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# EMERGING TEXTILE-EXPORTING COUNTRIES, 1984

**Report on Investigation  
No. 332-184 Under  
Section 332 of the  
Tariff Act of 1930**

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# UNITED STATES INTERNATIONAL TRADE COMMISSION

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## Preface

On April 5, 1984, the United States International Trade Commission, on its own motion, instituted investigation No. 332-184 under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)) on Emerging Textile-Exporting Countries. This study was undertaken to update and supplement an earlier report on the same subject that was published by the Commission in 1982. 1/ For the present investigation, 14 countries were selected for study of their textile and apparel industries, trade patterns, government policies, and resources to analyze their export potential to the United States and other world markets. Of these 14 countries, 11 were examined in the previous report. 2/

The term "emerging" as used in this study refers to those countries engaged in the process of increasing their relative share of world textile and apparel trade. It does not refer to a level of economic development or to a specific level of exports during a given period. Although many developing countries have the potential to significantly expand their exports of textiles and apparel during the remainder of the 1980's, the 14 countries selected for consideration in this study were chosen primarily on the basis of actual export levels or export growth to the United States during 1976-83. These countries range from small, new suppliers, such as Indonesia, to larger, established suppliers, such as India. The People's Republic of China (China), which emerged as an important supplier of textiles and apparel during the mid-1970's, has since increased its exports faster than almost all other countries.

The evaluation of the potential of the 14 countries to significantly increase their exports of textiles and apparel is based on information and data primarily from published documents of the U.S. Departments of Agriculture, Commerce, and State and the United Nations. Information was also obtained from numerous domestic and foreign publications and interviews with U.S. Government and industry officials. In addition, a field study was carried out. It included visits to five of the countries studied: China, Indonesia, Macau, Singapore, and Thailand. In those countries, interviews were conducted with local industry and government officials. Data on world trade in textiles and apparel and on exports of the 14 developing countries were compiled by the staff of the U.S. International Trade Commission primarily from United Nations data. Export data for 10 of the 14 countries studied were derived from data showing what other countries had imported from the 10. 3/ This method allows for a close approximation of the exports of countries that do not report such data to the United Nations or that do not do

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1/ Emerging Textile-Exporting Countries: Report on Investigation No. 332-126 Under Section 332 of the Tariff Act of 1930, USITC Publication 1273, August 1982.

2/ Brazil, China, India, Macau, Malaysia, Mexico, Pakistan, the Philippines, Singapore, Sri Lanka, and Thailand. The countries newly added for this report are: Indonesia, the Dominican Republic, and Haiti.

3/ These 10 countries are China, India, Macau, Malaysia, the Philippines, Sri Lanka, Thailand, Mexico, the Dominican Republic, and Haiti.

so on a current basis. Export data for the remaining four countries were compiled from their reports to the United Nations on their exports. 1/

The information and analysis in this report are for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under other statutory authority covering the same or similar matter.

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1/ These 4 countries are Brazil, Indonesia, Pakistan, and Singapore.

## C O N T E N T S

	<u>Page</u>
Preface-----	i
Executive summary-----	1
Introduction-----	21
World consumption-----	21
World production and employment-----	23
Trade shifts-----	25
Wage impact on trade-----	29
Trade of the emerging textile-exporting countries-----	31
U.S. trade in textiles and apparel-----	33
Recent U.S. actions to control imports-----	37
Chapter I. Brazil:	
Introduction-----	41
The economy-----	41
Foreign trade-----	43
The textile and apparel industries:	
Structure-----	44
Production-----	46
Plants and equipment-----	48
Trade in textiles and apparel-----	49
Exports-----	51
Imports-----	52
MFA constraints-----	54
Government policy-----	56
Assistance to the industry-----	56
Export promotion-----	58
Export potential-----	58
Chapter II. China:	
Introduction-----	73
The economy-----	73
Foreign trade-----	76
The textile and apparel industries:	
Structure-----	79
Capacity-----	81
Production-----	82
Plants and equipment-----	84
Investment and expansion-----	84
Employment and earnings-----	86
Government policy-----	86
Domestic consumption-----	88
Trade in textiles and apparel-----	89
Export trends-----	90
Major export markets-----	90
MFA constraints-----	94
Export potential-----	95

## CONTENTS

	<u>Page</u>
Chapter III. India:	
Introduction-----	111
The economy-----	111
Foreign trade-----	114
The textile and apparel industries:	
Structure-----	116
Production and capacity-----	118
Employment and wages-----	125
Plants and equipment-----	127
Investment and expansion-----	128
Government policy-----	129
Domestic consumption-----	131
Trade in textiles and apparel-----	132
Export trends-----	132
Major markets-----	133
MFA constraints-----	135
Export potential-----	137
Chapter IV. Indonesia:	
Introduction-----	151
The economy-----	152
Foreign trade-----	154
The textile and apparel industries:	
Structure-----	156
Production and capacity-----	159
Equipment-----	165
Trade in textiles and apparel:	
Trade balance-----	166
Export trends-----	168
MFA constraints-----	169
Government policy-----	170
Export potential-----	171
Chapter V. Macau:	
Introduction-----	183
The economy-----	183
Foreign trade-----	185
The textile and apparel industries:	
Structure-----	187
Production-----	188
Investment and expansion-----	188
Employment and wages-----	188
Trade in textiles and apparel-----	190
Export trends-----	190
Principal export products and major markets-----	191
Trade with the United States-----	192
MFA constraints-----	193
Government policy-----	195
Export potential-----	196

## CONTENTS

	<u>Page</u>
<b>Chapter VI. Malaysia:</b>	
Introduction-----	209
The economy-----	209
Foreign trade-----	212
The textile and apparel industries-----	214
Structure-----	214
Production-----	215
Plants and equipment-----	217
Trade in textiles and apparel-----	218
Exports-----	220
Imports-----	221
MFA constraints-----	222
Government policy:	
General policies-----	223
Assistance to the industry-----	224
Export potential-----	225
<b>Chapter VII. Pakistan:</b>	
Introduction-----	239
The economy-----	240
Foreign trade-----	241
The textile and apparel industries:	
Structure-----	243
Production and capacity-----	245
Plants and equipment-----	250
Employment and wages-----	252
Trade in textiles and apparel-----	253
Export trends-----	254
Major markets-----	255
Principal exported products and export markets-----	256
MFA constraints-----	259
The domestic market-----	260
Government policy:	
Economic and political importance of the industry-----	261
Assistance to industries-----	261
Export potential-----	263
<b>Chapter VIII. Philippines:</b>	
Introduction-----	279
The economy-----	280
Foreign trade-----	283
The textile and apparel industries:	
Structure-----	284
Production-----	285
Plants and equipment-----	286
Trade in textiles and apparel-----	287
Exports-----	287
Imports-----	291
MFA constraints-----	291
Government policy:	
Assistance to the industry-----	292
Export promotion-----	293
Export potential-----	294

## CONTENTS

	<u>Page</u>
<b>Chapter IX. Singapore:</b>	
Introduction-----	315
The economy-----	315
Foreign trade-----	317
The textile and apparel industries:	
Structure-----	320
Production-----	321
Plants and equipment-----	323
Employment-----	324
The domestic market-----	325
Government policy-----	326
Trade in fibers, textiles, and apparel:	
Imports, exports, and trade balance-----	327
Domestic exports and reexports-----	329
Principal exported products-----	329
Major markets-----	331
MFA constraints-----	332
Export potential-----	333
<b>Chapter X. Sri Lanka:</b>	
Introduction-----	347
The economy-----	347
Foreign trade-----	351
The textile and apparel industries-----	353
Structure-----	354
Production and capacity-----	357
Plants and equipment-----	359
Trade in textiles and apparel:	
Imports, exports, and the trade balance-----	360
Principal exported products-----	364
Major markets-----	364
MFA constraints-----	364
Export potential-----	367
<b>Chapter XI. Thailand:</b>	
Introduction-----	381
The economy-----	382
Foreign trade-----	385
The textile and apparel industries-----	387
Structure-----	389
Production and capacity-----	391
Equipment-----	396
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	397
Export trends and types of products-----	399
Major markets-----	399
MFA constraints-----	400
Government policy:	
Economic importance of the textile and apparel industries-----	402
Export promotion-----	402
Assistance to the industry-----	403
Export potential-----	404

## CONTENTS

	<u>Page</u>
Introduction to TSUS item 807.00 suppliers-----	421
<b>Chapter XII. Mexico:</b>	
Introduction-----	429
The economy-----	429
Foreign trade-----	433
The textile and apparel industries-----	436
Structure-----	436
Domestic consumption-----	438
Production-----	439
Plants, equipment, and capacity-----	443
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	444
Export trends-----	445
Principal export markets-----	448
Government policy-----	449
MFA constraints-----	450
Export potential-----	453
<b>Chapter XIII. Dominican Republic:</b>	
Introduction-----	469
The economy-----	469
Foreign trade-----	470
The textile and apparel industries-----	473
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	476
Export trends-----	476
MFA constraints-----	479
Export potential-----	481
<b>Chapter XIV. Haiti:</b>	
Introduction-----	495
The economy-----	495
Foreign trade-----	497
The textile and apparel industries:	
Structure-----	499
Employment and wages-----	500
Domestic fiber consumption-----	500
Fabric production-----	501
Apparel production-----	502
Plants, equipment, and capacity-----	502
Trade in textiles and apparel:	
Imports, exports, and trade balance-----	502
Export trends-----	504
MFA constraints-----	505
Government policy-----	507
Export potential-----	508



## Executive Summary

World trade in textiles and apparel has been accorded special attention at the national and international levels for many years, as evidenced by the various international agreements developed to achieve orderly trade between exporting and importing countries. The concern over textile trade has intensified during the past decade or so because of the significant expansion of the textile and apparel industries in the developing countries against a backdrop of decelerating growth in consumption of these products in the developed countries, the major markets. In addition, employment in the textile and apparel industries of the developed countries has been declining. Unlike the developed countries, which have largely depended on their own home markets for growth, the developing countries have extensively used exports for their growth, which has contributed significantly to a deterioration in the terms of trade for the developed countries.

Trade in textiles and apparel of cotton, wool, and manmade fibers has, since 1974, been governed by the Multifiber Arrangement (MFA), established under the aegis of the General Agreement on Tariffs and Trade (GATT). 1/ The MFA replaced the GATT-sanctioned arrangements, developed during the 1960's, that provided for control of trade in cotton products. The MFA provides the framework for the negotiation of bilateral agreements between importing and exporting countries, or for unilateral action by importing countries in the absence of an agreement, to prevent market disruption. The trade restrictions, taking the form of quantitative limits, or quotas, on shipments, mostly from developing countries, represent a derogation from the GATT, whose nondiscrimination principle prescribes that no-less-favorable treatment be accorded to all member countries. All the principal importing and exporting countries, except Taiwan, are MFA signatories. 2/

The widespread and growing attention given world trade in textiles and apparel since 1970 largely focused on the growing exports of Hong Kong, Taiwan, and the Republic of Korea (Korea), the so-called Big Three. These

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1/ Textiles and apparel covered by the MFA, which account for the bulk of textile and apparel imports, are excluded from duty-free treatment under the Generalized System of Preferences (GSP) and the Caribbean Basin Recovery Act of 1983, commonly referred to as the Caribbean Basin Initiative (CBI). GSP, under Title V of the Trade Act of 1974, provides duty-free treatment for specified eligible articles imported directly from designated beneficiary developing countries. GSP, implemented by Executive Order No. 11888 of Nov. 24, 1975, applies to merchandise imported on or after Jan. 1, 1976, and is expected to remain in effect until July 4, 1993. The CBI is an economic recovery program of trade, economic aid, and tax measures designed to expand productive capacity and open new markets for nations of the Caribbean and Central America. The CBI, enacted in title II of Public Law 98-67 and implemented by Presidential Proclamation 5133, provides for nonreciprocal duty-free treatment until Sept. 30, 1995, on most products imported from any of the nations designated as beneficiary countries.

2/ For a more definitive discussion of the MFA, officially known as the "Arrangement Regarding International Trade in Textiles," and its predecessor arrangements on cotton products, see The Multifiber Arrangement: 1980-84, USITC Publication 1693, May 1985.

suppliers emerged as important sources of supply during the 1960's, and each has since supplanted Japan to become the largest suppliers of low-cost textiles and apparel to the world and to the United States. The Big Three's combined share of U.S. imports has doubled since 1970, increasing from 24 percent of the total to 49 percent in 1983 and 47 percent in 1984.

The success of the Big Three in expanding their exports of textiles and apparel has led to increasingly tighter restrictions on their shipments to their major developed-country markets. These restrictions have encouraged them to trade up to higher value-added goods to maximize their export earnings and to move into heretofore relatively less import-sensitive products subject to the MFA but not yet restricted by specific quotas. In addition, the Big Three have recently accelerated their shipments of products not currently subject to MFA control, namely products of miscellaneous textile fibers, especially silk, linen, and ramie.

The increasing restrictions, as well as rising production costs, which are causing the Big Three to trade up in quality and fashion have created opportunities for new and smaller suppliers to export low- and medium-priced apparel. A number of new and smaller suppliers have expanded their share of world trade to become more important sources, either for specific products or for multiple products. This partly reflects the long-term shift of textile and apparel production to regions of low labor cost. It also reflects the ongoing search by importers for alternatives to the Big Three for low-cost production with fewer quota restrictions.

The following is a summary of findings on the textile and apparel industries of 14 low-labor-cost countries with regard to their specific strengths and weaknesses and potential for growth. 1/ A brief overview of world textile trade and of U.S. trade is also included for perspective.

- o World trade in textiles and apparel grew considerably during the 1970's but has shown little or no growth during the early 1980's.

World trade in textiles and apparel, 2/ as measured by the value of world exports, grew at an average annual rate of almost 18 percent between 1970 and 1980 to \$95.5 billion. However, with the onset of the worldwide economic recession and the corresponding decline in product demand, the trade grew by less than 1 percent in 1981 to \$95.9 billion and then declined by slightly more than 5 percent in 1982 to \$90.7 billion. It recovered by an estimated 2 percent in 1983, primarily as a result of the economic recovery in the United States, to approximately \$92.8 billion. Approximately 3.5 percent of world trade in textiles and apparel in 1983 originated in the United States.

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1/ The countries include Brazil, China, the Dominican Republic, Haiti, India, Indonesia, Macau, Malaysia, Mexico, Pakistan, the Philippines, Singapore, Sri Lanka, and Thailand.

2/ Textiles are classified in the Standard International Trade Classification (SITC) system under SITC 65 (textile yarn, fabrics, made-up articles, not elsewhere specified, and related products) and apparel is classified under SITC 84 (articles of apparel and clothing accessories).

- o World consumption of textiles and apparel has been relatively stagnant in recent years.

Growth in consumption of textiles and apparel in the developed countries has slowed significantly since at least the late 1970's. The estimated annual rate of growth in consumer expenditures on apparel in these countries, after averaging 3.5 percent in 1978 and 1979, declined to 2 percent during 1980 and 1981 and to 0.5 percent in 1982 before recovering somewhat to 1.5 percent in 1983. The growth of these expenditures in the United States decreased from 9.5 percent in 1978 to 2 percent in 1982 and then rebounded to 3.5 percent in 1983. In the European Community (EC), the annual growth of its apparel expenditures declined from 4.5 percent in 1978 to 2 percent in 1980 and to a negative 0.5 percent in 1981 and 1982 before recovering to 0.5 percent in 1983.

Little real growth also has occurred in world consumption of textile fibers, an indicator of demand for textiles and apparel. After averaging 14 pounds per capita during 1970-72, world consumption rose to approximately 15 pounds in 1979 and 1981 before falling to the 14-pound level in 1982 and 1983. Per capita fiber consumption in the United States peaked at 55.9 pounds in 1978, declined continuously through 1982, when it reached its lowest level since the mid-1960's of 44.7 pounds, and then rebounded significantly in 1983 to a 4-year high of 53.6 pounds. In Western Europe, per capita fiber consumption reversed a 3-year decline in 1983, but recovered much more slowly than U.S. consumption, reflecting the effects of the prolonged recession there.

- o Significant shifts have occurred in textile and apparel production and employment from the developed countries to the developing countries during the past decade or so. 1/

The relatively large supply of low-cost labor in the developing countries contributed importantly to the fact that their textile and apparel industries were among the first in their manufacturing sector to be developed and to produce exports competitive in the world market. Production and employment in the textile and apparel industries of developing countries have increased continually since 1970. Apparel production has carried the weight of that increase, continuing to expand during the 1980's to record levels, whereas textile production has remained flat during the period. By contrast, textile and apparel production in the developed countries has shown little growth over the years. It has declined since 1979, and employment has declined continually since 1970.

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1/ The three country groupings used here--developed, developing, and centrally planned economy countries--correspond closely to those used by the United Nations in reporting world trade and in the TPSC TradeNet, an interagency computerized system of trade data developed by the Trade Policy Staff Committee (TPSC), chaired by a representative of the Office of the United States Trade Representative. Developed countries include the United States, Canada, Japan, Western Europe (including Yugoslavia), Australia, New Zealand, and South Africa; centrally planned economy countries include China and other Communist countries; and developing countries include Hong Kong, Taiwan, Korea, and other countries not included in the above.

The declines in production and employment in the developed countries have resulted from stagnant consumption in their home markets and a loss of competitiveness to developing countries because of their lower labor cost. Declines in employment have also been prompted by developments in productivity, especially in the United States, where the ongoing modernization of the textile mill industry has been accompanied by a high degree of automation and product specialization.

- o The expansion of textile and apparel production capacity in the developing countries has intensified competition in the export market, leading to significant shifts in trade.

The developing countries increased their exports of textiles and apparel more rapidly than did the developed countries between 1970 and 1980. They averaged 23-percent growth per year, albeit from a smaller base, versus 16 percent for the developed countries. Moreover, the decline in world exports during the early 1980's was almost entirely attributable to the decline in exports by developed countries. Consequently, although the developed countries remained the larger exporter, their share of trade decreased from 73 percent in 1970 to an estimated 55 percent in 1983. By contrast, the developing countries' share nearly doubled during the period to just over 32 percent. The remaining 13 percent of the trade in 1983 came from the centrally planned economies, with slightly more than one-half of their exports originating in China.

