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THE WHITE HOUSE

WASHINGTON

February 24, 1986

MEMORANDUM FOR ALFRED H. KINGON
CABINET SECRETARY AND ASSISTANT
TO THE PRESIDENT

Orig. signed by FFF

FROM: FRED F. FIELDING
COUNSEL TO THE PRESIDENT

SUBJECT: Report to the President on Textile Imports

Counsel's Office has reviewed the above-referenced proposed report, and has no objection to it going forward to the President.

cc: David Chew

FFF:JGR:lrc

2/24/86

FFFielding

JGRoberts

Subject

Chron.

THE WHITE HOUSE

WASHINGTON

February 24, 1986

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS, JR.

SUBJECT: Report to the President on Textile Imports

David Chew has asked that comments be sent directly to Al Kingon by close of business today on the above-referenced proposed report to the President. When the President vetoed the Textile and Apparel Trade Enforcement Act of 1985, he directed Secretary Baker to investigate the levels of textile imports to determine if those levels exceeded limits agreed upon in international agreements. In the proposed report, Baker concludes that overshipment of existing quotas constituted only 0.1% of total textile imports during 1980-1985.

The report proceeds to discuss several enforcement problems confronted by Customs, such as fraud in describing products, fiber substitution, monitoring difficulties due to wide variances in the terms of bilateral agreements, a difficult-to-apply cottage industry exception to quotas, and lack of full cooperation from host countries in conducting overseas investigations. The report recommends expediting the "call" process, striving to standardize bilateral agreements, and imposing import controls more promptly to avoid overshipments occurring before quotas can be imposed. With respect to enforcement, the report calls for maintaining the Customs Commercial Fraud Enforcement Program at its current level, establishing textile fraud cases as a high priority for prosecution, reviewing existing legislation and the troublesome cottage industry exemption, expanding the Multi-Fiber Arrangement to cover currently non-covered fabrics often used in substitution (silk, linen, ramie), and including investigative cooperation clauses in any future bilateral agreements.

I have no objection to this report going forward to the President.

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

☐ O - OUTGOING☐ H - INTERNAL☐ I - INCOMINGDate Correspondence
Received (YY/MM/DD) 1/1Name of Correspondent: Anna Chew☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Report to the President on Fertilizer Imports

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>Will</u>	ORIGINATOR	<u>86 102 19</u>			<u>1/1</u>
<u>Unit 12</u>	Referral Note: <u>D</u>	<u>86 102 19</u>			<u>5 86 12 24</u>
	Referral Note:	<u>1/1</u>			<u>1/1</u>
	Referral Note:	<u>1/1</u>			<u>1/1</u>
	Referral Note:	<u>1/1</u>			<u>1/1</u>
	Referral Note:	<u>1/1</u>			<u>1/1</u>

ACTION CODES:

A - Appropriate Action
 C - Comment/Recommendation
 D - Draft Response
 F - Furnish Fact Sheet
 to be used as Enclosure

I - Info Copy Only/No Action Necessary
 R - Direct Reply w/Copy
 S - For Signature
 X - Interim Reply

DISPOSITION CODES:

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 B - Non-Special Referral
 C - Completed
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Type of Response = Initials of Signer
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WHITE HOUSE STAFFING MEMORANDUMDATE: 2/19/86 ACTION/CONCURRENCE/COMMENT DUE BY: 2/24/86SUBJECT: REPORT TO THE PRESIDENT ON TEXTILE IMPORTS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STEELMAN	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide any comments/recommendations directly to Al Kingon by Monday, February 24, with an info copy to my office. Thank you.

RESPONSE:



THE SECRETARY OF THE TREASURY
WASHINGTON

RECEIVED
FEB 16 1986

February 14, 1986

Dear Mr. President:

As Chairman Pro Tempore of the Economic Policy Council, it is my pleasure to transmit to you a study on the extent to which textile and apparel imports have exceeded levels agreed upon in international negotiations. You requested this study in your message of December 17, 1985 which accompanied your veto of "The Textile and Apparel Trade Enforcement Act of 1985."

The study concludes that the growth in imports has not been the result of imports allowed in excess of established quotas. Furthermore, while some errors have occurred, even flawless enforcement and administration of the U.S. textile quota program could not significantly reduce the overall level of textile and apparel import growth. Although overshipments of existing quotas do not represent a significant portion of U.S. imports, the report does recognize areas in which administrative and enforcement practices can be improved.

The growth occurred because of the strong demand for imported textile and apparel products in this country as well as the structure and coverage of our quota agreements. Most of our agreements establish quotas only on certain sensitive categories of textile and apparel, but do not establish quotas on other categories until the United States determines that those imports are causing or threaten to cause market disruption. Much of the import growth has occurred in these other categories before the imposition of quotas. Other sources of growth are countries not subject to quotas and fibers not subject to quota.

Compliance with your decision in December to "most aggressively renegotiate the Multi-fiber Arrangement (MFA) on terms no less favorable than present" could help to substantially reduce the rate of import growth. Also, as the Economic Policy Council has recommended to you in a separate memorandum, use of the MFA and bilateral agreements to address the problems of import surges in fibers not previously covered by quotas (together with a declining dollar) would likewise reduce the rate of such growth.

Respectfully,

James A. Baker, III

The President
The White House
Washington, D. C. 20500

Enclosure

February 14, 1986

REPORT TO THE PRESIDENT ON TEXTILE IMPORTS

EXECUTIVE SUMMARY AND RECOMMENDATIONS

On December 17, 1985, in the message accompanying his veto of the "Textile and Apparel Trade Enforcement Act of 1985", President Reagan directed Secretary Baker, as Chairman Pro Tempore of the Economic Policy Council, "to investigate the import levels of textiles and apparel to determine if these imports have exceeded those limits agreed upon in international negotiations".

It is the conclusion of this report that the growth in imports has not been the result of imports allowed in excess of established quotas. Furthermore, while some errors have occurred, even flawless enforcement and administration of the U.S. textile quota program could not significantly reduce the overall level of textile and apparel import growth.

The growth occurred because of the strong demand for imported textile and apparel products in this country as well as the structure and coverage of our quota agreements. Most of our agreements establish quotas only on certain sensitive categories of textile and apparel, but do not establish quotas on other categories until the United States determines that those imports are causing or threaten to cause market disruption. Much of the growth has occurred in these other categories before the imposition of quotas. Other sources of growth are countries not subject to quotas (OECD members except Japan, and small suppliers) and fibers not covered by quotas (principally ramie).

MFA and Bilaterals

The United States has negotiated with its trading partners an agreement, called the Multi-Fiber Arrangement (MFA), which essentially grants the U.S. the right to limit the imports of textile and apparel products from a country when our market is disrupted by the exports of that country. The principal goal of the MFA is to provide for the orderly development of trade in textiles while preventing the disruption of markets in the importing countries. The MFA includes general guidelines for defining market disruption and for minimum growth to be allowed in sensitive categories.

The MFA also allows for bilateral agreements between importing and exporting countries that further spell out the terms of the bilateral textile trade. The U.S. currently has 35 bilateral agreements with 34 countries. These agreements vary in their scope, some including aggregate ceilings and others being limited to ceilings on specific categories of sensitive products. The MFA allows countries to negotiate agreements that are more restrictive than the general guidelines for growth and market disruption. The U.S. has done so on many occasions.

Import Growth

From 1980 through 1985, imports covered by the Multi-Fiber Arrangement (i.e., textile and apparel products of cotton, wool or man-made fibers) grew by 6 billion square yard equivalents (SYE), an increase of approximately 100%. (The annual growth rate peaked in 1984, at 30%. Growth in 1985 was less than 7%.) Only eight-tenths of one percent of this six-year increase was a result of entries allowed in excess of negotiated limits. This amount is equivalent to one-tenth of one percent of total imports.

This doubling in imports came from:

- o Agreement Countries. Imports from countries with which we have bilateral textile agreements accounted for 35% of the 6 billion SYE growth. Some of this growth was built into category and group limits included in the agreements. The remainder was in categories for which quotas were not included in the bilaterals. Growth in these categories is monitored by the interagency Committee for the Implementation of Textile Agreements (CITA), and quotas are imposed when market disruption occurs or is threatened.
- o The "Big Three". Taiwan, Hong Kong and Korea, the three largest suppliers to the U.S., accounted for 26% of the 1980-85 growth. This growth occurred primarily in categories not at the time subject to quotas. CITA monitors growth from these countries and imposes quotas when necessary.
- o OECD (except Japan). These developed countries accounted for 25% of the 1980-85 growth. The U.S. does not have quotas on these suppliers.
- o China. Imports from the PRC accounted for 11% of the growth in the six-year period. A bilateral agreement was negotiated in 1983 with quota limits on specific categories. CITA has placed 25 additional categories under quota since then.

- o New Starters. Imports from LDCs which are relative newcomers to the international textile market accounted for the remaining 3% of the 6 billion SYE growth. Imports from these new starters, with whom we have not negotiated comprehensive bilaterals, are monitored to determine market disruption, and quotas are imposed when CITA considers appropriate.

In addition to growth in MFA-covered products, there has been substantial growth in imports of apparel manufactured from fibers, such as silk, linen, and ramie, that are not covered by the MFA or subject to quantitative restraints. While comparable data on imports of non-MFA fiber products are not available for years prior to 1983, imports of non-MFA fiber apparel grew by nearly 600% between 1983 and 1985. In 1985, imports of non-MFA fiber apparel represented 9% of total apparel imports.

Overshipments

Excluding possible overshipments from Hong Kong and Japan (discussed below), overshipments of agreed limits equalled 58 million SYE since 1980, accounting for 0.1% of total textile and apparel imports during the period. There were 57 instances of such overshipments caused by a variety of factors:

- o Human error by Commerce and Customs personnel accounted for 53% of the 58 million SYE.
- o Sudden surges in imports and delays in imposing import controls accounted for 33% of the overshipments.
- o Technical flaws in agreements which prevented adequate enforcement accounted for 10% of the overshipments.

In addition, U.S. Census data shows 43 instances of overshipments from Hong Kong and Japan, which totalled an additional 42 million SYE during the six-year period. Hong Kong and Japan, however, dispute the Census numbers, arguing that their export data show no overshipments. Because of the large number of entries involved, it has not been possible to reconcile the data. We therefore cannot state with certainty whether Hong Kong and Japan have overshipped, and accordingly these possible overshipments are not included in the totals above. The United States has not imposed import controls on Hong Kong or Japan.

Fraud

Fraud is also a problem in the textile and apparel import program. The product- and country-specific nature of the U.S.

quota system invites a variety of schemes involving fraudulent description of merchandise, transshipment through third countries, or other methods. For instance, a quota on men's cotton shirts from India might lead an importer to describe his product as cotton shirts from Bangladesh, as man-made fiber shirts from India, or as women's cotton shirts from India, none of which would be subject to the men's cotton shirt quota.

Customs currently has \$242.5 million worth of textile trade under investigation for some form of quota fraud. This includes entries going back to 1981 and is contrasted with a total value of textile imports in 1985 alone of \$16 billion.

Administrative and Enforcement Difficulties

In addition, there are a variety of specific aspects of the U.S. textile import system that, for various reasons, make fraud and overshipment much more likely. These include among other things:

- o Fiber substitution - Customs enforcement efforts are complicated by the fact that many fibers used in the manufacture of textiles and apparel (such as ramie, silk, and linen) are not covered by the terms of the MFA. Distinguishing among these fibers often requires expensive and time-consuming laboratory analysis.
- o Non-standard Bilateral Agreements - Provisions of bilateral agreements that vary across countries complicate the monitoring and enforcement efforts of both Customs and the Commerce Department.
- o Cottage Industry/Folklore Exemption - It is often extremely difficult for Customs personnel to identify traditional or hand-made items, which are exempt from quotas in many of our bilaterals.
- o Overseas Investigations - Customs personnel often find it difficult to conduct investigations in exporting countries without the full support of the host government.

