmade-fiber underswear	Box	57	30
659 (pt.)	do	Other infants' manmade-fiber apparel	Box	3,412	1,351
Group V:					
310	do	Cotton handkerchiefs	Box	1,042	595
331	do	Cotton gloves	Box, pr.	585	100
332	do	Cotton hosiery	Box, pr.	198	-
333/334	do	Cotton coats, men's and boys'	Box	74	47
335 (pt.)	do	Cotton coats, women's and girls'	Box	33	19
336 (pt.)	do	Cotton dresses, women's and girls'	Box	25	17
337 (pt.)	do	Cotton play-suits, women's and girls'	Box	36	21
338/339	do	Knit cotton shirts	Box	217	463
340	do	Woven cotton shirts, men's and boys'	Box	220	220

See footnotes and end of table.

Table 12-7.--United States/Philippines bilateral agreements: Limits by NPA category, with shipments charged, 1980--Continued

NPA category No.	Type of limit	Description	Units	Limit-- shipments charged	Percentage filled
---, 000 units---					
Group VI-- Continued					
341(pt.)	Specific	Woven cotton blouses, women's and girls'	Box	3/ 67	67
342(pt.)	do	Cotton shirts, women's and girls'	Box	51	6
345	do	Cotton sweaters	Box	29	1
347	do	Cotton trousers, men's and boys'	Box	230	220
348(pt.)	do	Cotton trousers, women's and girls'	Box	221	239
349	do	Cotton brassieres	Box	501	78
350	do	Cotton dressing gowns	Box	18	1
351	do	Cotton nightwear	Box	65	10
352(pt.)	do	Cotton underwear, except infants'	Box	83	1/
359(pt.)	do	Other cotton apparel, except infants'	Lb	1,079	711
630	do	Manmade-fiber handker- chiefs	Box	536	7
631	do	Manmade-fiber gloves	Box, pr.	1,512	1,045
632	do	Manmade-fiber hosiery	Box, pr.	198	16
633	do	Suit-type manmade-fiber coats, men's and boys'	Box	17	2
634	do	Other manmade-fiber coats, men's and boys'	Box	178	33
635(pt.)	do	Manmade-fiber coats, women's and girls'	Box	196	165
636(pt.)	do	Manmade-fiber dresses, except infants'	Box	40	5
637(pt.)	do	Manmade-fiber play- suits, except infants'	Box	43	1/
638/639	do	Knit manmade-fiber shirts and blouses	Box	812	221
640	do	Woven manmade-fiber shirts	Box	93	79
641(pt.)	do	men's and boys' blouses, women's and girls'	Box	163	135
642(pt.)	do	Manmade-fiber shirts, except infants'	Box	51	5
643	do	Manmade-fiber suits, men's and boys'	Box	42	8
644	do	Manmade-fiber suits, women's and girls'	Box	17	1/

See footnotes at end of table.

Table IX-7.--United States/Philippines bilateral agreement: Limits by MFA category, with shipments charged, 1980--Continued

MFA category No.	Type of limit	Description	Units	Limit- ation	Shipments charged	Percentage filled
				---1,000 units---		
Group V:--						
Continued						
645/646 (pt.)	Specific-----	Manmade-fiber sweaters, except infants ¹ .	Doz	3/ 84	36	42
647	-----do-----	Manmade-fiber trousers, men's and boys ¹ .	Doz	78	2	3
648(pt.)	-----do-----	Manmade-fiber trousers, women's and girls ¹ .	Doz	51	41	80
649	-----do-----	Manmade-fiber brassieres.	Doz	3,607	3,085	85
650	-----do-----	Manmade-fiber dressing gown.	Doz	18	9	51
651	-----do-----	Manmade-fiber night- wear.	Doz	91	40	44
652(pt.)	-----do-----	Manmade-fiber, under- wear except infants ¹ .	Doz	504	186	37
659(pt.)	-----do-----	Other manmade-fiber apparel, except infants ¹ .	Lb	1,273	761	60

1/ Less than 500 units.

2/ Less than 0.5 percent.

3/ Adjusted downward.

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

X. SINGAPORE

Country Profile

Singapore, with an area of 240 square miles and a predominantly Chinese population of 2.5 million, is situated at the crossroads of Southeast Asia's international shipping and air routes and serves as a center for transportation and communication. Although one of the smallest countries in the world, it has the world's third largest harbor and is a major shipping and distribution center. Trade through the port contributes significantly to the economy. Since the 1950's, however, the nation has diversified its economy from dependence on trade into financial and manufacturing activities, particularly petroleum refining and electronics manufacturing. The Republic of Singapore has a President, an elected Parliament, an appointed Prime Minister, and a judiciary. The national language is Malay but English is used in trade and administration.

Geography, demography, and resources

Singapore is situated off the southern end of the Malay Peninsula to which it is connected by a causeway carrying a road, railway, and water pipeline. The land is generally flat and low lying and originally consisted of swamp and jungle. The central part of the main island is a plateau containing a water reservoir and a nature preserve. Singapore City is built largely on land reclaimed from swamp and sea. The climate is characterized by uniformly high temperature and humidity tempered by the effects of the surrounding seas. Rain falls all year round.

Over half of the land in Singapore is built up with homes, business establishments, and industrial sites. Less than a fifth of the land is used agriculturally primarily producing vegetables and other food crops. The country is self-sufficient in pork and poultry, but must import the principal food consumed, rice. Five power stations furnish electricity. A Government-controlled company provides natural gas, and local reservoirs and a water pipeline from Malaysia supply water to the islands.

In 1981, Singapore was the world's second busiest port in terms of shipping tonnage and the largest port in Southeast Asia. More than 40,000 vessels owned by 200 major shipping lines arrive and depart from Singapore annually. Over 30 international airlines operate out of a new airport which opened in 1981; more than 120,000 tons of freight and 5 million passengers can be processed through the airport annually. 1/

The annual population growth rate is 1.2 percent. Life expectancy is 69 years. Education is not compulsory, but the literacy rate was 77 percent in 1977. The work force approximates 1 million—30 percent is in manufacturing, another 30 percent in services (Government, banking, and so forth), 25 percent in commerce, and 15 percent in transport, storage, and communications. 2/

1/ The Europa Year Book 1981: A World Survey, London, vol. II, 1981, pp. 1346-1363.

2/ U.S. Department of State, Background Notes: Singapore, September 1978.

The economy

Gross domestic product (GDP) was estimated at \$4.1 billion in 1980, a growth of over 10 percent in real terms, up from a 9.3 percent growth in 1979. 1/ Commerce, including trade and transportation, accounts for about 50 percent of the GDP, manufacturing 24 percent, the public sector 14 percent, and miscellaneous activities, including agriculture and fishing, the remaining 12 percent. Singapore's per capita income of almost \$4,000 in 1980 is among the highest in Asia. 2/

Total revenue received by the Government was estimated at \$2.0 billion in 1980. Of this total, the largest source was direct taxes (income tax, property tax, and so forth) at an estimated \$1.0 billion. Indirect taxes (import and export duties, motor vehicle taxes, and so forth) furnished an additional \$0.5 billion. Sales of goods and services and income from investments and property accounted for most of the remainder. The Government operated within its budget in 1980 but had a public debt of almost \$0.5 billion. 3/

The Government's Economic Development Board has organized a program to promote foreign investment in Singapore, and through the Economic Incentives Act has offered, among other incentives, a 5-year tax holiday for new companies manufacturing approved products, and tax concessions for approved products and for approved export-oriented companies.

Commerce, the principal contributor to Singapore's GDP, involves three major activities: (1) processing, packaging, and worldwide marketing of raw materials of the region including rubber, timber, coffee, spices, copra, and rattan; (2) distributing within the region the manufactured products of industrialized countries; and (3) conducting activities related to trade, such as banking, shipping, insurance, and storage. Singapore is the world center of the rubber and tin markets. Entrepot trade (chiefly in crude rubber, timber, and pepper) and processing and distribution of petroleum products account for about 70 percent of Singapore's total trade. 4/

Manufacturing is the second largest contributor to Singapore's GDP. The principal industries are petroleum refining (about \$2.3 billion in 1980), electronics (about \$1.0 billion), fabricated metal products (\$0.6 billion), and shipbuilding and repairing (\$0.5 billion). The textile and apparel industry had an estimated output of only \$0.3 billion in 1980. Singapore has the third largest petroleum refining complex in the world, though it has to

1/ Gross domestic product is the total national output of goods and services valued at market prices minus gross product originating outside Singapore. Figures are from Foreign Economic Trends and Their Implications for the United States, Singapore, April 1981, U.S. Department of Commerce.

2/ U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States, Singapore, April 1981.

3/ The Europa Year Book, p. 1350.

4/ U.S. Department of State, op. cit.

import all of its crude oil. Petroleum is the principal import, and petroleum products are the main export. ^{1/}

The agriculture, forestry, and fishing sector accounts for less than 2 percent of the GDP and employs only 1.5 percent of the labor force. The main farming activities of hog and poultry raising, fruit and vegetable gardening, and orchid cultivation, are conducted on small, privately owned plots.

Foreign trade

Since the second century A.D., Singapore has been known as a trade center, primarily as a result of its location on the trade route between China and India. The modern development of the nation began in 1819 when the British established a trading post. Trade has continued to be important to Singapore, and contributed 26 percent of the GDP in 1979. ^{2/} For many years, a substantial portion of Singapore's foreign trade was as an entrepot and international financial center. However, in recent years as industrial growth has risen, Singapore's exports have increasingly consisted of locally manufactured goods and processed petrochemical products.

Singapore had a trade deficit each year from 1976 to 1980. Value of imports and exports and the deficit for these years are as follows (in millions of U.S. dollars): ^{3/}

Year	Imports	Exports	Deficit
1976-----	9,070	6,586	2,484
1977-----	10,472	8,242	2,230
1978-----	13,049	10,134	2,915
1979-----	17,638	14,233	3,405
1980-----	24,003	19,375	4,628

Petroleum accounts for the largest portion of Singapore's imports—22 percent in 1979. Other leading imports and their share of the total value in 1979 include electronic components (5.1 percent), crude rubber (5.2 percent), civil engineering equipment and parts (2.0 percent), and refined petroleum products (3.5 percent). Leading exports and their share of the total for 1979 include refined petroleum products (23 percent), crude rubber (9.9 percent), electronic components (7.9 percent), and ship and aircraft stores (6.0 percent). Reexports increased 16 percent in 1978 and 31 percent in 1979 when they accounted for 41 percent of total exports. Primary reexport items are petroleum, crude rubber, palm oil, and sawn timber. ^{4/}

^{1/} Ibid.

^{2/} Singapore Economic Development Board, Annual Report 1979-80, p. 2.

^{3/} United Nations, 1980 Yearbook of International Trade Statistics, vol. I, p. 856.

^{4/} Republic of Singapore Department of Trade, Annual Report 1979/80, p. 4 and pp. 24-27.

Singapore's leading trading partners are Malaysia, the United States, Japan, and Saudi Arabia, which together accounted for approximately half the total trade in 1978 and 1979. Primary exports to Malaysia are petroleum products, electronic components, telecommunication equipment, and civil engineering equipment. Imports from Malaysia are dominated by crude rubber, electronic components, crude and refined petroleum products, and vegetable oils. Much of Singapore's imports of electronic components, aircraft, and civil engineering equipment come from the United States. Some of these are used to fill the needs of Singapore's growing industrial sector and others are exported after further processing or incorporation into other products. A large portion of Singapore's exports of electronic components, crude rubber, telecommunication equipment, and tin go to the United States.

Leading imports from Japan are electronic components, steel, iron pipes and fittings, and civil engineering equipment. To Japan, Singapore primarily exports refined petroleum products, ship and aircraft stores, and medicinal products. ^{1/} Trade with Saudi Arabia is dominated by Singapore's imports of crude petroleum.

The Textile and Apparel Industries

Structure

As with all other industry in Singapore, the textile and apparel industries are privately owned. A study conducted in 1977 revealed that only 20 of the 70 textile companies were wholly domestically owned and 14 were wholly foreign owned. ^{2/} In contrast, the apparel industry is primarily locally owned with 260 of the 300 firms controlled in Singapore. The value of foreign investment in textiles and apparel rose 45 percent between 1976 and 1979, from \$141 to \$205 million. ^{3/}

Production and capacity

The volume of production of the textile and apparel industries of Singapore has not grown appreciably in recent years. The index of production for these industries, with 1974 as the base year, is as follows: ^{4/}

Industry	: 1974	: 1975	: 1976	: 1977	: 1978	: 1979
Textiles-----	100.0	89.0	108.5	119.2	106.7	96.8
Wearing apparel-----	100.0	86.3	87.4	91.8	109.6	107.6

^{1/} Ibid., apps. 5 and 6.

^{2/} U.S. Department of Commerce, Textiles: Singapore, CMS 80-915, February 1980, p. 4.

^{3/} Singapore Economic Development Board, op. cit., p. 4.

^{4/} United Nations, Statistical Yearbook for Asia and the Pacific, 1979, p. 449.

In contrast, the index for all manufacturing industries, after declining to 98.0 in 1975, rose steadily to 154.9 in 1979. The decline in production of textiles and apparel can partly be attributed to competition both in the domestic market and abroad from lower wage countries. In addition, the Government launched a program to move Singapore's economy into high-technology, and greater value-added industry. To encourage this change, between 1978 and 1981, the Government raised minimum wage rates 60 percent. 1/

In terms of nominal value, textile production rose from \$353 million in 1978 to \$367 million in 1979; during the same period apparel production rose from \$720 million to \$796 million. 2/

Textile production capacity, as indicated by installed equipment, declined from 1976 to 1980. In the earlier year, Singapore's textile mills had 185,000 spindles and 1,918 looms; by 1980, the number of spindles declined to 140,000 and looms to 1,568. 3/ In contrast, Hong Kong, has nearly 4 times as many spindles and 14 times as many looms; and its textile and apparel exports annually are over 10 times the value of Singapore's.

Employment and wages

Employment in the textile and apparel industries has been declining in recent years. The number of apparel workers declined 6 percent from 31,931 in 1978 to 30,172 in 1979. Likewise textile mill employment declined 11 percent from 9,808 in 1978 to 8,716 in 1979. 4/

A major factor contributing to the decline in employment in the textile and apparel industries is that skilled workers have sought employment in more highly capital-intensive industries which pay wages higher than the textile and apparel industries. In 1978, apparel workers earned an average annual wage of \$4,100 and textile workers earned \$5,600. In 1979, average wages increased to \$4,700 for apparel workers and \$6,200 for textile workers. In contrast, the average 1979 wage for all manufacturing workers was \$7,000. 5/

In order to upgrade the quality and productivity of its workers, the apparel industry is planning to set up a training center which will be partially funded by the Government. Without skilled, efficient workers, producing high quality goods and deserving of higher wages, it is believed that the industry will continue to have difficulty in the highly competitive Singapore labor market. Apparel manufacturers hope the training center will provide the skilled workers they need. 6/

1/ U.S. Congress, House Subcommittee on Trade, Report on Mission to ASEAN Countries of Singapore, Malaysia, and Thailand, 1981, p. 71.

2/ "Singapore: Out of favour," Textile Asia, May 1980, pp. 105-6.

3/ International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, vol. 2, 1979, pp. 22, 30-1.

4/ "Singapore: Out of favour," May 1980, p. 105.

5/ "Singapore: Training project," Textile Asia, May 1981, p. 88.

6/ Women's Wear Daily, Aug. 10, 1981.

Further aggravating the employment problems of these industries is a Government decision not to renew permits nor issue new permits for foreign workers from "nontraditional" sources, primarily Thailand, Bangladesh, and Sri Lanka. Approximately 25 percent of textile employees will be affected by this policy, possibly resulting in further decline in employment and reduction in production. ^{1/}

Trade in Textiles and Apparel

Imports, exports, and trade balance

Because of Singapore's small land area, cotton and other textile vegetable fibers are not grown nor are sheep raised for wool. The nation also does not produce manmade fibers. Therefore, all fiber used by the Singapore textile industry must be imported. Imports of fiber are augmented with yarn and fabric imports used in Singapore's textile and apparel industries. The trade deficit which Singapore incurs in textile products is exclusively in fibers, yarns, and fabrics, while apparel enjoys a trade surplus. The value of both imports and exports of yarn, fabric, and apparel rose steadily between 1976 and 1980, whereas trade in fibers increased erratically, as shown in the following table.

Textile fibers, yarn, fabric, and apparel: Singapore's imports, exports, and trade balances, 1976-80

(In millions of dollars)							Percentage change, 1980 from 1976
Item	1976	1977	1978	1979	1980		
Textile fibers:							
Imports-----	60.9	50.3	50.0	60.0	80.4		32
Exports-----	21.8	26.8	25.6	29.2	34.9		60
Trade balance-----	-39.1	-23.5	-24.4	-30.8	-45.5		16
Textile yarn and fabric:							
Imports-----	430.1	461.5	617.8	760.9	846.9		97
Exports-----	179.6	191.7	267.3	360.3	366.7		104
Trade balance-----	-250.5	-269.8	-350.5	-400.6	-480.2		92
Apparel:							
Imports-----	76.5	90.6	113.0	110.9	146.0		91
Exports-----	181.6	210.9	296.3	-372.9	426.2		135
Trade balance-----	105.1	120.3	183.3	262.0	280.2		167
Total:							
Imports-----	567.6	602.4	780.8	931.8	1,073.3		89
Exports-----	383.1	429.4	589.2	762.4	827.8		116
Trade balance-----	-184.5	-173.0	-281.6	-169.4	-245.5		33

Source: United Nations, 1980 Yearbook of International Trade Statistics.

^{1/} "Singapore weeding out 'nontraditional' foreigners employed by textile industry," Textile Week, vol. 4, No. 9, Mar. 8, 1982, pp. 5-6.

Singapore's fiber imports are primarily of cotton and manmade fibers; the share of cotton fiber imports, in terms of value, declined from 78 percent in 1976 to 53 percent in 1980. Though some of this change can be attributed to fluctuations in the relative prices of the different fibers, it also reflects the worldwide trend toward increased use of manmade fibers.

In 1980, Singapore imported woven fabric valued at \$574 million, yarn and thread valued at \$92 million, and other textile mill products with a value of \$95 million. Total imports of this sector nearly doubled between 1976 and 1980, rising from \$430 million to \$847 million. A large portion of this increased textile demand is the result of the inability of the domestic textile industry to fill the needs of the apparel industry. However, much of the imported fabric is also reexported directly. The extent of this trade can be determined by comparing the data in the preceding table with that of tables X-1, X-2, and X-3, which only account for articles of Singapore origin. The latter tables show Singapore's textile exports of \$143 million in 1980, which is 39 percent of the total textiles actually shipped from the port.

Singapore's exports of textile mill products more than doubled from \$180 million in 1976 to \$367 million in 1980. However, imports of these products also increased steadily and the trade deficit increased from \$251 million in 1976 to \$480 million in 1980. Leading textile exports are woven fabrics of manmade fibers with 38 percent of the total, yarn and thread with 24 percent, and woven cotton fabrics, 22 percent.

In contrast with the textile mill sector, Singapore's apparel industry has a growing positive trade balance. Imports of apparel rose 91 percent between 1976 and 1980, from \$77 million to \$146 million. During this period, apparel exports increased 135 percent, from \$182 million to \$426 million. However as in textile trade, though to a lesser extent, this includes transshipped articles, as exports of apparel of Singapore origin were \$373 million in 1980, or 45 percent of the total.

Principal exported products

In 1980, the value of Singapore's apparel exports were 2-1/2 times the value of its exports of textile mill products (table X-3). The textile mill product accounting for the greatest value of exports in 1980 was manmade fiber yarn valued at \$50 million, equal to 36 percent of the total. Cotton fabrics, both grey and finished, accounted for \$38 million, or 28 percent of the total. Exports of woven fabrics of manmade fabrics in 1980 were valued at \$14 million, 10 percent of the total. Exported in smaller quantities are cotton yarn, other woven fabrics, and knit fabrics, mostly of manmade fibers and cotton.

Of the \$353 million of apparel exported in 1980, knit undergarments (which includes knit shirts and blouses) accounted for 26 percent of the total and were valued at \$92 million. Women's, girls', and infants' woven outer garments (principally trousers and dresses) accounted for almost as large a share, with a value of \$91 million. Men's and boys' woven outer garments, valued at \$71 million, accounted for 20 percent of total apparel exports, and knit outer garments for 14 percent, with a value of \$50 million.

Major markets

The United States is Singapore's leading customer for textiles and apparel combined, taking \$162 million, or 31 percent of the total in 1980 (tables X-1 and X-2). When textiles and apparel exports are considered separately, however, the United States is much more important as an apparel market (taking 39 percent of total exports in 1980) than as a textile market, (importing 12 percent of the total that year). These shares are generally representative of the trade in recent years. Other significant markets for Singapore's exports of textile mill products and their share of the total in 1980 are Pakistan (20 percent), Australia (10 percent), Hong Kong (9 percent), and Japan (6 percent). It is believed that much of these exports to developing Asian nations are used primarily to produce apparel for export. In addition to the United States, important markets for Singapore's apparel exports and their share for 1980 are West Germany (18 percent), France (9 percent), the United Kingdom (8 percent), and Sweden (5 percent). Between 1976 and 1980, there appear to have been no major shifts in Singapore's apparel export markets.

MFA constraints

Exports of articles of cotton, wool, and manmade fibers from Singapore to the United States and to the EC are controlled under the provisions of bilateral agreements negotiated under the MFA. During 1980, the agreement with the United States provided for an overall aggregate limit of 261.9 million equivalent square yards, which was 40 percent filled, and group limits. Within the overall aggregate, the group limits for 1980 were as follows:

<u>Subgroup</u>	<u>Description</u>	<u>1980 limit (million SYE)</u>	<u>Percentage filled</u>
Group I-----	Nonapparel items of cotton and manmade fibers-----	62.4	54
Group II-----	Apparel of cotton and manmade fibers-----	213.4	36
Group III-----	Wool products-----	3.5	15

Groups II and III have specific category limits, while all three groups have designated consultation levels (tables X-4-7). The aggregate, subgroup, and specific category limits are allowed annual increases of 6.25 percent, except for wool categories, which are allowed increases of 1 percent. Any category which does not have specific or designated consultation levels is subject to consultations before exports can exceed 1.0 million SYE if in Group I, 700,000 SYE if in Group II, and 100,000 SYE if in Group III.

Within the aggregate, exports in any year under Group I may exceed the group limitation by up to 15 percent, Group II exports may exceed the limitation by up to 7 percent, and Group III exports, by up to 1 percent. In

addition, again within the aggregate and subgroup limits, exports of individual categories may exceed specific limitations by up to 10 percent if in Group I, up to 7 percent if in Group II, and up to 5 percent if in Group III.

Aggregate, subgroup, and category limits may also be further exceeded by up to 11 percent through carryover and carryforward.

Limitations under this agreement do not apply to exports of hand-loom fabrics of the cottage industry, or handmade cottage-industry products made of such hand-loom fabrics, or to folklore handicraft textile products traditional to Singapore.

The Domestic Market

The market for textile mill products in Singapore has three segments. A relatively small portion of the total market is textiles for household use such as sheets, towels, curtains and draperies, and carpets. A significant portion of textile yarn and fabrics, both domestically produced and imported, is exported without further processing. The market for textiles for the clothing industry is also significant. However, because Singapore's small population limits demand for textiles for the domestic apparel market, such demand is dependent on the strength of and trends in Singapore's apparel exports.

Though the domestic apparel market is limited by Singapore's small population of 2.3 million, the rising standard of living is likely to have some beneficial effect on this market. Singapore's tourist industry has a supportive effect on the domestic apparel market; particularly, tourists from nearby Southeast Asian nations who regard Singapore as a good source of apparel.

Government Policy

Economic and political importance of the industry

The textile and apparel industries contributed \$300 million, or about 7 percent to Singapore's GDP in 1980. As all fibers and much of the yarn and fabric for textile and apparel production must be imported, the contribution of these industries to the GDP is not large.

The Government has no policies directed specifically towards the textile and apparel industries and they are not a factor in internal politics.

Assistance to the industry

Although the Government of Singapore has no programs providing special advantages to the textile and apparel industries, the Economic Development Board has established a Skills Development Fund to assist all manufacturers in establishing training programs. The textile and apparel manufacturers recognize that they must increase the efficiency and level of automation of

their industries to remain in competition with higher wage industries. They intend to take advantage of funds available through the Skills Development Fund and establish a garment training center. 1/

Export promotion

As trade and commerce are the major factors in Singapore's economy, the Government has many policies to encourage and facilitate trade. No specific effort is being made to promote exports of textiles and apparel, in contrast to other items. The Government promotes participation in trade fairs and is urging the production of high quality goods with higher value added to maximize prices and help overcome the disadvantages of quota limitations in the major export markets.

Export Potential

Although Singapore's exports of textiles and apparel more than doubled from \$248 million in 1976 to \$516 million in 1980, its exports of these products are expected to grow less rapidly in the next 5 years, and its share of world textile and apparel trade is not likely to increase. High wage rates may make Singapore less competitive with other low-cost suppliers and there is little evidence of industry modernization or Government policies suggesting expansion of the industry. In 1980, Singapore was ranked 30th in terms of world textile and apparel exports, and provided less than 1 percent of the total. Competition from other developing countries which are encouraging expansion of textile and apparel exports will probably prevent any expansion of Singapore's share in its major markets.