The relative importance of the developing countries in the export market has been increasing both for textiles and, especially, for the more labor-intensive apparel, with their share of the trade amounting to slightly more than 40 percent for apparel and 25 percent for textiles in 1983. The developed countries, despite having experienced a decline in their share of the export trade, still dominate the textile trade, generating about two-thirds of the exports. Their greatest loss of market share has come in apparel, for which they supplied slightly less than half the world exports in 1983.

- o The 14 emerging textile-exporting countries as a group expanded their exports faster than all other countries during 1979-83.

The relative importance of the 14 countries analyzed in this report in world textile and apparel trade has increased significantly in recent years, with their combined share of the overall trade expanding from 11 percent in 1979 to 15 percent in 1983. Their combined exports rose by about 50 percent during the period to \$13.9 billion, whereas those of all other countries increased by only 5 percent to an estimated \$78.9 billion.

Although the aggregate data for the 14 emerging countries together are heavily influenced by China, which accounted for about 40 percent of their combined exports during 1979-83, many of the countries experienced significant export growth. Average annual gains of more than 15 percent were recorded by China, Pakistan, Indonesia, Malaysia, Sri Lanka, and the Dominican Republic. The major exception was India, whose exports have declined since 1980.

- o The major market for many of the emerging textile-exporting countries is the United States, whose imports from these and all other countries have increased considerably during the 1980's.

The United States is the major market for many of the 14 emerging countries; its share of their exports increased from about 20 percent in 1979 to approximately 28 percent in 1983. It received a much greater share of the exports of Mexico, the Dominican Republic, and Haiti, where U.S. firms send garment parts for assembly and subsequent return as finished garments for sale in the U.S. market.

U.S. imports of textiles and apparel from all countries, including the 14 emerging countries, increased by an average annual rate of 17.5 percent during 1979-84, reaching a record \$17.8 billion in 1984. In 1984 alone, imports rose by an unprecedented 39 percent or by \$5 billion. Shipments from the 14 emerging countries expanded more rapidly during the period, rising at an annual rate of 21 percent to \$4.6 billion in 1984. Slightly more than one-third of this growth was generated by China, whose shipments climbed nearly sixfold to \$1.3 billion, making it the fourth largest supplier after Hong Kong, Taiwan, and Korea. By contrast, imports from the Big Three rose less rapidly, by 16 percent annually, to a total of \$8.3 billion; consequently, their share of total U.S. imports, after reaching 49 percent in 1983, fell to just under 47 percent in 1984.

The rapid growth of imports in the 1980's far exceeded the growth of the domestic market for textiles and apparel, resulting in successively higher record levels of import penetration. This is especially true for apparel, which accounted for three-fourths of the value of the sector's imports during 1980-84. Imports' share of the U.S. apparel market expanded from 25.6 percent in 1981 to 27.8 percent in 1983 and to 33.0 percent in 1984.

- o The growth in imports of textiles and apparel has prompted the United States to intensify its efforts to control these imports which will significantly influence the export potential of the emerging textile-exporting countries.

The United States currently has agreements with 30 countries <sup>1/</sup> providing for quotas on imports of specified products and procedures for establishing quotas on other products when it determines that imports of a particular product are causing or threatening market disruption. It negotiated 6-year agreements with the Big Three during 1982 that provide for average annual growth of 1 percent by quantity on quota items and, during 1983, negotiated a 5-year agreement with China that provides for average annual growth of just under 4 percent.

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<sup>1/</sup> Brazil, China, Colombia, Costa Rica, the Dominican Republic, Egypt, Haiti, Hong Kong, Hungary, India, Indonesia, Japan, Korea, Macau, Malaysia, the Maldives, Mauritius, Mexico, Panama, Pakistan, the Philippines, Poland, Peru, Romania, Singapore, Sri Lanka, Taiwan, Thailand, Uruguay, and Yugoslavia. The agreement with Brazil expired on Mar. 31, 1985, and, because no new agreement had been concluded, the United States unilaterally imposed quotas on eight--mostly cotton--product categories.

To curb import growth in MFA products not covered by quotas, the President in December 1983 announced new guidelines providing for a more systematic method of evaluating import levels for market disruption or its threat, which has resulted in an unprecedented increase in actions to establish new quotas. In May 1984, the President directed the Secretary of the Treasury to clarify and revise customs regulations in order to avoid circumvention of the textile and apparel trade agreements. This led to a revision of the "country-of-origin" rules, which was intended to eliminate quota avoidance through the multi-country manufacture of textile products.

The U.S. Department of Commerce determined in March 1985 that subsidies had been granted on textiles, apparel, or both from several countries whose export potential is examined in this study. In its final determinations, the Department of Commerce found the net subsidies to be de minimis for Malaysia and Singapore; 1.23 percent for apparel from Thailand; 5.0 percent for textile mill products and 3.06 percent for apparel from Sri Lanka; and 3.7 percent for textile mill products from Mexico. <sup>1/</sup>

#### Emerging Textile-Exporting Countries

- o Twelve of the 14 countries studied appear to possess the potential to increase their exports to the United States during the next 5 years.

The 12 countries with potential to increase exports to the United States are China, Brazil, Indonesia, Macau, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, Thailand, the Dominican Republic, and Haiti, which together accounted for 21 percent of total U.S. textile and apparel imports in 1984, up from 14 percent in 1979. The textile and apparel industries in these countries have grown since 1980 and have become integral parts of their economies, providing, in most cases, much needed employment and foreign exchange earnings. Even in Singapore, with its relative labor shortage, the evolution from the labor-intensive industries, such as apparel, to more capital-intensive industries did not deter the growth of Singapore's textile and apparel industry or its exports of these products. The governments of all these 12 countries continue to promote their textile and apparel industries and the industries' exports, with many establishing export processing zones. The low labor costs of these countries, along with increased U.S. restrictions on shipments from the Big Three and a shift in the Big Three's product mix to higher valued-added products, will continue to create opportunities for an expansion of exports to the United States by these 12 countries. Although U.S. restrictions on imports from these countries increased during 1980-84, the restrictions did not prevent significant overall growth in their textile and apparel exports to the United States.

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<sup>1/</sup> The countervailing duty petitions against Indonesia and the Philippines were withdrawn on Apr. 8, 1985. Subsequently, on Apr. 17, 1985, the Department of Commerce terminated the investigations on textile and apparel imports from these two countries.

These countries will most likely continue to increase their exports to the United States. Avenues of growth include MFA-covered products not yet under quota; products not subject to MFA restraints, such as products of silk, linen, and ramie; and use of normal MFA growth and flexibility for products under quota. Their combined share of total U.S. imports will also expand, largely at the expense of the Big Three's share, which declined from almost 50 percent in 1982 to 47 percent in 1984. The share of U.S. consumption of textiles and apparel supplied by imports from all countries should also rise.

- o The two remaining countries--India and Mexico--appear to have limited potential to achieve consistent expansion of their exports to the United States in the near future.

Although the governments of both of these countries encourage and promote the expansion of their textile and apparel industries, the export potential of these countries is limited. India's textile and apparel policy is oriented more towards providing employment to its growing population, than to improving productivity. Although India's textile and apparel industry benefits from a skilled labor force, low labor costs, and an abundant supply of raw cotton, its production costs for a given quality product tend to be higher than those of competing Asian suppliers, particularly China and Pakistan.

Mexico's export potential during the remainder of the 1980's is limited by the fact that its textile and apparel industries are recovering slowly from the effects of the country's economic crisis of 1981 and 1982. In addition, the plants operating along the U.S.-Mexico border, assembling apparel from U.S.-fabricated components into finished apparel for shipment to the U.S. market, were reportedly operating at peak capacity during 1984. These plants generated 90 percent of Mexico's apparel exports to the United States during 1980-84.

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

#### Brazil

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

Brazil's exports of textiles (excluding fibers) and apparel increased irregularly from \$727 million in 1979 to almost \$760 million in 1983. More than 80 percent of the exports during 1979-83 consisted of textile mill products, mostly cotton yarns, fabrics, and homefurnishings. Conversely, apparel accounted for a diminishing share of the exports, declining from 17 to 14 percent during the period.

Brazil's exports of textile fibers more than doubled from \$127 million in 1979 to \$327 million in 1983. Wool was the primary fiber exported during 1979-81 and accounted for between 42 and 77 percent of total fiber exports. However, during 1982 and 1983, cotton displaced wool as the leading fiber exported and accounted for almost 60 percent of total fiber exports in 1983.

Brazil's major export markets for textiles and apparel are the United States and the EC, which together accounted for over 40 percent of Brazil's total exports of these products during 1980-83. Brazil's shipments to the EC decreased irregularly from \$271 million in 1980 to \$218 million in 1983, and its shipments to the United States increased from \$95 million in 1980 to \$152 million in 1983. Relatively few products from Brazil are restricted by quotas.

The Brazilian textile mill industry has the capability to produce products that will compete favorably in the world market as long as high inflation and capital costs do not reduce its current level of price competitiveness. Since 1980, the industry has achieved some success in diversifying its export markets. The most successful new market has been East Germany, which in 1983 was Brazil's third largest export market, accounting for approximately 6 percent of the total value of textile exports.

Because of Brazil's position as a relatively high-cost producer, its overall apparel exports are at modest levels. However, Brazil is expanding the types of apparel that it exports and, consequently, has the potential to have more impact on world apparel trade, particularly as an alternative to lower cost supplying countries whose exports are more restrained by quotas.

### China

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

China's exports of textiles and apparel (including fibers) increased by over 75 percent during 1979-83, to \$6.7 billion in 1983, making China the third largest exporting country after Italy and West Germany. China's export growth is based on several factors. It has large and growing supplies of all types of fibers, the world's largest textile industry, abundant low-cost labor, and Government policies that encourage foreign investment, modernization, and expansion of capacity. In addition, China has been highly price competitive in the export market, and over one-half of its exports in recent years have been shipped to countries with no quota restrictions. Factors limiting China's growth potential include its relatively limited capacity for high-quality dyeing and finishing, long production lead times, and increasing import restraints in the United States.

China's exports to the United States, its second largest export market after Hong Kong, increased fourfold in both quantity and value during 1979-83, totaling 785 million square yard equivalents (SYE) and \$1.1 billion in 1983. China's exports to the United States in 1984 increased by 23 percent over the 1983 level to 967 million SYE. China supplied 9 percent of the total U.S. imports of textiles and apparel in 1983, up from 3 percent in 1979. The growth in China's exports to the United States is likely to moderate because the number of MFA product categories under quota increased from 13 in 1981 to over 50 in early 1985. However, it will stay at significant levels. Growth will most likely continue in shipments of MFA products not yet covered by quota and non-MFA products, such as those of silk, linen, and ramie. It will also continue, though most likely at a slower rate, through the use of MFA growth and flexibility provisions. To maximize the use of its U.S. quotas, which are based on quantity and not value, China has been trading up to higher priced merchandise.

In addition to increasing exports to the U.S. market, potential exists for China to increase its exports to Hong Kong, its largest market, and Japan, its fourth largest market. China's diversity of competitively priced products and its strategic location will help it grow in both markets.

China's exports to the EC, its third largest market, tripled during 1977-83 to \$960 million in 1983, despite the lack of growth in this market since 1981. Potential exists for China to increase its exports to the EC, but it will face strong competition from a number of Asian and Mediterranean countries. However, the growth is expected to come at the expense of the Big Three, whose growth potential in the EC is restricted by tougher MFA restraints.

### India

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

India's growth potential in textile and apparel exports will be limited during the next 5 years even though it has one of the largest textile and apparel industries in the world and a need for increased export earnings. In 1983, India ranked 15th among world exporters of textiles and apparel, accounting for 1.7 percent of the world total, compared with 2 percent in 1980. Its total exports of textiles and apparel, after doubling between 1976 and 1980 to \$1.85 billion, declined by 20 percent to \$1.47 billion in 1983, largely because of a significant decline in textile exports.

India's potential to expand its exports of textiles and apparel is limited by several factors, including government policy, industry structure, relative lack of product diversification, and MFA restraints on its apparel exports to the United States. India's policy towards textiles and apparel, though favoring exports, is primarily guided by considerations of employment over those of production. In addition, India's textile and apparel industry produces primarily for the domestic market, which has quality and styling standards different from those of the international market.

India has a trained work force, low labor costs, and abundant cotton, and it produces unique handloomed fabrics. Nevertheless, production costs tend to be relatively high (except for production of items with a very large labor content), because of old equipment, labor difficulties, and high costs for power, fibers, and borrowed funds.

India's largest export market for textiles and apparel was the EC, which accounted for 43 percent of its exports in 1983. Its exports to the EC declined by 34 percent during 1980-83 to \$627 million in 1983. India's exports to the United States, its second largest market, rose by only 2 percent during 1980-83 to \$404 million. However, its apparel exports to the United States increased by 54 percent during the period to \$254 million while its textile exports decreased by 35 percent to \$150 million. In terms of quantity, India's exports of MFA-controlled textiles and apparel to the United States grew from 151 million SYE in 1980 to 170 million SYE in 1983; in 1984,

they increased by another 49 percent. Exports to all other markets generally declined during 1980-83.

The decline in India's exports of textiles to the United States during 1980-83 occurred despite the fact that virtually all such shipments were not restricted by quota. The decline resulted partly from increased competition from other developing nations, particularly China and Pakistan.

Although India's apparel exports to the U.S. market have been expanding, future growth through product diversification is hindered by a limited fabric base and lack of coordinated product development both in terms of fabrics and apparel. In addition, its growth potential in manmade-fiber products currently is limited because of higher production costs for such products. However, potential exists for India to continue increasing its exports of non-MFA textiles of silk and jute.

### Indonesia

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

Although Indonesia accounted for less than 2 percent of world trade in textiles and apparel in 1983, its exports of these products grew rapidly from \$8 million in 1977 to \$267 million in 1983.

Several factors contributed to this sizable growth. Government promotions, such as the establishment of export processing zones, export duty exemptions, and export certificates that can be used either for tax payments or cashed, have encouraged expansion of textile and apparel exports. Indonesia's wage rates for textile workers, estimated at 22 cents per hour in 1984, rank among the lowest of the Asian textile and apparel manufacturing countries. These low wages enabled Indonesia to sell its products at competitive prices to markets such as the United States, Singapore, Japan, and the EC. Indonesia also had fewer quota restrictions than its large Asian competitors, particularly Hong Kong, Taiwan, and Korea.

Potential exists for Indonesia to expand its exports of textiles and apparel to the United States during the remainder of the 1980's. However, the rapid rate achieved during 1977-83, when Indonesia's exports rose from \$1 million to \$102 million, is expected to slow as quotas are applied to additional product categories. Growth is most likely to occur in product categories not yet under quota, such as woven fabrics of manmade fibers, gloves, nightwear, skirts, and dresses. Indonesia's greatest potential for export growth is in textile and apparel export markets other than the United States which do not currently restrain Indonesia's exports.

### Macau

- o Macau has potential for increased apparel exports to the United States during the next 5 years.

Macau's textile and apparel exports, after increasing rapidly between 1976 and 1981, leveled off during 1981-83 at an average of \$558 million

annually. Apparel represented 83 percent of the exports in 1983. The lack of growth in Macau's exports during 1981-83 was due largely to an 11-percent decline in shipments to the EC.

Macau's competitive strength, particularly in apparel, is based on low wage rates, a skilled labor force, availability of duty-free inexpensive fabric from China, long experience in apparel production, and proximity to the port of Hong Kong. At the same time, factors hindering export growth are a small land area, limited raw materials, and inadequate transportation and harbor facilities. In addition, Macau's Government is encouraging and promoting the diversification and expansion of its industrial base to reduce the economy's dependence on the growth of the textile and apparel industries.

Macau's largest export markets for textiles and apparel are the EC and the United States, which received 43 percent and 25 percent, respectively, of Macau's textile and apparel exports in 1983. In 1982, Macau was the 12th largest apparel supplier to the United States and ranked 10th among apparel suppliers to the EC.

Macau's textile and apparel exports to the EC declined from \$300 million in 1980 to \$240 million in 1983, reflecting the EC's economic recession and restrictions on Macau's apparel exports. Macau is considered by the EC as a "dominant supplier," along with the Big Three, and therefore allowable growth in quota items is limited. Quota items represented 79 percent of Macau's total textile and apparel exports to the EC in 1982. The remainder of the exports to the EC consisted of nonquota items, for which potential for growth exists. Macau's exports of nonquota textiles and apparel to the EC rose by 200 percent during 1979-82.

Macau's exports of textiles and apparel to the U.S. market increased by 45 percent from \$98 million in 1980 to \$142 million in 1983. Although most of Macau's shipments to the United States are covered by quotas, potential exists for future growth in both quota and nonquota items. The U.S./Macau textile and apparel trade agreement, which expires in 1988, provides for annual quota growth of 6.25 percent. In addition, significant unused quotas existed in several manmade-fiber apparel categories during 1981-83. Macau also has been expanding its shipments of nonquota textiles and apparel; their share of Macau's total textile and apparel exports increased from 13 percent in 1979 to 24 percent in 1982.

Macau has increased its textile exports to Hong Kong, but future growth there is limited. This reflects tougher MFA restraints on Hong Kong's apparel exports, some of which are made from Macau's textiles, to the United States and the EC and growing competition from China.

### Malaysia

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

Malaysia increased its exports of textiles and apparel by 23 percent, from \$350 million in 1979 to \$432 million in 1983. Approximately 55 percent of its exports in 1983 consisted of apparel.

Malaysia's textile and apparel industry has the potential for increasing its exports, partly because of measures it has taken to consolidate and modernize. It has purchased new equipment to increase capacity and output and improve product quality, thereby allowing Malaysia to compete more effectively in the world market.