RECOMMENDATIONS

Administration

1. To reduce the incidence of overshipments: in addition to implementing any import control directives received from CITA, Customs should also place under import controls any textile or apparel category not already subject to such controls, as permitted by U.S. bilateral agreements, when Census data show that imports in that category have reached 50% of the quota levels.

2. U.S. negotiating teams should continue to seek a higher level of input from the Customs Service on the content of bilateral agreements, particularly with respect to category definition, in order to prevent any unenforceable provisions from being established.

3. To the greatest extent possible, category and part category definitions, quota and visa bilateral agreements and other administrative provisions (such as visa formats and coverage) should be standardized across agreement countries.

4. CITA should review on an ongoing basis the administrative aspects of its "call" process, including the availability of current data, to ensure that the process is as expeditious as possible.

Enforcement

1. The Customs Commercial Fraud Enforcement Program should be maintained at its current high priority level so that it is (along with drug enforcement and Exodus) among the highest enforcement priorities of the Customs Service. The Commissioner of Customs should immediately undertake a thorough review of this program to ensure that currently available staffing and resources are optimally allocated to address enforcement and administrative needs. This review should address all aspects of the Customs textile program and other commercial efforts, including the effective allocation of import specialists, inspectors, investigators, laboratory technicians and personnel attached to U.S. embassies overseas.

2. The Attorney General should communicate to all U.S. Attorneys that prosecution of textile and other commercial fraud cases should be designated as a high priority of each U.S. Attorney's office. Whenever fraud is discovered, it should be prosecuted to the fullest extent under the law, in both criminal and civil cases. The Attorney General's Economic Crime Council should address textile and other commercial fraud activities and develop appropriate enforcement and prosecution strategies.

3. The Customs Service, in consultation with the Departments of Justice and Treasury, should review the principal statutes providing for criminal and civil penalties, including the seizure and forfeiture of merchandise, for the false, fraudulent and negligent entry into the U.S. of textiles subject to quota agreements and other related commercial violations, and shall recommend any legislative changes necessary to strengthen those statutes.

4. A category system with fewer, more broadly defined categories would decrease the opportunities for quota fraud. CITA should investigate possible alternative systems that meet the needs of the program and the international trading system.

5. Quota exemption provisions for handloomed and traditional products are extremely difficult for Customs to enforce. CITA should analyze options to address this issue, including tighter definitions for inclusion in future bilateral agreements.

6. The recent Customs directive requiring formal entries for all textile imports should help to address the problem of entries that fraudulently or unfairly abuse the exemption for shipments less than \$250 to avoid the quota limitations. Customs should closely monitor the import data after this directive takes effect to determine if any further action is required.

7. The fact that some fibers used in the manufacture of textiles and apparel are not covered by the Multi-Fiber Arrangement creates opportunities for fraud and increases Customs' workload. The interagency team renegotiating the MFA should continue to address the expansion of the MFA to include such fibers.

8. Future Bilateral Textile Agreements should be modified to include clauses providing for cooperation from foreign countries on the exchange of necessary information and the facilitation of U.S. Customs' investigative efforts in such foreign countries.

9. Customs should continue to take all necessary steps to ensure that the Textile Regulations (TD 85-38) promulgated on March 5, 1985, are strictly enforced in all respects.

REPORT TO THE PRESIDENT ON TEXTILE IMPORTS

INTRODUCTION

In your message accompanying the veto of the Textile and Apparel Trade Enforcement Act of 1985, you directed me, as Secretary of the Treasury and Chairman Pro Tempore of the Economic Policy Council, "to investigate the import levels of textiles and apparel to determine if these imports have exceeded those limits agreed upon in international negotiations," to report within 60 days, and to "recommend changes in existing administrative and enforcement procedures, if necessary, so that corrective action is taken."

In response to that directive, this paper explores the following questions:

- o To what extent have textile and apparel imports exceeded limits agreed upon under the authority of the Multi-Fiber Arrangement (MFA)?
- o By what means have quota restrictions been circumvented?
- o What measures could improve the administration and enforcement of the textile import program and reduce the potential for fraudulent importations and quota avoidance?

Having carried out the requested investigation, I have concluded that overshipments of negotiated import levels have not represented a significant portion of the increase in textile and apparel imports to the U.S. since 1980. Only eight-tenths of one percent of the import growth for this period can be attributed to entries allowed in excess of imposed quotas. This amount is equivalent to one-tenth of one percent of total imports. These entries occurred for a variety of reasons, including human error and technical difficulties in the administration of the program.

In addition, an indeterminate percentage of textile and apparel imports involve some form of quota fraud. Such fraud includes transshipment to avoid quotas and misdescription of imports to avoid specific category limits.

These findings are contrasted with the fact that total imports of cotton, wool and man-made fiber products have approximately doubled since 1980, as discussed below.

An evaluation of import data establishes that the growth in MFA fiber imports for the period 1980 through 1985, which totalled approximately 6 billion SYE (square yard equivalents), was not the result of over-shipments of agreed levels. Rather, the growth occurred because of the strong demand for imported textile and apparel products in this country as well as the structure and coverage of our quota agreements. Most of our agreements establish quotas only on certain sensitive categories of textile and apparel, but do not establish quotas on other categories until the United States determines that those imports are causing or threaten to cause market disruption. Much of the growth has occurred in these other categories before the imposition of quotas. Other sources of growth are countries not subject to quotas (OECD members except Japan, and small suppliers) and fibers not covered by quotas (principally ramie).

I. PRESENT SYSTEM AND MULTI-FIBER ARRANGEMENT

International trade in textiles and apparel is currently regulated by the Multi-Fiber Arrangement (MFA), under the aegis of GATT. The MFA first went into effect on January 1, 1974, and was renewed in 1977 and 1981. The current agreement expires July 31, 1986. The MFA covers only textiles and apparel made of cotton, wool and man-made fibers. The MFA is an exception to the principles of GATT as it permits discrimination among exporters, allows a lower standard of injury for the imposition of restrictions, and does not require the restricting importing country to pay compensation. The MFA has, inter alia, the following objectives:

- to provide for orderly and equitable development of trade;
- to prevent market disruption caused by low-priced imports;
- to allow access to markets for developing countries; and
- to allow for safeguard action in the form of quantitative restrictions on imports.

The MFA provides a framework for the controlled expansion of textile and apparel trade. It authorizes the negotiation of bilateral quota agreements between exporting and importing nations. The MFA also allows for the imposition of unilateral restraints when import prices are substantially below those prevailing in the importing country market for similar products. It further provides guidelines for determining market disruption,

minimum levels of import restraints and annual growth rates for import restraint levels.

Under the provisions of the MFA, importing nations may enter into bilateral agreements with exporting nations to eliminate the risk of market disruption and to ensure the expansion and development of textile trade between the two countries. The U.S. is currently party to bilateral agreements with 34 nations. These agreements permit the U.S. to regulate textile imports by providing for limits, growth rates and consultations to set limits on unrestrained categories.

The agreements with the 34 countries vary in their provisions and in scope. Six agreements set aggregate ceilings on total textile and apparel exports or on total cotton, wool or man-made fiber textile and apparel exports. Four others set ceilings for groups of products or specific categories of sensitive products. Most other agreements, including those with the leading suppliers, set limits only on a number of specific products.

All U.S. bilateral agreements provide for trade growth, assured market access, flexibility to adjust restraint levels in response to market changes, and consultations to resolve issues raised by either party. In addition, each comprehensive agreement contains an equity clause assuring that exports will not be restrained to the benefit of exports from countries with which the U.S. does not have a bilateral agreement.

In deciding whether to seek a specific limit or a consultation level in a bilateral agreement, the U.S. studies historical data on the imports from the particular supplier country, as well as worldwide imports, and the vulnerability of that portion of the domestic industry to increased import penetration. Tighter limits are sought for categories in which the domestic industry is more susceptible to serious injury from increased imports. Established suppliers of particular products are typically given limits at least equal to their current trade level in that category plus some "uplift". Bilateral agreements also typically contain growth rates, permitting suppliers to increase the quantity of imports annually. Most agreements permit 6 percent annual growth for cotton and man-made fiber categories and 1 percent growth for wool categories, although agreements with some of the larger suppliers contain smaller growth rates. In addition, the bilateral agreements contain "flexibility" provisions for increases and decreases in particular restraint limits through the use of carryover (use in the present agreement year of an unused portion of the limit for the same category in the previous year), carryforward (use for a

category in the present agreement year of a portion of the next year's limit in the same category), or swing (allowing shipments in excess of a specific limit of an individual category or group provided that the specific limit for another category or group is reduced by a corresponding amount). The extent to which these flexibility provisions can be applied is generally 11 percent for carryover, 7 percent for carryforward and 6 percent for swing.

A unique aspect of the MFA is the Textile Surveillance Body (TSB), which supervises the Arrangement and reviews the justifications for actions taken under it. The TSB, which is composed of representatives of signatories to the MFA, meets in Geneva. Both importing and exporting nations may refer issues to the TSB for its consideration. TSB recommendations are not binding.

When imports of a specific textile product from a country or territory appear to be causing disruption in the U.S. market for that product, the U.S. may request consultations with the foreign government to reach a mutually agreeable quota level for the product. If the two governments are unable to reach a solution to the matter within a reasonable amount of time (usually 60 days), the MFA gives the U.S. the right to unilaterally impose import controls on the specific textile product pending an agreement between the two countries on a restraint level.

II. ADMINISTRATION OF THE U.S. TEXTILE IMPORT PROGRAM

Authority

The domestic authority for the textile and apparel import program is Section 204 of the Agricultural Act of 1956, as amended (7 U.S.C. 1854) which gives the President the authority to enter into bilateral or multilateral trade agreements to restrain trade in agricultural or textile products. In 1962, the Congress added the authority to unilaterally restrain disruptive imports from non-participants if a multilateral agreement exists among countries accounting for a significant part of world trade in those articles. That multilateral agreement at this time is the MFA.

The U.S. textile and apparel import program, as administered by the Committee for the Implementation of Textile Agreements (CITA), was established by Executive Order 11651 on March 3, 1972. The Executive Order (as amended) provides that CITA be comprised of members of the Departments of State, the Treasury, Commerce and Labor, and of the Office of the U.S. Trade

Representative. It directs CITA to supervise the implementation of all textile agreements. The Commissioner of Customs is directed to take such actions as CITA recommends to carry out these agreements.

The CITA Process

CITA is chaired by the Deputy Assistant Secretary for Textiles and Apparel of the Department of Commerce. The Commerce Department provides the staff work for the Committee, monitors all agreements as well as imports from non-restrained suppliers and non-restrained categories, recommends requests for consultations to set limits on unrestrained disruptive imports, provides data on market disruption and imports, and recommends to CITA actions such as import controls to prevent overshipments of agreed or unilateral restraint limits. The CITA agencies are in daily contact on the operation of the textile program. At least one formal CITA meeting is held each month. CITA decisions are by majority vote.

Consultation Requests ("Calls")

Each month, the Chairman of CITA recommends a number of consultation requests ("calls") to set restraints on increasing uncontrolled imports. The recommendation is based upon indications of market disruption, as set forth in Annex A of the MFA and in a December 16, 1983 statement by the White House. Annex A provides that market disruption is the existence of serious damage or the actual threat thereof to domestic producers and that factors indicating a market disruption include "a sharp and substantial increase or imminent increase of imports of particular products from particular sources. . . offered at prices which are substantially below those prevailing for similar goods of comparable quality" in the domestic market.