The United States is Singapore's primary market for textile and apparel products, particularly apparel. However, Singapore is a minor source. The expected modest increase in Singapore's textile and apparel exports should have no notable impact on current leading suppliers to the United States of these items.

The EC nations are the second ranking market for Singapore's textile and apparel exports, with apparel comprising the larger share. As with the United States, Singapore is a minor source and not expected to increase its share of the EC market. As production of textiles and apparel in Singapore are expected to increase only slightly, exports to other markets should show only slight increases.

Singapore's export potential is affected by several factors. Its position as one of the world's leading shipping centers provides easy access to worldwide markets. And, because of its accessibility, though it does not produce fibers, external market factors rather than physical access would be the only factor affecting fiber supplies.

As with most major developing textile and apparel exporting countries, quota restrictions imposed by importing nations under the MFA can be an underlying factor limiting exports. Currently there is room for expansion of

1/ Women's Wear Daily, Aug. 10, 1981.

Singapore's exports to the United States within many of the existing quotas (tables X-4, X-5, X-6, and X-7).

Of 21 quota categories, only 4 were filled or nearly filled during 1980, and another 2 were 92 and 89 percent used. These highly used quotas and shipments charged to them during 1980 in million square yard equivalents are as follows:

Category	Limits	Shipments charged	Percentage filled
Cotton twill and sateen fabrics-----	3.3	3.1	94
Spun manmade-fiber yarn (noncellulosic)----	4.0	3.7	92
Cotton knit shirts-----	4.0	3.6	89
Cotton shirts and blouses, not knit-----	9.3	9.3	100
Cotton trousers-----	11.5	11.5	100
Wool sweaters-----	.3	.3	100

Seven of the categories were less than 10 percent used or not used at all.

Because of Singapore's size and limited labor supply, the major factor affecting the ability of its textile and apparel industries to increase production, and consequently exports, will be its ability to pay wages which will attract skilled workers. Industries producing petrochemical products, chemicals, electronic components, industrial machinery, and other products requiring skilled labor are rapidly expanding. The higher wages paid by these industries attract employees away from the textile and apparel industries. To be able to compete in Singapore's limited labor market, the textile and apparel industries must modernize and become more efficient (increase their productivity level) so they can pay the wages necessary to attract skilled, capable workers. The establishment of the garment workers training center is a positive step to increase the efficiency of this industry and could lead to some increase in apparel exports. The textile industry currently has no plans for major modernization or expansion. Unless this situation changes, it is unlikely that Singapore will significantly increase its exports of textile mill products or apparel.

Table X-1. Textiles and apparel: Exports from Singapore, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	11,892	19,856	12,757	14,314	14,774	13,653	66.969	-31.248
Other Asia...	30,200	19,723	17,237	14,902	34,647	51,766	-34.692	162.465
Other								
developing:	2,451	2,101	3,778	658	551	1,685	-6.126	-4.771
Socialist:	66	103	558			3,443	54.661	3242.718
Developed:								
EEC...	6,905	15,278	29,670	25,361	24,028	21,472	121.268	48.542
Southern Europe...	25	0	212	183	197	152	-100.000	(1)
Other Europe:	126	393	658	959	1,595	2,550	211.905	548.855
United States...	4,684	7,667	6,450	12,276	14,889	17,115	63.685	123.229
Canada...	1,714	1,973	1,987	2,322	2,612	3,921	15.111	98.733
Japan...	7,808	7,669	2,412	8,021	13,337	7,911	-1.780	3.156
Other...	10,656	11,058	12,388	15,690	16,692	18,964	3.773	71.496
Apparel:								
Developing:								
Big Three...	888	1,077	1,445	2,197	2,688	5,428	34.625	483.993
Other Asia...	3,064	4,194	6,943	1,244		18,472	36.880	350.439
Other								
developing:	1,960	2,149	2,176	34	19	2,598	9.643	28.521
Socialist:	3						-100.000	(1)
Developed:								
EEC...	25,696	79,987	100,534	89,997	141,547	158,399	211.282	98.831
Southern Europe...	25	34	83	419	438	719	-38.182	2014.706
Other Europe:	3,685	13,128	19,335	18,769	24,283	33,881	256.255	151.379
United States...	82,513	58,249	52,685	127,722	132,773	145,365	-29.886	149.558
Canada...	1,104	888	770	1,228	3,322	3,153	-19.565	255.868
Japan...	1,855	594	603	1,340	2,296	1,637	73.369	231.377
Other...	620	2,037	1,422	1,000	3,107	4,128	228.548	102.258
Textile & Apparel:								
Developing:								
Big Three...	12,692	20,933	14,202	16,511	17,454	19,081	64.931	8.847
Other Asia...	33,264	23,917	24,180	16,146	34,648	70,236	28.099	193.674
Other								
developing:	4,411	4,450	5,954	692	570	4,275	884	3.913
Socialist:	69	103	558			3,443	49.275	342.718

Table X-1.—Textiles and apparel: Exports from Singapore, by specific world markets and countries, 1973 and 1976-80—Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textile & Apparel:								
Developed:								
EEC.....	32,601	95,265	130,204	115,358	165,575	179,871	192.215	88.811
Southern Europe.....	80	34	295	602	635	871	-57.500	2461.765
Other Europe:	3,811	13,521	19,993	19,728	25,878	35,551	254.789	162.932
United States.....	87,197	65,916	59,135	139,998	147,662	162,480	-24.406	146.596
Canada.....	2,818	2,861	2,757	3,550	5,934	7,074	1.526	147.256
Japan.....	9,663	8,163	3,015	9,361	15,633	9,548	-15.523	16.967
Other.....	11,276	13,095	13,810	17,490	19,799	23,084	16.132	74.281
Total.....	199,341	248,259	274,095	339,436	433,788	515,516	24.540	107.652

1/ Data or computation error.
- Data not available.

Table X-2.--Textiles and apparel: Exports from Singapore, by principal markets, 1976-90

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textiles:					
United States.....	7,667	4,450	12,276	14,889	17,115
Pakistan.....	-	1,817	11,444	34,647	27,612
Japan.....	7,669	2,412	8,021	13,337	7,911
Hong Kong.....	18,888	11,511	12,384	13,021	12,950
Australia.....	6,290	8,033	10,039	10,880	14,877
United Kingdom....	4,267	4,721	6,254	10,169	5,956
FR Germany.....	4,087	5,564	4,925	6,135	5,644
New Zealand.....	4,768	4,355	5,651	5,812	4,087
Italy.....	3,337	16,266	10,447	4,048	5,732
Canada.....	1,973	1,987	2,322	2,612	3,921
Rep. of Korea.....	968	1,246	1,930	1,753	703
Netherlands.....	1,374	704	959	1,396	984
France.....	1,054	1,660	1,847	1,390	2,336
Other.....	23,680	21,373	6,187	3,213	32,804
Total.....	86,022	88,099	94,686	123,322	142,632
Apparel:					
United States.....	58,249	52,685	127,722	132,773	145,365
FR Germany.....	37,362	43,682	42,468	58,693	63,673
United Kingdom....	12,122	15,547	16,541	29,773	30,094
France.....	14,709	19,760	12,587	26,601	31,539
Netherlands.....	8,608	11,277	8,796	14,155	13,881
Sweden.....	7,041	11,821	9,888	11,822	16,835
Denmark.....	3,558	4,998	5,574	7,020	9,426
Switzerland.....	2,453	2,896	4,352	4,799	6,519
Norway.....	1,646	2,474	2,498	4,181	5,637
Canada.....	888	770	1,228	3,322	3,153
Austria.....	1,932	1,920	1,703	3,232	3,585
Belgium-Luxemb....	2,535	3,264	1,818	2,985	5,605
Australia.....	1,839	1,247	1,732	2,918	3,913
Other.....	9,295	13,655	7,843	8,192	33,659
Total.....	162,237	185,996	244,750	310,466	372,884
Textiles & Apparel:					
United States.....	65,916	59,135	139,998	147,662	162,480
FR Germany.....	41,449	49,246	47,393	64,828	69,317
United Kingdom....	16,389	20,268	22,795	39,942	36,050
Pakistan.....	-	1,817	11,451	34,648	27,612
France.....	15,763	21,420	14,434	27,991	31,875
Hong Kong.....	19,965	12,954	14,546	15,690	18,378
Japan.....	8,163	3,015	9,361	15,633	9,548
Netherlands.....	9,982	11,981	9,755	15,551	14,865
Australia.....	8,129	9,280	11,771	13,798	18,790

Table X-2.--Textiles and apparel: Exports from Singapore, by principal markets, 1973-80--Continued

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textile & Apparel:					
Sweden.....	7,228	12,265	10,555	12,436	17,955
Denmark.....	3,927	5,350	5,982	7,178	9,695
New Zealand.....	4,966	4,530	5,719	6,001	4,294
Canada.....	2,861	2,757	3,550	5,934	7,074
Other.....	43,521	60,077	32,126	26,496	85,583
Total.....	248,259	274,095	339,436	433,788	515,516

- Data not available.

Table X-3. -- Textiles and apparel: Exports from Singapore, by type, 1973 and 1976-80

Description	1973	1976	1977	1978	1979	1980	Percent change: 1976 from 1973, 1980 from 1976
1,000 U.S. dollars							
Silk yarn.....	25	2,107	125	586	829	1,059	-50.2%
Wool yarn.....	5,729	4,648	1,616	33	99	389	-91.652
Cotton yarn.....	10,275	13,250	6,668	5,310	4,338	4,639	-65.962
Yarn of manmade fibers.....	15,233	16,307	19,535	27,333	53,658	49,631	206.35%
Other yarn.....	1	-	6	4	4	35	-
Grey cotton fabrics.....	9,827	9,303	10,865	16,738	20,009	26,206	101.6%
Finished cotton fabrics.....	9,379	13,000	9,609	8,820	9,309	11,913	-0.769
Woven fabrics of continuous manmade fibers.....	2,816	922	765	1,021	1,816	8,084	861.557
Woven fabrics of discontinuous manmade fibers.....	2,239	2,318	2,666	3,809	6,875	5,272	120.225
Pile fabrics of manmade fibers.....	1,273	516	366	32	12	7	90.651
Woven fabrics of wool.....	57	123	71	54	17	77	37.390
Woven fabrics of other fibers.....	1,352	373	603	3,583	3,569	4,270	104.917
Knit fabrics.....	3,856	7,047	5,316	4,619	5,925	3,051	-56.657
Other textiles.....	13,570	16,252	20,232	21,669	15,024	21,002	5.805
Floor coverings.....	493	519	725	763	1,120	1,302	150.867
Subtotal.....	76,023	86,759	87,050	94,276	122,604	137,823	62.406

Table X-3.--Textiles and apparel: Exports from Singapore, by types, 1973 and 1976-80--Continued

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M1B outer garments, not knit...	21,216	22,997	37,660	49,241	64,183	70,579	8.395	206.905
HGI outer garments, not knit...	9,324	25,902	34,368	56,540	78,126	90,921	177.799	251.019
M1B under garments, not knit...	17,756	17,830	24,040	24,582	38,694	43,804	.417	145.674
HGI under garments, not knit...	667	3,486	3,389	908	833	1,219	422.639	-65.032
Accessories, not knit...	799	652	1,175	419	352	2,025	-18.398	210.583
Gloves, knit	399	126	97	242	1,242	871	-68.421	591.270
Stockings, etc., knit	925	534	659	921	1,506	1,193	-42.270	123.408
Under garments, knit.....	26,286	50,840	43,508	80,686	80,853	92,200	93.411	81.353
Outer garments, knit.....	44,455	38,360	38,541	28,831	41,369	49,847	-13.710	29.945
Elastic fab. & art., knit.....	16	46	125	16	-	10	187.500	-78.261
Subtotal, Apparel...	121,843	160,773	183,562	242,386	307,158	352,669	31.951	119.358
Total.....	197,866	245,532	270,610	336,660	429,842	490,492	24.090	99.767

- Data not available.

Table X-4.--Cotton Textiles: U.S. Imports from Singapore, by HFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
310	Gingham	0	0	0	0	0	0
311	Sheeting	2,620,441	322,222	1,086,299	694,443	2,077,053	4,053,431
312	Fabric and broadcloth	1,054,415	193,219	919,736	12,930	272,470	393,061
313	Printcloth	999,797	100,000	4,170,306	1,022,917	266,666	266,666
314	Shirting	0	0	4,391	0	0	0
315	Twill and sateen	1,558,710	806,752	4,315,267	6,101,508	14,028,913	8,941,411
316	Yarn-dyed fabric, n.e.s.	0	0	0	0	0	0
317	Duck	1,268,499	1,173,491	2,599,174	1,846,004	2,413,460	4,126,587
318	Woven fabrics, n.e.s.	3,139,176	1,921,096	5,643,277	8,097,406	5,912,226	10,719,009
319	Handkerchiefs	5,117	0	0	0	0	0
320	Gloves	80,724	50,988	114,730	942,592	353,553	372,750
321	Suit-type coats, men and boys	46,697	110,700	209,436	365,783	229,798	126,700
322	Other coats, men and boys	257,424	304,360	1,339,484	2,201,414	1,271,793	1,200,013
323	Coats, women, girls, and infants	617,106	866,971	1,554,408	2,741,203	3,762,083	6,771,218
324	Dresses	112,364	60,974	217,896	68,631	297,213	202,901
325	Play suits	21,500	12,425	30,225	27,635	51,700	202,125
326	Knit shirts, men and boys	678,593	1,016,353	1,578,471	1,334,556	1,521,380	1,460,030
327	Knit shirts and blouses, women, girls, and infants	1,090,252	1,310,198	1,597,443	1,478,994	2,346,084	2,060,120
328	Shirts, not knit, men and boys	1,078,368	3,596,304	4,833,144	9,806,416	9,789,168	10,523,104
329	Blouses, not knit, women, girls, and infants	62,612	230,872	611,712	1,173,414	435,291	589,658
330	Shirts	14,062	57,886	228,316	178,605	223,675	295,677
331	Socks	39,008	200,486	115,847	496,871	177,560	61,457
332	Trousers, men and boys	897,529	3,158,735	8,797,829	5,913,623	6,639,366	4,608,439
333	Trousers, women, girls, and infants	490,390	1,802,153	5,734,688	3,439,371	4,398,220	3,511,086
334	Dressing gowns	243,219	55,998	305,847	55,080	243,015	43,248
335	Nightgowns	726,648	1,032,480	657,644	512,252	353,964	454,992
336	Undershirts	10,450	22,000	0	0	0	0
337	Down-filled coats, men and boys 1/	0	0	0	0	0	0
338	Down-filled coats, women, girls, and infants 1/	0	0	0	0	0	0
339	Other apparel	172,408	145,902	216,676	237,793	195,564	350,399
340	Shirts	0	0	0	0	0	0
341	Bedspreads and quilts	345	96,573	257,425	446,658	725,128	224,816
342	Terry and other pile towels	36,641	357,420	115,600	6,000	0	1,000
343	Other manufactures	9,638,491	7,871,216	8,766,133	7,134,144	3,801,269	121,169
344	Total	26,948,966	27,177,754	57,172,866	57,172,866	62,588,110	63,159,979

1/ New category effective April 1, 1981.

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

Table X-5.--Wool textiles: U.S. imports from Singapore, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
410	Woolens and worsteds	0	0	0	662	15	59
411	Tapestries and upholstery	0	38	0	67	0	0
431	Gloves	0	0	0	0	580	0
434	Other coats, men and boys	86,184	243,000	22,518	0	0	0
435	Coats, women, girls, and infants	6,912	2,646	0	0	0	39,312
436	Dresses	14,268	836	0	0	0	344
438	Knit shirts and blouses	0	10,485	0	0	0	0
440	Shirts and blouses, not knit	17,952	2,448	18,768	19,200	3,144	144
442	Skirts	1,440	432	0	0	0	0
445	Sweaters, men and boys	3,780	18,779	178,456	65,055	123,906	117,611
446	Sweaters, women, girls, and infants	19,880	173,381	154,454	29,373	360,230	89,354
447	Trousers, men and boys	0	0	0	20,502	22,500	31,968
448	Trousers, women, girls, and infants	0	0	0	16,416	15,246	25,452
459	Other apparel	55,046	19,050	0	39,100	0	0
464	Blankets	0	0	4	0	0	0
465	Floor coverings	2,463	4,928	6,024	2,168	2,135	8,217
469	Other manufactures	0	0	400	0	0	0
	Total	207,925	476,023	380,624	192,543	527,756	312,641

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

Table X-6.—Manmade-fiber textiles: U.S. imports from Singapore, by MFA categories, 1976-81

Category	Description	(In equivalent square yards)					
		1976	1977	1978	1979	1980	1981
400	Textured yarn	214,204	424,223	150,108	-	0	149,201
401	Continuous cellulosic yarn	0	0	0	0	0	0
402	Continuous noncellulosic yarn	0	2,437,315	229,019	0	0	0
403	Discontinuous cellulosic yarn	0	0	0	0	0	0
404	Discontinuous noncellulosic yarn	491,022	1,541,784	3,797,741	2,454,009	3,911,023	4,940,073
405	Other yarns	0	0	0	0	0	0
410	Continuous cellulosic woven fabrics	0	0	1,040	250	0	0
411	Spun cellulosic woven fabrics	0	0	0	0	0	0
412	Continuous noncellulosic woven fabrics	62,449	10,440	232,892	102,234	30,629	59,794
413	Spun noncellulosic woven fabrics	33,300	93,997	798,720	4,389,114	654,993	2,016,359
415	Woven fabrics, n.e.c.	1,974	0	74,511	253,137	63,248	192,037
425	Knit fabric	1,027,537	858,335	18,580	0	0	8,334
426	Knit fabric, men and boys	0	0	0	0	0	0
427	Specialty fabrics	0	0	679	78,344	0	0
430	Nonwovens	0	0	0	0	0	0
431	Gloves	0	0	0	2,140	21,000	150,413
432	Hosiery	0	0	92,000	0	0	0
433	Knit-type coats, men and boys	0	0	125,035	48,472	0	0
434	Other coats, men and boys	309,791	339,723	2,971,907	2,450,758	1,505,004	1,003,214
435	Coats, women, girls, and infants	799,492	392,209	1,183,494	1,336,592	104,010	1,162,710
436	Skirts	4,304	30,170	20,385	49,422	59,413	73,204
437	Playsets	286,413	0	54,272	72,101	248,931	104,797
438	Knit shirts, men and boys	2,113,524	1,452,472	4,329,918	1,999,776	3,714,440	2,000,710
439	Knit shirts	40,607,350	19,084,145	39,553,500	31,085,260	27,423,550	10,413,535
440	Shirts, not knit, men and boys	113,712	152,784	349,152	105,392	203,272	381,856
441	Blouses, not knit, women, girls, and infants	65,940	349,509	865,283	1,011,003	610,340	1,192,001
442	Shirts	26,330	28,743	294,180	211,422	32,233	22,802
443	Blouses, men and boys	62,154	117,720	183,942	81,214	0	54
444	Blouses, women, girls, and infants	1,236,202	299,322	452,476	214,380	157,400	75,070
445	Blouses, men and boys	0	0	22,322	123,427	74,818	0
446	Blouses, women, girls, and infants	1,610,920	304,004	914,840	499,420	193,429	365,792
447	Trousers, men and boys	7,743	18,584	152,506	417,316	297,044	232,859
448	Trousers, women, girls, and infants	4,513,777	2,006,053	2,236,188	4,554,910	2,431,071	3,401,712
449	Skirts	0	0	0	14	7,118	0
450	Drinking glasses	0	0	510	10,200	70,329	136,516
451	Hightops	0	21,440	185,000	0	12,740	20,592
452	Midsoles	0	40,000	0	0	0	24,000
453	Down-filled coats, men and boys 1/	0	0	0	0	0	42,404
454	Down-filled coats, women, girls, and infants 1/	902,744	2,189,015	1,943,401	1,314,425	494,540	279,264
455	Other apparel	0	552	0	147	0	0
456	Other clothing	0	0	281	63,203	33,748	0
457	Other manufactures	0	0	124	11,278	0	1,310
458	Total	54,404,240	31,543,209	61,778,324	54,441,035	43,214,693	30,022,757

1/ This category effective April 1, 1981.

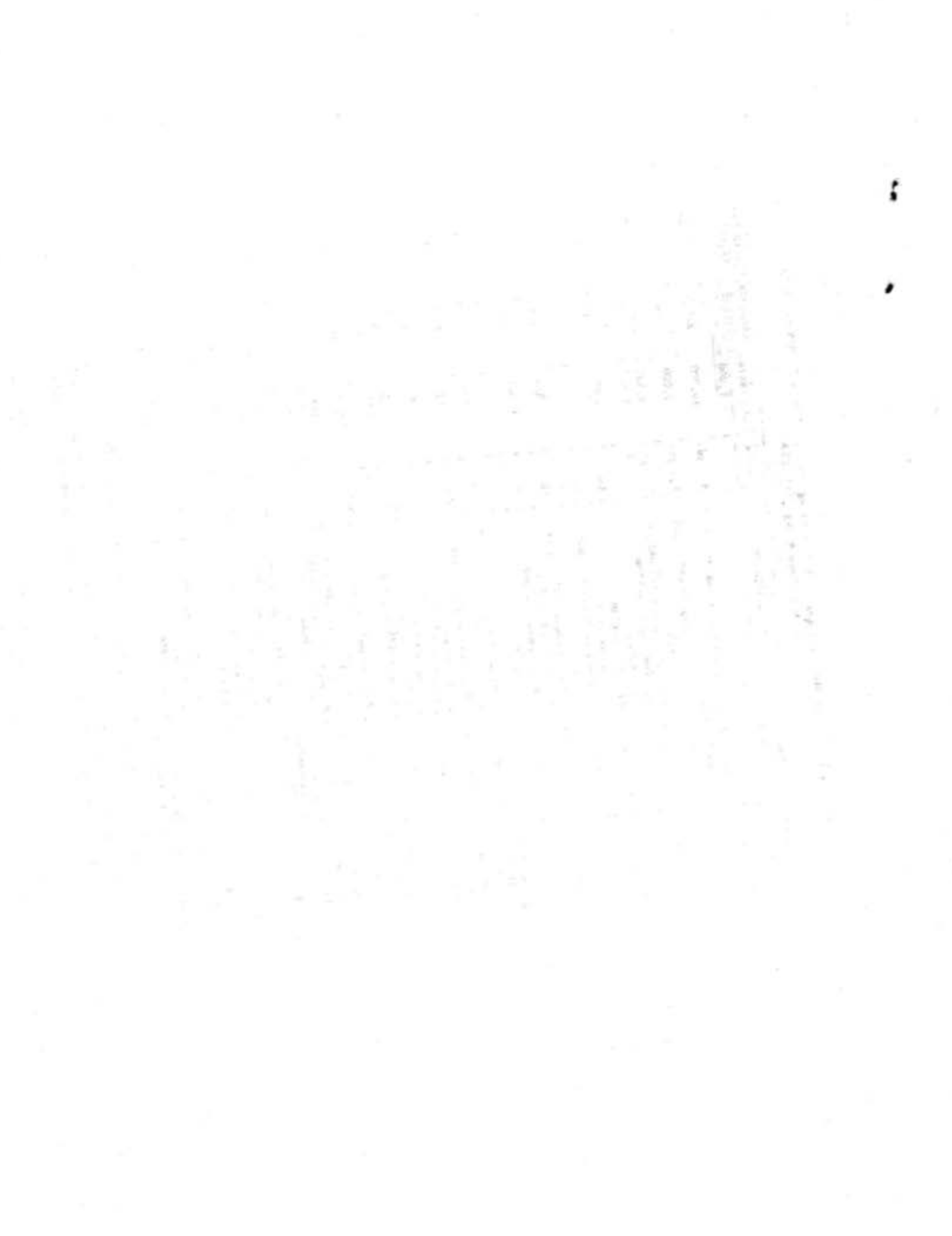
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table X-7.—United States/Singapore bilateral agreement: Limits by MFA category, with shipments charged, 1980

MFA category No.	Type of limit	Description	Units	Limitation	Shipments charged	Percentage filled
				—1,000 units—		
Group I:						
313	Designated consultation.	Cotton sheeting	Sq. yd.	10,000	2,440	24
314	do	Cotton poplin and broadcloth.	Sq. yd.	5,000	273	5
317	do	Cotton twill and anteen	Sq. yd.	3,300	3,096	94
320	do	Other woven cotton fabric.	Sq. yd.	6,000	4,849	81
369	do	Other cotton manufactures.	Lb	3,043	763	25
600	do	Textured manmade-fiber yarn.	Lb	857	-	-
604	do	Spun manmade-fiber yarn (noncellulosic).	Lb	976	900	92
625	do	Knit manmade-fiber fabric.	Lb	1,000	-	-
Group II:						
333/334/335	Specific	Cotton coats	Doz	165	127	77
338/339	do	Knit cotton shirts and blouses.	Doz	551	493	89
340	do	Woven cotton shirts, men's and boys'.	Doz	386	386	100
347/348	do	Cotton trousers	Doz	644	644	100
633/634/635	do	Manmade-fiber coats	Doz	441	47	11
638/639	do	Knit manmade-fiber shirts.	Doz	2,886	2,066	72
643/644	do	Manmade-fiber suits	Doz	262	3	1
647/648	do	Manmade-fiber trousers	Doz	1,488	211	14
351	Designated consultation.	Cotton nightwear	Doz	281	7	2
646	do	Manmade-fiber sweaters, women's, girls', and infants'.	Doz	100	11	11
659	do	Other manmade-fiber apparel.	Lb	1,200	65	5
Group III:						
434	Specific	Other wool coats, men's and boys'.	Doz	31	-	-
445/446	Designated consultation.	Wool sweaters	Doz	20	20	100

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

Note.—Table shows only specific levels and designated consultation levels. All other cotton, wool, and manmade fiber categories are subject to minimum consultations as described in the text.