Malaysia was the 31st largest supplier of textiles and apparel in the world in 1983. The single largest export market for Malaysia's textiles and apparel was, by far, Singapore, which took about 31 percent of Malaysia's textile (excluding fibers) and apparel exports during 1983. The United States was Malaysia's second largest market, and since 1979 it has sustained the fastest growth. Malaysia's shipments to the United States, of which more than 90 percent were apparel in 1983, more than doubled from \$47 million in 1980 to \$110 million in 1983. Although 14 of the 15 MFA categories covered by quota were more than 80-percent filled, opportunities for growth exist in the 42 MFA categories currently shipped to the United States that are not subject to quota.

### Pakistan

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

Pakistan's textile and apparel exports increased by 90 percent from 1979 to a total of \$1.5 billion in 1983, despite reduced product demand brought about by the economic recession in major export markets during 1981-83. The dollar value of Pakistan's exports during 1981-83 rose by 39 percent despite a 25-percent depreciation of its currency relative to the U.S. dollar.

Pakistan, whose exports in this sector consist mostly of textiles, is the world's largest exporter of cotton yarn and the seventh largest exporter of cotton fabric. Although its textile products usually are relatively low in quality, their low price assures them of a place in the world market. Pakistan's competitive strengths are based on favorable Government policies, large supplies of domestically produced cotton, lower wage rates than many of its competitors, and scale economies including unused capacity. In addition, a substantial volume of its exports go to non-MFA developing countries where Pakistan's competitively priced products are not restricted by quotas.

The Government of Pakistan has adopted policies that encourage the modernization of the textile and apparel industry to improve product quality and productivity. However, a shortage of capital has slowed this process. In addition, Government policies favoring the cottage industry sector over the mill sector has placed the mill sector at a competitive disadvantage, resulting in reduced profits and lack of funds necessary for modernization and growth.

Pakistan's largest export market until 1980 was the EC. Since then, Asian countries, other than the Big Three, have become the largest markets, taking 48 percent of Pakistan's textiles and 41 percent of its apparel in 1983. The growth is attributed to rapid increases in exports to the Middle East;

however, growth in this market is likely to be limited because of a continuation of reduced economic activity brought about by the decline in world demand for oil.

Pakistan's exports to the EC and to the United States, the largest markets outside Asia, are likely to continue growing because of their price competitiveness. In addition, nearly half of Pakistan's exports to the United States and about two-thirds of its exports to the EC in 1982 were not covered by quotas. The growth in apparel exports to the United States is expected to continue, particularly since the overall quota for apparel was lifted under the current bilateral agreement. In the EC, expansion of apparel exports is likely within the specific limits for three apparel categories for which relatively large increases were provided and also for nonquota apparel categories.

Pakistan's other significant export markets are Japan and Hong Kong, which together accounted for 70 percent of Pakistan's yarn exports in FY 1983. Pakistan's export potential in Hong Kong is limited because of tougher MFA restrictions on Hong Kong's exports and keen competition from China. In Japan, which receives about 40 percent of Pakistan's yarn exports, potential exists for export growth because of voluntary restraints established by a major competitor, Korea, on its yarn shipments.

### Philippines

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

Despite political and economic problems in the Philippines during 1983, its exports of textiles (including fibers) and apparel increased irregularly from \$541 million in 1979 to \$595 million in 1983, making it the 25th largest exporter. More than three-fourths of the exports during the period consisted of apparel; textiles accounted for less than 15 percent of the total, and fibers, for slightly less than 7 percent.

Almost all the growth in the Philippines' exports of textiles and apparel was accounted for by shipments to the United States, which, along with the EC, was its major market. Their combined share of the Philippines' exports increased from 75 percent in 1979 to 87 percent in 1983; the U.S. share alone increased from 47 to 65 percent during the period. The Philippines' textile and apparel shipments to the EC declined by 26 percent from 1980 to 1983.

With respect to its U.S. quotas, only 21 of the 48 categories of textile and apparel exports subject to quota were more than 75-percent filled in 1983. Consequently, additional export growth exists in both quota and nonquota categories.

The Philippines' export potential in textiles and apparel has been enhanced by the establishment of export processing zones there that allow fabric used in the production of apparel for export to be imported duty free. Additionally, the Textile Industry Modernization Program of 1981, sponsored by the Philippine Government and the World Bank, is designed to improve the

current state of the textile industry and, in turn, make it more competitive in the world market and better able to supply the fabric needs of the Philippine apparel industry.

### Singapore

- o Singapore has potential for increased apparel exports during the next 5 years.

Singapore ranked 18th among world exporters of textiles and apparel in 1983, accounting for 1 percent of total world exports. Approximately one-half of its exports were reexports, mostly textile products. Singapore's textile and apparel exports, after growing at an average annual rate of 27 percent during 1976-79, dropped to an annual growth rate of 4 percent between 1979 and 1983, totaling \$860 million in 1983. The decline in the growth rate was due largely to stagnation of textile exports, while apparel exports increased by 6 percent annually during the period.

Singapore, a small country with limited natural resources and a small population, is faced with a tight labor supply. In addition, the textile sector, faced with import dependency for its fibers and textiles and growing competition from low-wage, developing countries, has contracted in size. Nevertheless, the sector has been modernizing its facilities and improving its productivity.

The United States and the EC are Singapore's major markets, particularly for apparel, taking 48 and 30 percent, respectively, of Singapore's apparel exports in 1983. Apparel exports grew by over \$100 million between 1979 and 1983, with the United States absorbing all of the increase. Apparel exports to the EC dropped, especially since 1981, from \$169 million in 1981 to \$117 million in 1983. The decline in Singapore's exports to the EC market was believed to be due largely to an appreciation of Singapore's dollar against the currencies of the EC's trading partners, which reduced the price competitiveness of its goods. In textiles, developing countries absorbed about two-thirds of Singapore's exports, totaling \$382 million in 1983, about 79 percent of which were reexports, primarily fabrics dyed and finished in Singapore. Malaysia has been the largest export market for Singapore's textiles, accounting for 26 percent of the total in 1983.

Singapore's 1984 exports of textiles and apparel to the United States increased by nearly 40 percent over the 1983 level to 141 million SYE. Potential exists for future growth because of improvements in productivity and tighter quota restrictions on its major competitors' exports to the United States. Potential also exists for growth in apparel exports to the EC in view of the EC's economic recovery and expected easing of the strength of Singapore's dollar against the EC currencies.

## Sri Lanka

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

Sri Lanka is a relatively small supplier of textiles and apparel, ranking 40th in terms of total world trade and accounting for less than 1 percent of total world exports. However, its exports continue to increase steadily, and Sri Lanka's apparel industry, with its extremely low wages of \$0.27 per hour, remains attractive to Asian and other foreign investors as EC and U.S. apparel quotas become filled by the large Asian suppliers.

Growth in Sri Lanka's exports of textiles and apparel, consisting almost entirely of apparel, moderated during 1980-83 from the rapid growth of 1976-80, when its exports increased from \$8.8 million to \$131.8 million. From 1980 to 1983, Sri Lanka's exports increased by 65 percent to \$217.7 million. In 1984, growth accelerated again, at least to the U.S. market, where Sri Lanka's exports increased by 61 percent over the 1983 level to \$205 million.

Sri Lanka's exports are shipped almost entirely to the United States and the EC, which received 65 and 29 percent, respectively, of the total in 1983. U.S. imports from Sri Lanka of apparel covered by MFA categories increased by 58 percent from 42.5 million SYE in 1980 to 67.3 million SYE in 1983 and then increased at an accelerated rate in 1984, climbing by 72 percent to 115.7 million SYE. The value of these imports rose by 96 percent during 1980-83, from \$64.2 million to \$126.2 million. The value rose at a considerably faster rate than did the quantity, indicating that apparel firms in Sri Lanka traded up in their product mix, manufacturing higher value-added goods, reportedly of a quality and styling comparable to those produced in Hong Kong and Korea.

Sri Lanka was able to continue increasing its shipments to the United States during the 1980's despite the fact that approximately three-fourths of its apparel shipments were subject to quotas during 1981-83. Although almost 90 percent of U.S. imports from Sri Lanka had been subject to quotas in 1983, U.S. apparel imports from Sri Lanka increased by 72 percent, in terms of quantity, from 1983 to 1984. Sri Lanka was able to increase its shipments of quota items by utilizing the flexibility provisions provided for in the U.S./Sri Lanka bilateral textile agreement. Consequently, U.S. quotas are not likely to significantly hinder Sri Lanka's potential to increase its exports. In addition, Sri Lanka's apparel industry has shown the capability to diversify, as it did in 1982 when it increased its shipments of manmade-fiber apparel. Export potential also exists in nonquota categories. The potential for growth also exists in the EC market, where approximately 50 percent of Sri Lanka's exports were not subject to quotas in 1982.

Sri Lanka's free trade zone, for which apparel accounted for 80 percent of its export earnings, continues to grow. However, the Sri Lankan Government has been attempting to reduce the zone's dependence on apparel production because of its high import content. Approval for the establishment in the zone of only one firm was granted in 1982. However, approvals for new apparel firms locating outside the zone did not decrease in 1983. The Government, well aware of the benefits to the country if the textile industry were able to provide the apparel industry with quality fabrics, has been actively promoting the development of the textile industry.

## Thailand

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

Thailand currently accounts for only 1 percent of world trade in textiles and apparel despite having significantly expanded its exports in recent years. Although the rapid growth of Thailand's exports during the late 1970's, albeit from a very small base, has slowed considerably during the early 1980's, preliminary data for 1984 indicate that there has been a marked resumption of the rapid growth. After rising at an average annual rate of 32 percent during 1976-79, Thailand's exports grew thereafter by only 10.6 percent annually to an estimated \$823 million in 1983. However, Thailand's exports of textiles and apparel to the United States in 1984 accelerated by 72 percent, indicative of a substantial increase in its exports to the world market.

Thailand's biggest export market for textiles and apparel is the EC, which has received approximately 35 percent of Thailand's exports in recent years. The United States received about 20 percent of the exports. The rapid growth in exports to the EC during the second half of the 1970's, however, moderated during the early 1980's. In contrast, U.S. imports of textiles and apparel from Thailand have continued their rapid growth. Total U.S. imports of textiles and apparel from Thailand increased annually between 1980 and 1984 from \$78 million to \$272 million; in 1984 alone, they rose by 72 percent or by \$114 million.

Thailand's exports of textiles and apparel are likely to continue expanding during the remainder of the 1980's, primarily as a result of Thailand's low labor costs, large labor force, and Government policies designed to aid export expansion. In addition, Thailand will most likely continue to benefit from some shifting of trade from the Big Three as they respond to increasingly tighter quotas in their major markets and rising production costs. Thailand's exports to the developed countries are also less restricted by MFA quotas than those of the Big Three, although its quotas are considerably smaller than those of the Big Three.

Thailand is becoming an increasingly important source in the U.S. market for competitively-priced apparel, which accounts for approximately three-fourths of its shipments of textiles and apparel to the U.S. market. Although Thailand filled its U.S. quotas for several important cotton apparel categories in 1983, it had considerable amounts of unused quota in several manmade-fiber product categories which could permit additional export growth. Potential for export growth also exists in MFA categories not covered by quotas as well as in the normal year-to-year quota growth in the filled MFA categories.

## Introduction to TSUS item 807.00 suppliers

Articles imported under TSUS item 807.00 of the Tariff Schedules of the United States (TSUS) are those that have been assembled abroad in whole or in part with fabricated components produced in the United States. The duty

levied on the imported assembled article is based on the full value of the article less the cost or value of the U.S.-fabricated parts. <sup>1/</sup> For the most part, the duty is assessed on the foreign value added or the cost to assemble the article, primarily direct and indirect labor and overhead.

The potential savings in duty and production costs resulting from such assembly operations are economically important to many industries, especially the apparel industry. This industry uses the special tariff provision to reduce costs and remain competitive in the marketplace. Garment parts are cut from domestic or imported material in the United States, sent offshore for assembly (i.e., the parts are sewn together into finished garments), and returned to the United States as finished garments under TSUS item 807.00. The duty is essentially assessed on the value added (primarily the cost of sewing the parts together). Because the assembly of apparel is highly labor intensive, apparel entered under TSUS item 807.00 comes from low-wage countries, with Mexico and the Caribbean Basin countries, especially the Dominican Republic, Haiti, and Costa Rica, accounting for most of the shipments. These countries have an abundant supply of low-cost labor, and their proximity to the United States provides U.S. firms with greater control over the production process and shorter lead times than for goods manufactured in Asia.

U.S. apparel imports under TSUS item 807.00 rose by 65 percent during 1979-84, from \$477.9 million to \$788.4 million. In 1984 alone, TSUS item 807.00 imports rose by 25 percent, or \$156 million. Despite the growth, their share of total apparel imports declined significantly, from 8.9 percent in 1979 to 6.4 percent in 1984, as total imports more than doubled during the period to \$12.4 billion.

Mexico is the major supplier of TSUS item 807.00 apparel imports; however, the Caribbean Basin countries, particularly the Dominican Republic, have been capturing increasing shares of total TSUS item 807.00 imports. Total imports of such products from the Caribbean Basin rose by 129 percent from \$185.3 million in 1978 to \$424.4 million in 1984. Production costs are generally lower in the Dominican Republic, Costa Rica, and Haiti than they are in Mexico. Not only have U.S. apparel companies been using assembly operations in the Caribbean, but some Asian textile and apparel companies have also contracted or set up assembly operations there.

### Mexico

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

Mexico ranked 37th in world textile and apparel exports in 1983, accounting for less than 1 percent. Most of Mexico's exports of textiles and

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<sup>1/</sup> The applicable rate of duty is the same as that which would otherwise apply to the article itself if it were not under the purview of this special tariff provision. The duty exemption is limited to those fabricated components of U.S. origin that were exported in a condition ready for assembly without further fabrication, that have not lost their physical identity, and that have not been advanced in value or improved in condition abroad except by having been assembled.

apparel are shipped to the United States, which received over 85 percent of its textile and apparel exports during 1981-83. Nevertheless, Mexico, the largest single supplier of TSUS item 807.00 apparel imports into the United States, accounted for only 1 percent of total U.S. imports of textiles and apparel.

Mexico's exports of textiles and apparel (not including fibers) declined by 29 percent from \$380.9 million in 1980 to \$268.9 million in 1982, and then recovered somewhat in 1983, rising by 10 percent to \$294.5 million. Apparel accounted for almost 70 percent of total textile and apparel exports during 1981-83; textiles accounted for the remainder. Approximately 65 percent of Mexico's textile exports and almost 95 percent of its apparel exports during 1981-83 were sent to the U.S. market. Over 85 percent of the apparel entered under TSUS item 807.00, after having been assembled in the in-bond zone along the U.S. border from parts cut in the United States and shipped to Mexico for assembly.

The decline in Mexico's textile and apparel exports was due largely to the economic crisis in Mexico during 1981 and 1982. Mexico's textile and apparel industry experienced difficulties because of rising raw material costs and subsequent shortages of raw materials, increased wages, credit restrictions, and increased debt resulting from purchases of capital equipment before the devaluation of the peso. The economic recessions in the United States and Europe also contributed to the decline in exports. The 1983 rise in Mexico's exports resulted mostly from the U.S. economic recovery and the corresponding increase in demand for the products assembled in the in-bond zones. It also resulted from the improved conditions in the Mexican textile and apparel industry as the Mexican economy slowly recovered.

U.S. textile and apparel imports from Mexico covered by MFA categories declined by 32 percent, from \$222.5 million in 1980 to \$105.9 million in 1982. They then rose by 15 percent to \$172.9 million in 1983. These imports continued to rise in 1984, accelerating by 46 percent in quantity and by 32 percent in value, to \$217.7 million.

The greatest potential for growth in exports lies with the in-bond apparel assembly subsector. However, industry sources report that this sector is operating at full capacity and expansions in capacity are not expected in the near future.

The Mexican Government controls the allocation of quotas on apparel shipped to the United States. Current Government policy promotes the domestic textile and apparel industry as part of its economic development plan to increase the country's supply of basic goods. Therefore, the Government is encouraging the expansion and higher utilization of productive capacity of the industry and ensuring its supply of raw materials and capital equipment.

#### Dominican Republic

- o The Dominican Republic has potential for increased exports in the next 5 years.

The Dominican Republic is a small, world supplier of textiles and apparel, ranking 45th and accounting for less than 1 percent of total world

exports. However, the Dominican Republic's textile and apparel exports increased significantly during 1976-83, rising by 580 percent from \$21.5 million to \$146.3 million. Over 90 percent of the exports during the period consisted of apparel shipped to the United States, where these shipments accounted for less than 1 percent of total apparel imports. Most of these shipments consisted of apparel assembled from parts cut in the United States and entered under TSUS item 807.00. The Dominican Republic is the second largest supplier of TSUS item 807.00 apparel imports, accounting for 20 percent of the total in 1983.

The growth of the Dominican Republic's apparel assembly sector has paralleled the expansion of the country's four industrial free zones (IFZ's), where apparel assembly operations have been major contributors, in terms of number of firms, employment, and foreign exchange earnings. The Dominican Republic Government offers companies locating in the IFZ's certain tax holidays, duty-free imports of machinery, equipment, and raw materials, and certain foreign exchange incentives, in addition to the country's low wage rates and available labor supply. The Government actively promotes the IFZ's and the apparel assembly operations.

U.S. apparel imports from the Dominican Republic entering under TSUS item 807.00 increased steadily, rising by approximately 200 percent from \$43.6 million in 1978 to \$132.3 million in 1983. Growth continued in 1984 as the imports increased by 23 percent in terms of SYE and 19 percent in value to \$155.5 million. The Dominican Republic still has room to grow in its shipments of apparel limited by U.S. quotas because only two of the four product categories under quota during 1982 and 1983 were filled or nearly filled. In addition, quota levels annually increase by 7 percent for cotton and manmade-fiber products and by 5 percent for wool products. Potential exists for considerable growth in nonquota categories, because 63 percent of total U.S. apparel imports from the Dominican Republic in 49 categories were not subject to quotas in 1983. However, because the Dominican Republic sends almost all its apparel exports to the United States, its export potential is highly affected by U.S. demand and the extent to which U.S. companies continue to use assembly operations to compete with the low-cost Asian suppliers.

### Haiti

- o Haiti has potential for increased exports in the next 5 years.