The December 16, 1983 statement provides additional criteria which create a presumption of market disruption or the threat thereof. These are: (1) more than 30 percent total growth in imports of a particular product or category in the most recent year or a ratio of total imports to domestic production in that product or category of 20 percent or more, and (2) imports from an individual supplier equalling 1 percent or more of total U.S. production of that product or category. Additionally, the statement instructs the Chairman of CITA to recommend a call on products from countries with which the U.S. has Export Authorization Arrangements (E-Systems) when: (1) export authorizations issued in a particular category reach 65 percent of the maximum formula level (MFL), (2) it appears that the MFL

will be exceeded if not called, and (3) that category has an import-to-production ratio of 20 percent or more or there has been a 30 percent or greater increase in the quantity of imports. Currently, the U.S. has Export Authorization Agreements with Hong Kong, Taiwan and Korea.

The Commerce Department produces a monthly computerized report indicating the categories and the respective countries that meet the December 16, 1983 additional criteria. The report typically lists approximately 100 possible categories which meet the presumption of market disruption under the White House criteria. Commerce staff then reduces this group of requests to approximately 20 to 30 recommendations in which Commerce believes there is actual market disruption or the threat of market disruption. Normally, a working level group, the "SubCITA", meets before CITA to discuss the recommended calls. CITA generally meets in formal session once a month to consider the Chairman's call recommendations. To initiate a call, a majority of the CITA agencies must agree that there is actual market disruption, or the threat thereof.

Between 1980 and 1985, CITA made 426 calls. When CITA makes a call, it compares import levels with the most recent data on U.S. production (which usually lags a year or more). These 426 calls were made at levels that averaged 6.6% of U.S. production. As a result of these calls, as well as our comprehensive bilateral agreements, 51% of 1985 textile and apparel imports to the U.S. were subject to a quota ceiling. Attachment 4 cites the number of calls each year and the percentage of production which the level of trade from the exporting country represented.

The MFA establishes formulas for determining the minimum extent to which imports may be restrained. Thus, when a call is made, the MFA provides that the restraint level should be at least equal to the quantity of imports during the twelve month period terminating two months before the call was made (a "12 of 14 months" formula). For example, if a call is made on March 1, the restraint level should be no less than the quantity of imports from that supplier during the previous January through December. The actual level of the restraint will be higher whenever an agreement is reached with the supplier country. When calls are made under the consultation mechanisms of our bilateral agreements, the level established by the "12 of 14 month" formula is increased typically by 20 percent and that level becomes the basis for further negotiations.

Import Controls

The Commerce staff monitors imports by date of export under the provisions of each bilateral agreement and under unilateral restraints imposed as a result of "calls" and recommends to CITA the implementation of import controls by the U.S. Customs Service where there is the possibility of overshipment. In making the decision to recommend import controls, Commerce considers previous fill rates and shipping patterns. It also utilizes a computerized report that selects product categories for which the rate of shipment is disproportionate to the portion of the quota period which has elapsed.

Once the import controls are implemented, Customs counts all affected imports exported on or after the effective date of the limit and embargoes further imports after the number of imports equals the quota limit. As the number of consultation requests and bilateral agreements has risen over the past few years, so have the number of import controls. In 1980, CITA directed Customs to administer import controls for 275 categories. By 1985, this had jumped to 642 categories. The public is notified through the FEDERAL REGISTER each time import controls are imposed. In 1980, CITA published 22 such notices; in 1985 it published 171.

III. SOURCES OF TEXTILE IMPORT GROWTH

Imports of MFA products (i.e., textiles and apparel of cotton, wool and man-made fibers) grew by approximately 100% in the 1980 to 1985 time period. The rate of growth was 25% in 1983, 30% in 1984, and less than 7% in 1985. The doubling of the import level is the basis of the belief that the United States has not adequately asserted its rights under the Multi-Fiber Arrangement (MFA) to limit the growth of imports. However, the MFA neither specifies a limit on overall import growth nor covers all textiles and apparel. Rather, the MFA provides mechanisms for importing countries to ensure orderly growth and provides for action to prevent specific imports from causing market disruption. Nevertheless, it is often contended that the growth in textile and apparel imports has resulted from import shipments that have exceeded agreed limits. Some suggest that because of various means of quota circumvention, the actual level of imports is far greater than reported by the United States.

Agreement Countries

The largest portion of import growth in MFA fiber imports is the result of shipments that originate in countries with which the U.S. has bilateral restraint agreements. Imports from

agreement countries other than the top four suppliers (Hong Kong, Korea, Taiwan and China) increased from 1.5 billion SYE in 1980 to 3.6 billion SYE in 1985, or by 140 percent over the period.

The increase from these agreement countries, other than the top four suppliers, accounted for 35 percent of the growth from 1980 to 1985. Although these agreements cover MFA fibers and limit growth rates on selected products to approximately six percent per year and one percent per year for wool products, most agreements do not establish specific quotas on all product categories. Instead, agreements establish consultation mechanisms that provide for limits to be imposed when exports on those products threaten disruption in the U.S. market.

The Big Three

Taiwan, Hong Kong, and Korea are the "Big Three" suppliers of textiles to the United States. Imports from the "Big Three" accounted for 26 percent of the doubling in imported textiles and apparel made from MFA-covered fibers during the period 1980-1985. Between 1980 and 1985, imports of textile and apparel from these countries increased 71 percent, from 2.2 billion SYE in 1980 to 3.8 billion SYE in 1985. Before 1982, the agreements with these countries provided for 6 to 6.5 percent aggregate growth in cotton, wool, and man-made textiles and apparel. However, in 1982 the U.S. re-negotiated these agreements to provide, on average, less than one percent growth to specific limits covering a portion of their trade in return for elimination of the aggregate ceilings on imports. These exporting nations then shifted their exports to uncontrolled categories, which, as a result of the December 1983 White House criteria, the Chairman of CITA can place under quota when imports in such categories meet established criteria.

China

China is the fourth largest supplier of textiles to the United States. Between 1980 and 1985, imports from China increased 201 percent, from 324 million SYE to 976 million SYE, and accounted for 11 percent of the total growth during the period. Under the bilateral agreement negotiated in 1983, sensitive categories are subject to limits; all others are subject to the CITA "call" system. There is no limit on overall growth.

OECD

Imports from high-wage industrialized countries, i.e., the OECD (excluding Japan, with which we have had a bilateral textile

and apparel agreement), accounted for 25 percent of the increase in imports between 1980 and 1985, growing from 500 million SYE in 1980 to 2 billion SYE in 1985. Because of the high wages paid in these developed countries, imports from these sources generally have been of relatively high cost and have not been considered disruptive. The United States has avoided restraints on imports from the high-cost developed countries (excluding Japan) because of the "Gentlemen's Agreement", an understanding that some developed countries would not impose textile and apparel quotas on each other under the MFA.

New Starters

A smaller portion of the MFA import growth between 1980 and 1985 is accounted for by so-called "New Starters". These are less developed countries (LDCs) which are new entrants in the international textile market. Imports from New Starters increased by 68 percent between 1980 and 1985, accounting for three percent of the import growth during that period. We do not have comprehensive bilateral restraint agreements with most of these suppliers. To ensure orderly market growth in imports from these sources, CITA may invoke Article 3 of the MFA, which authorizes "calls" for consultations to establish limits on products causing market disruption. Growth in imports from New Starters can be attributed to importers' trying to keep one step ahead of CITA -- successively shifting sourcing from restrained suppliers to as yet unrestricted suppliers -- and to the desire of developing countries to generate employment.

Non-MFA Fiber Products

In addition to import growth caused by textile and apparel products subject to the MFA, imports of textiles and apparel made of fibers not subject to the Arrangement (i.e., linen, ramie, silk and jute) have increased. At the time the MFA was last renegotiated in 1981, imports of non-MFA fiber products were limited to traditional jute and other hard-fiber products (such as carpet backing, cordage and burlap bags) and small amounts of expensive silk and linen apparel products. In the past three years, however, U.S. imports of apparel composed of blends of ramie, silk, or linen and MFA fibers have dramatically increased. These blends have been engineered to avoid the quotas established for MFA apparel products. Although overall imports of non-MFA fiber products have remained relatively stable (growing from 1.5 billion SYE in 1983 to 1.8 billion SYE in 1985), imports of non-MFA fiber apparel products have grown substantially

-- from 80 million SYE in 1983 to over 500 million SYE in 1985, or by almost 600 percent, and now account for an amount equal to 10 percent of MFA apparel imports.

IV. OVERSHIPMENTS OF CONTROLLED PRODUCTS

Overshipments of agreed limits equalled 58 million SYE between 1980 and 1985, or 0.1 percent of total imports for textiles and apparel over the period. Known overshipments of textile products subject to restraints in 1985 amounted to 14 million SYE -- 0.1 percent of total textile and apparel imports.

One reason that this percentage is so small is that the Commerce Department closely monitors imports of textile products through monthly Census Bureau reports. When a quota gets within reach of being filled, CITA directs Customs to put the product under import control. Customs then controls the imports of that product by permitting entries only after determining that the quota is not filled.

Overshipments are charged to an agreement's subsequent limit. A detailed list of each overshipment is contained in Appendix 3.

Excluding possible overshipments from Hong Kong and Japan (discussed below), there were 57 instances of such overshipments caused by a variety of factors:

1. Sudden surges in imports and the delay in imposing import controls, and the delay in providing Customs with Census data -- responsible for 19 million SYE, or 33 percent, of overshipments between 1980 and 1985.

- It is not always possible to foretell accurately where or when import surges will occur. On several occasions, quotas not under import control because they had never filled in recent years suddenly filled in a single month or late in the year, making it impossible to restrain imports before the limits were exceeded.
- All import control directives are cleared by CITA. A lapse between the period when Commerce first determines that import controls are necessary to prevent overshipments and the clearance and implementation of a directive to Customs may permit an overshipment to occur.

2. Human error -- either by Customs or by Commerce personnel -- responsible in at least thirteen instances of overshipment and, accounting for approximately 31 million SYE, or 53 percent of total overshipments between 1980-1985.

- Such errors include, for example, the failure of a Customs officer to determine that the merchandise was subject to quota or that the quota had been filled prior to entry of the goods, or the failure of a Commerce country analyst to recognize that import controls on a specific, group or aggregate limit are necessary.

3. Technical obstacles to adequate implementation of an agreement -- responsible in 15 instances, and accounting 5.7 million SYE, or 10 percent, of the overshipments during that period.

- An example is the Philippine bilateral agreement, which established separate limits for infants' garments for most major apparel categories even though there had not been adequate tariff annotations to identify these products. Until an alternative method was found which implemented this agreement without the use of TSUSA annotations, it was not possible to accurately charge imports to the limits as specified in the agreement.

In addition, U.S. Census data shows 43 instances of overshipments from Hong Kong and Japan which totalled an additional 42 million SYE during the six-year period. Hong Kong and Japan, however, dispute the Census numbers, arguing that their export data show no overshipments. Because of the large number of entries involved, it has not been possible to reconcile the data. We therefore cannot state with certainty whether Hong Kong and Japan have overshipped, and accordingly these possible overshipments are not included in the totals above. The U.S. has not imposed import controls on Hong Kong and Japan.

V. TEXTILE FRAUD INITIATIVES

The circumvention of U.S. restraints under the MFA is the primary target of U.S. Customs Service's efforts to stop textile fraud. Because the U.S. system of controls is elaborate and complex, it gives rise to significant opportunities for fraudulent importation.

Statistics maintained by the Customs Fraud Investigation Center reveal that Customs currently has \$242.5 million worth of textiles and apparel under active investigation. The investigations include Customs entries since 1981 and for which criminal prosecution and civil penalty action is pending.