XI. SRI LANKA

Country Profile

Sri Lanka (the "resplendent isle"), with an area of more than 25,000 square miles and a chiefly Sinhalese population of about 14.5 million, was known as Ceylon until 1972. It is located off the southeastern tip of India and is about the size of West Virginia. Its economy is predominantly agricultural and the Nation is one of the world's largest producers and suppliers of tea; however, the industrial output of the country has steadily expanded in recent years. Officially known as the Democratic Socialist Republic of Sri Lanka, the Nation has an elected President, an elected Parliament, and a judiciary. Colombo is the capital.

Geography, demography, and resources

Sri Lanka has mountains which occupy one-fifth of the land area and the remainder consists of lowlands. The island has warm temperatures year round with little seasonal change. The favorable climate, including considerable rainfall, permits long growing seasons for rice and tea, the most important crops, and also allows a great variety of fruits and vegetables to be grown. More than one-third of the land is under cultivation and about 15 percent is in "marketable" timber.

Graphite, precious and semiprecious gems, mineral sands, clays, and limestones have been mined for years and deposits of iron ore and peat are known to exist in workable quantities; however, virtually all petroleum has to be imported. Most of the electricity is furnished by water power, the remainder by thermal power.

Good road and rail links make most parts of Sri Lanka accessible. There are about 17,000 miles of road, most of which are paved. The Government owns the railways which cover about 1,000 miles of track. Colombo is among the most important ports in Asia and, with Japanese aid, is being equipped with container facilities.

The annual population growth rate is 1.8 percent. Education is compulsory to age 16 and the literacy rate is more than 80 percent. The work force approximates 6 million, more than half of which are in agriculture. Industry and commerce employ about one-fourth of the work force. The official language is Sinhala; however, English is the most commonly used language in trade.

The economy

Following its independence, Sri Lanka's Government pursued social welfare policies, including free education and medical care, free or subsidized food, and subsidized energy and transportation. ^{1/} As the population doubled from

^{1/} "Sri Lanka," Business America, Oct. 19, 1981, p. 23.

approximately 7 million people in the 1940's to 14 million in 1976, the costs of these Government-paid services increased to a third of the country's budget. ^{1/} Consequently, the economy's capacity to save for investment to generate jobs for the growing population declined. The Government attempted to solve this problem by nationalizing production and restricting imports, which led to rising unemployment and shortages of essential commodities. ^{2/} In 1977, the Government adopted a free market policy as a means to rebuild the economy. This policy consisted of cutting back food subsidies, lowering taxes, denationalizing public sector enterprises, reducing price and import controls, floating the exchange rate, and encouraging foreign investment, mainly through the establishment of free trade zones. ^{3/}

Two institutions were established for the purpose of encouraging export-oriented foreign investment. The Greater Colombo Economic Commission (GCEC) was established in 1978 to encourage foreign investment in 100-percent export-oriented industries located in the free trade zone or in an area specified by the GCEC and having the same privileges as in the zone. Foreign investors were allowed complete ownership and were offered a substantial reduction in taxes, exemption from import duties, exemption from normal import, export, and exchange control procedures, and low-cost land and buildings. The Katunayake Investment Processing Zone (KIPZ), the only free trade zone established, was set up in 1978/79 on 500 acres near Katunayake, Colombo's international airport. In 1978, an acre in the zone cost about \$20,000, with an annual rent of about \$500 over a 99-year lease period. The zone largely depended on the garment industry for its initial growth, and 30 percent of the early investors were from Hong Kong. ^{4/}

Foreign investment occurring outside the jurisdiction of the GCEC and outside the free trade zone is the responsibility of the Foreign Investment Advisory Committee (FIAC). Most of these foreign investments must take the form of joint ventures with at least 51 percent Sri Lankan equity participation. In such cases, no export obligations are placed on firms receiving approval; however, no special export incentives are offered.

The major effects of the Government's overall free market policy have been the availability of previously scarce commodities and an almost 50-percent decline in unemployment over the past 3 years to 875,000 persons. However, this has also been accompanied by serious inflation. ^{5/}

The Gross National Product (GNP) at current prices rose an estimated 5.5 percent in 1980, less than it was in 1979, when it rose more than 6 percent, but well above the average growth rate over the past 20 years and near the anticipated annual growth rate of 6 percent between 1978 and 1983.

^{1/} "Focus Sri Lanka '81," Far Eastern Economic Review, vol. 114, No. 43, Oct. 16, 1981, p. 53.

^{2/} Ibid.

^{3/} Ibid.

^{4/} "Ready-made Garments Development beyond Control," Economic Review (Colombia, Sri Lanka), vol. 6, No. 5, August 1980, p. 18.

^{5/} "Focus Sri Lanka '81," p. 54.

Agriculture accounts for about 25 percent of GNP; the public sector, 1/ 47 percent; and industry, about 15 percent.

Total revenues received by the Government were estimated at \$754 million in 1980. Of this total, the largest source was export taxes, contributing an estimated \$237 million. Sales taxes furnished an additional \$200 million, and import duties, \$132 million. Income taxes supplied \$72 million and gross receipts from Government-trading enterprises accounted for most of the remainder. The Government, however, operated at a budget deficit in 1980, when expenditures exceeded revenues by almost \$1.4 billion. The public debt in 1980 increased to \$3.2 billion from about \$2.2 billion in 1979. 2/

In 1980, agriculture recorded a modest 3-percent growth, only slightly higher than the 2-percent increase in 1979. 3/ An increase of 11 percent in rice production was offset by a 10-percent decline in tree crops (tea, rubber, and coconuts). Rice is the major food crop of the Nation. Tea is the country's principal foreign exchange earner and the single most important contributor to Government revenue. Rubber is produced chiefly for export, and coconuts are a major item in the domestic diet as well as a major export crop. Tea, rubber, and coconuts are produced on plantations which employ about 40 percent of the paid labor force in the nongovernment sector, account for about one-half of the nation's cultivated acreage, and furnish almost all of agriculture's contributions to the GNP.

From 1979 to 1980, industrial production expanded about 6 percent, the lowest rate of growth in the past 3 years. 4/ Electric power shortages and outmoded import substitution industries were the principal causes of the slowdown in industrial production in 1980. The expansion that did occur was mainly due to the increased output of a Government-owned petroleum refinery and the continuing growth of the garment industry. In 1980, refined petroleum products accounted for 45 percent of overall industrial production and garments about 8 percent.

Textiles and apparel employ the largest number of workers in the industrial sector and tobacco products, the second largest. Other significant industrial employers include chiefly petroleum products, sugar products, oils and fats, paper products, cement, jute products, and rubber goods, especially tires.

Foreign trade

The economic reform measures introduced by the Government of Sri Lanka in 1977 provided the underlying basis for the rapid growth that followed in imports and exports. The increase in imports, however, exceeded the growth in exports, resulting in rapidly rising deficits. Between 1976 and 1980, imports

1/ The public sector includes public administration, certain services, and state-owned industries.

2/ The Europa Year Book 1981: A World Survey, London, vol. II, 1981, p. 1424.

3/ U.S. Department of Commerce, Sri Lanka, FET-81-098, August 1981, p. 5.

4/ Ibid., p. 8.

rose 269 percent from \$552 million to \$2.0 billion, compared with an 84-percent increase in exports from \$565 million to \$1.0 billion. Consequently, after incurring a favorable trade balance in 1976 of \$13 million and in 1977 of \$59 million, Sri Lanka thereafter incurred trade deficits that escalated from \$98 million in 1978 to \$471 million in 1979, and to a record \$992 million in 1980, as shown in the following table.

Sri Lanka's general imports (c.i.f.), exports (f.o.b.), and trade
balances, 1976-80

(In millions of dollars)

Item	1976	1977	1978	1979	1980
Trade balance	13	59	-98	-471	-992
Imports	552	701	942	1,449	2,035
Exports	565	760	844	978	1,043

Source: Compiled from data published in the United Nations 1980 Yearbook of International Trade Statistics, vol. 1.

The trade deficit stemmed in part from rising imports of petroleum products, coupled with little or no real growth in exports of tea, its major export item. Imports of petroleum products averaged \$151 million in the years 1976-78, then increased to \$251 million in 1979 and to \$489 million in 1980. ^{1/}

Tea represented 36 percent of total exports in 1980. Rubber and coconut are also major export items, accounting for 15 percent and 4 percent, respectively. The percentage distribution of Sri Lanka's major exports is shown in the following table.

^{1/} See table this report, entitled "Sri Lanka imports by category, 1976-80".

Sri Lanka's exports, by major items, 1978-80

Item	Exports			Percent of total		
	1978	1979	1980	1978	1979	1980
	---In millions of dollars---			-----Percent-----		
Agricultural exports:						
Tea-----	411	367	373	49	38	36
Rubber-----	130	160	156	15	16	15
Coconut-----	62	83	45	7	8	4
Other-----	86	96	109	10	10	10
Subtotal-----	689	706	683	82	72	65
Industrial exports:						
Petroleum products-----	59	124	181	7	13	17
Textiles and apparel-----	31	71	110	4	7	11
Other-----	65	77	69	8	8	7
Subtotal-----	155	272	360	18	28	35
Total-----	844	978	1,043	100	100	100

Source: Sri Lanka Customs, as reported by the Central Bank of Ceylon, and Sri Lanka Ministry of Finance and Planning, External Resources Department.

Industrial exports emerged as a major contributor to the country's export earnings in 1980. Processed petroleum products, representing 17 percent of total exports, were largely responsible for this increase. Exports of textiles and apparel, particularly apparel, also contributed, increasing 55 percent from 1979 to 1980. In 1980, exports of textiles and apparel accounted for 11 percent of total exports, and became the fourth largest export item.

Petroleum products are the major items imported, increasing their share of total imports from 16 percent in 1978 to 24 percent in 1980. Boilers, machinery, appliances, and motor vehicles and parts are also significant imported products, as were imports of textiles and apparel, which accounted for 5 percent of total imports in 1980. Sri Lanka's imports by product category and their percentage distribution are shown in the following table.

Sri Lanka's imports, by categories, 1976-80

(In millions of dollars)

Item	Value				
	1976	1977	1978	1979	1980
Consumer goods:					
Food and drink-----	181.3	255.4	263.1	308.8	371.0
Textiles including					
clothing-----	5.8	17.3	34.0	98.7	104.1
Other consumer goods-----	10.6	25.2	49.8	78.9	107.1
Pharmaceutical products-----	7.0	10.5	11.7	16.2	15.7
Subtotal-----	207.7	308.6	358.8	502.6	597.9
Intermediate goods:					
Petroleum-----	137.6	160.4	154.1	251.3	489.3
Fertilizer-----	11.7	31.5	16.1	43.2	80.6
Wheat and meslin-----	17.1	17.7	8.7	19.0	33.5
Other-----	100.6	111.0	179.7	273.8	333.8
Subtotal-----	267.0	320.6	358.6	587.3	937.2
Investment goods:					
Machinery and equipment-----	43.0	37.0	118.4	186.3	254.7
Transport equipment-----	20.7	27.3	63.3	103.7	146.4
Building materials-----	12.3	9.8	9.6	23.6	36.9
Other-----	0	8.5	24.6	37.0	54.4
Subtotal-----	76.0	82.6	215.9	350.6	492.4
Unclassified-----	6.4	9.6	7.6	8.7	7.0
Total-----	554.1	721.4	940.9	1,449.2	2,034.5
	Percent of total imports				
Consumer goods-----	36.9	42.8	38.1	34.7	29.4
Intermediate goods-----	48.2	44.4	38.1	40.5	46.1
Investment goods-----	13.7	11.4	22.9	24.2	24.2
Petroleum-----	24.8	22.2	16.4	17.4	24.1
Textiles-----	1.1	2.4	3.6	6.8	5.1

Source: Sri Lanka Customs, as reported by the Central Bank of Ceylon.

Note.--Because of rounding, figures may not add to the totals shown.

Although textiles and apparel are major export products, nearly 70 percent of their value has been estimated to be of imported content. This also appears to be true for petroleum products. ^{1/}

^{1/} "Unprecedented Imports and Deteriorating Terms of Trade," Economic Review May 1981, p. 18.

Japan was the major supplier of Sri Lanka's imports in 1978-80, providing investment and intermediate goods, such as machinery, equipment, fertilizers, electrical goods, and appliances. Saudi Arabia, the principal supplier up to 1977, became the second largest, with its exports of petroleum. The United Kingdom, in third position, supplies Sri Lanka with machinery and equipment. Other major suppliers have been Iraq, Iran, India, Singapore, and the United States, which was the eighth largest supplier, with 4 percent of total Sri Lankan imports in 1980.

The United States was the principal foreign market for Sri Lanka's exports in 1979 and 1980, replacing the United Kingdom which dropped to second position. Exports to the United States consisted largely of tea and garments. In 1980, Sri Lanka enjoyed a favorable trade balance with the United States. Other principal markets for Sri Lanka are West Germany, Japan, China, Iraq, Saudi Arabia, and India.

The Textile and Apparel Industries

Structure

The textile, wearing apparel, and leather products industry occupies an important position in the industrial sector, having contributed nearly 11 percent of total industrial production in 1980. The number of firms in the industry averaged around 605 during 1976-80. 1/

The textile and apparel industry is the largest employer in the industrial sector, accounting for 32 percent of the work force in 1980. The total number of workers employed in this industry increased from 28,000 in 1974 to 54,000 in 1979. 2/ The value added per worker in the textiles, apparel, and leather products industry increased from approximately \$330 in 1979 to \$500 in 1980. While Sri Lanka is not a major textile-producing country, its labor costs are the lowest of textile-producing nations. During the summer of 1981, workers employed in the spinning and weaving industries in Sri Lanka earned an average of \$0.16 an hour compared with \$1.42 an hour in Hong Kong, \$1.35 in Korea, and \$1.32 in Taiwan. 3/ Workers in Sri Lanka's garment industry earn an average of approximately \$1.00 to \$1.50 per day. 4/

The apparel industry in Sri Lanka has been the fastest growing industry in the country; virtually all the growth has been in the production of garments for export. 5/ An estimated 90 factories, employing 42,000 persons, currently produce apparel solely for export; in 1974, only 15,000 people were

1/ Central Bank of Ceylon, Annual Report, 1980.

2/ General Agreement on Tariffs and Trade (GATT), Sri Lanka: Status of the Industry, Publication No. Com. TEX/21, p. 136.

3/ Werner International Management Consultants, Spinning and Weaving Labour Cost Comparisons, Summer 1981.

4/ Daily News Record, Nov. 18, 1981.

5/ "Ready-made Garments...", p. 18.

employed in the apparel industry. ^{1/} Approximately 25 ^{2/} of the factories are located in Sri Lanka's free trade zone and employ 15,000 people. The remaining 65 factories, ^{3/} located outside the free trade zone, employ approximately 27,000 people. Jobs created from the growth in apparel production have relieved some of the country's serious unemployment and underemployment problems. ^{4/}

Foreign investors in the free trade zone, KIPZ, were largely responsible for the rapid growth in apparel exports that occurred in 1978 and 1979. As of December 1979, 19 of these foreign investors were from Hong Kong and 8 were from the United States. ^{5/} By July 1980, the total number of approvals for garment projects in the zone was 39. ^{6/} Approvals for garment projects outside the zone totaled 30 during 1979 and 1980. The producers of apparel for export located outside the zone are seeking more incentives from the Government, such as duty-free treatment on imports of fabric and accessories that firms in the free trade zone currently enjoy, and more bank credit to meet the rising costs of raw materials.

The textile industry in Sri Lanka has been unable to supply the domestic demand for fabric, which is approximately 12 square yards per person. Furthermore, it has been unable to supply the growing demand for fabrics by the increasing number of apparel producers. Consequently, large quantities of fabrics are imported.

The textile industry is divided into the Government sector and the private sector. Government sector mills produce mainly cotton yarn and fabrics, and the private sector mills manufacture fabrics of synthetics and blends. Five large textile mills, two of which are spinning mills, comprise the bulk of the Government sector. These mills were part of the National Textile Corporation (NTC), a State-sponsored corporation. In October 1979, because the NTC had been experiencing losses, the Government decided to take over the business undertakings of the NTC. ^{7/} As of March 1981, plans were made to convert these five mills into joint ventures with foreign investment. ^{8/} In addition to these mills, there are three other Government-owned mills and several power loom centers run by the Government with 2,850 looms.

The private sector is composed of one spinning mill, two spinning and weaving mills, three large weaving and finishing mills, and several small weaving mills. In addition, several cooperatives operate power loom centers with 727 looms and there are approximately 111,000 handlooms. The Government has been assisting the handloom sector by establishing service centers in areas heavily concentrated with handlooms. As of 1979, 39 service centers

^{1/} GATT, op. cit., p. 136.

^{2/} Daily News Record, Nov. 17, 1981.

^{3/} "Sri Lanka: Agreement with U.S.," Textile Asia, vol. 11, No. 7, July 1980, p. 105.

^{4/} "Focus Sri Lanka '81," p. 75.

^{5/} "Ready-made Garments..." p. 18.

^{6/} Ibid.

^{7/} Ministry of Plan Implementation, Government of Sri Lanka, 1979 Performance, p. 79.

^{8/} "Sri Lanka: Desecured," Textile Asia, vol. 12, No. 3, March 1981, p. 126.

were in operation. In addition, "Lanka Fabrics, Ltd.," was established to assist the handloom sector in the marketing of their products. Another company, "Lanka Handlooms (Export), Ltd.," was established in 1981 to sell handloom fabrics for export.

The number of people employed in the textile sector decreased from 19,000 in 1974 to 13,000 in 1979. ^{1/} Three 8-hour shifts are worked per day in the textile sector, and the normal work week is a 6 day, 48-hour week.

Production

Overall production of textiles, wearing apparel, and leather products, after declining from 1975 to 1977, increased 270 percent from 1977 to 1980, as shown in the following tabulation: ^{2/}

	<u>Production Index</u>
1975-----	100
1976-----	76
1977-----	78
1978-----	113
1979-----	126
1980-----	211

Most of this increase is attributed to the growth in production of apparel for export. The quantity of garments exported between 1976 and 1979 increased 586 percent.

Apparel production and exports experienced the fastest growth in output for any industrial product manufactured in Sri Lanka. ^{3/} The quantity of garments exported from Sri Lanka increased from 1.7 million pieces in 1975 to 26.5 million in 1979. ^{4/} The production of apparel began in the mid-1950's and catered to local demand. When the Government placed controls on imports in the 1960's, the apparel industry began to grow as a trend towards import substitution took place. By 1966, 250 small garment producers were manufacturing mainly for the local market, although a small amount of production was being exported. However, the rapid growth of the industry began in 1972 when the Government adopted an export-oriented approach to restructure the country's pattern of industrial growth. The Government offered a comprehensive incentive package, including tax incentives, tariff concessions, and liberal foreign exchange, to industries producing for export. The Government selected the apparel industry because export sales of garments could be increased quickly and this would lend credibility to its

^{1/} GATT, op. cit., p. 136.

^{2/} The production index was developed from the overall value of production of textiles, wearing apparel and leather products, in terms of rupees. The base year is 1975 with an index of 100. All the following years were converted to an index by dividing the value of each year into the 1975 value.

^{3/} "Ready-made Garments...", p. 18.

^{4/} Ibid, p. 19.

export drive. 1/ The apparel industry became an important contributor to industrial export earnings as exports of apparel increased from \$1.0 million in 1972 to \$8.1 million in 1976. 2/ The trade liberalization policy initiated in 1977 also aided the apparel industry by relaxing restrictions on imported fabrics.

Production of cotton and synthetic fabrics decreased from 127 million yards in 1978 to approximately 99 million in 1980 as shown in the following table.

Sri Lanka's production of cotton and synthetic fabrics, by sectors, 1978-80

(In millions of yards)				
Sector	1978	1979	1980	
Government:				
National Textile Corp-----	20.0	19.5	16.8	
Other Government-owned mills-----	18.7	16.7	13.8	
Department of Textile Industries-centralized				
power looms-----	34.2	28.8	12.8	
Subtotal-----	72.9	65.0	43.4	
Private:				
Cooperatives-decentralized power looms-----	9.6	7.3	8.8	
Kandy Textiles-----	2.2	1.2	.4	
Handloom-----	26.7	26.2	26.2	
Other private mills producing synthetics-----	15.3	15.9	19.7	
Subtotal-----	53.8	50.6	55.1	
Total-----	126.7	115.6	98.5	

Source: Compiled from data published in Performance 1979 and Performance January-September 1981, Ministry of Plan Implementation, Government of Sri Lanka.

In 1978, the Government-owned sector produced 72.9 million yards of cotton and synthetic fabric and accounted for 58 percent of total fabric production. The private sector produced 53.8 million yards and accounted for the remaining 42 percent. However, production by the Government sector decreased more rapidly than the public sector and by 1980, the Government sector produced 43.4 million yards and accounted for only 44 percent of the total. In 1980, about half of the production in the private sector, which totaled 55.1 million yards, was supplied by the handloom industry, with the bulk of handloom production sold in the local market. Less than 5 percent was exported, primarily batik fabrics. In 1979, 75 percent of total fabrics produced by both the Government and the private sectors were made of cotton.

1/ Ibid.

2/ Ibid.

Production of cotton and blended yarn increased from 15.4 million pounds in 1977 to 18.7 million in 1979, before decreasing to 14.3 million pounds in 1980. The quantity of Sri Lanka's production of cotton and blended yarn is shown in the following table.

Sri Lanka's production of cotton and blended yarn, by sectors, 1977-80

(In millions of pounds)					
Sector	1977 ^{1/}	1978	1979	1980	
Government:					
National Textile Corporation-----	10.7	12.7	13.7		9.2
Other Government-owned mills-----	2.2	1.9	1.9		1.7
Subtotal-----	12.9	14.6	15.6		10.9
Private-----	2.5	2.8	3.2		3.4
Subtotal-----	2.5	2.8	3.2		3.4
Total-----	15.4	17.4	18.8		14.3

^{1/} 1977 data compiled from data published in the Economic Review, (Colombo, Sri Lanka), April 1981.

Source: Compiled from data published in Performance 1979 and Performance January-September 1981, Ministry of Plan Implementation, Government of Sri Lanka, except as noted.

Approximately 80 percent of total yarn production was supplied by the Government sector. Domestic raw cotton production is small and most of the cotton needed by the textile industry is imported.

Capacity

Capacity utilization in the textile, apparel, and leather products industry was 67 percent in 1979 and 70 percent in 1980. In the textile sector, however, capacity utilization amounted to only 40 percent in 1980.

The People's Bank Research Department of Sri Lanka estimated that total capacity in the apparel industry, based on existing and newly approved facilities, would reach 716.4 million pieces by 1982. The estimated capacity for 1979 through 1982 is shown in the following tabulation: ^{1/}

	Capacity (million pieces)
1979-----	649.2
1980-----	671.8
1981-----	693.1
1982-----	716.4

^{1/} Estimates from People's Bank Research Department's Report on "Capacity, expansion, and market potential in the export-oriented made-up garments industry of Sri Lanka," as reported in Economic Review, vol. 6., No. 5, August 1980, p. 17.

The People's Bank study also reported that there has been some over investment, and that an excess capacity situation has been created in some sectors of the apparel industry.

The total installed production capacity for fabric in 1980 was approximately 258 million yards, as shown in the following tabulation: 1/

<u>Textile sector</u>	<u>Capacity</u> <u>(million yards)</u>
Integrated large cotton textile mills----	61.7
Synthetic textile mills-----	31.0
Decentralized power loom workshops-----	72.7
Handlooms-----	93.0
Total-----	258.4

In 1980, production of cotton and synthetic fabrics, including handloomed fabrics, reached only 98 million yards, 2/ which is well below 50-percent capacity utilization. In 1978, the capacity utilization rate was 47 percent, and in 1979, 43 percent. In the first 9 months of 1981, the rate of capacity declined to 35 percent. In the handloom sector, only 30,000 of the 111,000 handlooms were in operation 3/, largely reflecting a shortage of yarn and competition from domestic power-loom mill products and imports.

The installed capacity for the spinning of cotton and blended yarn was 38.1 million pounds in 1980, up from 29.6 million pounds in 1977. The capacity utilization rate in this sector decreased from 52 percent in 1977 to 46 percent in 1978, before increasing to 49 percent in 1979.

The major reason for the underutilization of capacity in the textile industry is that its yarns and fabrics cannot compete with the readily available imported products, in terms of both quality and price. A large part of the equipment used by Sri Lanka's textile mills is obsolete. Consequently, the mills cannot match the efficiency of large, efficiently run foreign mills using modern equipment. In addition, one worker will normally oversee 4 power looms, compared with one worker handling 20 looms in a modern mill. 4/

According to the Minister of Textile Industries, the capacity necessary for self-sufficiency in cotton textiles already exists, but the mills must operate at 80-percent capacity. Adequate capacity for synthetic fabrics, however, does not exist. Therefore, the Government approved the establishment of 20 synthetic fabric factories and an expansion program for 20 existing firms, with the goal of achieving self-sufficiency in textiles by 1983. It

1/ "USA Becomes Sri Lanka's Major Market," Economic Review, April 1980, p. 29.