Haiti is a small, world supplier of textiles and apparel. It ranks 48th in terms of world trade and accounts for less than 1 percent of total world exports. Haiti's exports increased considerably during 1976-83, rising by 166 percent from \$41.3 million to \$110.0 million. Almost 90 percent of these exports consisted of apparel. Over 90 percent of Haiti's exports were shipped to the U.S. market, and approximately 80 percent of these shipments entered under TSUS item 807.00. Although Haiti accounted for less than 1 percent of total apparel imports into the United States it was the third largest supplier to the United States of TSUS item 807.00 apparel imports, accounting for 12 percent of these imports in 1983.

Haiti's competitive strengths lie in its extremely low wage rates, abundant labor supply, and proximity to the United States. At approximately \$3.00 per day, Haiti's wage rate is the lowest in the Caribbean and one of the lowest in the world. In addition, the Haitian Government has promoted the expansion of the apparel assembly sector by offering incentives to foreign firms that use assembly operations. Some examples of such incentives are tax holidays; 100-percent foreign ownership; and exemptions from import duties on raw materials, machinery, and equipment used in the manufacturing of products for export. Haiti's infrastructure in its one industrial zone and in the Port-au-Prince area is sufficient to satisfy the basic needs of apparel plants located there. Factors possibly limiting Haiti's export potential include the condition of its infrastructure outside the Port-au-Prince area.

U.S. apparel imports from Haiti entering under TSUS item 807.00 increased by 85 percent, from \$41.8 million in 1978 to \$77.4 million in 1983. Growth continued in 1984. U.S. imports of textiles and apparel from Haiti covered by MFA categories increased by 13 percent, in terms of SYEs, from their level in 1983. Most of them consisted of TSUS item 807.00 imports.

Potential exists for Haiti to expand its exports of apparel to the United States, including those limited by quotas. During the past 3 years, Haiti filled only one of its quotas, which are increased each year by 7 percent. Considerable growth potential in nonquota products also exists. Of U.S. imports from Haiti in 50 MFA categories, 70 percent were not covered by quotas in 1983. Because nearly all of Haiti's exports are shipped to the United States, the potential for growth is largely affected by U.S. demand and the extent to which U.S. companies continue using TSUS item 807.00 assembly operations to compete with low-cost Asian suppliers.

## Introduction

World trade in textiles and apparel has been accorded special attention at the national and international level for many years. This is evidenced by the establishment of the Multifiber Arrangement (MFA) in 1974 and its predecessor cotton arrangements in the 1960's under the General Agreement on Tariffs and Trade (GATT). <sup>1/</sup> They were designed to prevent market disruption in the importing developed countries, while allowing the exporting developing countries to share in the growing world trade in these products. The concern over the trade intensified during the past decade or so, when the developing countries significantly expanded their textile and apparel production capacity against a backdrop of decelerating growth in consumption of these products in the developed countries, the major markets. Unlike the developed countries, which have depended primarily on their own home markets for growth, the developing countries have made extensive use of exports for their growth, resulting in a significant increase in their market share in the developed countries.

World trade in textiles and apparel, as measured by the value of world exports, has grown considerably over the years. From \$18.9 billion in 1970, world trade rose to \$95.5 billion in 1980, or by an average annual rate of almost 18 percent. However, with the onset of the worldwide recession, this trade grew more slowly in 1981, increasing by less than 1 percent, to \$95.9 billion, before declining by slightly more than 5 percent in 1982 to \$90.7 billion. In 1983, world trade in textiles and apparel was estimated to have recovered somewhat, rising by about 2 percent to \$92.8 billion, largely as a result of the economic recovery in the United States.

### World consumption

Growth in consumption of textiles and apparel in the developed countries has been slowing significantly since at least the late 1970's as indicated by the pattern of consumer expenditures on apparel. <sup>2/</sup> In general, changes in the level of expenditures on apparel affect the level of textile consumption, because the demand for textiles is derived in large part from the demand for apparel. The estimated annual rate of growth in consumer expenditures on apparel in the developed countries, after averaging 3.5 percent in 1978 and 1979, declined to 2 percent in 1980 and 1981 and to 0.5 percent in 1982 before

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<sup>1/</sup> Officially known as "The Arrangement Regarding International Trade in Textiles," the MFA provides the framework for the negotiation of bilateral agreements between importing and exporting countries, or for unilateral action by importing countries in the absence of an agreement, establishing quantitative limits on imports of cotton, wool, and manmade-fiber textiles and apparel to prevent market disruption in the importing country--restrictions that would otherwise be a departure from GATT provisions. All the principal importing and exporting countries, except Taiwan, are MFA signatories. For a more definitive discussion of the MFA and its predecessor arrangements, see The Multifiber Arrangement: 1980-84, USITC Publication 1693, May 1985.

<sup>2/</sup> The data on these expenditures were compiled from the section on textiles and clothing in International Trade 1983/84 and the preceding years' issues, published annually by the General Agreement on Tariffs and Trade, Geneva.

recovering somewhat to 1.5 percent in 1983. The trend of these expenditures was significantly influenced by U.S. expenditures, whose growth decreased from 9.5 percent in 1978 to 2 percent in 1982 before rising to 3.5 percent in 1983. In the European Community (EC), the other major market, the annual growth of apparel expenditures declined from 4.5 percent in 1978 to 2 percent in 1980 and to a negative 0.5 percent in 1981 and again in 1982. In 1983, the EC expenditures recovered somewhat, rising by only 0.5 percent.

In terms of world consumption of textile fibers, an indicator of demand for textiles and apparel, little real growth has occurred in recent years. World consumption, averaging 14 pounds per capita during 1970-72, rose to approximately 15 pounds in 1979 and 1981 before falling to the 14-pounds per capita level in 1982 and 1983, as shown in table 1.

Table 1.--Textile fibers: 1/ Consumption, population, and per capita consumption, by country or country groupings, 1979-83

Item	1979	1980	1981	1982	1983
<b>World:</b>					
Consumption 2/--(million pounds)--:	65,443	64,748	68,465	64,816	66,780
Population-----(million persons)--:	4,378	4,453	4,530	4,607	4,685
Per capita consumption--(pounds)--:	14.9	14.5	15.1	14.1	14.3
<b>United States:</b>					
Consumption 3/--(million pounds)--:	12,161	11,384	11,423	10,376	12,554
Population-----(million persons)--:	225	228	230	232	234
Per capita consumption--(pounds)--:	54.0	50.0	49.7	44.7	53.6
<b>Western Europe: 4/</b>					
Consumption 5/--(million pounds)--:	9,805	9,000	8,939	8,490	8,822
Population-----(million persons)--:	339	340	342	342	344
Per capita consumption--(pounds)--:	28.9	26.5	26.1	24.8	25.6

1/ Includes cotton, wool, and manmade fibers.

2/ Represents world production of cotton, wool, manmade fibers, and silk.

3/ Represents U.S. average annual fiber available for consumption, excluding non-textile glass fiber; based on mill consumption plus imports less exports of semimanufactured and manufactured products.

4/ Includes the countries of the EC, except Greece, the European Free Trade Association, Spain, Gibraltar, and Malta; also excludes Turkey and Yugoslavia.

5/ Represents domestic mill consumption; does not include allowances for imports and exports of semimanufactured and manufactured products.

Source: World consumption and U.S. data, from Textile Economics Bureau, Inc., Textile Organon, Roseland, NJ, May and July 1984 issues; world population, from United Nations, Monthly Bulletin of Statistics, January 1985, p. xii; and Western Europe data, from International Rayon and Synthetic Fibres Committee, CIRFS: 1984, Paris, pp. 32 and 33.

Per capita fiber consumption in the United States, after averaging 55.9 pounds in 1978, declined continuously through 1982 to 44.7 pounds, its lowest level since the mid-1960's. In 1983, however, per capita fiber consumption rebounded significantly to 53.6 pounds, the highest level since 1979. In addition, the 12.55 billion pounds of fiber consumed in the United States in 1983 surpassed the previous high of 12.45 billion pounds set in 1978. In Western Europe, on the other hand, per capita fiber consumption recovered much more slowly in 1983, reflecting the effects of the prolonged recession there. Although reversing a 3-year decline, the 1983 per capita fiber consumption in Western Europe of 25.6 pounds remained well below the 1979 level of 28.9 pounds.

#### World production and employment

The world textile and apparel sector has been undergoing significant changes since 1970. During that time, the shift in production and employment from the developed countries to the low-labor-cost developing countries intensified. The need of the developing countries to employ their relatively large labor supply, coupled with the large labor content in the manufacture of textiles and especially apparel, have contributed importantly to this sector's being among the first manufacturing sectors in the developing countries to be established and be export competitive. This has also been encouraged by the sector's ease of entry in terms of capital and technology, access to raw materials and production equipment, and the fact that the highly fragmented nature of the sector worldwide affords these countries an opportunity to develop their export potential. Moreover, risks inherent in international marketing have been minimized for the developing countries because the contracting importers, retailers, and producers in the developed countries have assumed much of the responsibility of coordinating production, procuring materials, marketing, and forecasting fashions.

World production of textiles and apparel is highly influenced by changes in the level of economic activity in the developed countries. Therefore, the slowdown in the growth of consumption in the developed countries at a time when the production base for textiles and apparel was already large has meant slower growth in the manufacturing base for those items than for manufacturing as a whole. From 1970 to 1979, textile and apparel production, in terms of volume, increased at an average annual rate of approximately 3 percent, compared with almost 5 percent for all manufacturing. During the 1980's, textile and apparel output has declined, whereas all manufacturing rose marginally, as shown in table 2.

Table 2.--Indices of industrial production and employment for all manufacturing, textiles, and apparel, 1/ selected years 1970-83

		(1980=100)						
Area and item	1970	1973	1976	1979	1981	1982	1983	
<b>Production</b>								
World:								
All manufacturing-----	65	80	86	99	101	101	<u>2/</u>	
Textiles-----	78	91	95	100	98	96	<u>2/</u>	
Apparel-----	76	87	95	100	100	98	<u>2/</u>	
Developed countries:								
All manufacturing-----	74	89	89	101	100	96	<u>2/</u>	
Textiles-----	86	103	99	102	96	93	<u>3/</u> 95	
Apparel-----	93	103	105	106	97	93	<u>3/</u> 94	
Developing countries:								
All manufacturing-----	52	68	80	96	101	104	<u>2/</u>	
Textiles-----	70	84	93	98	100	100	<u>2/</u>	
Apparel-----	61	78	92	98	106	107	<u>2/</u>	
Centrally planned economies:								
All manufacturing-----	49	64	81	95	102	105	<u>2/</u>	
Textiles-----	64	75	89	98	100	98	<u>3/</u> 99	
Apparel-----	60	70	84	94	102	103	<u>3/104</u>	
<b>Employment</b>								
World:								
All manufacturing-----	84	91	95	100	100	<u>2/</u>	<u>2/</u>	
Textiles-----	88	96	98	101	98	<u>2/</u>	<u>2/</u>	
Apparel-----	74	81	95	102	100	<u>2/</u>	<u>2/</u>	
Developed countries:								
All manufacturing-----	103	105	100	101	97	94	<u>2/</u>	
Textiles-----	133	128	113	105	93	87	<u>4/</u> 85	
Apparel-----	110	114	107	103	96	93	<u>4/</u> 91	
Developing countries:								
All manufacturing-----	59	73	87	98	100	<u>2/</u>	<u>2/</u>	
Textiles-----	70	81	90	98	100	<u>2/</u>	<u>2/</u>	
Apparel-----	43	53	84	101	101	<u>2/</u>	<u>2/</u>	
Centrally planned economies:								
All manufacturing-----	85	91	95	99	100	100	<u>2/</u>	
Textiles-----	93	97	99	100	99	97	<u>2/</u>	
Apparel-----	92	95	98	99	101	100	<u>2/</u>	

1/ Also includes leather and footwear.

2/ Not available.

3/ Estimated by the staff of the U.S. International Trade Commission from data published in International Trade 1983/84, General Agreement on Tariffs and Trade, Geneva, 1984, p. 66.

4/ Estimated by the staff of the U.S. International Trade Commission from data published in Indicators of Industrial Activity: 1984-III, Organization For Economic Cooperation and Development (OECD), Paris, 1984, pp. 32-37.

Source: United Nations Conference on Trade and Development, Handbook of International Trade and Development Statistics: 1984 Supplement, New York, 1984, pp. 420-431, except as noted.

The aggregate data mask the underlying shifts in textile and apparel production and employment from the developed countries to the developing countries and the centrally planned economies, especially China. In the case of textiles, production in developed countries peaked in 1973 and then declined significantly during the recessionary years of 1974 and 1975 before rebounding sharply in 1976. It rose marginally through 1979, when it approached the 1973 level, but declined during the following 3 years, reaching a 7-year low in 1982. Apparel production in the developed countries also declined from 1979 to 1982 when it reached its lowest level since 1970. In 1983, the developed countries' production of textiles and apparel recovered somewhat, rising by 2.5 and 1.5 percent, respectively. 1/

By contrast, textile and apparel production in the developing countries and the centrally planned economies rose almost without interruption during the 1970's. From 1970 to 1979, textile production increased at an average annual rate of 3.8 percent in the developing countries and 4.8 percent in the centrally planned economies; apparel production increased at a somewhat faster rate of 5.4 and 5.1 percent, respectively (table 2). During the 1980's, although textile production in these countries remained flat or declined, apparel production continued to rise, reaching all-time highs in 1982.

The growth in employment in the textile and apparel sector since 1970 has been generated almost entirely by the developing countries. Employment in the developing countries more than doubled in the apparel industry and rose by slightly more than 40 percent in the textile industry between 1970 and 1981 (table 2). By contrast, employment in the developed countries fell by 36 percent in the textile industry and by 17 percent in the apparel industry during 1970-83. The declines were due to a variety of factors, including stagnant consumption; introduction of labor saving equipment, particularly in the textile industry; and increased imports from the developing countries.

Nevertheless, the textile and apparel sector still ranks among the largest sources of manufacturing jobs in both the developed and developing countries, employing roughly 25 million persons worldwide. Slightly more than half the workers are engaged in apparel production, for which employment has risen over the years at a higher rate than that for either textiles or manufacturing as a whole.

### Trade shifts 2/

The expansion of production capacity in the developing countries has intensified competition in the world textile and apparel market, leading to significant shifts in trade. From 1970 to 1980, the developing countries increased their exports more rapidly than the developed countries, albeit from

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1/ General Agreement on Tariffs and Trade, International Trade 1983/84, Geneva, 1984, p. 66.

2/ Trade data discussed in this section are in terms of the Standard International Trade Classification (SITC) system of the United Nations, which uses it to publish international trade data. Textiles are classified under SITC 65 (textile yarn, fabrics, made-up articles, not elsewhere specified, and related products) and apparel, under SITC 84 (articles of apparel and clothing accessories).

a smaller base, averaging annual growth of slightly more than 23 percent versus just under 16 percent. These divergent trends continued during the early 1980's, when the developed countries accounted for most of the slowdown in world textile and apparel trade (table 3). As a result, although the developed countries remained the major exporters, their share of the trade decreased from 73 percent in 1970 to an estimated 55 percent in 1983. By contrast, the developing countries' share nearly doubled during the period, from 17 percent to just over 32 percent. The remaining 13 percent of the trade in 1983 came from the centrally planned economies, with slightly more than half of their exports originating in China.

The relative importance of the developed countries in world trade has been decreasing, both for textiles and, especially, for apparel, while the importance of the developing countries has been increasing in both these product groups. Unlike the developed countries, whose exports have been concentrated in capital-intensive textiles, mostly to other developed countries, the developing countries have focused primarily on apparel exports to the developed countries. Nevertheless, the developing countries' exports have grown more quickly than world trade, both in textiles and apparel, with their share of the trade amounting to slightly more than 40 percent for apparel and 25 percent for textiles in 1983. The majority of their exports of textiles went to other developing countries and countries with centrally planned economies, presumably to be converted into higher value-added products for export. The developed countries, despite having experienced a decline in their share of the trade over the years, still dominate world trade in textiles, generating about two-thirds of the exports. Their greatest loss in market share has come in apparel, for which they supplied slightly less than half the world exports in 1983 versus about two-thirds in the early 1970's.

The principal source of world textile and apparel exports continued to be the EC as a whole, despite declines in its exports in recent years (table 4). Almost two-thirds of the EC's trade during 1980-83 was accounted for by trade among its member countries, which, along with its external trade, had been declining. Consequently, the relative importance of the EC in world trade has been declining too, with its share of total trade shrinking from 43 percent in 1979 to 35 percent in 1983. For apparel, its share declined from 38 to 31 percent and for textiles, from 46 to 38 percent, during the period. Italy and West Germany were by far the major EC exporting countries, as shown in table 4.

The major exporting countries that have generated most of the export growth in textiles and apparel during the past decade are Hong Kong, Taiwan, the Republic of Korea (the "Big Three"), and China. The Big Three's exports increased from \$12.9 billion, or 15 percent of global trade, in 1979 to its highest level of nearly \$17.2 billion in 1981 and then declined to \$16.2 billion in 1982. Their shipments recovered somewhat in 1983, primarily in response to the economic recovery taking place in the United States, rising to \$16.6 billion, or 18 percent of global trade. Unlike the Big Three, whose exports consisted mostly of apparel, China's exports were composed primarily of textiles. However, the gap between textiles and apparel in China's export product mix narrowed considerably since China's apparel exports grew faster than its textile shipments. From a total of just under \$3.3 billion in 1979, China's exports of textiles and apparel nearly doubled by 1983 to \$6.1 billion, or 7 percent of global exports.