Current Schemes in Textile Trade Fraud

As the number and extent of the restraints on textile and apparel imports have increased, ever more sophisticated schemes for circumvention of import requirements have developed. Current intelligence data, examination discoveries, laboratory analysis results, and investigative findings have established that importers are using the following methods to import fraudulently shipments of textiles and apparel:

1. Misdescription: Garments are frequently misdescribed on the import documents in order to qualify for a more available quota. This practice may even include temporary modifications to the articles themselves. There were 180 seizures, valued at \$16,166,892, of textile and apparel products in 1985 in which misdescription was the scheme utilized. This represented 53.7% of all textile and apparel seizures made during this time.

The narrowly-defined U.S. category system invites misdescription in order to evade the quotas. Some of these misdescriptions occur where quota levels are determined by the age or gender of the wearer. In many instances, men's garments have been invoiced as women's or unisex when the men's category is filled. Women's garments are frequently described as men's when the women's category is filled. In instances such as these, a one-word change in the invoice description is all that is required to effect this scheme.

Some examples of this practice include:

- o Tacking flimsy liners of cotton twill shorts and describing them as swimwear.

- o Describing ladies maternity tops as dresses when they weren't long enough to reach even the top of the thigh.

- o Describing children's jogging suits as men's underwear and undervaluing them so that the value would match the invoice description.

- o Loosely stitching panels to the bottom of polo-type shirts, which were then described as dresses.

- o Loosely sewing bibs across the front of girls jeans which were described as overalls, with entry attempted under a visa for a basket category with a large quota. These garments could not have been worn as imported.

- o Stitching unfinished bibs on men's corduroy shorts and describing them as boys rompers. The shorts were also under-valued to bring the value in line with the invoice description.

The MFA provides that hand-loomed fabrics, products hand-made from them, and traditional folklore products are to be exempt from quota, provided that a certification arrangement is agreed upon. From June 1984 through June 1985, Customs made 18 seizures covering over 250,000 items and valued in excess of \$750,000 for attempted fraudulent entry through misdescription under this exemption. These figures do not include a much greater volume of detained shipments for which the importers were allowed to secure corrected visas or visa waivers prior to release of the goods. Nor do these figures include the demands for redelivery for shipments already released. Statistics are not available for these latter two categories.

2. Understatement of Quantities or Weight: The declaration of false quantities or weights to circumvent quota and visa restrictions continues to be a common practice. Not only does this minimize the payment of duty, but misrepresents the actual amount charged to the quota, thereby effectively circumventing the quantitative restraints. In 1985, there were 123 separate textile and apparel seizures, valued at \$6,154,517, in which the merchandise was understated as to quantity or weight. This represented 36.6% of the textile and apparel seizures made during this time.

3. Transshipment: Textile and apparel products can be marked with a false country of origin and then shipped through a country which has either no quota or available quota, making it appear that the merchandise was produced in the intermediate country. In 1985 there were 19 seizures of textile and apparel products, valued at \$2,280,695, in which transshipment was the scheme employed. This represented 5.7% of the seizures made during this time.

Although seizures under this scheme represent only 5.7% of the seizures made, Customs estimates that this is one of the most frequently used schemes involved in the fraudulent entry of textiles and apparel. It is a very difficult scheme to prove and very time consuming in that it involves investigation in many different countries. Information on a particular transshipment

is often not available to Customs until after release of the goods.

A problem related to transshipment has been the minor modification or finishing in one country of textiles and apparel products that originated in another country, with the former country claimed as the country of origin.

Pursuant to Executive Order 12475, issued on May 9, 1984, CITA provided policy guidance to the Secretary of the Treasury in issuing regulations to avoid circumvention of multilateral and bilateral textile agreements and other provisions determined to be necessary for the effective and equitable administration of the textile program. It was under this authority that Treasury and Customs promulgated new country of origin regulations for textile and textile products. These regulations set forth criteria to determine the correct country of origin of textile products for quota purposes. These regulations were promulgated on March 5, 1985 (T.D. 85-38).

4. False Fiber Content: As certain fibers are not subject to the restraints of the MFA (i.e., linen, ramie, and silk), fiber content is often falsely stated to avoid the import restrictions. Laboratory analysis and extensive analysis of cost data is required to determine correct fiber content. Because shipments cannot be detained on mere suspicion, garments are usually in distribution channels by the time that a determination is made. In 1985, there were 14 seizures, valued at \$1,420,365, in which this scheme was utilized. This represented 4% of textile and apparel seizures made during this time.

In August 1984, Custom field offices were directed to sample and lab test products claimed to be silk, linen, ramie, or blends thereof. Initially, 20% of the sampled shipments purporting to be of non-MFA fibers failed the lab tests. Parenthetically, the governments of the exporting countries subsequently provided visa waivers for some of these shipments. As importers and shippers realized that U.S. Customs was tightening its enforcement in non-MFA fiber imports, the number of violations nationwide decreased. It is also common for products made from MFA fibers, such as cotton pants, to be described as being made from man-made fibers when the cotton pants quota is closed, or vice versa. Many exporters and importers are tempted to falsify the fiber content on wool pants as cotton and utilize the cotton pants quota.

5. Split Shipments: Many of our bilateral agreements provide for an exemption from quota for commercial shipments

valued at \$250 or less. One way of circumventing visa restrictions is to split larger commercial shipments into smaller quantities valued at \$250 or less in order to enter the merchandise by means of a visa exempt certificate, thereby avoiding the requirement for a valid debited visa. This practice also allows the importer to utilize the informal entry procedures, which are available for textile shipments valued at \$250 or less.

Investigation of the informal entries found widespread abuse of the exempt certification through a variety of schemes designed to circumvent the restraint levels. Customs also discovered undervaluation and understatement of quantities on many of these entries.

OPERATION SPLIT was conducted at six targeted Customs international mail facilities from October 28 through November 30, 1985, to address the problems of splitting textile and apparel mail shipments abroad in an attempt to avoid formal Customs entry and applicable quota and visa requirements. OPERATION SPLIT resulted in 600 detained parcels, 105 seizures, and two criminal cases already accepted by the U.S. Attorney for criminal prosecution.

A second survey was conducted from November 1 through November 15, 1985, to determine the use of non-quota exempt certifications for textile products entering the United States. With only 43 ports responding, it was learned that 1,139 exempt certifications were cleared each day, accounting for 2,173 dozen garments per day. Extending this figure based upon a five-day work week, over 500,000 dozen garments enter the United States each year under exempt certifications, with no charges made to quota.

As a result, Customs Directive 3500-06 of January 9, 1986, which becomes effective March 9, 1986, requires the filing of a formal entry on all shipments of textiles, regardless of value. This Directive is necessary to address the increased abuses of the under-\$250 shipments and the circumvention of quota restraint levels by many countries through the improper use of exempt certifications.

6. Counterfeit Visas: Although not as common as the other methods of textile fraud, this illegal practice has been detected as a means to circumvent our bilateral textile agreements.

7. Cargo Manipulations: Restricted merchandise is often packed in interior cartons within containers with non-restricted

merchandise in exterior cartons to avoid detection through either visual examination or even through sampling and laboratory analysis.

Summary of Recent Accomplishments in the Textile Fraud Program

Fiscal year 1984 was a significant year for textile and apparel seizures, showing a 300 percent increase in value of these seizures over 1983. The seizures in FY 1984 removed \$31 million in illegal goods from the U.S. market. Fiscal year 1985 resulted in 389 separate seizures valued at over \$30 million. In 336 (86.4%) of these seizures, quota fraud was involved. The seizures for quota fraud were valued at over \$26 million.

In considering the problem of fraud, it would be a serious oversight to fail to consider also the number of shipments which are detained or upon which redelivery is ordered due to lack of compliance with textile restrictions (i.e., incorrect category, incorrect fiber content, etc.). It would be no exaggeration to state that detentions and redeliveries outnumber seizures by at least 30 to 1. Although these actions are not included in enforcement statistics, they are a very significant enforcement effort in that failure to detect and force correction of these errors would result in debiting incorrect restraint levels or, in other cases, allowing unreported oversubscription of some levels.

Textile Seizures for Quota Fraud
FY-1985

<u>Reason</u>	<u>Number</u>	<u>%</u>	<u>Dom. Value</u>	<u>%</u>
1. Misdescription	180	53.7%	\$16,666,892	62.1%
2. Understated Quantities and Weights	123	36.6%	6,154,517	23.6%
3. Transshipment	19	5.7%	2,280,695	8.8%
4. False Fiber Contents	14	4.0%	1,420,365	5.4%
TOTALS	336	100.0%	\$26,022,469	100.0%

VI. ADMINISTRATIVE AND ENFORCEMENT DIFFICULTIES

Fiber Substitution

Non-MFA fibers (silk, ramie, and linen) are being increasingly used in place of fibers under the MFA umbrella (cotton, wool, and man-made fibers). From January through November 1985, apparel imports of non-MFA fibers totalled 469 million SYE, from 245 million SYE during the same period last year (109.5%).

Non-MFA Apparel

	YTD/84	YTD/85	% of Change
H.K.	95.2	203.5	113.7
Korea	74.1	134.1	81.0
PRC	14.8	54.3	266.2
Taiwan	18.2	35.5	95.1
TOTAL	245	469	109.5

Any form of fiber substitution may create an administrative burden for U.S. Customs in that shipments must be scrutinized to determine fiber content, a process that often requires laboratory analysis.

Some fiber substitution may be a result of the textile category system developed for the negotiation of bilateral textile and apparel restraint agreements. For most products (e.g., women's trousers) separate categories exist for each of the three MFA fibers. When restraints are imposed, for instance on a cotton product from a given country, exports are then frequently developed in the corresponding man-made fiber category.

Pure silk and linen are traditional fibers which were not included in the MFA because they were not considered to be a major factor in textile and apparel trade. Other fibers used in non-apparel, such as jute, similarly were not considered during the MFA negotiations. However, the possibility exists that blends of some of these fibers, perhaps from silk waste, can be used in place of an MFA apparel product and not charged to any quota. Statistics are not available to differentiate between pure silk and linen, and blends of these fibers.

Moreover, statistical breakouts on non-MFA fibers are still being refined, and data may be incomplete or misleading. For example, statistics used for non-MFA fiber apparel may include some leather products and such items as straw hats. Nonetheless, according to available statistics, non-MFA apparel imports excluding silk and silk blends totalled 417 million square yard equivalents (SYE) in 1985, equalling 10 percent of MFA apparel imports for the same period. As much as 65 percent of vegetable fiber apparel imports other than cotton (i.e., linen and ramie) occurred in sweaters.

Ramie is a fiber that has been used for many years to make various products, particularly in China. However, its emergence as an apparel fiber in the U.S. is a relatively new phenomenon.

Importers and retailers claim that ramie sweaters are necessary to fill the growing U.S. demand for cotton-like knit wear products. Domestic producers, they claim, are unable to keep pace with this expanding market. Trade in ramie sweaters may have also been spurred by the above-mentioned changes in the country of origin rules, which no longer permit Hong Kong to assemble sweaters subject to quota from panels knitted in China. Therefore, Hong Kong and Chinese manufacturers may have had the incentive to further develop the "ramie market" in the U.S. so that they could continue their joint sweater operations.

It must be assumed that much of the increased trade in ramie sweaters is a by-product of the quotas on cotton sweaters. Ramie fiber is more expensive than cotton fiber, but according to a major retailer speaking before the Importers and Retailers Textiles Advisory Committee, it is increasingly being ordered by retailers because these are no quota charges or concerns about quotas.

