

SPECIAL REPORT

■ **Details of New U.S.-China Bilateral Textile Agreement; U.S. Pledges to Use "Restraint" in Application of Additional Safeguards**

After several rounds of consultations, on November 8, 2005, the United States and China signed a new bilateral textile agreement. Following are the details of the agreement. A complete copy of the text is expected to be publicly available soon.

Term

Three-year agreement with quotas beginning on January 1, 2006 and lasting through 2007 and 2008. U.S. imports of products covered by the categories listed below will be charged against their respective quota limits based on the date of export from China. Additionally, those goods shipped in 2005 into embargoes of the existing safeguard actions will NOT be charged against the 2006 limits "if the United States allows entry" of those goods. *(Previously, the U.S. stated that goods shipped in 2005 into an embargo will be subject to staged entry procedures in 2006).*

Visa Arrangement & MID Requirement

The U.S. and China will establish an electronic visa system by which China will issue an ELVIS (Electronic Visa Information System) transmission for each shipment of textile or apparel products produced or manufactured by China and exported to the United States covered by scope of the agreement. The ELVIS transmission authorizes the United States to charge the shipment against the agreed levels. Each transmission will be required to include: the visa number (standard 9-digit visa number), date of issuance, category, quantity and units, and Manufacturer Identification Code (MID). U.S. Customs will not release goods unless and until an ELVIS transmission is received. Commercial samples valued at \$800 or less do not require an ELVIS transmission and will not be charged against the quota levels.

The MID will begin with "CN" followed by the first 3 characters from each of the first 2 words of the name of the entity performing the origin-conferring process, followed by up to 4 digits of the largest number on the address line of this entity, followed by the first 3 letters of the city where this entity is located.

Product Coverage / Quota Levels

Following are the quota levels for Chinese-origin textile and apparel products for 2006, 2007, and 2008. With the exception of socks (where growth is limited to 8 percent), growth rates from 2006 to 2007 range from 12.5 to 15 percent; from 2007 to 2008 range from 15 to 17 percent.

<u>Category</u>	<u>Unit</u>	<u>Description</u>	<u>2006 Quota Limit</u>	<u>2007 Quota Limit</u>	<u>2008 Quota Limit</u>
200/301	Kgs	Cotton and/or MMF Sewing Thread; Yarns for Retail Sale/ Cotton Combed Yarns	7,529,582	8,659,019	10,131,052
222	Kgs	Cotton and/or MMF Knit Fabric	15,966,487	18,361,460	21,482,908
332/432/632 PT T *	Dpr	Cotton, Wool and MMF Socks plus Baby Socks	68,645,472	74,282,927	80,480,741
332/432/632 PT B *	Dpr	Cotton, Wool and MMF Socks, plus Baby Socks (sublimit)	65,405,092	70,637,499	76,288,499
338/339 PT**	Doz	Cotton Knit Tops	20,822,111	23,424,875	26,938,606
340/640	Doz	Cotton and MMF Woven Shirts, Men's and Boys'	6,743,644	7,586,600	8,724,590
345/645/646	Doz	Cotton and MMF Sweaters	8,179,211	9,201,612	10,673,870
347/348	Doz	Cotton Trousers, Shorts, etc., Men's and Boys'	19,666,049	22,124,305	25,442,951
349/649	Doz	Cotton and MMMF Brassieres	22,785,906	25,634,144	29,479,266
352/652	Doz	Cotton and MMF Underwear	18,948,937	21,317,554	24,515,187
359 S/659 S	Kgs	Cotton and MMF Swimwear	4,590,626	5,164,454	5,990,767
363	Nos	Cotton Terry & Other Pile Towels	103,316,873	116,231,482	134,828,519
443	Nos	Wool Suits Men's and Boys'	1,346,082	1,514,342	1,756,637
447	Doz	Wool Trousers, Shorts, etc., Men's and Boys'	215,004	241,880	280,581
619	M2	MMF Polyester Filament Fabric, <=170 g/M2	55,308,506	62,222,069	72,177,600
620	M2	MMF Other Synthetic Filament Fabric	80,197,248	90,221,904	103,755,190
622	M2	MMF Glass Fiber Woven Fabric	32,265,013	37,104,765	43,412,575
638/639 PT ***	Doz	MMF Knit Tops	8,060,063	9,067,571	10,427,707
647/648 PT ****	Doz	MMF Trousers, Shorts, etc.	7,960,355	8,955,399	10,298,709
666 PT *****	Kgs	MMF Window Shades and Window Blinds	964,014	1,084,516	1,268,884
847	Doz	Silk Blend and NCVF Trousers, Shorts, etc.	17,647,255	19,853,162	23,029,668

* Category 632 PT includes HTS Nos. 6115.20.90.10, 6115.93.60.20, 6115.93.90.20, 6115.99.14.20, and 6115.99.180.20. Baby socks includes HTS Nos. 6111.20.60.50, 6111.30.50.50, and 6111.90.50.50 (all traditionally classified as Category 239). Sublimit "B" excludes HTS No. 6115.20.90.10.

***** Category 666 PT includes HTS Nos. ex6303.12.00.00 and ex6303.92.20.20.

Products Excluded From Coverage

- "Knit to shape on flat-bed knitting machines, having a stitch count exceeding 9 stitches per 2 centimeters, but less than or equal to 18 stitches per 2 centimeters, measured on the outer surface of the fabric, in the direction in which the stitches are formed. All of the components of the garment are knit-to-shape and all are looped and linked, including the side seam and pocket (if any)." Articles meeting this description in the following HTS Numbers are **NOT** subject to quota:
 - ** **Category 338/339:** HTS Nos. 6110.20.10.25, 6110.20.10.30, 6110.20.20.65, 6110.20.20.75, 6110.90.90.68 and 6110.90.90.70.
 - *** **Category 638/639:** HTS Nos. 6110.30.20.50, 6110.30.20.60, 6110.30.30.50, 6110.30.30.55, 6110.90.90.76 and 6110.90.90.78.
- Ski/snowboard pants (*recently excluded by U.S. Customs from the China Safeguard action*) in the following HTS Nos. are **NOT** subject to quota:
 - **** **Category 647/648:** HTS Nos. 6203.43.35.10, 6204.63.30.10, 6210.40.50.31, 6210.50.50.31, 6211.20.15.25 and 6211.20.15.55.

Flexibility Adjustments

Total carryover and carryforward cannot exceed 3 percent, with carryforward limited to 2 percent. There is no carryover available in 2006; no carryforward available in 2008.

Consultation Mechanism

The United States agrees NOT to request consultations or seek safeguard actions against China for any product integrated prior to January 1, 2002 (Stage Two products). In addition, the United States shall not request consultations with China pursuant to Paragraph 242 fo the *Report of the Working Party for the Accession of China to the World Trade Organization* with respect to any textile or apparel product listed above. With respect to other products, "the United States shall exercise restraint" concerning the application of its rights under Paragraph 242.

Enforcement

The agreement includes provisions that the two governments take measures to cooperate to eliminate circumvention. If the U.S. obtains evidence of transshipment, the actual quantity of goods entered may be charged against the appropriate quota level.