Table 3.--Textiles and apparel: World exports, by source and market and by products, 1970 and 1979-83

(In millions of dollars)						
Source	World	Developed countries			Developing countries	Centrally planned economies
		Total	United States	EC		
<b>Textiles</b>						
<b>World:</b>						
1970	12,418	8,402	1,183	4,405	3,035	971
1979	49,665	33,784	2,176	21,103	12,294	3,294
1980	55,432	35,512	2,457	22,195	15,283	4,396
1981	54,675	31,925	2,994	18,574	17,387	5,096
1982	50,337	30,121	2,698	17,858	15,540	4,339
1983	1/ 51,500	2/	2/	2/	2/	2/
<b>Developed countries:</b>						
1970	9,638	7,225	826	3,974	1,982	427
1979	34,850	26,562	1,130	17,828	6,577	1,677
1980	38,584	27,882	1,225	18,679	8,307	2,363
1981	36,127	24,552	1,473	15,613	8,923	2,613
1982	32,951	23,216	1,414	14,986	7,679	2,014
1983	1/ 32,700	2/	2/	2/	2/	2/
<b>Developing countries:</b>						
1970	1,917	931	350	324	747	237
1979	10,624	5,699	935	2,657	4,301	607
1980	12,341	5,889	1,046	2,791	5,221	1,030
1981	13,259	5,734	1,291	2,325	5,937	1,362
1982	12,125	5,285	1,076	2,243	5,439	1,243
1983	1/ 13,100	2/	2/	2/	2/	2/
<b>Centrally planned economies:</b>						
1970	862	246	8	107	305	307
1979	4,192	1,523	111	618	1,417	1,010
1980	4,507	1,742	186	725	1,755	1,003
1981	5,290	1,640	230	636	2,527	1,122
1982	5,262	1,620	208	629	2,422	1,082
1983	1/ 5,700	2/	2/	2/	2/	2/
<b>Apparel</b>						
<b>World:</b>						
1970	6,440	4,790	1,249	2,411	607	1,011
1979	34,368	27,992	5,116	15,958	3,762	2,571
1980	40,090	31,658	5,892	18,338	5,107	3,278
1981	41,231	31,203	7,191	16,488	6,688	3,220
1982	40,367	31,086	7,727	15,795	5,938	3,250
1983	1/ 41,300	2/	2/	2/	2/	2/
<b>Developed countries:</b>						
1970	4,085	3,503	647	2,024	381	172
1979	17,834	15,804	788	10,909	1,607	393
1980	20,598	17,738	776	12,322	2,128	713
1981	19,093	15,542	881	10,479	2,542	984
1982	18,040	15,092	923	9,993	2,066	840
1983	1/ 18,400	2/	2/	2/	2/	2/
<b>Developing countries:</b>						
1970	1,362	1,132	599	297	170	58
1979	12,354	10,571	4,067	4,159	1,614	157
1980	14,552	11,956	4,775	4,964	2,293	278
1981	17,008	13,724	5,882	5,069	2,926	264
1982	16,802	13,896	6,224	4,861	2,607	269
1983	1/ 17,000	2/	2/	2/	2/	2/
<b>Centrally planned economies:</b>						
1970	993	155	3	90	56	781
1979	4,179	1,617	261	890	540	2,021
1980	4,940	1,964	341	1,052	685	2,288
1981	5,130	1,937	428	941	1,220	1,972
1982	5,526	2,098	580	941	1,265	2,141
1983	1/ 5,900	2/	2/	2/	2/	2/

1/ Estimated by the staff of the U.S. International Trade Commission from United Nations data and national statistics.

2/ Not available.

Table 4.--Textiles and apparel: World exports, by products and by selected countries, 1979-83

Country	Textiles					Apparel					Total				
	1979	1980	1981	1982	1983	1979	1980	1981	1982	1983	1979	1980	1981	1982	1983
Developed countries:															
United States	3,182	3,625	3,610	2,772	2,359	958	1,219	1,255	987	883	4,140	4,844	4,865	3,759	3,242
Canada	245	306	327	288	263	172	211	231	207	189	417	517	558	495	452
Japan	4,001	5,102	5,848	5,085	5,325	351	500	578	547	658	4,352	5,602	6,426	5,632	5,983
European Community:															
Italy	4,150	4,109	4,083	4,013	4,193	4,389	4,631	4,318	4,408	4,530	8,539	8,740	8,401	8,421	8,723
West Germany	5,982	6,255	5,539	5,482	5,381	2,609	2,910	2,521	2,518	2,556	8,591	9,165	8,060	8,000	7,937
France	3,205	3,410	2,892	2,675	2,589	2,021	2,308	1,940	1,815	1,743	5,226	5,718	4,832	4,490	4,332
Belgium and Luxembourg	3,162	3,548	3,002	2,723	2,795	901	992	818	746	745	4,063	4,540	3,820	3,469	3,540
United Kingdom	2,788	3,109	2,361	2,025	1,879	1,594	1,873	1,702	1,466	1,308	4,382	4,982	4,063	3,491	3,187
Netherlands	2,193	2,257	1,883	1,782	1,697	775	873	723	693	670	2,968	3,130	2,606	2,475	2,368
Other	1,146	1,332	1,249	1,124	1,110	821	998	939	1,019	1,093	1,967	2,329	2,188	2,143	2,203
Total	22,626	24,020	21,009	19,824	19,644	13,110	14,585	12,961	12,665	12,645	35,735	38,604	33,970	32,489	32,289
European Free Trade Association	3,503	3,908	3,652	3,549	3,442	2,206	2,725	2,559	2,441	2,291	5,709	6,653	6,210	5,993	5,732
Turkey	321	343	569	767	1,442	99	131	314	398	1,114	420	474	883	1,165	2,556
Yugoslavia	276	410	529	481	402	256	456	664	614	511	532	866	1,193	1,095	913
Developing countries:															
Hong Kong	811	909	943	831	967	3,994	4,638	5,015	4,728	4,681	4,805	5,547	5,958	5,559	5,648
Taiwan 1/	1,526	1,791	2,038	1,768	1,828	1,933	2,427	2,849	2,891	2,983	3,459	4,218	4,887	4,659	4,811
Republic of Korea 2/	1,815	2,197	2,449	2,238	2,413	2,848	2,946	3,863	3,774	3,701	4,663	5,143	6,312	6,012	6,114
Pakistan	731	876	976	927	1,312	78	103	136	144	227	809	979	1,112	1,071	1,539
India 3/	935	1,091	900	783	774	682	758	831	738	670	1,617	1,849	1,731	1,521	1,444
Singapore	360	367	339	343	382	373	426	469	459	477	733	793	808	802	859
Thailand	342	330	345	345	4/ 365	209	267	344	371	4/ 458	551	596	689	716	4/ 823
Philippines	55	74	68	56	5/ 44	217	279	348	306	5/ 319	272	353	416	362	5/ 363
Malaysia	102	161	130	135	6/ 146	120	150	160	174	6/ 285	222	311	290	309	6/ 431
Indonesia 7/	52	46	36	44	44	66	98	95	117	157	118	144	131	161	178
Macau	26	47	126	8/ 83	8/ 88	312	418	418	8/ 463	8/ 467	338	465	544	8/ 546	8/ 555
Sri Lanka 6/	5	7	7	7	6	75	127	157	175	212	80	132	164	182	218
Mexico 6/	120	110	101	86	101	241	271	261	182	194	361	381	361	269	295
Brazil	608	654	668	523	653	119	138	134	98	106	727	792	802	621	759
Colombia	115	134	108	87	67	111	119	118	135	62	226	253	226	222	129
Dominican Republic 6/	3	2	2	1	4	74	90	113	128	143	77	92	115	129	147
Haiti 6/	12	16	14	16	13	59	68	80	84	97	71	84	94	100	110
formarket economy countries:															
China 2/	2,232	2,764	3,079	2,921	3,333	1,022	1,653	2,093	2,434	2,780	3,254	4,417	5,172	5,355	6,113

1/ Data from Taiwan Textile Federation, Statistics of Taiwan Textile and Apparel Industries, 1982, Taipei, September 1984, p. 80.

2/ Data for 1982 and 1983 from The Bank of Korea, Economic Statistics Yearbook 1984, Seoul, June 1984.

3/ Data for 1979-81 represent world imports. Data for 1982 and 1983 partially estimated by the staff of the U.S. International Trade Commission.

4/ Estimated by the staff of the U.S. International Trade Commission on the basis of 1983 export trends as reported in Thai Exports: Thailand's Textiles and Garments 1983-84, Intertrade Publications, Bangkok, pp. 97-101.

5/ Data from the Republic of the Philippines, National Economic and Development Authority, Foreign Trade Statistics of the Philippines 1983, Manila, pp. 27 and 714.

6/ Data represent world imports from the specified countries.

7/ Data from Indonesia Central Bureau of Statistics, Exports by Commodity, Country of Destination and Port of Export 1983, Jakarta, p. 480.

8/ Data from Government of Macau, Department of Economic Services, Quarterly Economic Bulletin: 2nd Quarter 1984, September 1984, table 1.3, p. 10. Includes an unknown, but believed to be small, amount of textile fibers.

9/ Data from U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984, p. 43.

Source: Compiled from United Nations data for SITC 65 (textiles) and SITC 84 (apparel) as reported by each country, except as noted.

By contrast, U.S. exports peaked at slightly more than \$4.8 billion in 1980 and 1981, and then declined by 23 percent in 1982 and another 14 percent in 1983 to their lowest point in recent history of \$3.2 billion, or just under 4 percent of global trade. They declined again in 1984, falling by less than 1 percent. The prolonged economic recession abroad, coupled with the continual appreciation of the dollar, which has reduced the price competitiveness of U.S. goods in world markets, contributed importantly to the export decline. The dollar has been at unusually high levels during the past 2 years or so, having appreciated significantly since 1980. From 1980 to 1984, the dollar increased by almost 44 percent in effective terms. 1/

#### Wage impact on trade

The importance of apparel in the export product mix of the developing countries largely reflects the large labor content of apparel production and the extremely low labor costs in these countries. Labor costs, which on the average account for about one-third of the wholesale value of U.S.-produced apparel, have increased sharply in the developing countries (table 5). However, these countries still retained their considerable labor cost advantage over the developed countries. It should be noted that the hourly compensation costs reported for several of the countries in the table, when expressed in dollars, showed a decline since 1980; however, this is because of the appreciation of the dollar against their currencies during that period.

Among the major low-cost suppliers, Hong Kong and Taiwan incurred hourly compensation costs averaging only about 20 percent of U.S. costs in 1983, and the Republic of Korea (Korea), an even smaller 12 percent. China's hourly labor costs in the textile industry (specifically the spinning and weaving sector) represented only 3 percent of comparable U.S. costs in 1984, or an estimated 26 cents an hour.

The considerably lower labor costs enable the developing countries to maintain their competitive advantage in the export market despite their relatively low productivity. In spinning and weaving, the Big Three were estimated to have operated at a 40-percent productivity disadvantage compared with the U.S. textile industry, and China performed at only 10 to 15 percent of the U.S. rate. 2/ For apparel production, the Big Three used about 70 percent more labor to achieve the same amount of output as the United States; the Caribbean Basin countries used approximately twice as much labor. 3/

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1/ International Monetary Fund, International Financial Statistics, Washington, DC, March 1985, p. 476.

2/ "Since '80, Labor Cost Up Most in N.A., Japan and So. Korea," Daily News Record, Fairchild Publications, New York, June 28, 1984.

3/ From highlights of a speech presented by Kurt Salmon Associates, Inc., "Sourcing: Cost Impacts and Comparisons of Sourcing Alternatives," Atlanta, Georgia, Apr. 5, 1983, p. 3.

Table 5.--Textiles and apparel: Total hourly compensation costs for production workers, by countries, 1975 and 1980-84

(In dollars per hour)						
Country	1975	1980	1981	1982 <u>1/</u>	1983 <u>2/</u>	1984 <u>3/</u>
United States-----	\$3.83	\$5.68	\$6.23	\$6.52	\$6.85	\$8.60
West Germany-----	4.42	8.51	7.29	7.11	7.09	7.54
Italy-----	3.32	6.28	5.80	5.84	6.02	6.35
Hong Kong-----	.67	1.36	1.41	1.46	1.32	1.65
India-----	.16	.34	<u>4/</u>	<u>4/</u>	<u>4/</u>	.71
Japan-----	1.61	3.00	3.23	2.92	3.19	6.28
Korea-----	.24	.70	.74	.79	.84	1.89
Singapore-----	.58	1.13	1.31	1.39	1.55	<u>4/</u>
Taiwan-----	.40	1.03	1.31	1.43	1.48	1.64
China-----	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	.26
Indonesia-----	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	.22
Pakistan-----	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	.49
Sri Lanka-----	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	.28
Thailand-----	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	<u>4/</u>	.56

1/ Preliminary.

2/ With the exception of the data for Japan and Singapore, the data were estimated by the staff of the U.S. International Trade Commission on the basis of the percentage change in hourly compensation costs for all manufacturing, as provided by the U.S. Department of Labor, Bureau of Labor Statistics.

3/ Data for 1984 represent average labor costs in the spinning and weaving sector during spring 1984, as compiled and published by Werner International Management Consultants in its "Spinning and Weaving Labour Cost Comparisons: Spring 1984," New York and Brussels.

4/ Not available.

Source: Compiled from unpublished data of the U.S. Department of Labor, Bureau of Labor Statistics, Hourly Compensation Costs For Production Workers in Apparel and Other Textile Products Manufacturing, 22 Countries, 1975-1982, April 1984, except as noted.

Labor productivity in the developing countries has shown marginal growth in the textile industry and has declined significantly in the apparel industry, as shown in table 6. This partly reflects the entry of new supplying countries, which have an abundant supply of labor to employ. This may also partly explain the developing countries' greater reliance on apparel than textiles in their export product mix, because the competitiveness of the apparel industry is affected more by labor costs than is the textile industry, for which modern equipment and production techniques can offset much of the labor-cost advantage.

Table 6.--Textiles and apparel: Indices of labor productivity, by product country groupings, selected years 1970-82

		(1980=100)					
Item		1970	1973	1976	1979	1981	1982
Textiles:							
World-----		82	89	95	97	104	<u>1/</u>
Developed countries-----		67	82	88	98	106	107
Developing countries-----		98	97	101	98	103	<u>1/</u>
Centrally planned economies---		67	78	90	98	101	102
Apparel: <u>2/</u>							
World-----		92	101	99	100	105	<u>1/</u>
Developed countries-----		84	90	96	102	101	102
Developing countries-----		130	144	116	101	113	<u>1/</u>
Centrally planned economies---		67	74	87	96	102	104

1/ Not available.

2/ Also includes leather and footwear.

Source: United Nations Conference on Trade and Development, Handbook of International Trade and Development Statistics: 1984 Supplement, New York, 1984, pp. 432-437.

Low-cost labor will continue to give a significant competitive advantage to the developing countries in their efforts to expand their apparel exports to the developed countries. Although new technology has been developed for production control and planning and for pattern making, marking, and cutting, its use has been limited in developing countries, primarily because of the availability of low-cost labor, and in developed countries, primarily because of limited capital and concern over import competition. Moreover, the highly fragmented structure of the industry worldwide with its many small operations, the frequent changes in fashion, and the difficulty in handling limp fabrics have also limited the use of new technology.

#### Trade of the emerging textile-exporting countries

Although trade in textiles and apparel has been depressed by weak demand during the early 1980's, the 14 countries whose export potential is assessed in this study, as a group, outperformed the rest of the world. From \$9.2 billion in 1979, their exports of textiles and apparel rose by 23 percent to \$11.4 billion in 1980 and then increased much more slowly, by 9 percent, to \$12.4 billion in 1981 before declining slightly to \$12.1 billion in 1982. There was a marked resumption of growth in 1983, when their exports increased by almost 15 percent to \$13.9 billion. This can be attributed primarily to the U.S. economic recovery. In contrast, world trade in textiles and apparel during 1983 recovered by only 2 percent from the preceding year's level and remained somewhat below the 1980 and 1981 levels. As a result, the relative importance of the 14 countries as a whole increased significantly, with their share of the overall trade expanding from 11 percent in 1979 to 15 percent in 1983.

Although the aggregate data for the 14 countries are heavily influenced by China, which accounted for about 40 percent of their combined exports during 1979-83, many of the countries experienced significant growth in their exports of textiles and apparel (table 7). Average annual gains of more than 15 percent were recorded by China, Pakistan, Indonesia, Malaysia, Sri Lanka, and the Dominican Republic. By contrast, a significant decline occurred in India's exports between 1980 and 1983, largely as a result of declining competitiveness and intensified competition from other low-cost exporting countries, especially China and Pakistan. Little or no export growth was recorded by Brazil, the Philippines, and Mexico during the 1980's.

The major export market for most of these countries is the United States, which has accounted for an increasingly larger share of their exports in recent years. From 20 percent of their combined exports in 1979 and 1980, the United States increased its share to 28 percent in 1983. However, the United States in 1983 accounted for about 90 percent or more of the exports of Mexico, the Dominican Republic, and Haiti, to which U.S. firms send garment parts for assembly and subsequent return to the United States as finished garments for sale in the domestic market. The United States also accounted for two-thirds of the exports of the Philippines and Sri Lanka.

Table 7.--Textiles and apparel: World exports of the 14 emerging textile-exporting countries, 1979-83

(In millions of dollars)					
Country	1979	1980	1981	1982	1983
China-----	3,254	4,417	5,172	5,355	6,113
Pakistan-----	809	979	1,112	1,071	1,539
India-----	1,617	1,849	1,731	1,521	1,444
Singapore-----	733	793	808	802	859
Thailand-----	551	597	689	716	823
Brazil-----	727	792	802	621	759
Macau-----	338	465	544	546	555
Malaysia-----	222	311	290	309	431
Philippines-----	272	353	416	362	363
Mexico-----	361	381	361	269	295
Indonesia-----	118	144	131	161	278
Sri Lanka-----	80	132	164	182	218
Dominican Republic-----	77	92	115	129	147
Haiti-----	71	84	94	100	110
Total-----	9,230	11,389	12,429	12,144	13,934

Source: Compiled from table 4.

### U.S. trade in textiles and apparel

World exports of textiles and apparel to the United States have grown rapidly in recent years, with those of the 14 emerging countries as a whole growing even more rapidly, according to official U.S. import statistics for SITC 65 (textiles) and SITC 84 (apparel). From 1979 to 1984, U.S. imports from all countries increased by an average annual rate of 17.5 percent to a record \$17.8 billion; in 1984 alone, imports rose by an unprecedented 39 percent, or \$5 billion. Shipments from the 14 emerging countries as a whole expanded by an average of 21 percent annually to \$4.6 billion, as shown in table 8, thereby expanding their share of the U.S. import market during the period from 22 to 26 percent.