The cotton sweater market has itself expanded greatly. From 1980 to 1984, domestic production of cotton sweaters increased from 423,000 dozen to 2,950,000 dozen. At the same time, imports increased from 507,000 dozen to 1,262,000 dozen and may reach 1,700,000 dozen when final 1985 figures are available.

During this time, quotas were negotiated with Hong Kong, Korea, Taiwan, China and Malaysia. As a result, new suppliers emerged in the U.S. market, such as Italy (which is now the second largest supplier), Thailand, and India. Although Malaysia has yet to export ramie sweaters to the U.S., the other suppliers

with which the U.S. negotiated cotton sweater restraints have become significant suppliers of ramie sweaters.

When the opportunity has arisen, agreements patterned after our MFA bilaterals have been negotiated to cover non-MFA fibers. Thus far we have negotiated a ramie agreement with Indonesia, a ramie, linen and silk-blend agreement with Thailand; and an all-fiber agreement with Israel.

Different requirements for countries; lack of standardized agreements.

Under the MFA, the United States has negotiated 35 bilateral restraint agreements and 25 visa agreements. Each of the 60 agreements has requirements that differ from the requirements in every other agreement. This complicates the administration and enforcement of the program and invites circumvention by foreign manufactures, exporters, and U.S. importers through a variety of schemes. As described above, these schemes include, but are not limited to, the following: undervaluation, invoice misdescriptions, transshipment through countries with under-utilized quotas use of the under-\$250 exemption and use of the folklore exemption. Customs and CITA are working to develop standardized bilateral quota and visa agreements to reduce the complexities introduced by non-uniform agreements and close loopholes in the program. However, much of the complexity is inherent in the system itself, with its category-specific, country-specific limits.

Cottage Industry/Folklore Exemption from Quota and Duty.

As discussed above, Article 12 of the Multi-Fiber Arrangement provides an exemption allowing entry of developing country exports of handloom fabrics of the cottage industry, hand-made cottage industry products made of such handloom fabrics, and traditional folklore handicraft textile products. The folklore/handicraft exemption and the lack of uniformity among the agreements that the U.S. has with 10 countries exempting such merchandise produce administrative difficulties, confusion, and opportunity for fraud.

Lack of Foreign Government Assistance in Enforcement and Administration.

Difficulties in obtaining the assistance of our trading partners have impeded the Customs Service's efforts to control certain fraudulent practices in textile trade. The most significant instances of noncooperation have occurred when

Customs has sought assistance in controlling and uncovering transshipments of textiles and apparel to evade quota restrictions.

Many textile-producing countries make no real effort to monitor or control diversions of their products through third countries, often claiming that such problems are beyond their control or not their responsibility. Certain other countries that are not subject to quotas or that have under-utilized quotas have been used as transshipment points and are often unwilling to assist U.S. Customs in investigating the fraudulent practices.

Another problem in controlling fraud involves importations into the United States through the use of incorrect visas. It is occasionally difficult for the highly trained experts of U.S. Customs to classify certain garments and assign them to their proper quota category. These complex classification questions cannot be any less difficult for the manufacturers and government officials of the developing countries of the world. As a result, when Customs detects such a problem it routinely detains the shipment until the importer obtains from the exporting country's government a corrected visa for the shipment.

However, even in cases in which false information has been entered on a visa intentionally, exporting countries have nevertheless validated shipments by issuing corrected visas. Accordingly, there is little or no disincentive to engage in such a practice, and quotas are successfully evaded when the false information on the visa goes undetected.

Textile TSUS Items Under Import Control

The U.S. Customs Service Quota Section has import controls on approximately 40% of the categories eligible for restraint. The remaining categories are monitored by the Commerce Department through Census Bureau data. The existing import controls require Customs field offices and Headquarters to process more than 1,080,000 transactions a year. Processing all transactions through the Quota Section would increase this workload to 3,000,000 transactions per year, thus requiring an increase in Customs staffing.

When CITA does direct Customs to control additional categories, the quota period is often retroactive, thereby

necessitating after-the-fact charges against the new category. These charges are obtained from Census Bureau printouts, which contain data that is months old. Thus the categories often can be overfilled by the time the after-the-fact charges are transmitted to Customs.

Section 807 Textile and Apparel Shipments

Section 807 of the Tariff Schedules provides for the duty-free re-entry of U.S. goods incorporated in foreign products ("American goods returned"). The American Textile Manufacturer's Institute (ATMI) and various members of the domestic industry had submitted statistics to Customs reflecting that far more merchandise entered the United States with duty-free benefits under the provisions of 807 than had been exported from the United States for assembly under this provision.

Customs analyzed the import and export statistics submitted by ATMI and the domestic industry. The analysis of the data revealed a number of errors, and as a result, it is likely that the problem has been overstated. Nevertheless, Customs has intensified its enforcement efforts with regard to Section 807. Specifically, Customs has directed its Regulatory Audit Division to set up audits of companies using 807 provisions for wearing apparel, with an emphasis on exported material versus the imported product.

Fifteen firms importing 807 textile and apparel products have been nominated for regulatory audit review during 1986. There are currently two cases on 807 garments from Mexico where the fabric may, in fact, be of Asian origin. Most of the 807 investigations and audits that have been completed, however, have revealed violations on the dutiable costs and loss of revenue, as opposed to discovering the use of foreign fabric.

In 1985, Customs sent alerts to the field offices which receive the bulk of the 807 importations covering the categories targeted by ATMI. Another precaution has been requests for more frequent examination of overseas production plants utilizing 807 provisions by our foreign attache offices. Customs has also requested the assistance of domestic industry contacts in identifying potential 807 fraud.

TEXTILE AND APPAREL IMPORT ANALYSIS

Calendar Year 1985

Compared to Calendar Year 1980

TOTAL: 10,845 million SYE in CY 1985, up 5,961 million SYE or a 122% increase from CY 1980.

Apparel: 5,133 million SYE in CY 1985, up 2,249 million SYE or a 78.0% increase from CY 1980.

Textile: 5,712 million SYE in CY 1985, up 3,712 million SYE or a 186% increase from CY 1980.

BIG THREE: 3,784 million SYE, up 1,574 million SYE or a 71.2% increase over CY 1980. The Big Three accounted for 26.4% of the total increase from 1980 to 1985.

CHINA: 977 million SYE, up 652 million SYE or a 201% increase over CY 1980. China accounted for 10.9% of the total growth from 1980 to 1985.

JAPAN: 716 million SYE, up 255 million SYE or a 55.4% increase from CY 1980. Japan's growth was 4.3% of the total growth from 1980 to 1985.

OECD: 2,014 million SYE, up 1,468 million SYE or a 269% increase from CY 1980. The OECD contributed 24.6% of the total growth from 1980 to 1985.
(excludes Japan)

OTHER AGREEMENT COUNTRIES: 2,886 million SYE, up 1,822 million SYE or a 171% increase from CY 1980. Other agreement countries accounted for 30.6% of the total growth from 1980 to 1985.

NEW STARTERS: 470 million SYE, up 190 million SYE or a 68.1% increase from CY 1980. New starters accounted for 3.2% of the total increase from 1980 to 1985.

	CY 1980	CY 1985
Total	4884.4	10845.4
Apparel	2884.1	5132.9
Textiles	2000.2	5712.5
Big Three	2209.6	3783.9
China	324.7	976.5
Japan	460.5	715.7
OECD	546.0	2013.7
O. Agree C.	1064.2	2886.0
New Start.	279.3	469.6

Data for 1980 does not include flatgoods.

Prepared by
Office of Textiles and Apparel
January 27, 1986

NON-MFA Fiber textiles and Apparel Import Analysis
January - December 1985

Non-MFA Fibers

Total: 2.0 billion sye, up 90 msye or a 4.8% increase from the same period last year.

Textiles: 1433 msye, down 194 msye, a 11.9% decrease.

Apparel: 536 msye, up 284 msye or a 112.7% increase.

Big Three: 428 msye, up 216.8% msye, a 102.6% increase.

China: 62 msye, up 44.9 msye, a 264.9% increase.

OECD: 18 msye, up 6.0 msye, a 48.0% increase.

EEC: 13 msye, up 5.4 msye, a 69.3% increase.

Major Non-MFA Fiber Apparel Suppliers

<u>Country</u>	<u>MFA Apparel</u>		<u>%Chg</u>	<u>Non-MFA Apparel</u>		<u>%Chg</u>
	<u>YTD/84</u>	<u>YTD/85</u>		<u>YTD/84</u>	<u>YTD/85</u>	
Hong Kong	814.3	824.9	1.3	108.8	230.0	230.0
Korea	684.7	672.3	-1.8	80.7	156.6	94.2
China	444.5	421.7	-5.1	17.0	61.9	264.9
Taiwan	931.1	958.6	2.9	21.8	41.5	90.1

Major Products/Country

	<u>1984</u>	<u>1985</u>	<u>%Change</u>	<u>%Share</u>
Non-MFA Sweaters	166.5	340.2	104.3	63.4
Hong Kong	33.2	135.2	307.2	
Korea	15.5	81.6	426.5	

Prepared by **OTEXA/IAMD**

January 27, 1986

1980 OVERSHIPMENTS BY CATEGORY/COUNTRY
(T,000 SYE)

<u>Country</u>	<u>Category</u>	<u>Overshipment</u>	<u>Percent</u>	<u>Reason</u>
Hong Kong	334	96	100.8	(*)
Hong Kong	338pt339pt	444	102.4	(*)
Hong Kong	347/348	2,352	102.3	(*)
Hong Kong	641	161	101.5	(*)
Hong Kong	350	569	111.7	(*)
Hong Kong	447	48	116.3	(*)
Hong Kong		<u>3,670</u>		
Pakistan	317	308	104.7	(1)
Pakistan	339pt	10	101.0	(3)
Pakistan		<u>318</u>		
Philippines	443	30	125.5	(3)
Philippines	348pt	316	108.0	(3)
Philippines		<u>346</u>		
Taiwan	604	<u>245</u>	109.0	(1)
Malaysia	338	<u>136</u>	110.3	(1)
Mexico	345	<u>3</u>	100.4	(2)
Thailand	445/446	<u>76</u>	132,0	(1)
TOTAL 1980 OVERSHIPMENTS		<u>4,794</u>		

*This issue is discussed in the text

Prepared by OTEXA/IAMD
January 1986

1981 OVERSHIPMENTS BY CATEGORY/COUNTRY
(1,000 SYE)

<u>Country</u>	<u>Category</u>	<u>Overshipment</u>	<u>Percent</u>	<u>Reason</u>
Colombia	435	<u>7</u>	102.2	(1)
Hong Kong	347/348	<u>289</u>	100.3	(*)
Korea	Aggregate	6,536	100.9	(1)
Korea	Group II	5,437	100.9	(1)
Korea	4 7	83	104.3	(1)
	Korea		<u>12,056</u>	
Macau	338	5	100.5	(1)
Macau	641	67	106.1	(1)
	Macau		<u>72</u>	
Pakistan	339pt	33	101.8	(3)
Pakistan	347	107	115.3	(1)
	Pakistan		<u>140</u>	
Philippines	431	5	104.3	(3)
Philippines	341pt	290	130.8	(3)
	Philippines		<u>295</u>	
Singapore	320	<u>136</u>	102.2	(1)
Taiwan	351	<u>626</u>	107.6	(1)
TOTAL 1981 OVERSHIPMENTS			<u>13,620</u>	

