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Subject: **U.S. & China Reach Textile Agreement - Part II**

**TERM:**

The U.S. & China Textile Agreement goes into effect on January 1, 2006 and ends on December 31, 2008.

**PRODUCT COVERAGE:**

The agreement places quotas on a broader array of products (34) than are currently subject to China safeguards (19).

**TIGHT QUOTAS:**

The quotas established under the Agreement compare favorably to the quotas that would have been imposed if China textile safeguards were invoked. In 2006, the Agreement imposes tighter limits on Chinese exports of "core" apparel products than any quotas that could have been imposed under China safeguard in 2006. In general, quotas established by the Agreement for 2006 on "core" products are lower than the safeguard threshold for 2008. Over the life of the Agreement, China can export 3.2% more of the covered products to the United States than if the safeguards were invoked on all of the covered products for all three years.

**PREDICTABILITY AND CERTAINTY:**

The Agreement's broad product coverage and three-year lifespan will allow all private sector stakeholders to plan in a more stable and predictable environment, including African producers and exporters.

**FUTURE USE OF THE SAFEGUARD:**

The U.S. promised to exercise "restraint" in future use of the safeguard on those products not covered by the Agreement.

**SMOOTH TRANSITION:**

The Agreement contains mechanisms to allow U.S. importers and the Government of China to manage quotas and avoid over shipments. For example China will manage its exports with a visa system and can borrow small amounts of quota from future years to cover over shipments. In addition, the

Agreement's January 1, 2006 start date will allow importers and retailers to prepare for changes.

"Core" apparel products are cotton knit shirts, man-made fiber (MMF) knit shirts, woven shirts, cotton trousers, MMF trousers, brassieres, and underwear. The United States Association of Importers of Textile and Apparel (USA-ITA) reports that ELVIS will be implemented (there will be no paper visas); and that the following products will be subject to quota under the Agreement (with a quota exemption for certain fine gauge tops).

**CATEGORY- DESCRIPTION**

*332/432/632pt- cotton, wool and mmf socks.*

*338/339- cotton knit tops.*

*340/640- cotton and mmf woven shirts men's and boy's.*

*345pt/645pt/646pt cotton and mmf sweaters.*

*347/348- cotton trousers, shorts, etc.. men's and boy's.*

*349/649- cotton and mmf brassieres.*

*352/652- cotton and mmf underwear.*

*359s/659s- cotton and mmf swimwear.*

*443- wool suits men's and boy's.*

*447- wool trousers, shorts, etc, men's and boy's.*

*638/639- mmf knit tops.*

*647pt/648pt- mmf trousers, shorts, etc.*

*847- silk blend and ncvf trousers, shorts, etc.*