Slightly more than one-third of the growth in U.S. imports of textiles and apparel from the 14 emerging countries during 1979-84 was generated by China, whose shipments climbed nearly sixfold to \$1.3 billion, making it the fourth largest supplier after the Big Three. Another one-fourth of the import growth during 1979-84 was generated by Indonesia, Thailand, Sri Lanka, and Malaysia, which, like China, only recently emerged as significant suppliers in the export market. U.S. imports from the four countries together rose by slightly more than fourfold to \$863 million. By contrast, U.S. imports from the Big Three rose less rapidly than did imports overall during 1979-84. The Big Three's shipments rose by 16 percent annually during the period, resulting in their share of total U.S. imports declining to just under 47 percent in 1984, after having reached 49 percent in 1983.

The marked acceleration in U.S. imports of textiles and apparel during 1983 and 1984 resulted from the economic recovery, the subsequent economic growth, and the corresponding increase in demand for these products, as evidenced by the recovery in consumer apparel expenditures noted previously. Moreover, the ongoing significant appreciation of the dollar further enhanced the price competitiveness of imports. That, together with the growing domestic demand and the protracted economic recession abroad and the resultant weak demand, contributed importantly to the import buildup.

Table 8.--Textiles and apparel: 1/ U.S. imports for consumption,  
by selected countries, 1979-84

(In millions of dollars)						
Country	1979	1980	1981	1982	1983	1984
Emerging exporting countries:						
China-----	188.2	396.5	642.8	837.7	999.2	1,271.8
India-----	333.0	347.6	356.1	285.9	350.8	461.7
Philippines-----	228.8	247.9	303.4	295.3	343.1	435.1
Singapore-----	136.3	148.8	167.7	185.7	200.0	300.3
Thailand-----	78.8	77.7	104.9	135.5	157.8	272.1
Indonesia-----	11.0	7.7	38.9	66.2	86.9	216.5
Sri Lanka-----	35.2	62.5	86.2	102.9	127.5	205.0
Macau-----	72.9	88.6	104.0	109.5	133.0	182.1
Pakistan-----	88.9	87.7	123.6	103.1	121.2	176.5
Malaysia-----	35.9	42.9	60.3	75.9	100.5	169.3
Brazil-----	95.6	96.2	104.0	96.4	131.8	241.4
Mexico-----	288.8	306.3	317.2	230.0	262.5	339.2
Dominican Republic-----	75.0	88.3	109.2	123.0	141.5	178.4
Haiti-----	63.9	74.1	82.5	85.0	94.1	109.9
Total-----	1,732.3	2,072.8	2,600.8	2,732.1	3,249.9	4,559.3
Big Three:						
Hong Kong-----	1,559.8	1,743.4	2,003.8	2,098.3	2,395.4	3,131.6
Taiwan-----	1,144.0	1,392.4	1,539.8	1,723.9	2,015.2	2,582.9
Korea-----	1,016.4	1,138.1	1,469.2	1,595.2	1,893.5	2,552.5
Total-----	3,720.2	4,273.9	5,012.8	5,417.4	6,304.1	8,267.0
Japan-----	522.9	564.9	776.6	778.1	907.0	1,146.6
Other Asian countries-----	162.6	132.5	131.2	102.5	120.9	190.5
Other Central and South American countries-----	315.4	282.5	305.9	302.2	342.4	458.2
European Community:						
Italy-----	369.7	375.4	439.5	437.4	514.5	958.0
United Kingdom-----	195.8	191.6	186.2	184.9	209.9	321.6
France-----	199.6	197.0	175.0	177.6	196.8	296.0
West Germany-----	115.2	112.2	120.9	115.5	152.1	242.4
Other-----	124.6	126.8	122.8	112.5	141.1	248.3
Total-----	1,004.9	1,003.0	1,044.4	1,027.9	1,214.4	2,066.3
Other European countries-----	296.6	258.0	287.8	298.6	322.8	586.7
Other-----	181.1	186.0	226.3	238.0	303.9	483.5
Total-----	7,936.3	8,774.5	10,385.8	10,896.8	12,765.4	17,758.1

1/ Corresponds to SITC 65 (textiles) and SITC 84 (apparel).

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

Although the appreciation of the dollar improved the competitive position of some of the developing countries in the U.S. market, it had its major impact on the competitiveness of the developed countries. The dollar rose significantly in effective terms during the last 4 years, whereas the currency of major exporting developed countries, except Japan, declined, as shown in table 9. From 1980 to 1984, the dollar rose by almost 44 percent. Although the yen had depreciated against the dollar since 1980, it was the only currency among those of the major textile and apparel exporting developed countries to appreciate in effective terms, rising by 24 percent during 1980-84. The currencies of Italy and France declined by roughly 30 percent and that of the United Kingdom fell by 18 percent to their lowest points in recent history.

Table 9.--Index of effective exchange rates of certain developed countries, 1981-84

(1980=100)				
Country	1981	1982	1983	1984
United States-----	112.7	125.9	133.2	143.7
Italy-----	86.7	80.2	76.1	71.1
Japan-----	113.1	106.6	117.4	124.1
France-----	89.4	81.3	74.2	69.7
West Germany-----	92.7	96.5	98.8	96.1
United Kingdom-----	98.9	94.2	86.7	81.9

Source: International Monetary Fund, International Financial Statistics, Washington, DC, March 1985.

U.S. imports of textiles and apparel from developed countries, after rising from \$1.8 billion in 1979 and 1980 to almost \$2.2 billion in 1981 and 1982, increased by 19 percent to \$2.6 billion in 1983 and a substantial 56 percent to \$4.0 billion in 1984. The recent growth was widespread, with Japan's shipments rising almost 17 percent in 1983 and another 26 percent in 1984 to an all-time high of \$1.1 billion, making Japan the fifth largest supplier in the U.S. market. Imports from the EC climbed 18 percent in 1983 and another 70 percent in 1984 to slightly more than twice the 1982 level of nearly \$2.1 billion. As a result, the EC reversed its declining share of the U.S. import market, which, after falling from 12.7 percent in 1979 to 9.5 percent in 1983, rebounded to 11.6 percent in 1984. Half the increased imports from the EC between 1982 and 1984 originated in Italy, whose shipments to the U.S. market more than doubled to just under \$1 billion, making it the sixth largest foreign supplier. This largely reflects the rapid appreciation of the dollar against the lira, which has effected a significant reduction in the price of Italian goods when expressed in dollars. In addition, U.S. imports of textiles and apparel from Italy are not covered by quota, which together with the strong dollar, encouraged some U.S. importers to shift part of their orders there from Hong Kong, which was faced with tight U.S. quotas and, frequently, high quota charges.

The strong dollar not only improved the price competitiveness of imports but also reduced the competitiveness of U.S. exports. Together with sluggish foreign markets, this resulted in a significant decline in U.S. exports of textiles and apparel. U.S. exports declined from slightly more than \$4.8 billion in 1980 and 1981, to \$3.2 billion in 1984, or by about 33 percent. As a result of the export decline and the import growth, the U.S. trade deficit in textiles and apparel widened considerably. The deficit, after totaling just under \$4 billion in 1979 and 1980, increased to \$5.5 billion in 1981 and then accelerated to \$9.5 billion in 1983 and to \$14.5 billion in 1984.

The rapid import growth of the 1980's far exceeded the growth of the domestic market for textiles and apparel, resulting in successively higher record levels of import penetration. This is especially true for apparel, which accounted for three-fourths of the value of the sector's imports during 1980-84 and which is the major market for the U.S. textile industry. One method used for measuring import penetration in the apparel market is in terms of square yard equivalents (SYE), which involves converting the quantity of apparel into an equivalent number of square yards of fabric needed for its production. This method shows that the share of the U.S. apparel market supplied by imports of cotton, wool, and manmade-fiber apparel expanded from an average of slightly less than 21 percent during 1975-79 to almost 25 percent in 1980 and 28 percent in 1983, the year before the rapid rise in imports. Imports' market share then rose to 33 percent in 1984 (table 10).

Table 10.--Apparel: U.S. production, imports, exports, and apparent consumption, 1981-84

Item	1981	1982	1983	1984
U.S. production--million SYEs--	9,923	9,729	10,580	10,072
U.S. imports <u>1/</u> -----do-----	3,136	3,382	3,894	4,722
U.S. exports <u>1/</u> -----do-----	813	518	461	490
Apparent consumption-----do-----	12,246	12,593	14,013	14,304
Ratio of imports to consumption-----percent--	25.6	26.9	27.8	33.0

1/ Represents apparel of cotton, wool, and manmade fibers.

Source: Compiled from data presented as part of an attachment to a letter of Mar. 5, 1985, from the Deputy Assistant Secretary for Textiles and Apparel, U.S. Department of Commerce, to the Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs of the House Committee on Government Operations, in conjunction with a textile and apparel import hearing.

### Recent U.S. actions to control imports

The growth in imports of textiles and apparel recently has prompted the United States to intensify its efforts to control such imports. This could significantly influence the export potential of the emerging textile-exporting countries. Imports of cotton, wool, and manmade-fiber textiles and apparel have been subject to control under the Multifiber Arrangement (MFA) since 1974. Although the MFA itself does not set any quantitative limits on textile and apparel trade, it does provide a framework for establishing quotas among the member countries in bilateral agreements or for unilateral action in the absence of an agreement. The MFA provides for a minimum of 6-percent annual quota growth and the possibility of additional increases through the use of the so-called flexibility provisions. <sup>1/</sup> However, the protocol of December 1981 extending the MFA to July 1986 allows importing countries to include lower growth and reduced flexibility in their bilateral agreements, particularly with the larger suppliers.

The United States subsequently negotiated new agreements with the four major suppliers in which quota growth and/or flexibility were reduced. Six-year agreements were concluded with the Big Three during 1982, retroactive to the first of that year and replacing 5-year pacts that were scheduled to expire at the end of 1982. The new agreements provide for average annual quota growth of 1 percent by quantity, and brought additional product categories under quota. The 5-year agreement reached with China in 1983, replacing a 3-year pact that expired at the end of 1982, provides for average annual growth of just under 4 percent. This agreement also more than doubled the number of categories under quota to 33.

The United States also has agreements with 26 other countries <sup>2/</sup> providing for quotas on imports of specified products and for procedures to establish quotas on other products when it determines that imports of a particular product are causing or threatening market disruption. Quotas in these agreements are generally allowed annual growth of 6 or 7 percent. Additional growth is allowed for shipments in excess of quota through the use of flexibility.

Although slightly more than 80 percent of U.S. imports of textiles and apparel of cotton, wool, and manmade fibers in 1984 originated in the 30 countries with which the United States has agreements, not all of such imports from these countries were covered by quotas. The agreements negotiated with the Big Three during 1982 provided for quotas on products then accounting for

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<sup>1/</sup> Flexibility is to "carryover" unused quota from the preceding year, "carryforward" or borrow quota from the following year, and "swing" or shift quota between product categories during a given year. The MFA states that a restraint level can be exceeded by not more than 10 percent through the use of carryover and carryforward, and the carryforward shall not account for more than 5 percent. However, some of the U.S. bilateral agreements allow these mechanisms to be used up to 11 percent, of which carryforward may not exceed 7 percent. Restraint levels may also be exceeded through the use of swing (usually 7 percent).

<sup>2/</sup> See p. 7 for a complete list of the countries with whom the United States has bilateral agreements.

approximately three-fourths of their U.S.-bound exports of MFA products. 1/ The unrestricted MFA-product shipments consisted primarily of traditionally less import-sensitive items, and it was in these products that the major suppliers have accelerated their shipments in recent years. In addition, the agreements with many of the new and smaller suppliers initially provide for quotas on only a few product categories, since these countries tend initially to produce only a limited number of items for export. Nevertheless, all the agreements provide for the establishment of additional quotas after a determination by the United States that imports are causing or threatening market disruption and negotiations with the exporting country lead to an agreed upon quota or, in the absence of an agreed upon quota, one set pursuant to provisions of the respective bilateral agreements. During 1983, the United States made 112 "calls" for consultations with supplying countries to establish new quotas for previously unrestricted categories. 2/

To curb import growth in MFA products not yet covered by quotas, the President, in December 1983, announced new guidelines which provide for a more systematic method of evaluating import levels for market disruption or its threat. The guidelines state that when imports from an individual supplier equal 1 percent or more of U.S. production of the items in a category and total growth in that category's imports is more than 30 percent in the most recent year or the ratio of total imports to domestic production of the items in the category is 20 percent or more, trade in that product will be reviewed for market disruption or the threat of such. In 1984, 109 calls for consultations to set additional quotas were made. 3/

The increasingly tighter restrictions on imports from the Big Three and China have encouraged them to trade up to higher value-added goods to maximize quota usage, because the quotas are based on quantity and not value. This shift to higher priced goods has created opportunities in the low- and medium-price ranges for emerging textile-exporting countries. From 1982 to 1984, the 4 major suppliers recorded increases in the average unit value (value per dozen) of more than 20 percent, on the average, for sweaters, shirts, blouses, coats, pants, and dresses of cotton, wool, and manmade fibers. These products accounted for nearly 60 percent of their apparel shipments to the U.S. market in 1984.

The tight restrictions have also encouraged the four major suppliers to increase exports of apparel of textile fibers that are not covered by the MFA. The fibers are heretofore seldom-used silk, linen, and ramie. The Big Three and China generated all but a small part of the imports of the non-MFA apparel in 1984, which increased 171 percent over those in 1983 to almost 10.1 million dozen, valued at roughly \$1 billion.

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1/ In 1984, quotas were in effect on 90 percent of Taiwan's shipments of MFA products to the United States, 92 percent of Korea's shipments, and 95 percent of Hong Kong's shipments. See testimony of the Deputy Assistant Secretary for Textiles and Apparel, U.S. Department of Commerce, before the Subcommittee on Trade of the House Committee on Ways and Means concerning the Government's textile and apparel import program, Apr. 3, 1985, p.8.

2/ Five of the calls were subsequently withdrawn.

3/ Thirteen of the calls were subsequently withdrawn. Overall, the quota program controlled 79 percent of apparel imports and 42 percent of textile imports in 1984. See testimony of the Deputy Assistant Secretary for Textiles and Apparel, U.S. Department of Commerce, op. cit., p. 9.

On May 9, 1984, the President issued Executive Order 12475 that directed the Secretary of the Treasury to clarify and revise Customs regulations to prevent circumvention of the textile and apparel import-restraint agreements. This led to a revision of the "country-of-origin" rules with respect to textiles and apparel to prevent quota avoidance through the multicountry manufacture of these products. According to Administration textile trade officials, the new country-of-origin regulations are designed to stop exporting countries faced with tight U.S. quotas from circumventing their quotas by shipping unfinished textile products to countries with unused or no quotas for assembly or further, and oftentimes, minor processing. Under the old regulations, such products partly made in one country but sent to another country for assembly or finishing were often charged against the second country's quotas. Under the new rules, the products are charged against the quotas of the country where they last underwent substantial transformation. For example, sweaters assembled in Hong Kong from parts knit to shape in China that were previously counted against Hong Kong's relatively large quota are now, under the new rule, charged against the significantly smaller sweater quotas for China. Particularly affected by the ruling is Hong Kong, whose knitwear is reportedly made mostly from panels or pieces knit in southern China.

The export potential of several of the emerging textile-exporting countries under study may also be affected by the final determinations of the U.S. Department of Commerce in March 1985 that their respective governments are granting subsidies on textiles, apparel, or both, exported to the United States. The determinations were in response to petitions, filed in July 1984 by the U.S. textile industry and the 2 unions representing the textile and apparel industries, which alleged that imports from 13 countries are being subsidized by their respective governments. 1/ Because none of the countries were, at the time the petitions were filed, a "country under the Agreement," 2/ no injury determination was required as a basis for the assessment of countervailing duties. 3/ For the emerging textile-exporting countries under study, the Commerce Department determined that the net subsidies were de minimis for Malaysia and Singapore; 1.23 percent for apparel from Thailand; 5.0 percent for textile mill products and 3.06 percent for apparel from Sri Lanka; and 3.7 percent for textile mill products from Mexico. 4/

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1/ The 13 countries are Argentina, Colombia, Indonesia, Malaysia, Mexico, Panama, Peru, the Philippines, Portugal, Singapore, Sri Lanka, Thailand, and Turkey. They accounted for a combined 13 percent of U.S. imports under SITC's 65 (textiles) and 84 (apparel) in 1984.

2/ A "country under the Agreement" is a country that has signed the GATT Agreement on Subsidies and Countervailing Measures (Subsidies Code) or has assumed similar obligations. The U.S. countervailing duty law is intended to provide a special duty to countervail, or eliminate, the advantage an imported product may obtain from subsidies.

3/ Indonesia, the Philippines, and Turkey have since become "countries under the Agreement" and, therefore, entitled to an injury determination. Subsequently, the petitions against these countries were withdrawn by the petitioners, whereupon the U.S. Department of Commerce terminated its investigations involving these countries. Mexico also became a "country under the Agreement;" however after the Department of Commerce had made its final determination in the countervailing duty investigation on textiles from Mexico. Consequently, Mexico is not entitled to an injury determination.

4/ See the individual country sections of this report for a detailed discussion of each of the countries' countervailable subsidies.

Nevertheless, opportunities continue to exist for the emerging textile-exporting countries to expand their exports, both in terms of volume and in some cases higher unit values. Inflation and the general trend towards trading up into higher value-added products should continue to provide annual growth in the value of their exports to the United States. In terms of quantity, although the emerging countries are all subject to quota restraint, shipments can grow in (1) product categories not under quota, (2) products not subject to MFA restraints, primarily those of silk, linen, and ramie, and (3) categories with significant unused quota. The smaller suppliers can usually expect the MFA norm of a minimum of 6-percent annual growth and the possibility of additional increases through the use of flexibility. The most recent extension of the MFA to 1986 reaffirms less restrictive treatment for new or smaller suppliers and cotton textiles from cotton-producing countries (e.g., Pakistan). Consequently, these suppliers may stand to benefit when the major suppliers fill their quotas, as production often moves to smaller supplying countries having unfilled or no quotas.