*This issue is discussed in the text

Prepared by OTEXA/IAMD
January 1986

1982 OVERSHIPMENTS BY CATEGORY/COUNTRY
(1,000 SYE)

<u>Country</u>	<u>Category</u>	<u>Overshipment</u>	<u>Percent</u>	<u>Reason</u>
Hong Kong	338pt/339pt	572	103.0	(*)
Hong Kong	345	678	105.6	(*)
Hong Kong	445/446	1,586	109.2	(*)
Hong Kong	645/646	1,241	102.7	(*)
Hong Kong	444	3	100.5	(*)
Hong Kong		<u>4,080</u>		
Korea	345	<u>307</u>	115.9	(1)
Philippines	333/334	<u>509</u>	113.9	(3)
Romania	338pt	<u>98</u>	114.0	(1)
Taiwan	313	<u>665</u>	101.6	(1)
Thailand	644	<u>256</u>	136.5	(1)
TOTAL 1982 OVERSHIPMENTS		<u>5,916</u>		

This issue is discussed in the text

Prepared by OTEXA/IAMD
January 1986

1983 OVERSHIPMENTS BY CATEGORY/COUNTRY
(1000 SYE)

<u>Country</u>	<u>Category</u>	<u>Overshipment</u>	<u>% Filled</u>	<u>Reason</u>
Hong Kong	333/4	669	104.6	(*)
	338/9	1296	106.9	(*)
	340	1896	103.2	(*)
	341	1217	103.4	(*)
	345	1614	114.1	(*)
	347/8	5310	105.1	(*)
	444	83	113.3	(*)
	445/6	2172	112.9	(*)
	447/8	90	109.6	(*)
	633/4/5	1227	103.2	(*)
	638/9	2970	104.5	(*)
	640	888	105.6	(*)
	641	966	109.1	(*)
	645/6	1641	103.7	(*)
	648	647	104.0	(*)
	336	31	100.4	(*)
	442	11	100.9	(*)
	459	5	100.6	(*)
	642	82	103.5	(*)
	649	109	104.4	(*)
HONG KONG		<u>22,924</u>		
JAPAN	612	<u>6851</u>	102.7	(*)
KOREA	300	<u>309</u>	111.7	(1)
MACAU	345	<u>218</u>	131.1	(2)
MEXICO	604Pt	2049	165.7	(2)
	444	71	170.8	(2)
	632	683	197.5	(2)
MEXICO		<u>2,803</u>		
PHILIPPINES	348nt	14	100.2	(3)
	637nt	4252	539.5	(3)
PHILIPPINES		<u>4,276</u>		
ROMANIA	443	<u>5</u>	101.1	(1)
TAIWAN	350	513	111.1	(1)
	650	130	106.0	(1)
	669ppbags	371	109.5	(1)
TAIWAN		<u>1,014</u>		
TOTAL 1983 OVERSHIPMENTS			<u>38,400</u>	

*This issue is discussed in the text.

Prepared by OTEXA/IAMD
February 5, 1985

1984 OVERSHIPMENTS BY COUNTRY/CATEGORY
(1000 SYE)

<u>COUNTRY</u>	<u>CATEGORY</u>	<u>OVERSHIPMENT</u>	<u>% FILLED</u>	<u>REASON</u>
BRAZIL	604	<u>2,128</u>	246.2	(2)
COLOMBIA	340	<u>70</u>	110.0	(1)
HONG KONG	336	152	102.4	(*)
	342	194	102.7	(*)
	345	1281	111.1	(*)
	633/4	234	101.6	(*)
	640	830	105.2	(*)
	641	168	101.6	(*)
	644	22	101.6	(*)
HONG KONG		<u>2,881</u>		
JAPAN	444	14	101.5	(*)
	631w	387	146.4	(*)
	634	319	110.8	(*)
JAPAN		<u>720</u>		
KOREA	614w	657	107.7	(1)
	659s	280	113.5	(1)
	670L	1,792	103.5	(1)
KOREA		<u>2,729</u>		
MACAO	351	66	109.4	(1)
	438	3	102.8	(1)
MACAO		<u>69</u>		
MEXICO	359-0	175	104.2	(1)
	443	81	142.9	(2)
MEXICO		<u>256</u>		
PHILIPPINES	345	118	112.7	(3)
	634	524	106.1	(3)
	669	190	113.7	(3)
PHILIPPINES		<u>832</u>		
SINGAPORE	337	<u>42</u>	106.2	(1)
TAIWAN	333/4	32	101.2	(2)
	341	119	102.1	(2)
	350	236	104.9	(2)
	633/4/5	430	100.7	(2)
	645/6	172	100.1	(2)
	670F	7,936	146.3	(2)
TAIWAN		<u>8,925</u>		
THAILAND	GROUP II	<u>18,560</u>	122.0	(2)
<u>TOTAL 1984 OVERSHIPMENTS</u>		<u>37,212</u>		

*This issue is discussed in the text.

Prepared by OTEXA/IAMD

KNOWN 1/ OVERSHIPMENTS OF 1985 LIMITS

(Census data - 10/31, Customs Data - 12/13)
(1,000 SYE)

<u>COUNTRY</u>	<u>CATEGORY</u>	<u>SYE OVERSHIPPED</u>	<u>% FILLED</u>	<u>REASON</u>
Brazil	604	<u>283</u>	115%	(2)
Spain	604	<u>767</u>	121%	(2)
Turkey	340	<u>1,565</u>	148%	(1)
Hong Kong	444	<u>21</u>	104%	*
Japan	442	18	101%	*
Japan	631W	46	104%	*
Japan		<u>64</u>		
Philippines	442	<u>30</u>	125%	(2)
Mexico	447	18	117%	(2)
Mexico	340	440	110%	(2)
Mexico	659	6,970	139%	(2)
Mexico		<u>7,428</u>		
Thailand	GROUP	4,310	105%	(2)

TOTAL 14,729

1/1985 export data not considered complete until April 1986.

* This issue is discussed in text.

Prepared by OTEXA/IAMD
January 1986

1983 TO 1985 RESTRAINT ACTIONS

IMPORT AS % OF PRODUCTION : AVERAGE						
	1983	1984	1984*	1985	TOTAL	TOTAL*
ALL COUNTRIES	7.3	56.8	5.5	6.6	21.5	6.6
THE BIG THREE	8.7	229.8	6.9	7.5	44.1	8.1
CHINA	6.4	2.2		24.8	8.6	
EXPIRED AGREEMENT 3 (BRAZIL)				4.3	4.3	
OTHER COUNTRIES	3.1	5.8		4.8	4.9	

* / The import to production percentage (4663.9 %) for category 670PT for Taiwan in 1984 is excluded.

DTEXA/IAD February 4th, 1986.

1985 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS		PRODUCTION		IMPORTS AS % OF PRODUCTION
		CALL	LEVEL	LEVEL	UNITS	
301	TAIWAN		352,420 LBS		25,831,000 LBS	1.4% E
301 PT.	THAILAND		3,756,162 LBS		25,831,000 LBS	14.5%
310/318	GUATEMALA		4,938,429 SYD		183,329,000 SYD	2.7%
310/318	JAPAN		15,332,408 SYD		151,987,000 SYD	10.1%
310/318	TAIWAN		4,041,284 SYD		151,987,000 SYD	2.7% E
310/318	PORTUGAL		6,733,536 SYD		151,987,000 SYD	4.4%
313	INDIA		11,517,319 SYD		325,256,000 SYD	3.5%
313	TURKEY		12,713,472 SYD		325,256,000 SYD	3.9%
313	JAPAN		4,972,283 SYD		299,000,000 SYD	1.7%
315	BRAZIL		11,475,558 SYD		425,486,000 SYD	2.7%
315	INDIA		5,687,641 SYD		450,000,000 SYD	1.3%
317T	TURKEY		6,441,771 SYD		128,000,000 SYD	5.0%
317S	BRAZIL		7,324,755 SYD		45,612,000 SYD	16.1%
334	BANGLADESH		31,068 DOZ		670,000 DOZ	4.6%
335	BANGLADESH		84,010 DOZ		525,000 DOZ	16.0%
335	BRAZIL		21,076 DOZ		742,000 DOZ	2.8%
335	SOUTH AFRICA		25,925 DOZ		525,000 DOZ	4.9%
335	TURKEY		37,322 DOZ		742,000 DOZ	5.0%
335	URUGUAY		32,201 DOZ		525,000 DOZ	6.1%
336	INDONESIA		29,361 DOZ		3,900,000 DOZ	0.8%
337	INDONESIA		41,804 DOZ		3,361,000 DOZ	1.2%
337	BRAZIL		59,433 DOZ		3,361,000 DOZ	1.8%
337	THAILAND		74,381 DOZ		3,361,000 DOZ	2.2%
337	SRI LANKA		79,903 DOZ		2,531,000 DOZ	3.2%
337	NEPAL		58,188 DOZ		2,531,000 DOZ	2.3%
338/9	BRAZIL		444,078 DOZ		14,948,000 DOZ	3.0%
338	SRI LANKA		218,165 DOZ		8,073,000 DOZ	2.7%
339	PORTUGAL		257,853 DOZ		4,735,000 DOZ	5.4%
339	TURKEY		320,972 DOZ		5,125,000 DOZ	6.3%
340	BANGLADESH		212,011 DOZ		4,735,000 DOZ	4.5%
340	JAPAN		79,627 DOZ		5,125,000 DOZ	1.6%
340	PORTUGAL		133,733 DOZ		5,125,000 DOZ	2.6%
340	TURKEY		134,629 DOZ		4,735,000 DOZ	2.8%
340	NEPAL		132,527 DOZ		5,125,000 DOZ	2.6%
340	YUGOSLAVIA		147,576 DOZ		4,735,000 DOZ	3.1%
342	KOREA		63,876 DOZ		2,027,000 DOZ	3.2% E
347/8	BANGLADESH		615,044 DOZ		40,895,000 DOZ	1.5%
347/8	SOUTH AFRICA		246,859 DOZ		40,895,000 DOZ	0.6%
348	TURKEY		389,682 DOZ		15,191,000 DOZ	2.6%
350	BRAZIL		51,150 DOZ		571,000 DOZ	9.0%
350	KOREA		12,221 DOZ		741,000 DOZ	1.6% E
352	TAIWAN		585,792 DOZ		67,000,000 DOZ	0.9% E
352	KOREA		96,959 DOZ		71,300,000 DOZ	0.1% E
359/659	CHINA		4,438,701 LBS		6,425,000 DOZ	a
359H	KOREA		4,122,889 LBS		6,425,000 DOZ	a E
359V	CHINA		879,414 LBS		29,000 DOZ	a
359I	CHINA		1,112,732 LBS		2,569,000 DOZ	a
359I	TAIWAN		983,876 LBS		6,425,000 DOZ	a E
360	CHINA		226,410 LBS		259,000 DOZ	a
			175,507 DOZ		250,000 DOZ	54.2%