2/ See table this report entitled "Sri Lanka's production of cotton and synthetic fabrics, by sectors, 1978-80.

3/ "USA Becomes Sri Lanka's Major Market," p. 32.

4/ Ibid., p. 33.

has also undertaken a project to modernize three formerly Government-owned mills with machinery to produce fabrics mainly for apparel producers in the free trade zone. 1/

Equipment

In the apparel sector, there are approximately 15,000 sewing and knitting machines in the free trade zone. 2/ The textile sector was equipped with 269,740 spindles as of 1978. 3/ In comparison, the Philippines was equipped with 963,000 spindles 4/ and Hong Kong, with 694,000. 5/ The Government-owned sector in Sri Lanka operated 5,133 power looms in 1978, and the private sector was equipped with 2,650 looms and 111,000 handlooms. 6/ As of 1979, all of Sri Lanka's power looms were conventional shuttle looms. In 1978, the Philippines had an installed weaving capacity of 20,746 shuttle looms and 650 shuttleless looms, and Hong Kong had 28,989 shuttle looms and 475 shuttleless looms.

Trade in Textiles and Apparel

Imports, exports, and trade balance

The priority given by the Government in the early 1970's to establish an export-oriented apparel industry, coupled with the creation of the free trade zone in early 1978, provided the springboard for the rapid growth that followed in Sri Lanka's foreign trade in fibers, textiles, and apparel. Sri Lanka's imports and exports of textiles and apparel and the trade balance in these items are shown in the following table.

1/ "Sri Lanka's Synthetic Twenty," Textile Asia, vol. 11, No. 4, April 1980, pp. 137-138.

2/ Daily News Record, Nov. 17, 1981.

3/ United Nations Industrial Development Organization, Appropriate Industrial Technology for Textiles, p.74.

4/ Number of spindles includes only short-staple ring-spindles.

5/ Data on number of spindles and looms in the Philippines and Hong Kong taken from the International Textile Manufacturers Federation (Zurich), International Textile Machinery Shipment Statistics, vol. 2, 1979.

6/ United Nations Industrial Development Organization, Appropriate Industrial Technology for Textiles, p.74.

Textiles and apparel: 1/ Sri Lanka's general imports (c.i.f.), exports (f.o.b.), and trade balances, by items, 1976-80

(In thousands of dollars)

Item	1976	1977	1978	1979	1980
Trade balance, total-----	-14,282	-21,042	-30,988	-58,492	2/ -8,593
Textile fibers-----	1,543	5,227	-3,491	-1,017	11,919
Textiles-----	-23,612	-42,215	-55,864	-126,796	-125,369
Apparel-----	7,787	15,946	30,327	69,321	104,857
Imports, total-----	34,096	53,756	78,004	150,356	2/ 143,366
Textile fibers-----	9,504	10,153	20,660	19,259	10,679
Textiles-----	24,262	43,483	57,254	129,572	128,537
Apparel-----	3/ 330	3/ 120	3/ 130	2/ 1,525	2/ 4,150
Exports, total-----	19,814	32,714	47,016	91,864	134,773
Textile fibers-----	11,047	15,380	15,169	18,242	22,598
Textiles-----	2/ 650	1,268	1,390	2,776	3,168
Apparel-----	8,117	16,066	30,457	70,846	109,007

1/ Includes textile fibers classified under SITC 26; textiles, SITC 65, and apparel, SITC 84.

2/ Partly estimated by the staff of the U.S. International Trade Commission from published data of Sri Lanka's Department of Commerce and Customs.

3/ Gatt Com. TEX/W/78, Sept. 29, 1980.

Source: Compiled from data published in United Nations, 1980 Yearbook of International Trade Statistics except as noted.

Overall exports of these products rose sharply from \$19.8 million, or 4 percent of Sri Lanka's total exports, in 1976 to \$134.8 million, or 13 percent of the total, in 1980. Apparel shipments generated virtually all the growth and three-fourths of the exports during the period. The growth in apparel exports, combined with the shortage of domestically produced fabrics, led to an unprecedented high level of imports of textile materials, primarily for the manufacture of apparel for export. Overall imports of fibers, textiles, and apparel rose from \$34.1 million in 1976 to \$150.4 million in 1979, and then fell to \$143.4 million in 1980.

Sri Lanka's dependency on imports of textile materials resulted in trade deficits for the textile and apparel sector in the years 1976-80, although the deficit in 1980 of \$8.6 million was the lowest in the period, after rising rapidly from \$14.3 million in 1976 to \$58.5 million in 1979. This problem was examined in a 1976 United Nations Conference on Trade and Development study which stated that "since new industries that have sprung up in pursuance of the export-led growth strategy are highly import-dependent, the linkage effect for secondary growth in the economy is likely to be minimal, and the net foreign exchange saving to the country by encouraging such industries is unlikely to be substantial." 1/

1/ "Ready-made Garments...", p. 16.

A large part of the imports during 1976-80 consisted of textile materials, especially woven fabrics of cotton and of manmade fibers. These imports came primarily from China, Hong Kong, India, the Republic of Korea, and Japan. Imports of apparel were relatively small during the period, although they rose from less than \$200,000 in 1977 and 1978 to \$4.2 million in 1980.

The increased imports of textiles came in the face of idle handlooms and large inventories of fabric made in mills previously controlled by the Government. To protect the textile industry in Sri Lanka from growing import competition, the Government raised the tariff on textile fabric imported for domestic consumption from 25 percent to 35 percent ad valorem. Moreover, textile fabric for domestic consumption can only be imported and distributed by the State textile trading corporation, Salu Sala.

Fabrics for conversion into apparel as well as new clothing that are subsequently exported can be imported directly by the private sector. Used clothing in bulk, however, can only be imported by the Salu Sala. Other items, such as rubberized and other impregnated fabric, cotton wadding, and sewing thread can be imported freely.

Principal exported products

Total exports of textiles and apparel from Sri Lanka increased from \$6.2 million in 1976 to \$130.5 million in 1980 (table XI-1). Apparel shipments, which increased from \$4.9 million in 1976 to \$125.5 million in 1980, contributed to nearly all the growth and accounted for approximately 90 percent of the exports of textiles and apparel during 1976-80. The apparel exports were concentrated in shirts, blouses, jackets, and men's and boys' trousers. In 1979, these three groups totaled 17.5 million pieces, valued at approximately \$46.6 million, and accounted for nearly 70 percent of the total value of apparel exports. ^{1/} The remainder of the apparel exports consisted of small shipments of a relatively large number of items.

Major markets

Virtually all Sri Lanka's exports of textiles and apparel are shipped to developed countries, with the United States being its principal market during 1978-80 (tables XI-1 and XI-2). In 1980, Sri Lanka's shipments to the United States totaled approximately \$72 million, and accounted for 55 percent of total exports; nearly all such shipments consisted of apparel. Sri Lanka's exports to the EC in 1980 were valued at \$45.1 million, and accounted for 35 percent of the total. West Germany was the largest single EC market with exports valued at \$24.7 million. Textile and apparel exports to developing countries were valued at \$3 million in 1980, and accounted for only 2 percent of the total.

^{1/} Ibid., p. 19.

MFA constraints

The rapid expansion of Sri Lanka's apparel exports has led to restrictions being placed on its shipments, especially by the EC and the United States where 90 percent of its exports went in 1980. Although supplying only a negligible share of the apparel imported into the EC and the United States during 1976-80, Sri Lanka emerged as a major foreign supplier of the few—primarily cotton—items it exported to these markets. In the case of the United States, where imports of apparel from Sri Lanka rose from less than \$1 million in 1976 to \$12 million in 1978 and to \$71 million in 1980, Sri Lanka became the largest foreign supplier of men's cotton coats and the third largest supplier of cotton gloves (primarily work gloves) and woven cotton shirts (primarily men's sport shirts and infant boys' shirts), as shown in the following table.

Consequently, the United States negotiated a 3-year agreement under the MFA with Sri Lanka, effective May 1, 1980, applicable to all products of cotton, wool, and manmade fibers, but providing initially for specific limits only on woven cotton and manmade-fiber shirts and blouses, cotton gloves, women's cotton pants, and women's cotton coats (tables XI-4, XI-5, and XI-6). Since then, men's cotton coats and pants and wool sweaters have been brought under restraint. The specific limits that were in effect for the first year of the agreement are shown in table XI-7. These limits were allowed to increase annually by 7 percent. Exports were allowed to exceed each limit during a year by up to 7 percent if the increase was compensated for by a decrease in another category limit. In addition, any limit, could be exceeded by up to 11 percent through carryover and carryforward.

The agreement between the United States and Sri Lanka provides that in the event that the United States believes that exports of products from Sri Lanka not covered by specific limits are, owing to market disruption or the threat thereof, threatening to impede orderly trade between the two countries, consultations may be requested. If no agreement can be reached, Sri Lanka must limit such exports for the next year to the level of the most recent 12 months for which data are available, plus 20 percent for cotton and manmade-fiber products and 3 percent for wool products.

The EC had earlier negotiated a 5-year agreement with Sri Lanka, effective January 1978. The agreement provided initially for limits on shirts, blouses, pants, and sweaters.

Selected apparel: U.S. general imports, from Sri Lanka and 3
principal sources, by apparel categories, 1979 and 1980

Apparel category and source 1/	Imports		Share of total	
	1979	1980	1979	1980
	1,000 dozen		Percent	
Cotton gloves (331), total-----	2/ 12,651	2/ 11,694	100	100
China-----	2/ 4,061	2/ 3,706	32	32
Hong Kong-----	2/ 3,126	2/ 3,399	25	29
Sri Lanka (3)-----	2/ 480	2/ 822	4	7
Japan-----	2/ 1,184	2/ 675	9	6
All other-----	2/ 3,800	2/ 3,092	30	26
Women's cotton coats (335), total-----	1,016	1,401	100	100
Hong Kong-----	234	316	23	23
Japan-----	143	185	14	13
China-----	53	184	5	13
Sri Lanka (6)-----	62	89	6	6
All other-----	524	627	52	45
Men's woven cotton shirts (340), total-----	6,620	6,315	100	100
Hong Kong-----	2,228	2,504	34	4
Taiwan-----	627	651	9	10
Sri Lanka (3)-----	179	451	3	7
China-----	1,057	408	16	6
All other-----	2,529	2,301	38	37
Women's woven cotton blouses (341), total-----	6,576	6,007	100	100
India-----	2,230	2,234	34	37
Hong Kong-----	2,218	1,876	34	31
China-----	619	547	9	9
Sri Lanka (5)-----	274	263	4	4
All other-----	1,235	1,087	19	19
Men's woven manmade-fiber shirts (640), total-----	9,664	9,780	100	100
Korea-----	5,959	5,802	62	59
Taiwan-----	2,673	2,686	28	27
Hong Kong-----	608	514	6	5
Sri Lanka 3/-----	9	16	4/	4/
All other-----	415	762	4	9
Women's woven manmade-fiber blouses (641), total-----	4,083	4,425	100	100
Korea-----	770	987	19	22
Taiwan-----	570	745	14	17
Hong Kong-----	680	744	17	17
Sri Lanka (6)-----	256	284	6	6
All other-----	1,807	1,665	44	38

See footnotes at end of table.

Selected apparel: U.S. general imports, from Sri Lanka and 3 principal sources, by apparel categories, 1979 and 1980--Continued

Apparel category and source ^{1/}	Imports		Share of total	
	1979	1980	1979	1980
	1,000 dozen		Percent	
Women's cotton pants (348), total	7,256	8,281	100	100
Hong Kong	3,436	3,934	47	48
China	946	1,058	13	13
Taiwan	652	671	9	8
Sri Lanka (6)	176	249	2	3
All other	2,046	2,369	29	28
Men's cotton coats (334), total	617	903	100	100
Sri Lanka (1)	49	156	8	17
China	40	131	6	15
Hong Kong	73	119	12	13
Macau	76	95	12	11
All other	379	402	62	44
Men's cotton pants (347), total	4,596	4,905	100	100
Hong Kong	2,010	2,265	44	46
China	882	715	19	15
Macau	332	373	7	8
Sri Lanka (7)	51	107	1	2
All other	1,321	1,445	29	29
Wool sweaters (445/446), total	1,661	2,553	100	100
Hong Kong	1,158	1,328	70	52
China	17	542	1	21
Taiwan	128	159	8	6
Sri Lanka ^{3/}	0	15	-	1
All other	358	509	21	20

^{1/} Figure in parenthesis following Sri Lanka represents its ranking as a major supplier.

^{2/} Represents thousands of dozen pairs.

^{3/} Sri Lanka's ranking is insignificant.

^{4/} Less than 0.5 percent.

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

Export Potential

Sri Lanka will most likely continue its efforts to expand exports of apparel during the next 5 years, partly because of the need to reduce its relatively high level of unemployment and partly because the success of its free trade zone largely hinges on the production of apparel for export. In addition, its labor costs are among the lowest of the apparel producing countries, thereby providing it with a cost advantage in the international marketplace.

Sri Lanka ranks as a small supplier in world textile and apparel trade. Although its exports, which are essentially apparel items, increased over 20 times from \$6 million in 1976 to \$131 million in 1980, Sri Lanka's share of world textile and apparel exports remained small at less than 1 percent. Thus, any increase in Sri Lanka's apparel exports is not expected to have an impact on the major apparel suppliers, especially the Big Three. However, Sri Lanka's exports combined with those of other growing exporters in the aggregate, may affect the market shares of these major suppliers, as well as those of producers in the home markets.

Moreover, Sri Lanka and certain other low labor-cost countries should continue to benefit from some shifting of trade from the Big Three, owing to problems related to acquiring export quota there on popular apparel items. This shift will probably intensify, since the 1982 protocol extending the MFA allows importing countries to grant favorable treatment to new and smaller suppliers and limit quota growth of the major suppliers.

The Government of Sri Lanka strongly supports the growth of the apparel industry. It views export growth as a major factor in improving the economy, and the future of the free trade zone is dependent on the garment factories located there. Furthermore, one of its highest priorities is to alleviate the country's relatively high level of unemployment; and, the apparel industry has been a major source of new jobs. The industry currently has access to a large supply of skilled workers and low labor costs that more than offset its high raw material costs.

The Government plans to relieve the problem of the high raw material costs by becoming self-sufficient in textiles by 1983. It intends to achieve this by building new mills and modernizing existing mills to produce manmade-fiber textile products. It also has begun denationalizing most of the existing Government-owned textile mills to make them more competitive and has supplied assistance to the handloom sector. Should Sri Lanka become self-sufficient in textiles, its apparel industry would stand to benefit from easy access to raw material supplies. One source stated that the importing of fabrics from abroad may take up to 3 months. 1/

All but a small part of Sri Lanka's apparel exports go to the United States and the EC. In 1980, 55 percent of the exports went to the United States and 35 percent went to the EC. In addition, its apparel exports during 1976-80 consisted of relatively few items, virtually all of which are considered import sensitive by industry and labor interests in the United States and the EC.

1/ Daily News Record, Nov. 18, 1981.

Sri Lanka's apparel exports to the United States will most likely continue to increase, although not at a rate comparable to the increase from less than \$1.0 million in 1976 to \$71.4 million in 1980. Even when U.S. limits were established in 1980, its apparel exports to the United States increased 33 percent during the first agreement year. The potential for continued growth, exists, not only for nonquota items but also for quota items, since only 3 of the 7 initial limits were filled in the first agreement year. Of the three additional U.S. quotas imposed in 1981, the limits on men's cotton coats will most likely restrict growth, whereas the quotas on men's cotton pants and wool sweaters allow for considerable growth from 1980 import levels. Also, an additional 7 percent growth per year for each apparel category is provided for in the U.S.-Sri Lanka agreement, and the use of the flexibility provisions included in the agreement may also allow additional increases.

Despite the limits that have been established by the EC on Sri Lanka's shipments since 1978, EC apparel imports from Sri Lanka increased 136 percent from 1978 to 1979 and 81 percent in 1980. Sri Lanka may benefit as a result of the provision in the recently extended MFA which allows importing countries to restrict quota growth and flexibility of the major textile and apparel suppliers, while providing less restrictive treatment to the smaller suppliers.

Table XI-1.--Textiles and apparel: Exports from Sri Lanka, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	9	3	4	7	95	367	-66.667	12133.333
Other Asia...	1,460	2	474	271	642	780	-99.863	38900.000
Other developing...	1	1	0	-	-	1	.000	.000
Socialist:								
Developed:								
EEC...	260	680	603	747	1,548	2,066	161.538	203.824
Southern Europe...	4	2	20	2	2	52	-50.000	2500.000
Other Europe...	63	402	227	181	327	225	538.095	-44.030
United States...	5	18	132	295	197	539	260.000	2894.444
Canada...	5	0	2	4	-	8	-100.000	(1)
Japan...	116	57	90	11,523	1,449	975	-50.862	1610.526
Other...	41	59	53	39	29	30	43.902	-49.153
Apparel:								
Developing:								
Big Three...	2	-	1	2	-	2	-100.000	(1)
Other Asia...	155	114	1,352	10	51	1,869	-26.452	1539.474
Other developing...	68	9	590	1	1	9	-86.765	.000
Socialist:								
Developed:								
EEC...	164	1,577	4,102	10,070	23,755	43,010	861.585	2627.330
Southern Europe...	-	-	-	-	23	167	(1)	(1)
Other Europe...	176	2,549	4,501	4,490	4,987	7,918	1348.295	210.632
United States...	218	665	2,814	12,413	40,651	71,448	205.046	10644.060
Canada...	5	-	104	43	597	523	-100.000	(1)
Japan...	21	1	10	21	162	419	-95.238	41800.000
Other...	7	19	28	12	10	104	171.429	447.368
Textile & Apparel:								
Developing:								
Big Three...	11	3	5	9	95	367	-72.727	12200.000
Other Asia...	1,615	116	1,826	281	693	2,649	-92.817	2183.621
Other developing...	69	10	590	1	1	10	-85.507	.000
Socialist:								
Developed:								
EEC...	-	-	-	-	-	-	(1)	(1)

Table IX-1.-Textiles and apparel: Exports from Sri Lanka, by specific world markets and countries, 1973 and 1976-80.-Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Textile & Apparel:								
Developed:								
EEC.....	424	2,257	4,705	10,817	25,303	45,076	432.311	1897.165
Southern Europe.....	4	2	20	2	25	219	-50.000	10850.000
Other Europe:								
United States.....	239	2,951	4,728	4,671	5,314	8,143	1136.728	175.950
Canada.....	223	683	2,944	12,708	40,848	71,987	206.278	10539.025
Japan.....	10	0	106	47	597	531	-100.000	(1)
Other.....	137	58	100	11,544	1,611	1,394	-57.664	2303.448
Total.....	48	78	81	51	39	134	62.500	71.775
Total.....	2,780	6,158	15,107	40,131	74,524	130,512	121.511	2019.389

1/ Data or computation error.
Data not available.

Table IX-2.--Textiles and apparel: Exports from Sri Lanka, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textiles:					
United States.....	18	132	295	197	539
Hong Kong.....	3	4	7	95	364
Japan.....	57	90	11,523	1,449	975
Singapore.....		5	8	28	57
Australia.....	26	25	18	24	25
FR Germany.....	200	164	137	345	494
United Kingdom.....	307	348	471	764	672
France.....	12	13	29	76	126
Canada.....	0	2	4		8
Italy.....	139	22	7	128	93
Spain.....	2	20	2	1	7
Netherlands.....	8	11	91	215	470
New Zealand.....	33	28	21	5	5
Other.....	419	741	456	962	1,208
Total.....	1,224	1,605	13,069	4,289	5,043
Apparel:					
United States.....	665	2,814	12,413	40,651	71,448
Hong Kong.....		1	2		2
Japan.....	1	10	21	162	419
FR Germany.....	179	970	3,781	13,119	24,222
Canada.....		104	43	597	523
Australia.....	10	24	8	6	87
Sweden.....	2,315	3,882	3,884	3,455	5,295
France.....	99	551	902	1,471	3,057
Singapore.....	114	25	1	51	170
Italy.....	10	51	116	1,156	3,092
Spain.....				15	14
Netherlands.....	643	1,653	2,330	2,473	3,121
Denmark.....	178	424	846	996	1,477
Other.....	720	2,993	2,715	6,085	12,542
Total.....	4,934	13,502	27,062	70,237	125,469
Textile & Apparel:					
United States.....	683	2,946	12,708	40,848	71,787
Hong Kong.....	3	5	9	95	366
Japan.....	58	100	11,544	1,611	1,394
FR Germany.....	379	1,134	3,918	13,464	24,716
Australia.....	36	49	26	30	112
Singapore.....	114	30	9	79	227
Canada.....	0	106	47	597	531
France.....	111	564	931	1,547	3,183
United Kingdom.....	774	785	2,162	5,079	8,290
Italy.....	149	73	123	1,284	3,185
Spain.....	2	20	2	16	21

Table IX-2.--Textiles and apparel: Exports from Sri Lanka, by principal markets, 1976-80--(Continued)

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textiles & Apparel:					
Sweden	2,446	4,039	3,957	3,538	5,360
Holland	651	1,664	2,421	2,688	3,591
Other	512	3,592	2,276	3,650	7,549
Total	6,158	15,107	40,131	74,526	130,512

Data not available.

Table IX-3.--Textiles and apparel: Exports from Sri Lanka, by types, 1973 and 1976-80

Description	1973	1976	1977	1978	1979	1980	Percent change: Percent change 1976 from 1973, 1980 from 1976	
							1,000 U.S. dollars	
Silk yarn	-	-	-	11,556	-	-	-	-
Wool yarn	0	-	1	-	-	1	-	-
Cotton yarn	35	-	0	-	-	46	-	-
Yarn of manmade fibers	2	-	69	46	62	12	0.000	750.000
Other yarn	-	-	-	-	-	-	-	-
Grey cotton fabrics	804	75	1	3	2	17	-90.472	-77.333
Finished cotton fabrics	103	102	133	117	79	387	-9.971	279.412
Woven fabrics of continuous manmade fibers	103	-	2	-	61	427	-	-
Woven fabric of discontinuous manmade fibers	12	-	160	-	7	16	-	-
Woven fabric of manmade fibers	-	-	-	-	-	-	-	-
Woven fabric of wool	-	-	-	-	-	2	-	-
Woven fabric of other fibers	133	1	-	55	0	3	-99.248	200.000
Knit fabrics	9	-	-	41	1,420	936	-	-
Other textile products	268	464	477	420	481	616	73.134	32.759
Floor coverings	5	70	86	124	524	711	1300.000	915.714
Subtotal, Textiles and floor coverings	1,474	714	929	12,252	2,436	3,179	-51.560	345.218

Table IV-3. Textiles and apparel: Exports from Sri Lanka, by types, 1973 and 1976-80--Continued

Description	1973	1976	1977	1978	1979	1980	Percent change: Percent change 1976 from 1973, 1980 from 1976	
							1,000 U.S. dollars	
Wear								
Outer								
garments, not knit	298	49	884	6,566	15,008	29,009	-83.103	59102.041
H&A outer								
garments, not knit	112	2,595	7,011	16,107	36,049	54,493	2216.964	1999.923
H&A under								
garments, not knit	258	1,915	3,464	4,551	14,316	28,551	672.177	1390.914
H&A under								
garments, not knit			122	428	1,712	3,320	-	17373.684
Accessories			88	65	358	442	2000.000	2957.143
Gloves, knit	1				366	1,033	-	-
Stockings								
H&A, knit		6						
Under								
garments, knit	31	148	272	397	633	3,821	377.419	2401.757
Outer								
garments, knit	28	171	251	942	894	2,763	510.714	1504.094
Elastic fab.								
garments, knit								
H&A								
Subtotal, Apparel	710	4,924	12,212	27,056	70,100	123,612	593.321	2410.370
Total	2,104	5,638	13,141	39,308	72,736	126,791	158.150	2140.065

Data not available.