In sum, the emerging nations have shown during 1980-84 that they are able to expand their exports quickly to meet growing market demand. If demand in the developed countries' markets, particularly in the United States, remains strong and the MFA continues in its present form, these countries should continue to increase their share of world trade in textiles and apparel.

## CHAPTER I. BRAZIL

## Introduction

The Brazilian textile and apparel industry accounts for a small share of that country's economy, but it accounted for over 8 percent of Brazil's industrial employment in 1980. Domestic production of textiles and apparel expanded by 6 percent or more during 1979 and 1980, but during 1981-83, it experienced a net decline of over 13 percent. The decline was largely a result of a reduction in consumer purchases attributed to inflation of 100 percent in 1982 and over 200 percent in 1983. Domestic sales of textiles and apparel decreased 12 to 15 percent during 1983. Investments in textile and apparel machinery declined from \$251 million in 1981 to \$187 million in 1983, about 25 percent, and additionally hampered the development and growth of the Brazilian textile and apparel industry.

Fibers, textiles, and apparel accounted for between 3 and 6 percent of Brazil's total merchandise exports and less than 1 percent of total imports during 1976-83. Brazil's textile (excluding fibers) and apparel exports, which accounted for almost 20 percent of textile and apparel production in 1983, increased from \$381 million in 1976 to \$801 million in 1981, or by 102 percent. However, from 1981 to 1982, exports of textiles and apparel decreased nearly 23 percent to \$620 million before recovering to almost \$760 million in 1983. The bulk of the decline was due to the recession and decreased demand in the major export markets, whereas the significant increase in 1983 was associated with the recovery from the recession. Brazil's textile (excluding fibers) and apparel imports, small when compared with exports, decreased irregularly from \$86 million in 1976 to \$70 million in 1983.

The economy

Brazil's real gross domestic product (GDP) declined 3.2 percent in 1983 following an average annual growth of 3.3 percent for the preceding four years, as shown in table 11.

Table 11.--Brazil's gross domestic product in terms of current market prices and 1980 prices, and exchange rate of cruzeiro to dollar, 1978-83

Year	Gross domestic product				Exchange rate of cruzeiros per dollar
	In current prices	Change from preceding year	In 1980 prices	Change from preceding year	
	Billion cruzeiros	Percent	Billion cruzeiros	Percent	
1978-----	3,764	-	11,542	-	18.07
1979-----	6,312	67.7	12,280	6.4	26.95
1980-----	13,164	108.6	13,164	7.2	52.71
1981-----	25,632	94.7	12,959	-1.6	93.12
1982-----	50,815	98.2	13,079	.9	179.51
1983-----	121,055	138.2	12,666	-3.2	577.04

Source: International Monetary Fund, International Financial Statistics, Washington, DC, pp. 122 and 124.

In 1983, Brazil's GDP was about one-tenth that of the United States, 15 percent greater than that of India, and eight times larger than that of Hong Kong. In terms of distribution of output, the service industries, such as transportation and banking, accounted for about one-half of the GDP, and the manufacturing industries and agriculture accounted for approximately 38 percent and 12 percent, respectively. 1/

Brazil's per capita income was \$1,619 in 1983, a 5-percent decline from that of the prior year. The decrease in real per capita income was due to inflation, which increased faster than the GDP.

During 1983, the Brazilian population reached 130 million, up from nearly 127 million in 1982 and 124 million in 1981. 2/ The population growth rate averaged about 2.4 percent annually during the 1981-83 period, and it is estimated that by the year 2,000 the Brazilian population should reach 177 million. 3/ Currently, about two-thirds of the population live in urban areas. Six cities, Belo Horizonte, Porto Alegre, Brasilia, Salvador, Recife, and Fortaleza, have more than 1 million inhabitants each, and the 2 largest cities, Sao Paulo and Rio de Janeiro, have 12.5 million and 9 million persons, respectively. 4/ The labor force is currently estimated at about 50 million workers. 5/ During the 1981-83 period, the unemployment rate ranged between 6.0 and 7.3 percent. 6/

Revenue received by the Government of Brazil amounted to \$19.6 billion in 1983. Approximately 70 percent of total Government receipts were derived from taxes. 7/ Government expenditures throughout the 1979-83 period were slightly less than revenues. The bulk of Government expenditures were in the executive branch and were primarily allocated to transportation, education, the army, and agriculture. 8/

In 1980, Brazil became the largest borrower of foreign capital in the world and had an external debt of almost \$55 billion. In 1981, the Government of Brazil initiated tight fiscal and monetary policies aimed at reducing the foreign debt, the trade deficit, and the high inflation rate. 9/ The plan called for slightly decreasing Government expenditures, depreciating the cruzeiro against the U.S. dollar to cause exports to be more price competitive, continuing import restrictions on nonpetroleum products, and

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1/ U.S. Department of State, Background Notes: Brazil, December 1982, p. 1.

2/ U.S. Department of Commerce, Brazil Market Indicators, May 23, 1984, p. 10.

3/ Brazil, edited by Petroleo Brasileiro S.A., Petrobras, pp. 8-9.

4/ U.S. Foreign Agriculture Service, Brazil: Agricultural and Trade Policies, 1983, p. 2.

5/ U.S. Central Intelligence Agency, The World Factbook, April 1984, p. 28.

6/ U.S. Department of Commerce, Brazil Market Indicators, May 23, 1984, p. 10.

7/ Europa Publications, Ltd., The Europa Year Book 1982: a World Survey, London, vol. I, 1982, p. 1,685.

8/ Ibid.

9/ Ibid, p. 1,680.

reducing petroleum imports. Despite these policies, however, the inflation rate by the end of 1983 reached a record 211 percent 1/ and the foreign debt gradually increased from \$75.6 billion in 1981 to \$96.3 billion in 1983, or by about 27 percent. One bright spot of the 1981-83 period was the surplus in the trade balance, which eventually reached \$6.5 billion in 1983, up from a surplus of \$1.2 billion in 1981 and \$0.8 billion in 1982. 2/ However, external payments (primarily interest) totaled \$15.9 billion in 1983, bringing the current account deficit to \$6.8 billion. This figure is significantly below the \$16.3 billion deficit in 1982 and is the lowest level since at least 1978.

Much of the growth in the developing Brazilian economy is attributed to its prosperous agricultural sector, which is able to meet domestic demand as well as many of the requirements of foreign markets. Brazil is currently the world's second largest agricultural exporter after the United States and is the world's largest coffee producer. The agricultural sector, which accounts for about 12 percent of gross domestic product, supplies approximately 46 percent of Brazil's exports. 3/ Even though agriculture is smaller than the services and manufacturing industries, it provides employment for about 30 percent of the Brazilian labor force. 4/ Near the end of 1979, the Government of Brazil announced that the agricultural sector would be given priority in terms of economic development because of its role in countering the rising trade deficit. Since 1981, the Brazilian trade balance for all merchandise has been in a surplus position and is largely attributed to the surplus in agricultural trade that reached \$7 billion in 1983. Most of the increase in agricultural exports during 1983 was due to the exceptional increase in coffee production, which offset losses in other crops caused by drought and flooding. 5/

The industrial sector, accounting for 38 percent of GDP, employs approximately 20 percent of the Brazilian labor force or about 10 million workers. The industrial recession, which began in 1981, continued unabated through 1983. Of the major manufacturing sectors, only five showed growth in industrial output during 1983. They included steel (up 12.8 percent), vehicles (up 4.3 percent), foodstuffs (up 4.3 percent), pulp and paper (up 2.9 percent), and rubber (up 0.4 percent). 6/ Between 1981 and 1983, approximately 1.9 million industrial and construction workers became unemployed. The only industrial sectors reporting employment increases were food, clothing, shoes, and transport equipment. 7/

### Foreign trade

Even though Brazil experienced a trade deficit from 1978 to 1980, a surplus was achieved during the 1981-83 period as exports increased and

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Brazil, June 1984, pp. 3-4.

2/ U.S. Department of Commerce, Brazil Market Indicators, May 23, 1984, p. 10.

3/ U.S. Department of State, Background Notes: Brazil, December 1982, p. 5.

4/ World Bank, Brazil Economic Memorandum, Aug. 19, 1983, Washington, DC, p. 1.

5/ U.S. Department of Commerce, Foreign Economic Trends . . . : Brazil, June 1984, p. 6.

6/ Ibid., p. 7

7/ Ibid., p. 8.

imports decreased a little over 30 percent, from \$22.1 billion to \$15.4 billion. The following tabulation, compiled from U.S. Department of Commerce data, shows merchandise exports, imports, and trade balance for 1977-83 (in millions of U.S. dollars):

Year	Exports	Imports	Trade balance
1977-----	12,120	12,023	97
1978-----	12,659	13,683	-1,024
1979-----	15,244	18,084	-2,840
1980-----	20,132	22,961	-2,829
1981-----	23,300	22,100	1,200
1982-----	20,200	19,400	800
1983-----	21,900	15,400	6,500

Between 1977 and 1980, petroleum imports supplied approximately 70 percent of domestic requirements. During this period, the value of petroleum imports more than doubled, accounting for about 50 percent of total imports, and was the major factor in the sharp increase in imports during the period. 1/ In order to allow petroleum imports to continue without worsening the trade deficit, the Government discouraged imports of nonpetroleum products by increasing tariffs and initiating restrictive licensing. Some of the most important nonpetroleum imports that were restricted included machinery, chemicals, fertilizer, consumer goods, and metals. Conservation, along with production of alcohol fuel and the development of hydroelectric, nuclear, and coal sources have reduced Brazil's dependence on imported petroleum, and by 1983, Brazil's oil import bill had decreased to \$7.8 billion from \$9.6 billion in 1982. 2/ As a result of decreased oil import costs and increased exports of agricultural products, the trade balance shifted from a deficit to a surplus.

Brazil's major export items include soy meal, coffee, and iron ore. The leading export markets are the United States, the Netherlands, West Germany, Japan, and Argentina. For imports other than petroleum, the leading suppliers were the United States, Japan, West Germany, Italy, and Argentina. Most of the imported items were either consumer or capital goods or raw materials. 3/

### The Textile and Apparel Industries

#### Structure

There are approximately 5,500 textile and apparel firms currently operating in Brazil which account for almost 5 percent of all companies engaged in manufacturing. 4/ Of total textile and apparel companies, 469

1/ U.S. Department of State, Background Notes: Brazil, December 1982, p. 5.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Brazil, June 1984, p. 5.

3/ U.S. Department of State, Background Notes: Brazil, December 1982, p. 1.

4/ U.S. Consulate, Sao Paulo, Industrial Outlook Report-Brazilian Textile Industry, Dec. 28, 1984, p. 2.

firms, or 9 percent, account for the bulk of textile and apparel products produced and exported. Of these companies, 296 are dedicated to spinning and weaving, 111 are engaged in apparel production, and the remaining 62 firms produce a variety of other textile mill products. These large firms reported net sales totaling \$5 billion, net profits totaling \$95.8 million, and net worth of \$4.6 billion in 1983. 1/ About 95 percent of these textile and apparel firms are domestically owned, and the remaining 5 percent are owned, at least in part, by foreign sources, namely Argentina, the United Kingdom, Italy, and West Germany. 2/ Foreign investment is primarily concentrated in the spinning and weaving industry, whereas the apparel industry is almost entirely Brazilian owned. Capacity utilization in textiles and apparel has been in the 80-85 percent range. 3/

The textile and apparel industries employ some 388,000 workers. Increased demand for professional employees has caused their income to increase far more than that of the less-skilled worker in the textile and apparel sector. Professional employees earn about four times as much as textile and apparel workers. 4/ According to preliminary data, the average hourly earnings of Brazilian workers employed in the spinning and weaving sector decreased a little over 6 percent, from \$1.27 per hour in 1982 to \$1.19 per hour in early 1984. 5/ However, in terms of hourly earnings reported in cruzeiros, wages increased over 300 percent, from 319 cruzeiros per hour to 1,372 cruzeiros per hour during the same period. When comparing average hourly earnings for spinning and weaving workers, that in Brazil was less than 17 percent of the amount paid in the United States during 1982 and not quite 14 percent during early 1984.

Even though Brazil had lower labor costs than several other major textile producing countries, they were not sufficient to offset Brazil's high capital (interest) costs. As a result, Brazil's overall manufacturing costs in the spinning and weaving sectors in 1983 were higher than that in the countries included in table 12 (except for West Germany in the weaving sector).

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1/ Ibid.

2/ Ibid.

3/ U.S. Department of Commerce, Foreign Economic Trends . . . : Brazil, June 1984, p. 9.

4/ U.S. Department of Labor, Country Labor Profile: Brazil, 1980, p. 6.

5/ Werner International Management Consultants, Inc., Spinning and Weaving Labour Costs Comparisons, Spring 1984, New York and Brussels.

Table 12.--Manufacturing costs in the spinning and weaving industries for selected countries, 1983

Cost element	Brazil	West Germany	India	Japan	Korea	United States
Labor:						
Spinning (cents per lb.)	7.7	15.7	3.1	7.9	3.5	11.8
Weaving (cents per yd.)	6.2	16.5	2.5	8.6	3.1	11.7
Interest:						
Spinning (cents per lb.)	21.1	4.6	7.3	5.7	4.1	5.9
Weaving (cents per yd.)	17.6	4.5	7.4	4.7	4.0	6.0
Depreciation:						
Spinning (cents per lb.)	10.8	11.0	7.3	12.7	7.6	8.7
Weaving (cents per yd.)	8.4	9.4	7.2	8.3	6.6	8.4
Other manufacturing costs:						
Spinning (cents per lb.)	11.8	15.3	17.1	17.5	16.5	13.0
Weaving (cents per yd.)	4.8	7.1	10.4	8.0	9.9	7.4
Total manufacturing cost:						
Spinning (cents per lb.)	51.4	46.6	34.8	43.8	31.7	39.4
Weaving (cents per yd.)	37.0	37.5	27.5	29.6	23.6	33.5

Source: International Textile Manufacturers Federation.

### Production

The annual rate of change in the value of industrial output in the Brazilian textile and apparel industry, shown in the following tabulation along with annual changes in GDP and total industrial production as reported by the U.S. Consulate in Sao Paulo, fluctuated during 1979-83 (in percent):

Item	1979	1980	1981	1982	1983
GDP-----	6.4	8.0	-1.9	1.0	-3.3
Industry-----	7.1	7.8	-6.3	0.3	-7.0
Textiles and apparel----	6.0	6.8	-7.4	4.4	-10.3

During 1979-80, the textiles and apparel industry experienced an annual growth rate of 6 percent and more. However, the industry's performance in 1981 and 1983 was marked by declines of 7.4 and 10.3 percent. During 1979-83, Brazilian fiber production remained relatively stagnant, fluctuating within a narrow range between 1.0 and 1.2 million tons. As reported in table 13, cotton accounted for 55 to 64 percent of total fiber production during 1979-83.

Table 13.--Textile fibers: Domestic production in Brazil, by types, 1979-83

(In thousands of tons)						
Fiber	1979	1980	1981	1982	1983	
Total, fiber production-----	1,074.1	1,123.5	1,128.8	1,175.2	1,048.4	
Natural fibers-----	738.3	765.4	807.7	858.2	753.1	
Cotton-----	595.1	629.2	653.4	748.0	644.9	
Other-----	143.2	136.2	154.3	110.2	108.2	
Manmade fibers-----	335.8	358.1	321.1	317.0	295.3	
Cellulosic-----	54.9	56.5	50.9	49.5	44.4	
Noncellulosic---	280.9	301.6	270.2	267.5	250.9	

Source: Report from U.S. Consulate, Sao Paulo.

Although Brazil has exported large quantities of cotton in some years, particularly in 1983, exports were not consistent, and most cotton was domestically consumed or retained as stock. During 1981-83, an average 2.9 million bales of cotton were produced in each year. Output of manmade fibers gradually decreased from 358,100 tons in 1980 to 295,300 tons in 1983. Most of the decrease was in polyester and nylon.

Brazil is among the six largest producers of cotton worldwide and, consequently, has sufficient raw fiber to satisfy the approximately 200 firms dedicated to producing cotton yarns. <sup>1/</sup> According to the International Cotton Advisory Committee, production of cotton yarns in Brazil trended slowly upward from 550,000 tons in 1979 to an estimated 569,000 tons in 1983 as detailed in the following tabulation:

<u>Year</u>	<u>Production</u>
1979-----	550,000
1980-----	561,000
1981-----	556,000
1982-----	567,000
1983-----	569,000

Carded yarns accounted for most of the production since the bulk of Brazilian cotton was too short to produce combed yarns.

<sup>1/</sup> Cotton Yarn from Brazil, Determinations of the Commission in Investigation No. 104-TAA-21 . . . , USITC Publication 1530, May 1984, p. A-26.

Plants and equipment

A recent survey conducted by the Sao Paulo Textile Association revealed that approximately 5,500 textile and apparel companies operating in Brazil utilized some 145,000 looms, 4.7 million spindles, and 17,000 assorted textile and apparel machines. 1/ From 1980 to 1983, the Brazilian textile and apparel equipment industry was made up of approximately 100 companies, 10 of which accounted for 60 percent of the sector's total value of production, reported at \$171 million in 1983. 2/ The following tabulation, derived from a report from the U.S. Consulate in Sao Paulo, provides the value of textile and apparel equipment produced in Brazil during 1979-83 (in thousands of dollars):

Equipment sector	1979	1980	1981	1982	1983
Spinning-----	58,500	61,000	67,100	62,403	57,410
Textile and fabric-----	36,500	39,420	45,330	42,157	38,784
Fabric finishing-----	35,000	36,700	40,300	37,480	35,231
Apparel-----	12,500	14,900	17,900	21,480	39,500
Total-----	142,500	152,020	170,630	163,520	170,925

Throughout the period, more than one-third of total domestic production was concentrated in the spinning machinery sector. Additionally, during 1983 domestically produced textile and apparel equipment accounted for over 90 percent of total sales.