1985 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS		PRODUCTION		IMPORTS AS % OF PRODUCTION
		CALL LEVEL	IMPORTS UNITS	LEVEL	UNITS	
360	TAIWAN	58,978	DOZ	203,000	DOZ	29.12 E
360	HONG KONG	70,090	DOZ	203,000	DOZ	34.51 E
361	BRAZIL	37,500	DOZ	1,014,000	DOZ	3.71
361	CHINA	205,758	DOZ	874,000	DOZ	23.51
361	ISRAEL	52,205	DOZ	1,014,000	DOZ	5.11
361	PORTUGAL	248,370	DOZ	1,014,000	DOZ	24.51
361	TAIWAN	67,839	DOZ	727,000	DOZ	9.31 E
361	TURKEY	15,756	DOZ	874,000	DOZ	1.81
361	HONG KONG	57,383	DOZ	874,000	DOZ	6.61 E
363	BRAZIL	1,020,780	DOZ	41,837,000	DOZ	2.41
363	SRI LANKA	5,172,883	DOZ	472,512,000	DOZ	1.11
363	TAIWAN	8,460,920	DOZ	472,512,000	DOZ	1.81 E
369L	CHINA	3,320,320	LBS	5,157,000	LBS	64.41
369S	SRI LANKA	741,929	LBS	137,600,000	NOS	a
369S	MALAYSIA	800,000	LBS	137,600,000	NOS	a
369L	TAIWAN	1,852,291	LBS	5,157,000	LBS	35.91 E
433	SOUTH AFRICA	5,244	DOZ	485,000	DOZ	1.11
434	YUGOSLAVIA	7,603	DOZ	314,000	DOZ	2.41
434	THAILAND	7,071	DOZ	292,000	DOZ	2.41
435	YUGOSLAVIA	32,555	DOZ	1,269,000	DOZ	2.61
436	TAIWAN	3,832	DOZ	312,000	DOZ	1.21 E
440	HONG KONG	12,490	DOZ	623,000	DOZ	2.01 E
440	TAIWAN	8,151	DOZ	110,000	DOZ	7.41 E
442	TAIWAN	31,047	DOZ	1,045,000	DOZ	3.01 E
442	URUGUAY	16,775	DOZ	1,045,000	DOZ	1.61
443	TAIWAN	3,482	DOZ	285,000	DOZ	1.21 E
448	YUGOSLAVIA	22,933	DOZ	800,000	DOZ	2.91
448	PORTUGAL	29,916	DOZ	752,000	DOZ	4.01
604A	BRAZIL	376,227	LBS	35,772,000	LBS	1.11
604A	SOUTH AFRICA	580,000	LBS	35,772,000	LBS	1.61
604A	PORTUGAL	573,563	LBS	35,772,000	LBS	1.61
604	SOUTH AFRICA	966,346	LBS	35,772,000	LBS	2.71
605 D	KOREA	531,633	LBS	15,106,000	LBS	3.51 E
605T	CHINA	248,117	LBS	14,700,000	LBS	1.71
611	KOREA	1,669,935	SYD	102,000,000	SYD	1.61 E
611	TAIWAN	1,001,210	SYD	102,142,000	SYD	1.01 E
613C	INDONESIA	4,981,714	SYD	79,600,000	SYD	6.31
613C	MALAYSIA	8,020,078	SYD	69,500,000	SYD	11.51
614P	INDONESIA	2,953,278	SYD	70,086,000	SYD	4.21
632	KOREA	1,654,116	DPR	266,079,000	DPR	0.61 E
632	TAIWAN	3,305,414	DPR	266,079,000	DPR	1.21 E
634	MALAYSIA	129,934	DPR	4,595,000	DPR	2.81
635	MALAYSIA	94,960	DOZ	4,632,000	DOZ	2.11
637	HONG KONG	142,007	DOZ	4,923,000	DOZ	2.91 E
640	BANGLADESH	237,569	DOZ	9,449,000	DOZ	2.51
640	THAILAND	374,516	DOZ	10,217,000	DOZ	3.71
645/6	INDONESIA	192,472	DOZ	7,368,000	DOZ	2.61
645/6	MALAYSIA	128,237	DOZ	7,192,000	DOZ	1.81
646	JAPAN	124,814	DOZ	4,950,000	DOZ	2.51
647	SRI LANKA	333,354	DOZ	20,074,000	DOZ	1.71

1985 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS CALL LEVEL	IMPORTS UNITS	PRODUCTION LEVEL	PRODUC- TION UNITS	IMPORTS AS % OF PRODUCTION
64E	BRAZIL	190,041	DOZ	21,641,000	DOZ	0.9%
64E	INDONESIA	894,804	DOZ	21,641,000	DOZ	4.1%
64E	JAPAN	352,124	DOZ	21,641,000	DOZ	1.6%
64E	MALAYSIA	349,829	DOZ	21,641,000	DOZ	1.6%
651	CHINA	324,449	DOZ	19,055,000	DOZ	1.7%
651	TAIWAN	332,415	DOZ	19,055,000	DOZ	1.7% E
652	CHINA	1,235,609	DOZ	39,783,000	DOZ	3.1%
659I	CHINA	1,001,981	LBS	3,854,000	DOZ	a
670PT	CHINA	12,042,805	LBS	22,041,000	LBS	54.6% E
670PT	HONG KONG	6,246,119	LBS	30,000,000	LBS	20.8% E
670PT	TAIWAN	3,641,138	LBS	24,373,000	LBS	14.9% E
670PT	KOREA	2,618,256	LBS	22,041,000	LBS	11.9% E

a/ Production and import data not available in comparable units of measure.

E/ Import call level is E's issued.

ITA/DTEXA January 31st. 1986.

1984 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS		PRODUCTION		IMPORTS AS % OF PRODUCTION
		CALL	LEVEL	LEVEL	UNITS	
300/301	KOREA	2,799,520	LBS	122,203,000	LBS	2.31 E
310/318	INDIA	4,001,753	SYD	183,329,000	SYD	2.22
313	EGYPT	9,755,663	SYD	281,715,000	SYD	3.51
313	MALAYSIA	9,012,811	SYD	325,000,000	SYD	2.82
314	JAPAN	10,480,770	SYD	73,300,000	SYD	14.31
317	PERU	8,173,427	SYD	126,780,000	SYD	6.42
317	INDONESIA	3,876,364	SYD	126,780,000	SYD	3.12
319	INDONESIA	4,096,546	SYD	93,625,000	SYD	4.42
319	PERU	15,076,495	SYD	93,625,000	SYD	16.12
320PT	CHINA	6,251,330	SYD	394,966,000	SYD	1.62
320PT	INDONESIA	3,265,210	SYD	470,421,000	SYD	0.72
334	INDIA	28,466	DOZ	809,000	DOZ	3.52
334	INDONESIA	16,972	DOZ	670,000	DOZ	2.52
334	JAPAN	16,744	DOZ	809,000	DOZ	2.12
334	PAKISTAN	26,400	DOZ	809,000	DOZ	3.32
335	PAKISTAN	29,886	DOZ	647,000	DOZ	4.62
336	SRI LANKA	35,954	DOZ	3,404,000	DOZ	1.12
337	HONG KONG	409,424	DOZ	3,194,000	DOZ	12.82 E
337	KOREA	33,066	DOZ	3,363,000	DOZ	1.02 E
337	INDIA	69,346	DOZ	3,194,000	DOZ	2.22
337	JAPAN	62,585	DOZ	3,194,000	DOZ	2.02
338	INDONESIA	184,788	DOZ	15,905,000	DOZ	1.22
339	SRI LANKA	335,508	DOZ	7,386,000	DOZ	4.52
339	INDONESIA	170,148	DOZ	7,386,000	DOZ	2.32
340	MAURITIUS	100,756	DOZ	4,735,000	DOZ	2.12
345	MALAYSIA	49,134	DOZ	1,372,000	DOZ	3.62
350	HAITI	18,754	DOZ	518,000	DOZ	3.62
350	INDIA	15,880	DOZ	518,000	DOZ	3.12
350	PAKISTAN	14,400	DOZ	518,000	DOZ	2.82
352	KOREA	84,952	DOZ	60,661,000	DOZ	0.12 E
359PT	CHINA	553,885	LBS	650,000	DOZ	a
359PT	INDIA	111,059	DOZ	650,000	DOZ	17.12
359PT	HONG KONG	1,757,912	LBS	308,000	DOZ	a E
359PT	HONG KONG	5,662,952	LBS	2,469,000	DOZ	a E
359PT	INDIA	728,410	LBS	205,000	DOZ	a
359PT	TAIWAN	947,730	LBS	29,000	DOZ	a E
359PT	HONG KONG	784,347	LBS	650,000	DOZ	a E
359PT	TAIWAN	890,324	LBS	650,000	DOZ	a E
359PT	HONG KONG	1,132,581	LBS	128,560,000	NOS	a E
369PT	CHINA	4,296,657	LBS	128,560,000	NOS	a
369PT	PERU	615,102	LBS	128,560,000	NOS	a
410	CHINA	1,563,447	SYD	115,474,000	SYD	1.42
410	URUGUAY	1,185,000	SYD	115,474,000	SYD	1.02
433	HONG KONG	2,631	DOZ	373,000	DOZ	0.72 E
433	URUGUAY	10,915	DOZ	402,000	DOZ	2.72
433	YUGOSLAVIA	3,184	DOZ	373,000	DOZ	0.92
434	CHINA	5,841	DOZ	315,000	DOZ	1.92
434	URUGUAY	9,636	DOZ	315,000	DOZ	3.12
435	URUGUAY	31,733	DOZ	1,095,000	DOZ	2.92

1984 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS		PRODUCTION	IMPORTS AS	
		CALL	LEVEL	LEVEL	UNITS	% OF PRODUCTION
436	CHINA	6,320	DOZ	295,000	DOZ	2.1%
436	KOREA	10,545	DOZ	295,000	DOZ	3.6% E
436	TAIWAN	1,926	DOZ	295,000	DOZ	0.7% E
438	KOREA	42,046	DOZ	428,000	DOZ	9.8% E
438	TAIWAN	34,863	DOZ	500,000	DOZ	7.0% E
438PT	THAILAND	8,398	DOZ	178,000	DOZ	4.7%
442	CHINA	18,230	DOZ	1,359,000	DOZ	1.3%
444	CHINA	9,074	DOZ	178,000	DOZ	5.1%
444	YUGOSLAVIA	7,626	DOZ	178,000	DOZ	4.3%
445	BRAZIL	22,954	DOZ	945,000	DOZ	2.4%
445	HUNGARY	1,501	DOZ	945,000	DOZ	0.2%
445	INDIA	10,984	DOZ	1,017,000	DOZ	1.1%
446	DOM. REPUBLIC	19,550	DOZ	623,000	DOZ	3.1%
446	INDIA	20,240	DOZ	623,000	DOZ	3.2%
459PT	KOREA	455,968	LBS	128,000	DOZ	a
604	JAPAN	5,531,034	LBS	38,719,000	LBS	14.3%
604	SPAIN	857,396	LBS	38,319,000	LBS	2.2%
604PT	TURKEY	476,014	LBS	35,328,000	LBS	1.3%
605PT	HONG KONG	468,696	LBS	5,705,000	LBS	8.2% E
605PT	TAIWAN	882,442	LBS	5,705,000	LBS	15.5% E
605PT	THAILAND	331,074	LBS	5,704,000	LBS	5.8%
611	JAPAN	14,772,228	SYD	101,402,000	SYD	14.6%
613PT	CHINA	14,411,465	SYD	361,000,000	SYD	4.0%
614	KOREA	11,690,808	SYD	1,494,508,000	SYD	0.8% E
631PT	INDONESIA	100,000	DPR	502,000	DPR	19.9%
631PT	PAKISTAN	72,256	DPR	470,000	DPR	15.4%
631PT	PAKISTAN	238,750	DPR	502,000	DPR	47.6%
631PT	JAPAN	202,851	DPR	502,000	DPR	40.4%
634	JAPAN	59,672	DOZ	5,121,000	DOZ	1.2%
637	CHINA	101,185	DOZ	5,354,000	DOZ	1.9%
637	HONG KONG	92,304	DOZ	5,354,000	DOZ	1.7% E
638	CHINA	435,649	DOZ	32,586,000	DOZ	1.3%
639	INDONESIA	236,394	DOZ	22,474,000	DOZ	1.1%
640	INDONESIA	170,746	DOZ	11,521,000	DOZ	1.5%
640	INDONESIA	208,114	DOZ	10,217,000	DOZ	2.0%
641	JAPAN	171,998	DOZ	17,602,000	DOZ	1.0%
643	CHINA	18,899	DOZ	875,000	DOZ	2.2%
644	CHINA	8,432	DOZ	878,000	DOZ	1.0%
644	JAPAN	13,071	DOZ	878,000	DOZ	1.5%
646	JAPAN	86,434	DOZ	5,306,000	DOZ	1.6%
649	CHINA	485,440	DOZ	18,495,000	DOZ	2.6%
649	BARBADOS	539,348	DOZ	18,495,000	DOZ	2.9%
649	HONG KONG	399,498	DOZ	18,495,000	DOZ	2.2% E
650	HONG KONG	64,104	DOZ	3,022,000	DOZ	2.1% E
651	HONG KONG	227,430	DOZ	18,400,000	DOZ	1.2% E
652	HONG KONG	2,847,670	DOZ	62,100,000	DOZ	4.6% E
652	TAIWAN	1,237,130	DOZ	65,738,000	DOZ	1.9% E
659PT	HONG KONG	258,196	LBS	604,000	DOZ	a E
659PT	TAIWAN	3,369,343	LBS	3,704,000	DOZ	a E