Table XI-4.---Cotton Textiles: U.S. imports from Sri Lanka, by HFA Categories, 1976-81

		(In equivalent square yards)					
Category :	Description :	1976 :	1977 :	1978 :	1979 :	1980 :	1981 :
120 :	Woven fabrics, n.e.s.-----	0 :	270 :	6 :	1,176 :	228 :	47 :
131 :	Gloves-----	0 :	0 :	0 :	1,680,350 :	2,875,847 :	2,705,700 :
133 :	Suit-type coats, men and boys-----	0 :	0 :	195,914 :	358,597 :	189,471 :	33,630 :
134 :	Other coats, men and boys-----	3,511 :	90,117 :	629,081 :	2,025,063 :	6,432,269 :	5,784,890 :
135 :	Coats, women, girls, and infants-----	925,533 :	2,116,377 :	2,174,197 :	2,564,814 :	3,680,369 :	3,465,237 :
136 :	Dresses-----	0 :	951 :	50,510 :	3,670 :	315,650 :	376,307 :
137 :	Playsuits-----	0 :	0 :	46,475 :	47,500 :	0 :	647,975 :
138 :	Knit shirts, men and boys-----	86,256 :	55,973 :	125,244 :	199,851 :	20,844 :	362,995 :
139 :	Knit shirts, and blouses, women, girls, and infants.-----	19,131 :	24,509 :	13,954 :	20,196 :	716,889 :	941,414 :
140 :	Shirts, not knit, men and boys-----	123,720 :	220,512 :	339,960 :	4,296,576 :	10,828,512 :	8,157,840 :
141 :	Blouses, not knit, women, girls and infants.-----	40,716 :	55,231 :	663,085 :	3,977,382 :	3,812,718 :	4,841,944 :
142 :	Skirts-----	4,699 :	0 :	231 :	75,561 :	93,914 :	146,831 :
145 :	Sweaters-----	0 :	0 :	0 :	0 :	0 :	25,760 :
147 :	Trousers, men and boys-----	0 :	0 :	254,807 :	906,644 :	1,905,223 :	4,927,859 :
148 :	Trousers, women, girls, and infants-----	31,720 :	992,386 :	2,847,091 :	3,133,902 :	4,434,480 :	3,862,173 :
150 :	Dressing gown-----	0 :	0 :	0 :	252,654 :	159,120 :	3,264 :
151 :	Nightwear-----	0 :	0 :	0 :	0 :	0 :	208 :
152 :	Underwear-----	15,488 :	0 :	0 :	0 :	0 :	0 :
159 :	Other apparel-----	13,515 :	271 :	173,921 :	75,781 :	7,861 :	106,287 :
160 :	Pillowcases-----	171 :	0 :	0 :	0 :	179 :	0 :
162 :	Bedspreads and quilts-----	0 :	0 :	0 :	41 :	145 :	14,007 :
169 :	Other manufactures-----	1,228 :	1,389 :	1,154 :	1,873 :	2,249 :	791 :
	Total-----	1,265,688 :	3,557,986 :	7,515,610 :	19,629,631 :	35,475,968 :	36,405,159 :

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

Table XI-5.--Wool textiles: U.S. imports from Sri Lanka, by MPA categories, 1976-81

(in equivalent square yards)							
Category :	Description	1976	1977	1978	1979	1980	1981
435 :	Coats, women, girls, and infants	0	0	0	0	0	19,494
440 :	Shirts and blouses, not knit	0	0	9,600	159,888	132,216	71,400
442 :	Wool skirts	0	0	30,906	0	0	4,356
445 :	Sweaters, men and boys	0	0	0	0	20,772	443,662
446 :	Sweaters, women, girls, and infants	0	0	0	0	202,710	948,437
448 :	Trousers, women, girls, and infants	0	0	3,834	0	0	0
459 :	Other apparel	0	0	9,874	0	0	336
Total		0	0	54,214	159,888	355,698	1,487,685

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

Table XI-6.--Manmade fiber textiles: U.S. imports from Sri Lanka, by MFA categories, 1975-81

(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
612	Continuous noncellulosic woven fabric.	0	0	0	0	0	3,117
633	Suit-type coats, men and boys	0	0	0	0	5,792	0
634	Other coats, men and boys	0	0	831,039	697,351	637,466	711,186
635	Coats, women, girls, and infants	0	386,527	630,527	490,727	1,138,682	1,634,654
636	Dresses	0	0	22,333	93,907	230,623	174,541
638	Knit shirts, men and boys	0	1,926	29,844	38,268	0	0
639	Knit shirts, and blouses, women, girls, and infants.	0	0	13,455	55,950	50,085	490,725
640	Shirts, not knit, men and boys	14,208	64,608	98,808	209,832	377,616	149,592
641	Blouses, not knit, women, girls and infants.	7,830	77,633	887,865	3,711,278	4,115,363	5,439,762
642	Skirts	0	0	29,460	46,155	3,898	9,772
644	Suits, women, girls, and infants	0	0	0	66,096	0	0
646	Sweaters, women, girls and infants	0	0	0	0	64,142	9,274
647	Trousers, men and boys	1,780	0	0	0	7,031	52,510
648	Trousers, women, girls, and infants	0	0	54,699	26,130	11,321	254,842
649	Braaiieres	0	0	0	0	0	287,006
650	Dressing gowns	0	0	2,448	0	0	0
659	Other apparel	0	0	11,754	193,588	65,021	120,438
665	Floor coverings	0	0	48	0	0	458
666	Other furnishings	0	0	0	3,042	0	0
669	Other manufactures	0	8,728	0	632	0	0
	Total	23,818	539,422	2,612,280	5,632,956	6,707,040	9,337,877

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

Table XI-7.--United States/Sri Lanka bilateral agreement: Limits by MFA category, with shipments charged, May 1, 1980-Apr. 30, 1981

MFA category No.	Type of limit	Description	Units	Limitation	Shipment charged	Percentage filled
				---1,000 units---		
Group I:						
331	Specific	Cotton gloves	Doz. pr.	700	700	100
335	do	Cotton coats, women's, girls', and infants'.	Doz	100	76	76
340/341	do	Woven shirts and blouses, of cotton and manmade fibers.	Doz	1/ 1,132	977	86
640/641						
348	do	Cotton trousers, women's, girls', and infants'.	Doz	2/ 226	226	100
334	do 3/	Cotton coats (except suit-types) men's and boys'.	Doz	49	16	32

1/ Adjusted downward.

2/ Adjusted upward.

3/ Specific limit became effective for Jan. 1, 1981-Apr. 30, 1981.

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

XII. THAILAND

Country Profile

Thailand, with an area of 200,000 square miles and a chiefly Thai population of about 47.5 million people, is located in Southeast Asia on the Indo-Chinese Peninsula. Its area is slightly less than that of Texas. Thailand is primarily an agricultural country with its chief farm exports being rice and tapioca products. Natural resources are limited but the forests, plantations, and mines yield enough teak, rubber, and tin for export. Thailand's economy is growing but is adversely affected by high inflation rates and increasing balance-of-payments deficits. Officially known as the Kingdom of Thailand, the Nation is a constitutional monarchy with an appointed President, an elected National Assembly, and a judiciary.

Geography, demography, and resources

Thailand is composed of an agriculturally rich central region, a poor northeastern plateau region, a mountainous northern section, and a narrow hilly southern region mainly covered by a rain forest. The climate is tropical with high temperatures and humidity. The rainfall is heaviest in the south and lightest in the northeast.

More than 30 percent of the land is arable and used chiefly to grow rice, tapioca products, maize, sugarcane, dry beans, and kenaf (a jute-like fiber). Less than 4 percent of the land is under permanent crops and used to grow rubber, coconuts, and bananas. About 40 percent of the land is in forest and woodland from which are harvested teak and sandalwood for export. The remaining land, about 25 percent, is wasteland (swamps and unusable mountain slopes), inland waters, and urban and industrial properties. 1/

The mineral resources are extensive and varied, with the most important being tin and tungsten, both of which are exported. Those minerals consumed domestically in large quantities include brown coal and lignite, iron ore, manganese, and lead. Electricity is furnished largely by steam power (fired chiefly by imported petroleum) and hydroelectric power.

Thailand has about 17,000 miles of highways and provincial roads, about half of which are paved. The Government runs more than 2,000 miles of railroads which handled over 6.6 million tons of freight in 1980. There is an extensive network of canals providing transport for bulk goods. Three airports furnish international services for two national and numerous foreign airlines. Most international shipping is handled through the port of Bangkok. 2/

The people are located predominately in rural areas (83 percent of the population in 1978). Education is compulsory up to age 15 and the literacy rate among adults was 86 percent in 1979. Life expectancy was an estimated 61 years in 1978. The work force totaled 21 million people in 1979; agriculture, forestry, hunting, and fishing employ 60 percent of the workers, industry and

1/ The Europa Year Book 1981: A World Survey, London, vol. II, p. 1510.

2/ Ibid., p. 1525.

commerce, 25 percent, and services, including the Government, the remaining 15 percent. ^{1/} The official language is Thai but English is frequently spoken by workers in the Government and in commerce.

The economy

The Thai economy of the 1980's functions primarily along the open market lines that have characterized the country since the mid-1800's. It is basically capitalist in orientation, largely operated by the private sector with supportive infrastructure furnished by the public sector. There are, however, a limited number of Government-owned enterprises involved in manufacturing, especially armaments production.

Approximately three-quarters of Thailand's labor force is directly employed in agriculture, forestry, raising livestock, fishing, and hunting, and close to four-fifths of the population is dependent on this sector for their livelihood. Agricultural commodities account for about 70 percent of total exports, and include primarily rice, tapioca, corn, and rubber. The farming population consists predominantly of small landowners. Irrigation is extensively used for the rice growing areas in the central plain and parts of the North. Thailand still has extensive forests which are adequate for the domestic needs as well as for some export. Fisheries are important to Thailand's food supply and foreign exchange. Marine fisheries are at near maximum production, yielding approximately 1.5 million tons annually, and inland fisheries have unexploited potential.

Textiles and apparel constitute the largest industry in the manufacturing sector of the Thai economy and Thailand's largest industrial exports. Other manufacturing enterprises include the production of footwear and other leather items, agricultural products, furniture, pharmaceutical products, construction materials, and plastic goods.

Most of the modern manufacturing enterprises are concentrated mainly in Bangkok and the surrounding provinces. Despite Government attempts to transfer production to other parts of the country, Bangkok's advantages generally outweigh the various incentives offered to locate elsewhere. These advantages include the size of the local market, the generally higher level of disposable income, and the availability of skilled labor. In addition, Bangkok's electric power and transportation facilities are highly developed and many of the raw or intermediate materials are imported through the port of Bangkok.

Although most manufacturing operations are Thai-owned, ventures with foreign companies account for approximately 40 percent of all manufacturing. Japan accounts for approximately a third of the total foreign investment in this sector; the United States accounts for about 10 percent of the total. ^{2/}

^{1/} Ibid., p. 1509.

^{2/} Frederica M. Bunge, Thailand: A Country Study, Washington, 1981, p. 149.

Major expansion in manufacturing has occurred only since the beginning of the 1960's. Between 1960 and 1978, the manufacturing sector grew in real terms at an average annual rate of 10 percent. In 1978, it accounted for approximately one-fifth of the gross domestic product (GDP), which totaled approximately \$22 billion. ^{1/} Despite Government efforts during much of the 1970's to promote exports—and a marked relative increase in such exports did occur—exports accounted for only a small part (approximately 9 percent) of manufacturing growth during the decade.

Thailand's transportation system of inland waterways, railroads, and roads is centered on Bangkok. The waterways primarily carry agricultural products from the central area of the country to Bangkok for export or domestic processing and take back foreign or locally made goods to the rural areas. The railroads and roads radiating from Bangkok serve essentially the same purpose. The existing system of main roads, railroads, and waterways is generally adequate for Thailand's overall transportation requirements, although considerable upgrading of rural roads will be needed to handle the growing commercial trade with the rural areas.

Thailand's major seaport is Bangkok, which handles 80 to 90 percent of the international seaborne dry cargo imports and exports. Although the port of Bangkok has been expanded considerably over the years, partly through loans from the World Bank, it is still hampered by limitations on vessel size capacity. ^{2/} To supplement the port of Bangkok, the Government selected the port of Sattahip, located southeast of the city on the Gulf of Thailand, as the site of a new deepwater port. The major airport for foreign trade in Thailand is Chao Phraya, which is accessible to Bangkok. It also serves as the principal regional airport for international air travel.

Petroleum products today provide about 65 percent of Thailand's annual energy requirements. Although most of the petroleum products must be imported, this may change as a result of the large natural gas deposits found in the Gulf of Thailand during the mid-1970s. Exploration tests have determined that large enough quantities of natural gas could be recovered to favorably alter Thailand's energy position. In 1979, the World Bank approved a loan of \$107 million to the Petroleum Authority of Thailand to assist in the recovery of the natural gas. ^{3/}

Foreign trade

Thailand's international trade has been marked by a deficit in recent years, as shown in the following table. The trade deficit in 1980 totaled \$2.8 billion, compared with \$1.9 billion 1979 and \$1.1 billion in 1977. Thai exports in 1980 totaled \$6.7 billion and consisted mainly of primary and partially processed agricultural products—rice, corn, cassava products (tapioca), and sugar. Other important export items included shrimp, rubber, tin, textiles, and apparel. Imports in that year totaled \$9.4 billion, and

^{1/} Gross domestic product is the total national output of goods and services valued at market prices minus gross product originating outside Thailand.

^{2/} Bunge, op. cit., p. 157.

^{3/} Ibid., pp. 162-163.

Thai imports, exports, and trade balances, by principal countries, 1976-80

(In millions of dollars)

Country	1976			1977			1978		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance	Imports	Exports	Trade balance
Japan-----	1,182	784	-398	1,523	701	-822	1,673	843	-830
United States---	487	305	-182	579	347	-232	742	458	-284
Netherlands-----	41	403	362	59	478	419	66	609	543
Saudi Arabia----	277	39	-238	389	36	-353	304	58	-246
Singapore-----	92	206	114	139	225	86	221	337	116
Total, all countries----	3,644	3,040	-604	4,709	3,560	-1,149	5,445	4,153	-1,292
	1979			1980					
	Imports	Exports	Trade balance	Imports	Exports	Trade balance			
Japan-----	1,882	1,145	-737	1,999	1,005	-994			
United States---	1,138	605	-533	1,360	842	-518			
Netherlands-----	87	613	526	234	882	648			
Saudi Arabia----	470	71	-379	955	116	-839			
Singapore-----	342	461	119	613	514	99			
Total, all countries----	7,308	5,409	-1,899	9,434	6,660	-2,774			

Source: Compiled from statistics of the Quarterly Bulletin, September 1981, Bank of Thailand.

consisted primarily of petroleum, foodstuffs, raw materials, capital equipment, and machines.

The country's largest trading partners since the mid-1960's have been Japan and the United States. Japan has taken approximately 20 percent of Thailand's annual exports, including large quantities of rubber, corn, tin, sugar, and shrimp. In 1980, Japan provided Thailand with about 20 percent of its imports, including a wide range of consumer items, but the most important have been iron and steel products, parts for automobile and truck assemblies, and machinery. The United States took 13 percent of Thailand's exports, mainly rubber, tin, and smaller quantities of sugar, tapioca, teak, shrimp, and textiles and apparel and provided about 14 percent of Thailand's imports. Important items imported from the United States were raw cotton, machinery, and various consumer goods.

Thailand's policy of the 1960's of developing an import-substitution industry (focusing on the domestic manufacture of goods largely supplied by imports) was modified during the 1970's to place more emphasis on export-oriented manufacturing. This was accomplished largely through the enactment of favorable tax measures for export-oriented firms and favorable tariffs on imports of equipment used for domestic manufacturing. In addition, export production in the 1970's was aided by low industrial wages (less than \$3 a day) relative to those of its principal competitors, including the Republic of Korea and Taiwan. Because of the low wages, coupled with a sizable labor force, Thailand's exports consisted overwhelmingly of labor-intensive items, including textile and apparel products.

Moreover, provisions for international trading firms 1/ were established by Thailand in 1978 to help reduce its increasing trade deficit, and apparently to counter the increasing dominance of Japanese trading companies operating in Thailand. 2/

Although occasional restrictions have been imposed on imports, the Government has generally followed a policy of free trade. The economic development following World War II brought a marked change in the import pattern—from consisting largely of manufactured consumer goods to the rising importation of capital goods. In recent years, capital goods accounted for approximately 30 percent of Thailand's total imports. The most significant shift has been the increase in the value of imports of petroleum. The substantial increases in world petroleum prices since 1973 have caused a doubling of import costs to an average of about a fifth of total imports. 3/

Efforts have been made by the Government to reduce the deficit in the balance of payments. Measures included increasing tariffs on more than 100 so-called nonessential imports and raising excise taxes. A limited number of

1/ The Board of Investment (BOI) issues qualified firms certificates which include substantial tax and other incentives to promote exports. Firms granted certificates must (1) be a large-scale operation in the context of Thai-controlled trading activities; (2) maintain certain export trade; (3) have a minimum of 75 percent Thai ownership; and (4) become publicly owned and listed on the Bangkok exchange within 5 years of becoming qualified.

2/ Bunge, op. cit., p. 164.

3/ Ibid., pp. 164-165.

imported consumer goods were banned temporarily, and tighter credit policies were introduced to restrain import growth. An increase in gasoline prices in 1979 was also intended in part to hold down petroleum imports. However, despite these efforts, the deficit continues to mount as the total cost of oil imports from Saudi Arabia, the principal supplier, in 1980 rose by more than 40 percent from the total amount in 1978. 1/

Since 1955, the baht (the Thai currency) has been maintained at a fixed parity of between 20 and 21 baht per U.S. dollar. Although much of Thailand's trade is denominated in U.S. dollars, a significant portion of the trade is with countries whose currencies have generally appreciated in relation to the dollar, so the net effect has been an overall trade weighted devaluation of the baht of about 9 percent since 1970. This has stimulated Thai manufactured exports by increasing their cost competitiveness in world markets. 2/

The Textile and Apparel Industries

Structure

The textile and apparel industry is the largest employer in Thailand's manufacturing sector with 100,000 workers. Approximately 40 percent of these employees work in apparel manufacturing. The industry, concentrated in the Bangkok area, includes spinning, weaving, and knitting mills, fiber manufacturing, finishing plants, and apparel manufacturing.

The textile manufacturing segment consists of two different types of producers: (1) a small group of modern, integrated textile mills that dominate the export market and (2) a large number of small establishments (primarily family units working at home with their own equipment) operating 5 to 20 looms each and producing low-price, low-quality yard goods for the domestic market. The apparel manufacturing segment ranges from small knitting factories to fashion houses producing Thai silk creations for the world market.

The Thai textile industry supplies all of the domestic demand for low- and medium-price yardage and garments, with imports being concentrated in the upper price range. 3/

Production and capacity

In recent years all segments of the textile and apparel industry have shown growth. The industry continues to grow in size and strength, despite some softening of export demand and increasing production costs. In 1980, most plants were producing close to capacity, some plants operating on a 24-hour basis, 7 days a week, giving rise to speculation that there will be new investment in textile mills. The industry, after several years during

1/ World Bank, THAILAND: Toward a Development Strategy of Full Participation, March 1980, p. 17.

2/ Bunge, op. cit., pp. 166-167.

3/ Report from U.S. Embassy, Bangkok, Apr. 27, 1982.

which little investment took place, seems to again be entering a period of rapid growth. 1/

In calendar year 1980, Thailand produced 52,000 tons of cotton. In recent years, domestically grown cotton has provided an increasingly larger portion of the cotton consumed by the Thai textile industry. As shown in the following table, cotton production increased each year since 1976, and provided 39 percent of the cotton available to the Thai textile industry in 1980.

Cotton: Supply and consumption in Thailand, 1975-80

Item	1975	1976	1977	1978	1979	1980 <u>1/</u>
	-----1,000 tons-----					
Supply:						
Stock from previous year-----	52.0	62.2	49.4	44.2	14.3	11.3
Production-----	20.8	10.3	21.5	33.7	39.1	52.0
Imports-----	84.7	91.0	99.2	74.7	100.4	71.8
Total-----	157.5	163.5	170.1	152.6	153.8	135.1
Consumption:						
For making yarn-----	84.3	100.5	109.8	119.5	122.2	<u>2/</u>
For blending with polyester-----	10.9	13.5	16.1	18.8	20.2	<u>2/</u>
Total-----	95.2	114.0	125.9	138.3	142.4	<u>2/</u>

1/ Preliminary.

2/ Not available.

Source: Report from U.S. Embassy, Bangkok, June 29, 1981.

Considerable efforts are being made by the Thai Government to encourage increased production of cotton. The Government is encouraging the expansion of the cotton planting area from its current 476,000 acres to 711,000 acres. If yields can be maintained, this would increase Thailand's cotton production to an estimated 114,400 tons. 2/

Approximately seven large plants manufacture manmade fiber and filament yarn in Thailand. Total production doubled between 1976 and 1980, as shown in the following table.

1/ Report from U.S. Embassy, Bangkok, Sept. 10, 1980.

2/ Report from U.S. Embassy, Bangkok, Sept. 23, 1981.

Manmade fibers: Thai production, by types, 1976-80

Type	1976	1977	1978	1979	1980 ^{1/}
	Tons				
Polyester staple fiber-----	32,340	41,062	53,367	52,533	62,150
Polyester filament yarn-----	15,066	18,832	22,953	28,541	25,622
Nylon filament yarn-----	13,321	14,373	16,392	17,375	18,399
Viscose rayon staple fiber-----	1,650	11,724	14,898	16,694	18,033
Total-----	62,371	86,001	107,610	115,143	124,204

^{1/} Preliminary.

Source: Report from U.S. Embassy, Bangkok, June 29, 1981.

Approximately 34 mills in Thailand spin cotton and polyester fiber yarns. About a third of these mills are large; the remainder are medium-sized firms. Approximately 1.3 million spindles in Thailand produced nearly 121,000 tons of cotton yarn and 175,000 tons of manmade-fiber yarn in 1980. This made Thailand the fourth largest manufacturer of spun yarn in East Asia, after Taiwan, Korea, and Indonesia. If growth in spun yarn production continues at the 13-percent annual rate of 1976-80, the Thai spinning mills could pass Indonesia as the third largest yarn producer in East Asia by the mid-1980's. ^{1/} Yarn production in Thailand during 1976-80 is shown in the following table.

Yarn: Thai production, by types, 1976-80

Type	1976	1977	1978	1979	1980 ^{1/}
	Tons				
Cotton yarn-----	94,457	103,143	112,248	114,835	120,680
Manmade-fiber yarn-----	83,964	97,207	113,945	145,498	175,143
Total-----	178,421	200,350	226,193	260,333	295,823

^{1/} Preliminary.

Source: Report from U.S. Embassy, Bangkok, June 29, 1981.

^{1/} Report from U.S. Embassy, Bangkok, Sept. 23, 1981.

The weaving sector of the Thai textile industry is highly fragmented with hundreds of cottage-type weaving mills. While 16 mills were classified as relatively large with 600 looms or more in 1979, and 10 had more than 300 looms, most are cottage-type operations with 10 to 20 looms. These small operations are usually easy to set up and used looms can be purchased from Hong Kong or Taiwan for as little as \$400 to \$500. Larger spinning mills sell yarn to the small operations and then buy back the cloth for finishing or resale. Also, a number of firms that sell the small weavers' output often extend credit and determine quality and colors.

In 1979, 57,000 looms were in operation producing 770 million square yards of cotton fabrics and 693 million square yards of manmade-fiber fabric. The following table shows that total production of woven fabrics increased steadily during 1976-80, and that production of woven manmade-fiber fabric showed the greatest increase, rising by 79 percent.

Woven fabrics: Thai production, by types, 1976-80

(In millions of square yards)						
Type	1976	1977	1978	1979	1980	1/
Cotton-----	700	716	758	770	838	
Manmade fibers-----	437	463	628	693	782	
Total-----	1,137	1,179	1,386	1,463	1,620	

1/ Preliminary.

Source: Report from U.S. Embassy, Bangkok, June 29, 1981.

The knitting sector of the Thai textile industry also is highly fragmented. In 1979, there were 150 knitting factories in Thailand with a total of 34,061 knitting machines.

There has been a steady growth in the production of knitted fabrics in recent years. Knit cotton fabric production grew 12 percent in 1978 and 1979 and 7 percent in 1980 to an estimated 16,393 tons. Synthetic knit fabric production grew to an estimated 34,516 tons, or by 29 percent during 1977-80, as shown in the following table.

Knit fabrics: Thai production, by types, 1977-80

(In tons)					
Type	1977	1978	1979	1980	<u>1/</u>
Cotton-----	12,162	13,621	15,256	16,393	
Manmade fibers-----	26,656	28,522	31,374	34,516	
Total-----	38,818	42,143	46,630	50,909	

1/ Preliminary.

Source: Report from U.S. Embassy, Bangkok, June 29, 1981.

In 1978, the latest year for which information is available, there were 4 manufacturers of blankets with a total production capacity of more than 5 million pieces a year; 10 manufacturers of towels; and 8 manufacturers of carpets and rugs.

Dyeing and finishing operations are the least developed part of the Thai textile industry. 1/ Although there were about 30 plants in 1979 equipped for finishing operations, most mills lack the technical expertise and skilled specialists necessary to produce quality finished products. Consequently 80 percent of the cotton fabrics exported from Thailand are undyed, unfinished materials. The remainder of the cotton fabric exports consisted of piece-dyed materials, virtually all of which were shipped to the Middle East and to other Southeast Asian countries.

Most of the dyed exports are believed to have been finished in the few large, integrated textile mills in Thailand. These mills are controlled by foreign interests, especially the Japanese. They usually employ their own specialists to manage the dyeing and finishing operations and use imported dyes and finishing chemicals.

Apparel manufacturing is among the most rapidly growing sectors in the entire Thai economy. There are currently more than 400 apparel factories, although most are small, employing a total of 40,000 persons. About 30 of the plants, including the largest ones, produce apparel for export.

Production of apparel nearly doubled between 1976 and 1979, rising from an estimated 58 million pieces to approximately 110 million pieces. The Thai apparel industry, which manufactures all types of apparel except men's suits, now produces about 10 million pieces a month. In most cases, manufacturers of shirts, T-shirts, jeans, brassieres and other underclothing are working at capacity. 2/

1/ Report from U.S. Embassy, Bangkok, June 29, 1981.

2/ Report from U.S. Embassy, Bangkok, Sept. 10, 1981.

As reported by the Thai Textile Manufacturing Association, in 1980, for the first time, apparel exports exceeded Thailand's exports of textile mill products. From only \$800,000 in 1970, Thailand's apparel exports grew to approximately \$230 million in 1980. By comparison, manmade-fiber fabric exports amounted to \$115 million and cotton fabric exports totaled \$63 million.

Unlike some of the other sectors in the Thai textile industry, the apparel sector is highly export-oriented. Over 75 percent of ready-made garments produced in Thailand are exported. Approximately 80 percent of the value of Thai apparel exports is high-volume, relatively low-priced products. The remaining 20 percent is high-quality fashions, including silk items. ^{1/} Most producers of high quality fashions are small with their main markets being specialty shops in the United States and Europe.

Equipment

The Thai textile industry began to be mechanized in 1950, when 3 spinning mills with a total of 23,000 spindles were established in Bangkok. In 1960, the Thai Government enacted the Textile Promotion Act to encourage investment in the textile industry. As a result, many new mills were established. Installed capacity grew from 92,500 spindles in 1961 to 225,000 in 1965. In 1968, 17 factories were granted promotional certificates by the Government's Board of Investment (BOI) and by 1973, a total of 23 companies had been approved by the BOI. The industry continued to expand and by the end of 1980, approximately 1.5 million spindles, 62,000 looms, and 38,000 knitting machines were in operation. ^{2/} By comparison, production of textiles and apparel in Thailand was almost three times larger than production in the Philippines which has approximately the same population and number of spindles, but only half as many looms.

The number of spindles, looms, and knitting machines increased annually during 1975-80, as shown in the following tabulation, (in thousands of units):

Item	1975	1976	1977	1978	1979	1980 ^{1/}
Spindles-----	1,094.7	1,112.2	1,129.1	1,165.4	1,354.9	1,481.9
Weaving looms-----	48.8	51.0	52.2	54.0	57.6	61.9
Knitting machines---	21.7	29.5	30.4	31.6	34.2	37.7

^{1/} Preliminary.

Source: Report from U.S. Embassy, Bangkok, June 29, 1981.

^{1/} Ibid.

^{2/} Report from U.S. Embassy, Bangkok, Apr. 27, 1982.

There is no local production of textile machinery in Thailand except for inexpensive looms manufactured by a firm whose customers are small companies weaving low-cost fabrics and towels. This firm sells approximately 400 looms a year. Thailand is therefore dependent upon imports of textile and apparel equipment. The total tax on textile machinery imported into Thailand is 14.11 percent; ^{1/} no nontariff restrictions exist.

The total apparent market for textile machinery in 1979 was estimated by the Thai Textile Manufacturing Association at \$50 million, an increase of 10 percent from what it was in 1978. The association has projected that the market for the machinery will increase to \$80 million by 1984, as shown in the following table.

Textile, apparel, and footwear manufacturing equipment: Thai imports, by types, 1978 and 1979, and projections for 1981 and 1984

(In thousands of dollars)

Type	Estimated		Projected	
	1978	1979	1981	1984
Spun yarn (spinning) mill equipment-----	4,600	5,060	6,100	8,100
Manmade-fiber plant equipment-----	600	660	800	1,060
Textile and fabric production equipment-----	15,000	16,500	19,960	26,570
Textile and fabric finishing equipment-----	12,000	13,200	15,970	21,260
Apparel and footwear manufacturing equipment-----	13,000	14,300	17,300	23,000
Total-----	45,200	49,720	60,130	79,990

Source: Compiled from statistics of the Bangkok Customs Department as reported in the U.S. Department of State, Asean Campaign Market Research for Thailand, Aug. 7, 1979.

Normally, the Thai textile mills order machines, equipment, and spare parts through agents or representatives of foreign manufacturers. The foreign manufacturers and local agents generally do not provide financing. Major textile projects are financed jointly by foreign financial institutions and local banks.

Before 1970, the market for imported textile machinery was almost entirely supplied by Japan, because its machines were cheaper and its terms of payment were more attractive. Although Japan is still by far the largest supplier of textile machinery to Thailand, with 47 percent of the total market in 1979, other major suppliers have entered the market, including Taiwan, West Germany, and the United States. U.S. exports of textile equipment to Thailand are projected to almost double by 1984, as shown in the following table.

^{1/} The import duty on textile machinery is 10 percent of the c.i.f. value plus a business tax of 3 percent and a municipal tax (10 percent of the business tax).

Textile manufacturing equipment: Thai imports, by principal suppliers, 1978 and 1979, and projections for 1981 and 1984

(In thousands of dollars)

Country	Estimated		Projected	
	1978	1979	1981	1984
Japan-----	21,180	23,298	1/	1/
Taiwan-----	6,826	7,509	1/	1/
West Germany-----	4,360	4,796	1/	1/
United States-----	2,160	2,376	2,871	3,819
All other-----	10,674	11,741	1/	1/
Total-----	45,200	49,720	60,130	79,990

1/ Not available.

Source: Report from U.S. Embassy, Bangkok, Aug. 7, 1979.

Employment and wages

Thailand had a total labor force in 1979 of 21 million persons, or 44 percent of the total population of 47 million persons. Approximately 5 million persons are employed in the nonagricultural sector, with 1 million of them working in manufacturing. 1/

The Thai work force of about 100,000 employees in the textile and apparel industries is relatively well trained. Although productivity per worker is lower than in Taiwan or Korea, the lower wage rates (less than \$3 a day) make the per unit cost of labor approximately equal to Taiwan. Management employees are often Western or Japanese trained with a relatively high level of technical expertise. 2/

Trade in Textiles and Apparel

Imports, exports, and trade balance

According to statistics of the Thai Textile Manufacturing Association, Thailand has incurred a favorable overall trade balance in textile and apparel products since 1976, when exports exceeded imports by \$5 million. In 1980, textile and apparel exports of \$472 million exceeded textile and apparel imports of \$281 million by \$190 million. The favorable trade balance is due principally to trade in apparel, in which exports exceeded imports by nearly

1/ U.S. Department of Labor, Country Labor Profile: Thailand, 1979.

2/ Report from U.S. Embassy, Bangkok, Apr. 27, 1982.

\$228 million in 1980 as shown in the following table. Exports of cotton fabric and manmade-fiber fabric and yarn, also contributed significantly to the favorable trade balance.

Thailand is largely dependent on cotton imports, which accounted for 45 percent of its textile and apparel imports in 1980. In that year, imports of cotton totaled \$127 million, compared with \$13 million in cotton exports. The United States supplied approximately 70 percent of Thailand's cotton imports in 1980. Other products where imports exceeded exports included manmade fibers and knit fabrics. Japan was a major supplier of these items.

Export trends and principal exported products

Thailand's exports of selected textile mill and apparel items have increased substantially in recent years (table XII-3). In 1980, exports of all textile products totaled \$434.9 million, an increase of 106 percent from those in 1976. These exports were concentrated in woven grey (unfinished) fabrics and apparel. In recent years, the country has expanded its export products to include finished fabrics.

In 1980, exports of textile mill items were valued at \$235.4 million, an increase of 75 percent from those in 1976. Exports of woven fabrics of discontinuous manmade fibers were valued at \$56.4 million, the top textile mill export earner in 1980. Although these exports have grown rapidly, increasing from \$15.9 million in 1973 to \$72.7 million in 1979, they declined 22 percent in 1980. The decline was attributed to the recession in Europe and the war in the Middle and Near East (principal markets for Thai woven fabrics), and because apparel exports were so favorable, fabrics produced domestically were consumed in apparel production. ^{1/}

Exports of cotton grey fabrics were valued at \$49.5 million in 1980, representing a 73 percent increase compared with those in 1976. Exports of manmade-fiber yarn, finished cotton fabric, and woven fabric of continuous manmade fibers also increased rapidly.

Major markets

The United States is the principal market for Thailand's exports of textiles and apparel, accounting for approximately one-fifth of such exports in recent years (table XII-2). In 1980, exports of textiles and apparel to the United States were valued at \$85 million, or 16 percent of all Thai textile and apparel exports. The next largest export market was West Germany, with shipments of \$76 million, or 14 percent of the total. An additional 10 percent of the exports went to Italy and 9 percent, to Japan.

The majority of Thai exports to the United States consisted of apparel. In 1980, exports of apparel to the United States were valued at \$68 million, representing 28 percent of all Thai apparel exports. Such exports to the United States have more than doubled since 1976. Other leading and growing markets for apparel were West Germany and the United Kingdom. In 1980,

^{1/} "Thai Textile Industry Maintains Stable Growth," Japan Textile News, June 1981, p. 55.

exports of apparel to West Germany amounted to \$43 million; the United Kingdom accounted for \$21 million.

In 1980, Italy and Japan were the major markets for textile mill products, accounting for \$43 million and \$39 million, respectively. In 1980, exports to these countries increased by approximately 75 percent over the previous year, and more than doubled since 1976. Hong Kong and West Germany each accounted for over \$30 million in exports in 1980, a substantial increase in each of these markets since 1976. Exports of textile mill products to the United States amounted to \$18 million in 1980, a 16 percent decline from 1978 and approximately equal to the 1976 value.

MFA constraints

The current bilateral textile and apparel agreement between the United States and Thailand is effective for a period of 5 years, from January 1, 1978, to December 31, 1982. The agreement is applicable to all products of cotton, wool, and manmade fibers. There are no overall aggregate limitations, although there is a subgroup limit on apparel; for 1980, this limit amounted to 60.7 million square yards equivalent (SYE), which was 55 percent filled. Thailand's shipments to the United States of apparel in 1980 were 33.2 million SYE. There are several specific category limits within this apparel subgroup as well as designated consultation levels. The limit for the apparel subgroup and any specific apparel category may be exceeded by up to 11 percent through carryover and carryforward; however, no adjustments are allowed between categories within an agreement year. The nonapparel items have no specific subgroup or category limits, although there are several designated consultation levels. The 1980 specific and designated consultation levels for each of the categories are shown in table XII-7 with the amounts charged against each level. Those categories which are not given specific limitations or designated consultation levels are subject to consultation before exports can exceed 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 all wool categories.

The limitations established in the agreement do not apply to exports of handloomed fabrics of the cottage industry, or to handmade cottage industry products made of such handloomed fabrics, or to folklore handicraft textile products traditional to Thailand.

Government Policy

Economic importance of the textile and apparel industries

The textile and apparel industry plays an important role in the industrialization of Thailand as it is the largest employer in the manufacturing sector. Because of the rapid growth of the industry, especially in garment production, additional increases in employment are anticipated.

In 1980, Thai exports of all products totaled an estimated \$6.5 billion; exports of textiles and apparel accounted for approximately 7 percent of this

total. However, in 1980 total imports amounted to \$9.3 billion, resulting in a \$2.8 billion deficit. In 1980 textile and apparel trade showed a surplus of about \$190 million. Although the textile trade figures are small compared with the overall trade deficit, textiles is an area through which Thailand hopes to improve its balance of payments position.

Industrial promotion policy

Thailand has over the years adopted policies which support liberal free enterprise. Government policy plans have dealt with industrial development only in very general terms. Manufacturing operations have been recognized generally as an important field for private enterprise and the Government has devoted its attention largely to public services. Funds for industry are largely allocated by privately owned financial institutions in response to market forces with little Government involvement. The present Government actively promotes investment, and maintains a favorable environment for further industrial development. 1/

In recent years, the Government's industrial policy has included stimulating employment and location of industries outside the Bangkok area. Recent efforts to promote exports, which have usually been in the more labor-intensive industries, are consistent with the objective of expansion of employment. 2/

Thailand's relative monetary stability, its sustained economic business growth, and its generally favorable business climate have encouraged domestic and foreign investment. During 1958-73, domestic price inflation in Thailand averaged only 2 percent a year, with the maximum increase in any one year being less than 4 percent. Domestic prices jumped sharply during the oil crisis of 1973-74 when the consumer price index showed an average annual increase of 20 percent in 2 years. The inflation rate was brought down to 4 percent in 1975 and 1976, and to 8 percent in 1977; however, with rapidly increasing costs, the inflation rate was approximately 15 percent in 1980. 3/

Export promotion

During the 1960's and early 1970's, industrial policies generally favored import substitution. Import tariffs, generally low at the beginning of the period, were raised significantly in 1964 and again in 1970, initially only for revenue purposes but subsequently also for protection of domestic industries. By 1971, there was a significant bias favoring production for the domestic market and against exports, with incentives being strongest for production of finished products based on imported intermediate and capital goods.

1/ World Bank, op. cit., p. 13.

2/ Ibid, p. 15.

3/ Ibid.

Exports have been actively promoted since 1972 with the enactment of the Export Promotion Act, which provided a full tax exemption on imported inputs plus other export promotional privileges. In addition, the following measures were implemented: a refund of all taxes in the production process at the Fiscal Policy Office of the Ministry of Finance, a discount facility on short-term loans at the Bank of Thailand, and an exemption of business tax on the promoted products. An Export Promotion Committee was set up in 1972 to coordinate these promotional efforts aimed at exports as a whole.

In 1977, the Government embarked on a major effort in export promotion of manufactured goods. The Board of Investment (BOI) became one of the most active and purposeful economic agencies in the Government. It has strong political support for stimulating investment, and administrative support for the firms it chooses to promote.

The BOI provides the following incentives for manufactured exports:

- (1) Full exemption of import duties and business taxes on imported machinery, plant and equipment, and raw materials;
- (2) Full exemption of business taxes on domestic machinery and raw materials;
- (3) Exemption of export duties and business taxes on exports;
- (4) Full exemption from corporate income tax for 3-8 years;
- (5) Other non-tax incentives given in the Investment Promotion Act, the law which provides for accelerating private, particularly foreign, investment; and
- (6) A discount of 20 percent on the cost of electricity.

Although other factors were involved, these promotion measures contributed to the rapid growth of manufactured exports from \$40 million to \$449 million between 1970 and 1979.

Assistance to the textile industry

The Board of Investment began to offer incentives to encourage investment in the textile industry in 1963. With the aid of the Government, the textile industry began to expand.

Until 1968, the Government encouraged the textile industry as an import-substitution industry. In that year, the Government changed its policy, stating that new mills would have to export at least 20 percent of their production. Because of the fast growth of the textile industry, combined with relative inexperience in exporting, production began to exceed consumption in 1970. At that time, the Thai Textiles Manufacturers Association petitioned

the Government requesting assistance in exporting textile products. Following this request, in 1972 exporters of textile and apparel goods were granted promotional privileges administered by the BOI. 1/

During 1974-76, the Bank of Thailand agreed to refinance imports of raw materials and chemicals, as well as extend credit on 50 percent of unused raw materials. 2/

In 1974, again responding to a request by the Thai Textiles Manufacturers Association, the Government agreed to extend financial assistance to local mills. The Government assistance consisted of (1) loans from 50 to 90 percent of the amount needed to buy raw materials through commercial banks rediscounting facilities at the rate of 6 percent, and (2) in the case of export credits, more than 90 percent of the credit extended to buyers abroad could be financed by the Government at the same rate, but with 3-year repayment terms. 3/

The Government has provided import protection to the synthetic fiber manufacturers since 1974, when imports of polyester and nylon fiber were included on the list of controlled items. Import licenses are required to import such fibers. In addition, a 30-percent surtax is imposed on imports of polyester fiber. 4/

Within recent years, the Government has undertaken an extensive program to expand cotton production. There has been a coordinated effort to expand cotton acreage and improve production through research programs in cotton growing areas. The Agricultural Ministry's program for expanding cotton production has proven successful with cotton production reaching record levels in recent years. This has encouraged the Government, under the Fifth Five Year (1982-86) Plan, to set the 1986 production target at approximately 165,000 tons, 5/ as shown in the following tabulation:

<u>Crop year</u>	<u>Cotton production</u> (tons)
1982/83-----	87,912
1983/84-----	106,227
1984/85-----	120,879
1985/86-----	139,194
1986/87-----	164,835

1/ Report from U.S. Embassy, Bangkok, Apr. 21, 1977.

2/ Ibid.

3/ Ibid.

4/ Ibid.

5/ Report from U.S. Embassy, Bangkok, Sept. 23, 1981.

Export Potential

Government programs designed to stimulate exports and to increase cotton production, combined with the need to reduce the growing overall trade deficit and to increase employment of the unskilled, will most likely provide the basis for continued growth in Thailand's exports of textiles and apparel during the next 5 years. According to published UN data, Thailand's exports of textiles and apparel grew at an average annual rate of 25 percent between 1973 and 1980, rising from \$11 million to \$525 million, which is still less than 1 percent of total world trade in these products.

Although Thailand's 1980 textile and apparel exports were much smaller than those of Hong Kong (\$5.3 billion), Korea (\$4.2 billion), or Taiwan (\$3.8 billion), Thailand is likely to become more important as a competitor with the Big Three. Thailand, along with other developing countries may benefit from some shifting of trade due to quota shortages encountered by the Big Three, particularly on popular apparel items. This shift will probably intensify, since the 1982 protocol extending the MFA allows importing countries to grant more favorable treatment to new and small suppliers and restrict quota growth of the major suppliers. In addition, rising production costs are forcing Hong Kong and Taiwan to trade up in quality and fashion, thereby opening up the low-end apparel markets to the new and small suppliers. Thus, the cumulative impact of growing exports from new and small suppliers, such as Thailand and Sri Lanka, could significantly impact on the relative importance of established foreign suppliers.

More than half the increased exports of textiles and apparel from Thailand during 1973-80 went to the EC, which received 45 percent of Thailand's textile and apparel exports in 1980. Exports to the EC rose from \$8 million to \$239 million during the period. Shipments to the United States, which accounted for 16 percent of the exports in 1980, showed little or no growth in 1979 and 1980, averaging \$85 million annually, after increasing from \$28 million in 1973 to \$83 million in 1978. Apparel constituted the greatest share of exports to the United States, whereas textiles made up more than half the shipments to the EC. Nevertheless, the United States and the EC were markets for three-fourths of Thailand's apparel exports in 1980.

Despite MFA restrictions on Thailand's exports of textiles and apparel, its shipments to the United States should grow moderately during the next 5 years. Since its products compete primarily on price, Thailand's competitiveness will be further enhanced if the goal of producing 70 percent of its cotton needs by 1986 is met, thereby reducing its dependence on higher priced, imported cotton.

To realize any significant growth in exports, however, Thailand will need to diversify its product line. On the basis of U.S. imports of apparel from Thailand during 1979-81, half the shipments consisted of shirts and blouses, which rank among the most import-sensitive items in the U.S. market. Another 40 percent of the imports were roughly divided between pants and outerwear jackets and most of the remainder consisted of sweaters, where imports' market share is the highest of the major apparel items. In fabrics, Thailand's shipments consisted predominately of cotton grey cloth (i.e., not bleached, dyed, fancy, or figured).

Although Thailand reached or nearly reached limits established on its shipments to the United States in key cotton apparel categories in 1980, it had considerable room to expand shipments in most manmade-fiber apparel categories subject to specific limits. There was also considerable room for growth in fabric and apparel categories subject to consultation levels. Thailand reached its limit on cotton jackets and pants and wool sweaters and reached between 85 and 99 percent of its limit on cotton knit and woven shirts and blouses and woven manmade-fiber blouses. However, it used less than half its quota on cotton gloves and manmade-fiber coats and knit blouses. In addition, its limits on manmade-fiber pants, knit shirts, and sweaters were two-thirds filled.

Thailand can be expected to increase its shipments of textiles and apparel to the EC in the coming years. Although more than half the exports to the EC during 1973-80 consisted of textiles, shipments of apparel grew more rapidly and, in 1980, represented 47 percent of combined shipments. Apparel shipments to the EC will probably continue to expand, as the newly extended MFA allows importing countries to grant favorable treatment to smaller suppliers, such as Thailand.

The increased production of fabrics and yarn will remain an important part of Thailand's textile export picture, particularly as it further develops its dyeing and finishing processes. Hong Kong will continue to be a major market for the increased output, especially since its textile mill industry has been experiencing declining production capacity, escalating rents, and rising wages. ^{1/} Japan and Singapore will also provide growth markets for textiles as well.

^{1/} "Industry in Squeeze," Textile Asia, April 1981, p. 121.

Table XIX-1.--Textiles and apparel: Exports from Thailand, by specific world markets and countries, 1973 and 1976-80

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
1,000 U.S. dollars								
Textiles:								
Developing:								
Big Three...	6,581	16,699	17,039	28,082	38,522	37,736	153.746	125.978
Other Asia...	25,459	18,503	20,564	33,054	35,740	40,162	-27.322	117.057
Other								
developing...	895	573	776	34	10	31	-35.978	-94.590
Socialist.....	185	-	-	-	-	758	-100.000	(1)
Developed:								
EEC.....	5,301	57,647	68,463	76,364	117,164	125,542	987.474	117.777
Southern								
Europe.....	207	447	158	447	768	275	115.942	-38.479
Other Europe:	334	2,347	2,047	4,045	9,724	9,172	602.695	290.797
United								
States.....	2,429	18,408	17,007	21,818	18,296	17,655	657.843	-4.091
Canada.....	228	2,656	4,300	2,426	2,964	735	1064.912	-72.327
Japan.....	35,753	18,950	16,444	26,441	46,131	38,671	-46.997	104.069
Other.....	2,091	5,589	5,460	8,178	14,470	15,347	167.288	174.593
Apparel:								
Developing:								
Big Three...	332	1,406	1,557	2,076	1,425	2,027	323.494	44.168
Other Asia...	439	1,289	5,634	3,491	3,264	17,705	193.622	1273.545
Other								
developing...	282	146	69	42	9	60	-48.227	-58.904
Socialist.....	-	-	-	-	-	-	-	-
Developed:								
EEC.....	2,737	28,241	39,145	51,387	82,763	113,266	931.823	301.069
Southern								
Europe.....	10	30	143	280	506	805	200.000	2583.333
Other Europe:	622	11,603	11,361	12,728	18,237	23,565	1765.434	103.094
United								
States.....	25,810	32,670	27,365	61,387	67,564	67,782	26.579	107.475
Canada.....	470	422	289	343	4,775	5,269	-10.213	1148.578
Japan.....	1,101	3,487	2,439	2,758	5,227	5,905	216.712	69.343
Other.....	122	1,265	2,037	1,849	2,306	2,961	936.885	134.071
Textile & Apparel:								
Developing:								
Big Three...	6,913	18,105	18,596	30,158	39,947	39,763	161.898	119.624
Other Asia...	25,898	19,792	26,198	36,545	39,004	57,867	-23.577	192.376
Other								
developing...	1,177	719	845	76	19	91	-38.912	-87.344
Socialist.....	185	-	-	-	-	758	-100.000	(1)

Table XII-1.--Textiles and apparel: Exports from Thailand, by specific world markets and countries, 1973 and 1976-80--Continued

Market	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Textile & Apparel:								
Developed:								
EEC.....	8,838	85,888	107,608	127,751	199,927	238,808	968.525	178.846
Southern Europe.....	217	477	301	727	1,274	1,080	119.816	126.415
Other Europe:	956	13,950	13,408	16,773	27,961	32,737	1359.205	134.674
United States.....	28,239	51,078	44,372	83,205	85,860	85,437	88.878	67.268
Canada.....	698	3,078	4,589	2,769	7,739	6,004	348.974	95.862
Japan.....	36,854	22,437	18,883	29,199	51,358	44,576	-39.119	98.672
Other.....	2,213	6,854	7,497	10,027	16,776	18,308	289.715	167.114
Total.....	111,390	222,638	242,297	337,230	469,865	525,429	99.873	136.001

1/ Data or computation error.
- Data not available.