1984 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS CALL LEVEL	IMPORTS UNITS	PRODUCTION LEVEL	PRODUC- TION UNITS	IMPORTS AS % OF PRODUCTION
659PT	HONG KONG	344,574 LBS		5,678,000 DOZ		a E
659PT	HONG KONG	184,228 LBS		106,490,000 DOZ		a E
659PT	TAIWAN	473,083 LBS		604,000 DOZ		a E
659PT	KOREA	416,889 LBS		5,678,000 DOZ		a E
659PT	TAIWAN	4,089,462 LBS		5,678,000 DOZ		a E
659PT	TAIWAN	1,448,243 DOZ		2,061,000 DOZ		a E
670PT	KOREA	18,435,270 LBS		33,401,000 LBS		55.2%
670PT	TAIWAN	23,211,871 LBS		520,000 LBS		4463.8%

a/ Production and import data not available in comparable units of measure.

E/ Import call level is E's issued.

ITA/OTEXA January 31st. 1986.

1983 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS		PRODUCTION	IMPORTS AS	
		CALL LEVEL	IMPORTS UNITS	LEVEL	TION UNITS	% OF PRODUCTION
300/301	EGYPT	6,122,719 LBS		188,983,000 LBS		3.2%
300/301	KOREA	3,069,350 LBS		188,983,000 LBS		1.6% E
313	CHINA	38,771,418 SYD		101,891,000 SYD		38.1%
313	KOREA	25,576,906 SYD		278,416,000 SYD		9.2% E
313	HONG KONG	41,131,946 SYD		278,416,000 SYD		14.8% E
314	HONG KONG	5,817,191 SYD		73,000,000 SYD		8.0% E
314	KOREA	1,418,006 SYD		79,679,000 SYD		1.8% E
314	TAIWAN	3,033,640 SYD		79,679,000 SYD		3.8% E
315	HONG KONG	6,395,880 SYD		394,382,000 SYD		1.6% E
315	INDONESIA	9,365,039 SYD		394,382,000 SYD		2.4%
315	KOREA	12,560,652 SYD		394,382,000 SYD		3.2% E
315	TAIWAN	20,738,611 SYD		409,657,000 SYD		5.1% E
317	CHINA	6,706,249 SYD		795,097,000 SYD		0.8%
317	EGYPT	6,223,000 SYD		795,097,000 SYD		0.8%
317	KOREA	10,388,000 SYD		787,917,000 SYD		1.3% E
317	TAIWAN	13,778,582 SYD		787,917,000 SYD		1.7% E
318	HONG KONG	855,051 SYD		65,875,000 SYD		1.3% E
318	TAIWAN	2,954,654 SYD		65,875,000 SYD		4.5% E
319	KOREA	6,574,604 SYD		100,446,000 SYD		6.5% E
319	HONG KONG	25,102,266 SYD		100,446,000 SYD		25.0% E
319	TAIWAN	16,321,048 SYD		100,446,000 SYD		16.2% E
320	KOREA	28,672,367 SYD		1,846,203,000 SYD		1.6% E
320	TAIWAN	68,682,713 SYD		1,846,203,000 SYD		3.7% E
331	INDONESIA	246,582 DPR		18,105,000 DPR		1.4%
335	INDONESIA	32,814 DOZ		647,000 DOZ		5.1%
336	CHINA	72,268 DOZ		3,073,000 DOZ		2.4%
336	KOREA	30,635 DOZ		3,885,000 DOZ		0.8% E
336	HAITI	63,893 DOZ		3,885,000 DOZ		1.6%
336	HONG KONG	135,732 DOZ		3,885,000 DOZ		3.5% E
336	TAIWAN	63,041 DOZ		3,885,000 DOZ		1.6% E
336	PAKISTAN	82,220 DOZ		3,194,000 DOZ		2.6%
337	HONG KONG	591,979 DOZ		3,194,000 DOZ		18.5% E
338	TURKEY	264,020 DOZ		16,456,000 DOZ		1.6%
341	INDONESIA	234,064 DOZ		5,296,000 DOZ		4.4%
341	MALAYSIA	180,721 DOZ		4,317,000 DOZ		4.2%
342	TAIWAN	146,696 DOZ		1,493,000 DOZ		9.8% E
350	TAIWAN	79,810 DOZ		606,000 DOZ		13.2% E
351	HAITI	106,873 DOZ		3,713,000 DOZ		2.9%
352	CHINA	739,786 DOZ		13,463,000 DOZ		5.5%
352	HONG KONG	3,456,154 DOZ		56,321,000 DOZ		6.1% E
359	HONG KONG	9,528,781 LBS		72,700,000 LBS		13.1% E
359	KOREA	4,742,125 LBS		72,700,000 LBS		6.5% E
359	TAIWAN	6,928,627 LBS		72,700,000 LBS		9.5% E
361	HONG KONG	49,417 DOZ		562,000 DOZ		8.8% E
361	HONG KONG	54,630 DOZ		562,000 DOZ		9.7% E
369	TAIWAN	9,234,769 LBS		265,700,000 LBS		3.5% E
369	HONG KONG	7,296,438 LBS		265,700,000 LBS		2.7% E
369	KOREA	2,082,497 LBS		265,700,000 LBS		0.8% E
433	CHINA	6,211 DOZ		373,000 DOZ		1.7%
433	TAIWAN	9,751 DOZ		417,000 DOZ		2.3% E

1983 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS		PRODUCTION LEVEL	IMPORTS AS % OF PRODUCTION	
		CALL	LEVEL	UNITS	UNITS	
434	TAIWAN	7,366	DOZ	306,000	DOZ	2.42 E
434	HONG KONG	8,378	DOZ	306,000	DOZ	2.72 E
434	HUNGARY	5,264	DOZ	306,000	DOZ	1.72
435	CHINA	13,893	DOZ	1,095,000	DOZ	1.32
435	KOREA	28,245	DOZ	1,083,000	DOZ	2.62 E
435	HUNGARY	14,762	DOZ	1,095,000	DOZ	1.32
436	KOREA	7,889	DOZ	295,000	DOZ	2.72 E
438	CHINA	12,074	DOZ	428,000	DOZ	2.82
438	KOREA	35,889	DOZ	428,000	DOZ	8.42 E
442	KOREA	35,688	DOZ	1,285,000	DOZ	2.82 E
442	HONG KONG	37,229	DOZ	1,285,000	DOZ	2.92 E
442	TAIWAN	28,820	DOZ	1,359,000	DOZ	2.12 E
444	TAIWAN	11,618	DOZ	146,000	DOZ	8.02 E
444	URUGUAY	4,781	DOZ	146,000	DOZ	3.32
444	JAPAN	15,087	DOZ	146,000	DOZ	10.32
446	PANAMA	32,563	DOZ	623,000	DOZ	5.22
447	TAIWAN	5,042	DOZ	618,000	DOZ	0.82 E
448	KOREA	26,758	DOZ	747,000	DOZ	3.62 E
459	HONG KONG	425,038	LBS	1,359,000	DOZ	a E
459	TAIWAN	588,059	LBS	178,000	DOZ	a E
604	BRAZIL	276,426	LBS	44,749,000	LBS	0.62
448	TAIWAN	10,051	DOZ	747,000	DOZ	1.32 E
604	ROMANIA	2,446,418	LBS	654,994,000	LBS	0.42
604	HONG KONG	303,126	LBS	38,719,000	LBS	0.82 E
604	INDONESIA	474,639	LBS	38,719,000	LBS	1.22
612	TAIWAN	7,544,516	SYD	524,100,000	SYD	1.42 E
613	TAIWAN	24,296,684	SYD	5,628,391,000	SYD	0.42 E
613	KOREA	18,707,149	SYD	5,628,391,000	SYD	0.32 E
631	HONG KONG	337,931	DPR	1,635,000	DPR	20.72 E
631	TAIWAN	1,069,244	DPR	3,374,000	DPR	31.72 E
631	KOREA	191,708	DPR	3,374,000	DPR	5.72 E
631	THAILAND	146,210	DPR	1,470,000	DPR	9.92
636	KOREA	163,636	DOZ	15,695,000	DOZ	1.02 E
636	HONG KONG	156,641	DOZ	15,695,000	DOZ	1.02 E
636	TAIWAN	244,507	DOZ	15,695,000	DOZ	1.62 E
637	TAIWAN	248,861	DOZ	5,226,000	DOZ	4.82 E
639	CHINA	631,639	DOZ	22,474,000	DOZ	2.82
641	INDIA	163,360	DOZ	17,602,000	DOZ	0.92
642	KOREA	53,474	DOZ	5,560,000	DOZ	1.02 E
642	TAIWAN	457,982	DOZ	5,560,000	DOZ	8.22 E
642	HONG KONG	83,926	DOZ	5,560,000	DOZ	1.52 E
643	TAIWAN	39,154	DOZ	1,201,000	DOZ	3.32 E
644	DOM. REPUBLIC	22,807	DOZ	878,000	DOZ	2.62
644	TAIWAN	95,841	DOZ	1,010,000	DOZ	9.52 E
644	KOREA	70,840	DOZ	1,010,000	DOZ	7.02 E
644	HONG KONG	23,411	DOZ	1,010,000	DOZ	2.32 E
647	KOREA	550,039	DOZ	20,411,000	DOZ	2.72 E
647	HONG KONG	180,393	DOZ	20,411,000	DOZ	0.92 E
649	HONG KONG	478,511	DOZ	18,495,000	DOZ	2.62 E
649	TAIWAN	623,448	DOZ	18,495,000	DOZ	3.42 E

1983 RESTRAINT ACTIONS

CAT.	COUNTRY	IMPORTS CALL LEVEL	IMPORTS UNITS	PRODUCTION LEVEL	PRODUC- TION UNITS	IMPORTS AS % OF PRODUCTION
650	TAIWAN	30,323	DOZ	2,682,000	DOZ	1.1% E
669	CHINA	1,270,611	LBS	63,100,000	LBS	2.0%
669F	KOREA	564,590	LBS	4,258,000	LBS	13.3% E
669F	TAIWAN	862,359	LBS	4,258,000	LBS	20.3% E
669	HONG KONG	123,712	LBS	452,000,000	LBS	0.03% E
669 D	TAIWAN	1,908,139	LBS	210,000,000	LBS	0.9% E
669P	KOREA	3,051,708	LBS	61,300,000	LBS	5.0% E
669P	TAIWAN	382,893	LBS	61,300,000	LBS	0.6% E
669T	KOREA	4,486,152	LBS	19,931,000	LBS	22.5% E
669T	TAIWAN	1,530,928	LBS	487,000	MDS	a E
670FT	TAIWAN	58,004,491	LBS	25,066,000	LBS	231.4%

a/ Production and import data not available in comparable units of measure.

E/ Import call level is E's issued.

ITA/OTEXA January 31st. 1986.