Table X11-2.--Textiles and apparel: Exports from Thailand, by principal markets, 1976-80--Continued

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textile & Apparel:					
Belgium-Luxmb.....	5,529	6,802	9,109	14,991	22,758
Denmark.....	9,765	11,265	11,730	14,522	15,510
Australia.....	6,636	7,130	9,189	14,358	16,350
Sweden.....	9,886	9,162	9,174	13,736	15,215
Other.....	18,904	25,452	24,401	30,073	66,615
Total.....	222,638	242,297	337,230	469,865	525,429

Table XII-2. --Textiles and apparel: Exports from Thailand, by principal markets, 1976-80

Market	1976	1977	1978	1979	1980
	1,000 U.S. dollars				
Textiles:					
United States.....	18,408	17,007	21,818	18,296	17,655
Japan.....	18,950	16,444	26,441	46,131	38,671
Italy.....	20,455	20,709	23,107	41,064	43,032
Hong Kong.....	15,130	15,937	25,256	35,805	31,195
Singapore.....	11,325	12,049	25,689	34,940	21,429
FR Germany.....	15,338	19,752	23,243	30,641	31,025
Belgium-Luxemb.....	4,881	5,511	8,174	13,534	21,084
Australia.....	5,378	5,097	7,364	12,116	13,480
France.....	2,221	4,591	5,973	9,345	9,464
United Kingdom.....	4,536	6,253	5,619	8,267	7,009
Denmark.....	5,327	5,867	5,270	7,016	4,305
Netherlands.....	4,284	4,907	4,644	6,605	7,180
Austria.....	543	138	1,184	3,587	1,685
Other.....	15,303	17,996	17,107	16,442	36,870
Total.....	142,079	152,258	200,889	283,789	286,084
Apparel:					
United States.....	32,670	27,365	61,387	67,564	67,782
FR Germany.....	11,508	17,738	25,340	35,709	42,630
United Kingdom.....	4,911	6,414	7,653	18,051	20,962
Sweden.....	8,708	7,972	7,729	11,089	11,921
Netherlands.....	1,510	2,495	3,216	9,425	11,550
Denmark.....	4,438	5,398	6,460	7,506	11,205
France.....	3,865	2,170	4,437	7,439	14,969
Japan.....	3,487	2,439	2,758	5,227	5,905
Canada.....	422	289	343	4,775	5,269
Norway.....	1,989	1,825	2,609	3,381	5,156
Singapore.....	657	1,125	1,796	3,264	4,896
Italy.....	1,273	3,534	3,181	3,011	9,610
Australia.....	1,258	2,033	1,825	2,242	2,870
Other.....	3,863	9,242	7,607	7,393	24,620
Total.....	80,559	90,039	136,341	186,076	239,345
Textile & Apparel:					
United States.....	51,078	44,372	83,205	85,860	85,437
FR Germany.....	26,846	37,490	48,583	66,350	75,655
Japan.....	22,437	18,883	29,199	51,358	44,576
Italy.....	21,728	24,243	26,288	44,075	52,642
Singapore.....	11,982	13,174	27,485	38,204	26,325
Hong Kong.....	16,520	17,494	27,325	37,206	33,212
United Kingdom.....	9,447	12,667	13,272	26,318	27,971
France.....	6,086	6,761	10,410	16,784	24,433
Netherlands.....	5,794	7,402	7,860	16,030	18,730

Table XII-3.--Textiles and apparel: Exports from Thailand, by types, 1973 and 1976-80

SITC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
Silk yarn...	19	51	3	105	1	4	168.421	-92.157
Wool yarn...	14	0	23	6	1	21	-100.000	(1)
Cotton yarn...	1,284	2,126	1,339	1,518	1,151	771	65.576	-63.735
Yarn of manmade fibers....	5,742	13,048	17,736	23,871	23,342	27,071	127.238	107.472
Other yarn...	1	-	-	-	-	-	-	-
Grey cotton fabrics...	16,498	28,642	37,612	42,838	50,351	49,495	73.609	72.806
Finished cotton fabrics...	2,164	18,354	13,164	12,550	18,979	19,069	748.152	3.896
Woven fabric of continuous manmade fibers....	1,715	3,620	3,469	10,149	8,225	7,874	111.079	117.514
Woven fabric of disconti- nuous manmade fibers....	15,861	32,293	34,377	47,512	72,746	56,425	103.600	74.728
Pile fabrics of manmade fibers....	3,311	4,250	3,546	28	27	1	28.360	-99.976
Woven fabrics of wool.....	50	0	6	-	-	42	-100.000	(1)
Woven fabrics of other fibers....	6,262	3,097	2,130	1,987	2,666	4,185	-50.543	35.131
Knit fabrics	271	268	322	372	867	254	-1.107	-5.224
Other textile products..	20,884	28,219	24,516	35,963	48,758	64,578	35.123	128.846
Floor coverings..	874	678	1,405	1,612	2,640	5,639	-23.341	741.642
Subtotal, Textiles and floor coverings..	74,950	134,638	139,648	177,711	229,754	235,429	79.637	74.861

Table XII-3.--Textiles and apparel: Exports from Thailand, by types, 1973 and 1976-80--Continued

SIIC Description	1973	1976	1977	1978	1979	1980	Percent change 1976 from 1973	Percent change 1980 from 1976
	1,000 U.S. dollars							
M&B outer garments, not knit..	4,759	11,191	13,757	19,601	21,746	26,668	135.154	138.299
H&G outer garments, not knit..	6,006	17,794	23,757	33,044	49,229	56,809	196.270	219.259
M&B under garments, not knit..	2,026	7,822	8,814	12,474	11,379	15,573	286.081	99.092
H&G under garments, not knit..	288	307	1,060	1,244	1,342	1,124	6.597	266.124
Accessories, not knit..	345	1,913	3,833	4,308	6,653	8,113	454.493	324.098
Gloves, knit	14	369	678	1,157	2,272	2,062	2535.714	458.808
Sockings, etc., knit	88	201	561	1,147	4,261	2,687	128.409	1236.816
Under garments, knit.....	6,133	21,008	14,821	36,359	37,073	45,414	242.540	116.175
Outer garments, knit.....	11,379	15,819	13,462	13,400	27,634	41,008	39.819	159.233
Elastic fab. & art., knit.....	0	44	13	23	13	16	(1)	-63.636
Subtotal, Apparel...	31,038	76,460	80,756	122,757	161,602	199,474	146.369	160.859
Total.....	105,988	211,106	220,404	300,468	391,356	434,903	99.179	106.812

1/ Data or computation error.

- Data not available.

Table XII-4.--Cotton textiles: U.S. imports from Thailand, by MFA categories, 1976-81

Category	Description	1976	1977	1978	1979	1980	1981
310	Gingham	0	0	0	1,567	0	0
313	Sheeting	3,601,822	4,044,968	5,689,360	3,700,434	1,127,403	3,268,394
314	Poplin and broadcloth	1,173,198	2,382,226	1,476,696	2,407,756	628,925	4,321,239
315	Printcloth	4,008,179	2,416,199	4,216,585	1,417	0	3,398,477
317	Twill and sateen	2,638,447	2,258,074	3,989,727	1,380,451	3,665,509	2,080,770
318	Yarn-dyed fabric, n.e.s.	267	0	0	0	213	0
319	Duck	2,658,401	2,204,137	3,862,482	3,029,997	2,759,982	4,661,790
320	Woven fabrics, n.e.s.	3,310,312	6,549,754	11,022,297	7,278,488	3,602,112	120,446,088
330	Handkerchiefs	367	1,193	0	0	0	0
331	Gloves	80,850	394,255	952,606	760,211	480,235	449,663
333	Suit-type coats, men and boys	7,095	17,666	156,023	54,083	0	0
334	Other coats, men and boys	49,395	48,073	171,024	560,318	647,046	585,345
335	Coats, women, girls, and infants	797,670	1,167,841	1,237,843	1,761,775	1,259,981	1,659,680
336	Dresses	316,059	250,010	408,698	830,350	299,389	469,399
337	Playsuits	625	225	12,775	165,150	128,325	121,850
338	Knit shirts, men and boys	593,964	1,016,381	1,570,636	1,331,510	2,046,420	2,144,470
339	Knit shirts and blouses, women, girls, and infants	652,104	616,537	1,866,312	1,527,661	1,474,524	1,238,091
340	Shirts, not knit, men and boys	1,045,848	1,537,464	1,808,808	1,076,640	1,986,552	2,316,912
341	Blouses, not knit, women, girls, and infants	357,775	207,047	894,652	1,618,594	1,021,672	1,425,772
342	Skirts	86,348	17,943	51,228	32,574	21,075	31,845
345	Sweaters	300,435	15,125	2,870	593,216	110,547	68,779
347	Trousers, men and boys	554,558	438,733	1,021,968	287,042	640,872	612,498
348	Trousers, women, girls, and infants	299,360	544,235	1,568,144	2,120,229	2,437,641	3,311,405
350	Dressing gowns	14,433	2,805	4,080	3,774	8,670	16,065
351	Nightwear	6,240	875,992	36,816	68,016	0	115,596
352	Underwear	18,260	7,700	19,800	0	0	0
359	Other apparel	88,901	48,207	57,426	18,616	16,910	37,660
360	Pillowcases	2,003	8,612	6,502	1,817	1,768	1,246
361	Sheets	16,616	0	384	0	0	0
362	Bedspreads and quilts	2,063	697	387	7,976	53,392	44,436
363	Terry and other pile towels	0	50,268	167,412	15,060	31,468	29,760
369	Other manufactures	141,588	383,345	573,821	640,610	648,881	605,951
	Total	22,823,183	27,505,712	42,847,362	31,275,332	25,099,512	53,463,181

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

Table XII-5.--Wool textiles: U.S. imports from Thailand, by MFA categories, 1976-81
(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
400	Wool tops and yarn	0	0	0	352	0	0
411	Tapestries and upholstery	0	260	0	0	0	0
434	Other coats, men and boys	0	0	8,316	702	270	0
435	Coats, women, girls, and infants	59,292	60,102	56,268	6,318	80,028	79,542
436	Dresses	0	492	2,214	1,919	1,525	34,194
438	Knit shirts and blouses	9,000	0	1,290	0	900	5,160
440	Shirts and blouses, not knit	0	144	360	0	0	336
442	Skirts	0	126	288	0	162	36
443	Suits, men and boys	0	0	54	0	54	0
444	Suits, women, girls, and infants	0	0	0	0	54	2,700
445	Sweaters, men and boys	7,514	5,580	20,877	35,757	15,385	22,454
446	Sweaters, women, girls, and infants	461	10,074	19,761	20,311	253,109	258,883
448	Trousers, women, girls, and infants	0	36	216	0	0	0
459	Other apparel	5,188	3,248	460	16,868	156	3,076
465	Floor coverings	2,249	7,882	15,372	21,403	37,474	32,206
469	Other manufacturers	0	0	0	0	22	0
	Total	83,704	87,944	125,476	103,630	389,139	438,587

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

Table XII-6.-Manmade-fiber textiles: U.S. imports from Thailand, by MFA categories, 1976-81

(In equivalent square yards)

Category	Description	1976	1977	1978	1979	1980	1981
600	Textured yarn-----	0	662	0	0	0	0
604	Noncontinuous noncellulosic yarn-----	0	0	0	511,438	2,391,403	1,305,711
605	Other yarns-----	34,248	30,160	0	0	0	195,332
610	Continuous cellulosic woven fabrics-----	0	0	0	0	22	295
611	Spun cellulosic woven fabrics-----	0	0	32,652	199,500	0	58
612	Continuous noncellulosic woven fabrics-----	1,786,158	27,650	566,706	343,883	233,012	103,931
613	Spun noncellulosic woven fabrics-----	3,362,651	2,570,449	1,711,551	3,350,344	655,236	9,974,327
614	Woven fabrics, n.e.s-----	133,412	548,533	63,542	45,326	84,200	31,156
627	Specialty fabrics-----	780	7,901	0	1,365	0	8
631	Gloves-----	10,500	45,235	32,292	68,758	43,505	81,484
632	Hosiery-----	8,280	5,244	193	0	0	0
633	Suit-type coats, men and boys-----	0	0	93,686	100,708	25,340	0
634	Other coats, men and boys-----	4,620,809	3,748,223	6,724,921	4,022,084	2,825,870	3,181,546
635	Coats, women, girls, and infants-----	2,279,802	3,137,395	2,538,547	2,239,740	2,657,037	1,855,155
636	Dresses-----	20,838	9,015	27,950	5,618	281,812	127,113
637	Playsuits-----	0	2,300	42,600	119,536	111,697	173,573
638	Knit shirts, men and boys-----	2,131,506	243,324	605,286	571,860	638,424	1,446,498
639	Knit shirts and blouses, women, girls, and infants-----	16,879,770	4,695,105	14,423,520	12,017,700	7,608,000	7,529,985
640	Shirts, not knit, men and boys-----	370,104	619,920	494,280	706,632	587,640	191,784
641	Blouses, not knit, women, girls, and infants-----	66,396	690,302	1,634,137	2,258,362	1,388,536	2,495,233
642	Skirts-----	99,502	712	72,197	44,144	27,305	59,737
643	Suits, men and boys-----	0	0	22,410	12,582	0	0
644	Suits, women, girls, and infants-----	28,080	0	48,114	0	648	5,670
645	Sweaters, men and boys-----	13,211	485,098	840,254	826,712	330,942	867,229
646	Sweaters, women, girls, and infants-----	328,992	802,608	2,316,376	1,109,888	1,044,311	1,876,138
647	Trousers, men and boys-----	185,476	65,647	436,690	824,888	62,566	82,467
648	Trousers, women, girls, and infants-----	1,515,474	137,896	3,186,716	3,136,520	3,904,945	4,608,009
649	Brassieres-----	0	0	5,942	0	128,165	116,650
650	Dressing gowns-----	0	2,040	0	1,428	204	20,910
651	Nightwear-----	0	51,948	0	0	3,328	56,056
652	Underwear-----	1,328	1,632	224,000	79,872	31,200	72,576
659	Other apparel-----	797,028	7,691	590,630	476,448	58,399	196,420
665	Floor coverings-----	112	738	0	406	3,349	30,625
666	Other furnishings-----	312	11,653	9,126	9,462	7,269	24,048
669	Other manufactures-----	31,957	14,485	145,119	237,424	239,499	3,874
	Total-----	34,706,726	17,963,566	36,889,437	33,322,628	25,373,864	36,713,598

Table XII-7.—United States/Thailand bilateral agreement: Limits by MFA category, with shipments charged, 1980

MFA category No.	Type of limit	Description	Units	Limitation	Shipment charged	Percentage filled
				1,000 units		
Group I:						
313	Designated consultation:	Cotton sheeting-----	Sq. yd.	10,000	1,118	11
314	-----do-----	Cotton poplin and broad-cloth.	Sq. yd.	7,000	419	6
315	-----do-----	Cotton printcloth-----	Sq. yd.	5,860	62	1
317	-----do-----	Cotton twill and sateen--	Sq. yd.	5,600	4,908	58
319	-----do-----	Cotton duck-----	Sq. yd.	5,000	2,670	53
320	-----do-----	Other cotton woven fabric.	Sq. yd.	8,000	4,486	56
604	-----do-----	Spun manmade-fiber yarn (noncellulosic).	Sq. yd.	1/ 537	531	99
613	-----do-----	Woven fabric of spun man-made-fiber yarn (noncellulosic).	Sq. yd.	9,500	752	8
Group II:						
331	Specific-----	Cotton gloves-----	Doz. pr.	359	73	20
334/335	-----do-----	Cotton coats (except suit-type).	Doz	2/ 41	41	100
336	Designated consultation:	Cotton dresses-----	Doz	22	8	37
338/339	Specific-----	Knit cotton shirts-----	Doz	510	469	92
340	-----do-----	Woven cotton shirts, men's and boys'.	Doz	1/ 100	88	88
341	-----do-----	Woven cotton blouses-----	Doz	2/ 91	79	79
347/348	-----do-----	Cotton trousers-----	Doz	161	161	100
445/446	-----do-----	Cotton sweaters-----	Doz	1/ 16	21	132
634/635	-----do-----	Manmade-fiber coats (except suit-type).	Doz	2/ 290	125	43
638	-----do-----	Knit manmade-fiber shirts, men's and boys'.	Doz	2/ 94	62	66
639	-----do-----	Knit manmade-fiber shirts and blouses.	Doz	2/ 989	451	46
645/646	-----do-----	Manmade-fiber sweaters-----	Doz	2/ 57	39	69
647/648	-----do-----	Manmade-fiber trousers-----	Doz	2/ 324	201	62
640	Designated consultation:	Woven manmade-fiber shirts, men's and boys'.	Doz	42	20	47
659	-----do-----	Other manmade-fiber apparel.	Lb	290	9	3

1/ Adjusted upward.

2/ Adjusted downward.

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

Note.—Table shows only specific levels and designated consultation levels for 1980. All other cotton, wool, and manmade fiber categories were covered by minimum consultation levels as described in the text.

APPENDIX
Statistical Tables

Table A-1 --Textiles and clothing: World exports, total and to the United States, by exporting countries, 1980

Exporting country	(In thousands of U.S. dollars)					
	Exports to the World			Exports to the U.S.		
	Textiles	Clothing	Total	Textiles	Clothing	Total
Italy.....	3,727,710	4,591,646	8,319,356	212,361	184,996	397,357
FR Germ.....	4,921,559	2,410,255	7,331,814	88,849	22,484	111,333
Hong Kong.....	686,729	4,590,686	5,277,415	125,805	1,750,537	1,876,342
France.....	2,811,307	2,058,635	4,869,942	91,991	113,270	205,261
Korea Rep.....	1,474,041	2,730,796	4,204,837	119,086	1,102,666	1,221,752
Bel-lux.....	3,046,884	824,760	3,871,644	59,555	3,518	63,073
U King.....	2,347,841	1,599,371	3,947,212	131,977	69,838	201,815
Taiwan.....	1,431,001	2,344,308	3,775,309	113,369	1,389,337	1,502,706
United States.....	2,781,740	739,448	3,521,188	-	-	-
Netherlands.....	1,845,511	616,931	2,462,444	26,324	2,449	28,773
Japan.....	3,035,587	480,135	3,515,722	392,513	215,147	607,660
China.....	2,114,690	1,414,352	3,529,050	149,373	276,429	425,802
Switzld.....	1,341,954	291,485	1,633,439	36,649	4,340	40,989
India.....	1,008,042	727,585	1,735,627	231,836	164,664	396,500
Austria.....	839,050	580,282	1,419,332	4,764	3,368	8,132
Portugal.....	548,028	651,974	1,200,002	23,612	10,851	34,463
Greece.....	439,135	646,486	1,085,621	1,694	10,724	12,418
Finland.....	158,386	562,304	720,690	6,403	2,974	9,377
Yugoslvia.....	120,110	546,250	666,360	2,493	9,767	12,260
Pakistan.....	654,619	90,614	745,233	78,606	18,105	96,711
Ireland.....	469,576	215,670	685,246	16,935	4,066	21,001
Spain.....	433,959	229,416	663,375	10,109	10,096	20,205
Iran.....	585,338	206	585,544	31,526	3	31,529
Denmark.....	373,620	314,341	687,961	4,637	697	5,334
Phil Rep.....	82,750	478,548	561,298	27,786	241,681	269,467
Sweden.....	325,679	215,989	541,668	6,618	2,539	9,157
Thailand.....	286,084	239,345	525,429	17,655	67,782	85,437
Romania.....	101,630	338,872	440,502	13,958	33,201	47,159
Brazil.....	446,100	78,155	524,255	87,746	17,020	104,766
Singapore.....	142,632	372,884	515,516	17,115	145,365	162,480
Turkey.....	328,230	100,467	428,697	8,233	1,794	10,027
Hungary.....	112,993	336,145	449,138	1,905	6,345	8,250
Poland.....	164,800	275,861	440,661	23,093	36,841	59,934
Macau.....	89,959	415,296	505,255	41	97,441	97,482
Mexico.....	105,096	269,611	374,707	60,172	247,657	307,829
Tunisia.....	64,365	372,565	436,930	208	560	768
Malaysia.....	177,759	210,097	387,856	4,315	42,625	46,940
Czechslv.....	237,536	137,109	374,645	2,804	2,044	4,848

Table A-1--Textiles and clothing: World exports, total and to the United States, by exporting countries, 1980-Continued

Exporting country	(In thousands of U.S. dollars)					
	Exports to the World			Exports to the U.S.		
	Textiles	Clothing	Total	Textiles	Clothing	Total
Israel.....	144,748	248,837	394,785	1,886	15,418	17,294
Canada.....	239,839	79,288	319,127	49,411	43,348	112,751
Morocco.....	128,273	134,778	257,043	611	1,887	1,498
Bangladesh.....	248,383	1,429	241,812	92,711	43	92,774
Malta.....	19,124	175,478	194,602	538	382	920
Norway.....	115,449	42,823	178,492	1,334	2,829	4,163
Egypt.....	149,439	18,368	167,799	27,829	2,275	29,384
Germ Dem Rep.....	188,889	38,253	146,262	184	2,921	3,025
Colombia.....	84,894	28,535	113,429	28,348	26,728	47,068
Unknown(988).....	132,567	34,952	167,519	-	-	-
Peru.....	92,212	18,279	102,491	33,882	4,285	37,267
U.S.S.R.....	75,882	1,444	77,330	98	58	156
Sri Lanka.....	5,843	125,469	138,512	539	71,448	71,987
Other.....	784,632	944,594	1,649,226	61,183	368,138	429,321
Total.....	42,896,754	35,884,595	77,181,349	2,540,918	4,852,897	9,393,887

- Data not available.

Table A-2 -- Textiles and clothing: World exports, by exporting countries, 1973-1980

Exporting country	1973	1974	1975	1976	1977	1978	1979	1980	Percentage change, 1976 from 1973	Percentage change, 1980 from 1976
				1,000 U.S. dollars						
Italy	2,750,012	3,127,374	4,770,107	3,060,063	4,035,967	6,334,045	7,940,341	8,319,356	40.635	115.034
FR Germ.	3,391,074	3,924,907	4,064,466	4,405,362	4,845,253	5,700,349	6,911,551	7,331,014	29.911	66.429
Hong Kong	1,971,162	2,331,392	2,754,018	3,359,928	3,463,037	3,954,542	4,556,970	5,277,415	70.454	57.069
France	2,476,369	2,739,944	3,046,577	2,071,016	3,263,082	3,000,509	4,398,170	4,869,942	15.937	69.624
Korea Rep.	1,452,051	1,374,678	1,535,390	2,395,321	2,617,250	3,467,062	3,919,434	4,204,037	129.066	75.544
Bel-Lux	1,979,554	2,321,619	2,402,038	2,409,792	2,579,611	3,039,157	3,547,540	3,871,644	25.775	55.501
U Kingdom	1,796,349	2,137,290	2,345,251	2,195,993	2,709,736	2,899,391	3,482,400	3,947,212	22.304	79.746
Taiwan	1,314,910	1,527,036	1,543,643	1,997,162	2,204,043	2,667,111	3,062,123	3,775,309	51.067	89.032
United States	1,401,063	2,010,097	1,763,016	1,977,547	2,067,390	2,067,111	3,007,100	3,521,180	41.066	70.058
Netherlands	1,573,040	1,776,364	2,170,062	1,012,344	1,032,694	2,130,946	2,407,108	2,462,444	15.213	35.071
Japan	2,267,491	2,466,607	2,655,110	2,209,710	2,691,249	2,757,500	2,492,617	3,515,722	15.201	53.543
China	963,950	1,020,276	1,417,005	1,099,083	1,316,046	1,649,609	2,364,310	3,529,050	11.701	221.090
Switzerland	750,427	851,027	1,143,522	949,554	1,056,255	1,286,944	1,465,125	1,633,439	26.535	72.022
India	659,256	855,618	777,017	660,964	1,013,147	1,175,502	1,449,116	1,735,627	30.599	101.506
Austria	563,110	700,445	1,175,619	736,783	853,969	1,034,101	1,259,089	1,419,332	26.354	92.638
Portugal	469,300	616,354	523,247	463,980	502,003	670,032	1,026,504	1,200,002	-1.130	158.623
Greece	207,367	305,727	370,969	490,930	593,404	704,066	631,619	720,690	140.602	96.059
Finland	313,730	313,204	379,562	366,094	509,199	540,699	610,039	666,360	50.205	35.455
Yugoslavia	375,569	420,204	409,331	491,941	509,199	540,699	610,039	666,360	30.986	35.455
Lebanon	410,725	439,226	617,767	360,447	322,102	441,044	613,779	745,233	-9.142	95.084
Ireland	245,771	310,489	296,024	315,147	403,103	501,000	611,007	605,246	20.220	117.437
Spain	247,420	334,232	409,331	364,164	430,166	524,533	603,354	663,375	47.185	62.164
Iran	310,005	273,270	409,327	307,331	420,295	467,510	572,126	607,961	31.756	72.750
Denmark	302,257	340,366	379,828	390,241	420,295	467,510	572,126	607,961	125.691	137.439
Phil Kup	89,642	110,771	120,926	202,314	269,931	362,537	491,329	561,290	56.126	47.553
Sweden	206,080	346,062	301,023	374,323	370,323	400,551	470,247	541,668	30.042	44.706
Thailand	111,390	130,575	110,389	222,630	242,297	337,230	459,063	525,429	99.073	136.001
Romania	177,355	204,685	439,000	290,539	312,411	400,254	459,063	525,429	60.320	71.626
Brazil	197,574	202,411	641,187	305,464	356,262	350,120	455,990	524,255	54.607	107.652
Singapore	199,341	193,554	170,022	240,259	274,095	339,436	433,700	515,516	24.540	37.208
Turkey	126,922	213,555	369,003	312,261	307,633	327,391	422,201	420,697	142.209	71.086
Hungary	195,182	250,472	256,551	262,522	320,097	351,991	410,209	449,130	34.363	64.150
Poland	169,189	239,514	712,564	260,451	331,603	356,792	414,136	450,661	41.096	151.003
Haiti	92,994	90,458	131,577	200,655	242,005	250,070	355,340	505,255	115.772	23.232
Mexico	210,292	351,539	293,440	304,067	307,097	321,531	351,048	374,707	36.150	130.787
Tunisia	27,917	49,147	62,052	129,419	194,000	236,699	335,902	436,930	36.150	237.609
Malaysia	35,747	56,327	73,582	160,058	219,029	282,912	332,757	387,056	37.132	59.626
Czechoslovakia	196,345	245,512	727,307	234,702	263,959	269,945	327,714	374,645	19.536	157.693
Israel	123,753	132,100	129,236	153,200	184,210	217,407	300,570	394,705	23.795	95.558
Canada	106,041	217,183	213,225	163,100	177,175	201,277	240,211	319,127	-12.204	116.164
Morocco	51,076	77,317	60,215	110,900	135,301	155,646	215,709	257,043	132.701	

Table A-2-- Textiles and clothing: World exports, by exporting countries, 1973-1980-Continued

Exporting country	1973	1974	1975	1976	1977	1978	1979	1980	Percentage change, 1976 from 1973	Percentage change, 1980 from 1976
-1,000 U.S. dollars-										
Bangladesh	140,232	162,466	136,178	118,280	126,910	187,702	201,562	241,812	-15.711	104.579
Malta	34,227	51,115	65,966	91,925	123,175	157,328	182,797	194,602	168.575	111.696
Norway	81,231	97,414	112,272	107,900	115,960	126,631	149,049	178,492	32.831	65.424
Egypt	68,424	90,517	232,491	59,081	78,397	70,097	120,575	167,799	-13.655	184.015
Germ Dem Rep.	116,132	136,910	1,067,984	136,453	161,943	151,485	116,724	146,262	17.498	7.189
Colombia	65,129	113,047	139,680	104,739	101,624	101,594	113,517	113,429	60.818	8.297
Unknown(908)	924	4,714	42,501	62,436	51,738	49,335	105,523	167,519	6657.143	168.305
Peru	5,811	13,576	6,626	12,621	27,073	59,094	99,667	102,491	117.192	712.067
U.S.S.R.	69,563	73,300	171,351	72,948	91,263	87,111	93,510	77,330	4.866	6.007
Sri Lanka	2,780	4,157	9,242	6,158	15,107	40,131	74,526	130,512	121.511	2019.389
Other	602,896	802,742	1,190,349	719,234	1,030,567	1,229,250	1,257,160	1,649,226	19.297	129.303
Total	31,453,961	37,301,296	46,905,885	42,354,431	47,735,849	56,217,393	67,492,433	77,101,349	34.655	82.038

Table A-3--Textiles: World exports, by exporting countries, 1973-1980

Exporting country	1973	1974	1975	1976	1977	1978	1979	1980	Percentage change, 1976 from 1973	Percentage change, 1980 from 1976
1,000 U.S. dollars										
Italy	1,427,945	1,608,040	2,814,708	1,792,277	2,239,613	2,947,257	3,640,468	3,727,710	25.514	107.987
FR Germ.	2,609,847	3,049,522	3,816,617	3,133,680	3,318,963	3,898,111	4,705,899	4,921,559	20.071	57.054
Hong Kong	500,544	583,132	521,374	577,063	574,226	582,876	631,760	686,729	15.287	19.004
France	1,521,474	1,689,508	1,813,209	1,703,168	1,903,759	2,252,825	2,639,271	2,811,307	11.942	65.063
Korea Rep.	393,657	447,071	498,301	730,858	778,720	1,127,873	1,279,273	1,474,041	85.659	101.686
Bel. lux.	1,497,486	1,745,130	1,827,118	1,897,006	1,987,178	2,364,404	2,763,451	2,846,804	26.679	66.615
U. King.	1,352,641	1,601,354	1,730,206	1,490,620	1,726,938	1,798,307	2,149,936	2,347,841	10.201	57.508
Taiwan	593,548	642,240	675,628	891,400	907,246	1,029,217	1,174,327	1,431,001	50.182	60.534
United States	1,166,540	1,721,806	1,491,037	1,618,438	1,679,661	1,727,739	2,441,676	2,781,740	38.738	71.878
Netherlands	1,185,279	1,343,318	1,697,756	1,331,828	1,360,190	1,591,540	1,817,878	1,845,513	12.364	38.570
Japan	1,915,289	2,176,210	2,355,623	1,963,141	2,298,577	2,299,902	2,161,896	3,035,567	2.498	54.629
China	754,389	734,986	1,019,658	813,403	890,336	1,200,565	1,586,999	2,114,698	7.823	159.982
Switzerl.	629,059	715,578	984,023	784,978	857,751	1,041,928	1,207,327	1,341,954	24.786	70.954
India	562,740	691,670	563,187	547,486	640,514	674,704	815,720	1,008,042	-2.711	84.122
Austria	409,028	493,578	915,736	476,099	544,400	629,758	761,144	839,050	16.398	76.234
Portugal	268,937	364,411	282,212	250,697	265,179	361,765	518,583	548,028	-6.782	118.602
Greece	129,977	180,270	179,231	225,527	262,393	291,892	371,658	439,135	73.513	94.715
Finland	63,895	80,572	122,620	86,508	94,248	106,227	134,337	158,386	35.391	83.088
Yugoslva.	94,531	84,796	440,204	86,314	75,416	64,640	103,803	120,110	-8.692	39.155
Pakistan	398,555	404,813	588,138	340,297	280,040	396,959	550,573	654,619	-14.617	92.367
Ireland	162,402	202,865	185,464	210,735	278,158	343,773	405,719	469,576	29.761	122.828
Spain	136,560	190,910	215,775	204,420	261,616	313,147	356,741	433,959	49.692	112.288
Iran	308,971	271,858	345,016	305,844	344,749	470,750	581,565	585,338	-1.012	91.384
Denmark	160,582	204,908	226,031	222,149	226,454	257,912	320,784	373,620	38.340	68.184
Phil. Rep.	26,989	29,640	23,619	33,770	33,687	44,724	77,306	82,750	25.125	145.040
Sweden	167,675	208,780	219,984	217,270	222,075	238,457	287,656	325,679	29.578	49.896
Thailand	79,465	89,308	68,823	142,079	152,258	200,889	283,789	286,084	78.794	101.356
Romania	63,358	62,617	117,189	82,484	90,970	108,671	103,805	101,630	30.187	23.212
Brazil	158,415	231,201	582,326	241,472	296,432	283,003	381,461	446,100	52.430	84.742
Singapore	76,714	76,444	58,670	86,022	88,099	94,686	123,322	142,632	12.133	65.809
Turkey	91,505	136,186	297,530	213,859	213,077	249,208	330,787	328,230	133.713	53.480
Hungary	72,155	87,265	76,217	72,923	91,440	89,099	96,345	112,993	1.064	54.948
Poland	91,933	113,307	166,887	102,852	117,828	114,510	135,954	164,800	11.877	60.230
Macao	9,494	12,725	9,987	19,741	30,339	27,116	51,862	89,959	107.931	355.696
Mexico	111,927	185,196	119,691	118,577	119,091	103,946	113,752	105,096	5.941	-11.369
Tunisia	15,961	19,751	22,343	30,660	40,522	33,945	53,358	64,365	92.093	109.932
Malaysia	16,096	29,198	36,644	100,220	126,853	158,975	167,635	177,759	522.639	77.369
Czechosl.	135,001	170,017	490,889	150,199	166,204	174,726	204,012	237,536	11.258	58.148
Israel	46,632	49,360	39,918	44,623	54,221	67,260	109,055	146,748	-4.308	228.862
Canada	117,011	141,484	153,448	104,534	121,880	142,832	182,499	239,839	-10.663	129.436
Morocco	31,942	44,816	42,250	59,111	73,543	88,441	109,731	120,273	85.057	103.470

Table A-3--Textiles: World exports, by exporting countries, 1973-1980-Continued

Exporting country	1973	1974	1975	1976	1977	1978	1979	1980	Percentage change, 1976 from 1973	Percentage change, 1980 from 1976
1,000 U.S. dollars										
Bangladesh	140,123	162,278	136,045	118,872	126,889	187,490	201,157	240,383	-15.737	103.590
Malta	7,312	8,790	7,296	10,354	8,123	12,027	15,391	19,124	41.603	84.702
Norway	57,668	69,587	82,627	74,194	77,694	83,587	97,086	115,669	28.657	55.901
Egypt	64,028	81,592	80,357	53,091	68,671	61,725	113,146	149,439	-17.082	181.477
Germ Dem Rep	82,050	99,024	622,940	98,089	115,042	96,207	83,876	108,009	19.548	10.113
Colombia	46,674	76,057	99,444	71,609	67,680	66,462	74,365	84,894	53.424	18.552
Unknown(908)	665	3,791	14,553	23,867	20,251	40,876	74,807	132,567	3489.023	455.441
Peru	4,917	12,213	4,431	8,375	23,762	55,319	93,147	92,212	70.327	1001.039
U.S.S.R.	68,997	72,422	163,220	72,287	90,190	86,054	92,174	75,882	4.768	4.973
Sri Lanka	1,964	1,567	1,509	1,224	1,605	13,069	4,289	5,043	-37.678	312.010
Other	373,939	487,597	677,160	353,222	464,993	510,138	508,631	704,632	-5.540	99.487
Total	20,404,486	23,990,759	29,725,069	24,388,716	26,899,664	31,207,513	37,311,182	42,096,754	19.526	72.608

Table A-4--Clothing: World exports, by exporting countries, 1973-1980

Exporting country	1973	1974	1975	1976	1977	1978	1979	1980	Percentage change, 1976 from 1973	Percentage change, 1980 from 1974
1,000 U.S. dollars										
Italy	1,322,067	1,519,334	1,963,399	2,076,586	2,596,354	3,386,788	4,307,873	4,591,646	57.071	121.115
FR Germ.	781,227	875,385	1,047,849	1,271,682	1,526,290	1,802,238	2,205,652	2,410,255	62.780	89.533
Hong Kong	1,470,618	1,748,260	2,232,644	2,782,865	2,889,611	3,371,666	3,925,218	4,590,686	89.231	64.963
France	954,895	1,050,436	1,233,368	1,167,848	1,359,323	1,547,684	1,758,907	2,058,635	22.301	76.276
Korea Rep.	648,394	927,607	1,037,089	1,664,463	1,838,530	2,339,209	2,640,156	2,730,796	156.705	64.065
Bel-lux	582,068	574,489	574,720	592,786	592,433	674,753	764,106	824,760	22.967	39.133
U King	441,708	535,936	615,045	705,377	982,798	1,101,084	1,332,464	1,599,371	59.693	126.740
Taiwan	721,362	885,598	868,015	1,105,782	1,297,597	1,648,138	1,887,796	2,344,308	53.291	112.005
United States	235,323	297,091	291,979	359,109	387,729	339,372	565,432	739,448	52.603	105.912
Netherlands	387,761	433,066	480,306	480,516	472,504	539,406	589,310	616,931	23.921	28.389
Japan	352,202	290,397	299,487	326,589	392,672	457,606	330,721	480,135	-7.272	47.015
China	229,561	293,290	398,227	285,680	426,510	449,124	777,311	1,414,352	24.446	395.083
Switzld	121,368	135,449	159,499	164,576	198,504	245,016	257,798	291,485	35.601	77.113
India	96,516	163,948	213,830	313,498	372,633	500,878	633,396	727,585	224.815	132.086
Austria	174,082	206,867	259,883	260,683	309,569	404,343	498,745	580,282	49.747	122.601
Portugal	200,363	251,943	241,035	213,299	236,824	317,067	508,001	651,974	6.456	205.662
Greece	77,390	125,457	191,738	273,403	331,011	412,174	563,496	646,486	253.279	136.459
Finland	179,835	232,632	263,861	279,586	313,558	363,559	497,282	562,304	55.468	101.120
Yugoslvia	281,038	335,408	539,358	405,627	433,783	476,059	515,036	546,250	44.332	34.668
Pakistan	20,170	34,413	29,629	40,150	42,062	44,885	63,206	90,614	99.058	125.689
Ireland	83,369	107,624	111,360	104,412	125,025	158,027	205,288	215,670	25.241	106.557
Spain	110,860	143,322	193,556	159,744	176,550	211,386	246,613	229,416	44.095	43.615
Iran	1,834	1,420	64,311	1,487	2,140	2,115	195	206	-18.920	-86.167
Denmark	141,675	143,458	153,797	176,092	193,841	209,598	251,342	314,341	24.293	78.510
Phil Rep.	62,653	89,131	105,307	168,544	236,244	317,813	414,023	478,548	169.012	183.931
Sweden	118,413	138,082	161,039	157,053	156,248	162,094	190,591	215,989	32.632	37.526
Thailand	31,925	41,267	49,566	80,559	90,039	136,341	186,076	239,345	152.338	197.105
Romania	113,997	142,068	322,691	216,055	221,441	291,583	356,058	338,872	89.527	56.845
Brazil	39,159	51,210	59,061	63,992	59,830	67,117	74,537	78,155	63.416	22.132
Singapore	122,627	117,011	112,152	162,237	185,996	244,750	310,466	372,884	32.301	129.839
Turkey	37,417	77,368	72,273	98,402	94,556	78,183	91,414	100,467	162.987	2.099
Hungary	123,227	163,207	180,234	189,599	229,457	262,892	321,864	336,145	53.862	77.293
Poland	97,256	126,207	545,697	165,599	213,855	242,282	278,182	275,861	70.271	66.584
Macau	83,500	85,733	121,590	180,914	212,466	222,954	303,478	415,296	116.663	129.554
Mexico	106,365	166,343	173,949	185,490	188,006	217,585	238,096	269,611	74.390	45.351
Tunisia	11,956	29,396	59,708	98,759	153,478	202,754	282,544	372,565	26.620	77.247
Malaysia	19,651	27,129	36,948	67,838	92,976	123,937	165,122	210,097	245.214	209.704
Czechslv	61,344	75,495	236,498	84,503	97,755	114,819	123,702	137,109	37.753	62.253
Israel	77,121	82,820	89,318	108,577	129,997	150,147	191,523	248,037	40.788	128.443
Canada	69,030	75,699	89,777	58,654	55,295	58,445	45,712	79,288	-15.031	35.179
Morocco	19,136	32,501	45,965	59,789	61,758	67,205	105,978	136,770	212.443	128.754

Table A-4--Clothing: World exports, by exporting countries, 1973-1980-Continued

Exporting country	1973	1974	1975	1976	1977	1978	1979	1980	Percentage change, 1976 from 1973	Percentage change, 1980 from 1976
1,000 U.S. dollars										
Bangladesh	109	188	133	128	101	212	405	1,429	17.431	1016.406
Malta	26,915	42,325	58,670	81,571	115,052	145,301	167,406	175,478	203.069	115.123
Norway	23,563	27,827	29,645	33,706	38,266	43,044	51,963	62,823	43.046	86.385
Egypt	4,396	8,925	152,134	5,990	9,726	8,372	7,429	18,360	36.260	206.511
Germ Dem Rep.	34,082	37,886	445,044	38,364	46,901	55,278	32,848	38,253	12.564	-289
Colombia	18,455	36,990	40,236	33,130	33,944	35,132	39,152	28,535	79.518	-13.870
Unknown(908)	259	923	27,948	38,569	31,487	8,459	30,716	34,952	14791.506	-9.378
Peru	894	1,363	2,195	4,246	3,311	3,775	6,520	10,279	374.944	142.087
U.S.S.R.	566	878	8,131	661	1,073	1,057	1,336	1,448	16.784	119.062
Sri Lanka	816	2,590	7,733	4,934	13,502	27,062	70,237	125,469	504.657	2442.947
Other	228,957	315,145	513,189	366,012	565,574	719,112	748,529	944,594	59.861	158.077
Total	11,049,475	13,310,537	17,180,816	17,965,715	20,836,185	25,009,880	30,181,251	35,004,595	62.593	94.841

Table A-5 -- Textiles: World imports, by importing areas and by sources, 1980

Source	(In thousands of U.S. dollars)							
	Developed							Total
	EEC	Southern Europe	Other Europe	United States	Canada	Japan	Other	
Developing								
Big Three.....	599,834	23,168	80,550	358,260	65,966	580,903	267,956	1,974,637
Other Asia.....	2,016,604	71,668	268,203	650,277	96,814	441,794	279,730	3,835,090
Other developing....	732,458	31,368	98,179	272,246	45,734	16,418	17,371	1,213,774
Socialist.....	416,921	88,451	141,450	42,899	23,151	12,891	24,037	749,000
Developed								
EEC.....	14,511,968	584,027	2,696,158	634,323	197,105	396,392	218,030	19,238,003
Southern Europe.....	1,044,141	25,501	169,254	44,447	17,321	7,211	12,384	1,320,259
Other Europe.....	1,781,838	120,917	763,604	58,665	18,442	64,187	19,572	2,827,225
United States.....	1,230,425	64,523	108,213	-	746,898	128,970	184,969	2,463,998
Canada.....	87,672	3,184	14,367	159,411	-	2,581	46,546	223,761
Japan.....	382,775	12,124	49,415	392,513	65,222	-	212,470	1,114,519
Other.....	30,653	143	507	8,667	4,724	2,038	110,622	157,354
Developing				Total		Socialist		Total, all areas
	Big Three	Other Asia	Other developing					
Developing								
Big Three.....	953,987	646,956	13,991	1,614,934		200		3,591,771
Other Asia.....	1,092,375	595,934	7,479	1,695,788		27,689		5,558,567
Other developing....	7,836	19,148	59,535	86,519		19,547		1,319,840
Socialist.....	5,191	87,970	730	93,891		35,631		878,522
Developed								
EEC.....	159,791	399,128	65,170	624,089		121,053		19,983,145
Southern Europe.....	2,822	80,237	1,889	84,948		25,120		1,430,327
Other Europe.....	17,898	50,729	3,007	71,634		40,919		2,939,778
United States.....	89,070	161,034	60,187	310,291		7,451		2,781,740
Canada.....	3,250	6,119	6,450	15,819		259		239,839
Japan.....	1,026,810	882,241	10,029	1,919,080		1,988		3,035,587
Other.....	11,167	6,307	571	18,045		263		175,662

Data not available.

Table A-6-- Clothing: World imports, by importing areas and by sources, 1980

Source	(In thousands of U.S. dollars)							
	Developed							Total
	EEC	Southern Europe	Other Europe	United States	Canada	Japan	Other	
Developing								
Big Three.....	3,277,760	29,834	535,372	4,242,540	368,835	717,647	162,687	9,334,675
Other Asia.....	1,608,620	34,491	235,030	1,134,798	88,390	294,493	101,640	3,497,462
Other developing....	878,859	3,082	41,045	640,855	15,979	1,471	2,805	1,584,096
Socialist.....	960,991	8,268	93,138	81,894	26,779	834	2,019	1,173,923
Developed								
EEC.....	9,698,433	87,746	2,350,597	412,042	73,707	296,530	32,812	12,951,867
Southern Europe.....	1,183,712	2,825	279,561	32,508	7,294	5,093	1,254	1,512,247
Other Europe.....	1,087,191	10,684	806,884	35,285	11,010	16,865	2,693	1,970,612
United States.....	396,693	6,149	99,671	-	98,506	75,066	8,579	682,664
Canada.....	25,795	128	4,429	43,340	-	2,427	1,578	77,697
Japan.....	112,198	2,723	26,892	215,147	8,454	-	9,795	375,209
Other.....	41,447	260	1,669	13,688	1,339	1,537	28,989	88,929
Developing				Total		Socialist		Total, all areas
	Big Three	Other Asia	Other developing					
Developing								
Big Three.....	41,403	283,397	6,315	331,115	-	-	-	9,665,790
Other Asia.....	494,258	274,367	5,744	774,369	-	-	-	4,271,831
Other developing....	374	2,885	42,716	45,975	-	-	-	1,630,071
Socialist.....	1,174	18,995	233	20,402	-	-	-	1,194,325
Developed								
EEC.....	89,961	158,676	77,591	326,228	-	-	-	13,278,095
Southern Europe.....	2,907	12,063	890	15,860	-	-	-	1,528,107
Other Europe.....	4,444	6,614	916	11,974	-	-	-	1,982,586
United States.....	17,000	30,200	9,584	56,784	-	-	-	739,448
Canada.....	829	369	393	1,591	-	-	-	79,288
Japan.....	42,066	62,240	620	104,926	-	-	-	480,135
Other.....	1,056	2,255	550	3,861	-	-	-	92,790

- Data not available.

Table A-7 -- Textiles and clothing: U.S. imports by specified sources, 1976 and 1980

Source	1976			1980			Percentage change, 1980 from 1976		
	Textiles	Apparel	Total	Textiles	Apparel	Total	Textiles	Apparel	Total
	1,000 U.S. dollars								
Italy.....	93,720	129,433	223,153	212,361	184,996	397,357	126.591	42.928	78.065
FR Germ.....	77,123	18,492	95,615	88,849	22,484	111,333	15.204	20.287	16.196
Hong Kong.....	127,443	899,303	1,026,746	125,805	1,750,537	1,876,342	-1.285	94.655	82.746
France.....	54,905	93,645	148,550	91,991	113,270	205,261	67.546	20.957	38.176
Korea Rep.....	47,232	652,606	699,838	119,086	1,102,666	1,221,752	152.130	68.964	74.576
Bel lux.....	47,314	10,155	57,469	59,555	3,518	63,073	25.872	-65.357	9.751
U King.....	79,262	12,983	122,245	131,977	69,838	201,815	66.507	62.478	65.091
Taiwan.....	61,387	617,535	678,922	113,369	1,389,337	1,502,706	84.679	124.981	121.337
United States.....	-	-	-	-	-	-	-	-	-
Netherlands.....	25,720	602	26,322	26,324	2,449	28,773	2.348	306.811	9.312
Japan.....	353,628	211,953	565,581	392,513	215,147	607,660	10.996	1.507	7.440
China.....	46,829	16,390	63,219	149,373	276,429	425,802	218.975	1586.571	573.535
Switzld.....	23,161	3,977	27,138	36,649	4,340	40,989	58.236	9.127	51.039
India.....	165,087	87,474	252,561	231,836	164,664	396,500	40.433	88.243	56.992
Austria.....	4,534	3,599	8,133	4,764	3,368	8,132	5.073	-6.418	-0.12
Portugal.....	13,008	5,515	18,523	23,612	10,851	34,463	81.519	96.754	86.055
Greece.....	762	1,969	2,731	1,694	10,724	12,418	122.310	444.642	354.705
Finland.....	5,451	1,287	6,738	6,403	2,974	9,377	13.307	131.080	35.154
Yugoslva.....	1,597	19,472	21,069	2,493	9,767	12,260	56.105	-49.841	-41.810
Pakistan.....	39,301	10,185	49,486	78,606	18,105	96,711	100.010	77.761	95.431
Ireland.....	15,189	2,292	17,481	16,935	4,066	21,001	11.495	77.400	20.136
Spain.....	13,801	25,775	39,576	10,109	10,096	20,205	-26.752	-60.830	-48.946
Iran.....	22,733	18	22,751	31,526	3	31,529	38.679	-83.333	38.583
Denmark.....	5,793	1,315	7,108	4,637	697	5,334	-19.955	-46.996	-24.958
Phil Rep.....	16,716	98,053	114,769	27,786	241,681	269,467	64.224	146.480	134.791
Sweden.....	4,865	4,454	9,319	6,618	2,539	9,157	36.033	-42.995	-1.738
Thailand.....	18,408	32,670	51,078	17,655	67,782	85,437	-4.091	107.475	67.268
Romania.....	5,581	27,325	32,906	13,958	33,201	47,159	150.099	21.504	43.314
Brazil.....	39,163	18,582	57,745	87,746	17,020	104,766	124.053	-8.406	81.429
Singapore.....	7,667	58,249	65,916	17,115	145,365	162,480	123.229	149.558	146.496
Turkey.....	3,025	6,230	9,255	8,233	1,794	10,027	172.165	-71.204	8.341
Hungary.....	193	349	542	1,905	6,345	8,250	887.047	1718.052	1422.140
Poland.....	11,108	25,204	36,312	23,093	36,841	59,934	107.895	46.171	65.053
Macau.....	3	20,387	20,390	41	97,441	97,482	1266.647	377.957	378.087
Mexico.....	59,774	165,707	225,481	60,172	247,657	307,829	.666	49.455	36.521
Tunisia.....	82	3	85	208	560	768	153.659	18566.667	803.529
Malaysia.....	5,350	8,649	13,999	4,315	42,625	46,940	-19.346	392.832	235.310
Czechosl.....	1,800	1,885	3,685	2,804	2,044	4,848	55.778	8.435	31.560
Israel.....	4,059	23,645	27,704	1,886	15,410	17,296	-53.535	-34.828	-37.569
Canada.....	31,952	38,348	70,300	69,411	43,340	112,751	117.235	13.018	60.385

Table A-7-- Textiles and clothing: U.S. imports by specified sources, 1976 and 1980-Continued

Source	1976			1980			Percentage change, 1980 from 1976		
	Textiles	Apparel	Total	Textiles	Apparel	Total	Textiles	Apparel	Total
1,000 U.S. dollars									
Morocco.....	853	1,083	1,936	611	1,087	1,698	-28.370	0.369	-12.293
Bangldsh.....	49,910	34	49,944	92,711	63	92,774	85.754	85.294	85.754
Malta.....	192	388	580	538	382	920	180.288	-1.546	58.621
Norway.....	630	1,175	1,805	1,334	2,829	4,163	111.744	140.766	130.637
Egypt.....	3,389	249	3,638	27,029	2,275	29,304	697.551	813.655	705.498
Germ Dem Rep.....	13	6	19	104	2,921	3,025	700.000	48583.333	15821.053
Colombia.....	19,350	26,245	45,595	20,348	26,720	47,068	5.158	1.810	3.231
Unknown(988).....	-	-	-	-	-	-	-	-	-
Peru.....	2,332	151	2,483	33,002	4,205	37,207	1315.180	2684.768	1398.470
U.S.S.R.....	1,480	6	1,486	98	58	156	-93.378	866.667	-89.502
Sri Lanka.....	18	665	683	539	71,448	71,987	2894.444	10644.060	10439.824
Other.....	40,108	173,733	213,841	61,183	368,138	429,321	52.546	111.899	100.766
Total.....	1,653,201	3,589,650	5,242,851	2,540,910	6,852,097	9,393,007	53.696	90.885	79.158

- Data not available.