In 1981, the Industrial Development Council (CDI) discontinued its industrial assistance program, which included reduced duties on imports of textile and apparel machinery for companies with expansion plans. Subsequently, textile and apparel machinery imports declined from \$107 million in 1981 to \$54 million in 1983, or by about 50 percent. The decline in imports from 1981 to 1983 affected all textile subsectors: spinning mill equipment declined almost 74 percent; textile and fabric production equipment declined 47 percent; and finishing equipment declined 71 percent. The leading sources of imports of textile and apparel manufacturing equipment during 1983 were Switzerland and West Germany, with sales of \$16.1 million and \$10.9 million, respectively. Other important sources included the United States and Japan. From 1981 to 1982, Brazilian textile and apparel equipment imports from the United States increased 70 percent, from \$13.8 million to \$23.5 million, before declining nearly 69 percent to \$7.3 million in 1983. Most U.S. sales of such equipment to Brazil were reported to be in textile and fabric manufacturing equipment. The U.S. share of Brazilian textile and apparel machinery imports was a little over 13 percent in 1983, down from 24 percent in 1982. 3/

1/ U.S. Consulate, Sao Paulo, Industrial Outlook Report-Brazilian Textile Industry, Dec. 28, 1984, p. 2

2/ Ibid, p. 9.

3/ U.S. Consulate, Sao Paulo, Industrial Outlook Report-Brazilian Textile Industry, Dec. 28, 1984, pp. 9-11.

Brazil was the third largest market for short staple ring spindles, the tenth largest market for open-end spinning equipment, the eighth largest market for shuttle looms, and the nineteenth largest market for shuttleless looms in the world during 1974-82. 1/ Overall, most of the smaller plants continued to operate with old and, in some instances, hand-operated equipment, whereas many of the larger operations, which are primarily concerned with exporting their products, installed more technologically advanced machinery capable of producing high quality merchandise. According to industry sources, replacing obsolete machinery will become increasingly difficult because of insufficient financial resources and the technological deficiency of equipment domestically produced. 2/

### Trade in Textiles and Apparel

The Brazilian textile and apparel industry, ranked among the 10 largest in the world in terms of mill fiber consumption, has undergone major changes in the last decade. 3/ Since early 1970, the Brazilian textile and apparel industry, traditionally oriented to serving the domestic market, has taken a more active role in expanding and promoting exports. Exports of fibers, textile mill products, and apparel rose significantly, from \$480 million in 1976 to \$1.1 billion in 1983, as shown in table 14. Imports of textiles and apparel from Brazil fluctuated and decreased from \$125 million in 1976 to \$104 million in 1983. Most trade, in both imports and exports, is concentrated in textile mill products, such as yarns, fabrics, and homefurnishings.

Because exports were considerable larger than imports during 1976-83, the Brazilian textile and apparel industry realized a favorable balance of trade during the period. Despite the decline to \$675 million in 1982, the surplus increased from \$354 million in 1976 to \$983 million in 1983.

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1/ International Textile Manufacturers Federation, Textile Machinery Shipment Statistics, vol. 5, 1982, pp. 32-36.

2/ U.S. Consulate, Sao Paulo, Industrial Outlook Report-Brazilian Textile Industry, Feb. 24, 1984, p. 3.

3/ Food and Agriculture Organization, World Apparel Fiber Consumption Survey 1983, various pages.

Table 14.--Textile fibers, textiles, and apparel: Brazil's general imports, 1/ exports, 2/ and trade balances, 1976-83

Item	(In thousands of dollars)									
	1976	1977	1978	1979	1980	1981	1982	1983		
Imports:										
Textile										
fibers-----	39,749	27,103	17,618	23,921	52,253	41,149	23,738	3/ 34,014		
Textiles-----	74,953	75,093	84,451	73,004	77,843	74,963	67,812	3/ 64,589		
Apparel-----	10,604	6,841	5,100	7,930	7,562	6,087	7,309	3/ 5,517		
Total-----	125,306	109,037	107,169	104,855	137,658	122,199	98,859	104,120		
Exports:										
Textile										
fibers-----	98,951	149,420	159,876	127,014	164,395	197,758	153,296	327,482		
Textiles-----	281,228	382,748	420,028	607,722	654,299	667,609	522,741	653,415		
Apparel-----	99,443	100,917	127,333	118,840	137,861	133,802	97,550	106,409		
Total-----	479,662	633,085	707,237	853,576	956,555	999,169	773,587	1,087,306		
Trade balance:										
Textile										
fibers-----	59,202	122,317	142,258	103,093	112,142	156,609	129,558	293,468		
Textiles-----	206,275	307,655	335,577	534,718	576,456	592,646	454,929	588,826		
Apparel-----	88,839	94,076	122,233	110,910	130,299	127,715	90,241	100,892		
Grand total--	354,316	524,048	600,068	748,721	818,897	876,970	674,728	983,186		

1/ C.i.f.

2/ F.o.b.

3/ Estimated.

Source: Compiled from United Nations data.

<sup>h)</sup>

Exports

During 1976-83, Brazil's exports of textile fibers accounted for between 15 and 30 percent of total textile and apparel exports. Fiber exports increased irregularly from \$99 million in 1976 to \$327 million in 1983. Exports of both cotton and wool, the two dominant exported fibers that together represented between 50 and 80 percent of fiber exports during 1976-83, fluctuated and trended upward, as shown in the United Nations data in the following tabulation (in thousands of dollars):

Fiber	1976	1977	1978	1979	1980	1981	1982	1983
Cotton-----	9,074	42,535	54,185	4,239	17,452	45,050	64,593	196,387
Wool-----	44,926	53,873	60,105	59,556	69,714	82,502	52,864	65,060
Manmade fiber-----	2,767	1,522	4,798	9,290	10,169	27,706	10,702	18,776
Other-----	42,184	51,490	40,788	53,929	67,060	42,500	25,137	47,259
Total--	98,951	149,420	159,876	127,014	164,395	197,758	153,296	327,482

The wide fluctuations in Brazil's cotton exports reflect several factors including domestic and global supply and demand. Government support programs for cotton affect the price of cotton exports as does the value of the cruzeiro relative to other world currencies. These in turn affect the volume of exports. Wool exports increased irregularly from nearly \$45 million in 1976 to \$65 million in 1983, or by about 44 percent. Exports of manmade fibers remained relatively small, less than \$10 million during 1976-79, in as much as the domestic manmade-fiber industry was in the development stage. However, as the manmade-fiber industry developed, the level of exports rose irregularly from \$10 million in 1980 to nearly \$19 million in 1983. Exports of other fibers, primarily sisal, also fluctuated and increased slightly from \$42 million in 1976 to \$47 million in 1983.

Exports of textiles (excluding fibers) and apparel increased irregularly from \$381 million in 1976 to \$760 million in 1983. The developed nations, primarily the United States and those belonging to the EC were the major markets for Brazil's exports of textiles and apparel during 1976-83 (table I-1). The most notable EC export market was West Germany, followed by Italy and France, which together received over 20 percent of Brazil's total value of exports of textiles and apparel during the period. Brazilian exports to the United States, which surpassed West Germany as the leading export market in 1981, increased irregularly from \$67 million in 1976 to \$152 million in 1983 (table I-2). During 1976-83, Brazilian exports of such products to the United States accounted for over 12 percent of Brazil's total exports in this sector. The following tabulation, compiled from United Nations data, shows exports to the 10 leading markets that together received over 55 percent of Brazil's total exports of textiles and apparel during 1981-83 (in thousands of dollars):

Market	1981	1982	1983	Percent of total exports in 1983
United States-----	124,171	92,616	152,339	20.0
West Germany-----	99,174	91,982	98,503	13.0
East Germany-----	19,663	17,753	45,094	5.9
Canada-----	28,906	24,892	39,938	5.3
Italy-----	31,454	31,656	34,408	4.5
Paraguay-----	37,686	21,735	25,857	3.4
Japan-----	24,273	20,694	22,219	2.9
Poland-----	35,596	13,170	20,747	2.7
France-----	23,129	21,991	20,587	2.7
Hong Kong-----	20,141	9,347	9,232	1.2
Total-----	444,193	345,836	468,924	61.6

Of total textile mill product exports from Brazil, cotton yarn was the single most important product, accounting for over 25 percent during 1979-83 (table I-3). Other major textile-mill-product exports included gray and finished cotton fabrics and homefurnishings (except floor coverings). During the 1979-83 period, gray and finished cotton fabric exports accounted for between 17 and 23 percent of total textile mill exports, while homefurnishings (except floor coverings) accounted for between 9 and 14 percent. In terms of apparel, exports were largely concentrated in knit and woven outer garments, including blouses, skirts, shirts, trousers, undergarments, and fur apparel. During 1983, these apparel items accounted for almost 89 percent of total apparel exports from Brazil. Throughout the 1979-83 period, textile mill products accounted for more than 80 percent of total textile (excluding fibers) and apparel exports.

U.S. imports of textiles (excluding fibers) and apparel from Brazil primarily consisted of cotton products, especially carded yarns, sheeting, printcloth, twill and sateen, duck, trousers, dressing gowns, and towels (table I-4). From 1980 to 1983, U.S. imports of cotton products from Brazil increased from almost 14 million square yard equivalents (SYE), valued at \$24 million, to nearly 112 million SYE, valued at \$71 million. U.S. imports of wool textiles and apparel from Brazil were less than 1 million SYE during the entire period and were largely concentrated in wool tops and yarns (table I-5). U.S. imports of manmade-fiber textile and apparel products from Brazil, which eventually increased from a little over 3 million SYE in 1980 to almost 21 million SYE in 1983, were primarily in yarn and fabric (table I-6).

### Imports

Imports of textiles (including fibers) and apparel accounted for less than one percent of Brazil's total imports during 1976-83. From 1976 to 1979, imports of textiles and apparel declined from \$125 million to \$105 million. However, because of a significant increase in fiber imports of all types, imports increased to \$138 million in 1980 before declining irregularly to \$104 million in 1983. During the 1976-83 period, the bulk of these imports consisted of textile mill products, primarily yarns and fabrics of manmade fibers.

Brazilian imports of textile fibers increased from approximately \$40 million in 1976 to their highest level of a little over \$52 million in 1980, before declining to nearly \$24 million in 1982, as shown in the following tabulation derived from United Nations data (in thousands of dollars):

Fiber	1976	1977	1978	1979	1980	1981	1982
Cotton-----	1,952	175	580	208	3,914	3,504	25
Wool-----	3,332	1,539	1,719	815	7,343	4,183	9,721
Manmade fiber--	26,265	22,158	11,641	17,941	24,670	16,424	7,947
Other-----	8,200	3,231	3,678	4,957	16,326	17,038	6,045
Total-----	39,749	27,103	17,618	23,921	52,253	41,149	23,738

Much of the decline from 1980 to 1982 was attributed to import restrictions on nonpetroleum products and a drop in domestic consumption of fibers. <sup>1/</sup> Except for 1982, fiber imports were primarily concentrated in manmade fibers. Manmade fibers' share of total fiber imports ranged from 40 to a little over 80 percent during the period.

Imports of textile-mill products were valued at between \$65 million and \$84 million during the 1976-83 period and consisted largely of manmade-fiber yarns and fabrics. Apparel imports have remained relatively small, not exceeding \$11 million during the period.

The major sources of imported fibers were Uruguay, the United States, West Germany, Belgium, Argentina, and France. During 1982, imports from these sources accounted for almost 87 percent of total fiber imports. Brazil's imports of textile-mill products were shipped primarily from the United States, France, West Germany, the United Kingdom, and Japan, which together accounted for more than three-fourths of the total in 1982. In terms of apparel, the leading sources, which shipped about 45 percent of the total in 1982, were the United States and France.

Imports of such products are expected to remain relatively stable and to experience little if any growth in the next few years because of import controls imposed by the Government of Brazil. Some of the major barriers to trade cited included the tax on financial transactions--referred to as the IOF, which is a 25-percent surcharge on imported products--and the requirement for major importers to present annual import programs to the Foreign Trade Department of the Banco do Brazil, the Government agency responsible for stimulating Brazilian exports. <sup>2/</sup> Additionally, the "Law of Similar" is another means of controlling imports of products that are already produced in Brazil.

<sup>1/</sup> U.S. Consulate, Sao Paulo, Industrial Outlook Report-Brazilian Textile Industry, Feb. 24, 1984, p. 3.

<sup>2/</sup> Economic Commission for Latin America, Trade Relations Between Brazil and the United States, March 1984, p. 41.

MFA constraints

The first bilateral agreement between the United States and Brazil, under the Long-Term Arrangement Regarding International Trade in Cotton Textiles (LTA), became effective on November 1, 1970, and covered a 5-year period. This agreement established an aggregate annual limit of 75 million SYE on cotton textiles exported from Brazil to the United States. The agreement was amended in 1972 and replaced by a bilateral agreement negotiated under the provisions of the more comprehensive Multifiber Arrangement (MFA), which succeeded the LTA.

Since the inception of the MFA in 1974, Brazil has signed 3 additional bilateral agreements with the United States, each covering 3-year periods that began on April 1, 1976, 1979, and 1982. The current agreement limits trade in cotton textiles on an aggregate, subgroup, and individual category basis. Additionally, the current agreement was expanded to cover manmade-fiber products. It resulted in the establishment of designated consultation levels (DCL's) 1/ in two fabric categories. It also resulted in a consultation provision that states that if the United States believes that imports of manmade fibers and products thereof not covered by limits from Brazil are, due to market disruption, threatening the orderly development of trade between the United States and Brazil, then the United States may request consultations with Brazil. Prior to the 1982 bilateral agreement, manmade-fiber products were addressed in a separate agreement in which Brazil agreed to consult with the United States should its annual exports of manmade-fiber products exceed the previous year's level by 10 percent.

The aggregate limit, which is allowed to increase 7 percent annually, increased from 171.1 million SYE in 1982 to 183.1 million SYE in 1983. During 1983, 72.3 percent of the aggregate limit was filled. According to official documents of the U.S. Department of State, within the aggregate there were three groups as shown in the following tabulation:

<u>Group</u>	<u>1983 limit</u> <u>(million SYE)</u>	<u>1983 Quantity charged</u> <u>against quota</u> <u>(million SYE)</u>	<u>Percent</u> <u>filled</u>
Group I----Yarns and fabrics of cotton-----	142.9	93.0	65.1
Group II---Apparel, made-up goods, and miscellaneous textile products of cotton-----	40.1	18.5	46.0
Group III--Textiles and textile products of manmade fibers-----	<u>1/</u>	<u>20.8</u>	<u>-</u>
Aggregate Limit-----	183.1	132.3	72.3

1/ Included in the aggregate limit.

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1/ A designated consultation level is a more flexible import control than specific ceilings or limits; DCL's are usually somewhat above existing levels of trade and once reached cannot be exceeded unless the United States agrees to further shipments. They normally apply to categories in which trade is not as great as those for which specific limits are set and are determined annually through the consultation procedure with each bilateral country with which they exist.

The group limitations for yarns and fabrics of cotton for a given year may be exceeded by not more than 15 percent and for apparel, made-up goods, and miscellaneous textile products of cotton, by not more than 7 percent, provided that corresponding reductions are made in limits for other years of the agreement period. Because there were no specific limits applicable to textile and textile products of manmade fibers, there were no provisions for shifts in this group. The subgroup limits covering specific limits during 1981-83 are shown in tables I-7 through I-9 with the quantity of imports charged against each level.

Individual categories in group II and apparel in group III were allowed to be exceeded each year by 7 percent and categories within group I and nonapparel in group III by 10 percent as long as group limits were adhered to. Additionally, aggregate, group, and specific limits could be exceeded by a maximum of 11 percent by using carryover and/or carryforward. These adjustments were necessary for cotton duck fabric, which exceeded its limit as a result of an 11 percent carryover from 1982 to 1983.

Cotton categories, included in group I and group II, not having either specific limits or DCL's, are subject to consultation if imports from Brazil are more than 1,000,000 square yard equivalents in each nonapparel category and more than 700,000 square yard equivalents in each apparel category--known as minimum consultation levels (MCL's). In 1983, cotton skirts, included in group II, exceeded the consultation limit by a little over 6 percent. Because imports of cotton skirts exceeded the consultation level, this amount will be charged to the 1984 level. The categories covering manmade fibers, provided for in group III, which are not covered by limitations are also subject to consultation levels if imports from Brazil are more than 1,000,000 square yard equivalents in a nonapparel category and 700,000 square yard equivalents in an apparel category.

Quotas on U.S. imports of textiles and apparel from Brazil do not appear to hamper export potential. U.S. imports of textiles and apparel from Brazil increased continuously, almost tripling, from nearly 66 million SYE in 1981 to approximately 195 million SYE in 1984. The largest increase occurred between 1983 and 1984 when U.S. imports from Brazil increased 62 million SYE, or by almost 47 percent.

During 1981, the United States had quotas on 17 categories of textiles and apparel imported from Brazil, all of which were of cotton. None of these categories were completely filled. In 1982, the beginning of a new bilateral agreement between the United States and Brazil, only 4 categories were under quota. However, because of increased U.S. imports from Brazil, the number of categories subject to quota, all of which were of cotton, increased to 12, as detailed in table 15.

Table 15.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Brazil subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories subject to specific limits	U.S. imports not subject to specific limits	Number of non-quota MFA categories having shipments
	<u>SYE</u>		<u>SYE</u>	
1981-----	57,728,991	17	8,157,932	81
1982-----	23,660,251	4	55,602,383	94
1983-----	101,388,141	12	31,496,626	86

1/ Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraint are not included.

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

As a result, Brazil's export potential in cotton products will be limited, whereas U.S. imports of textile mill products and apparel other than cotton not subject to specific limits have the potential for growth.

#### Government Policy

Brazil's textile and apparel industry accounts for a smaller share of total industrial output and exports than is the case in most countries of Southeast Asia, such as Hong Kong and Korea. Brazilian imports of textiles and apparel are not significant and will most likely remain limited as long as the Government of Brazil continues to enforce stringent import restrictions. The textile and apparel industry is important to the economy because it employs large numbers of unskilled workers and generates a substantial amount of exports needed to alleviate the trade deficit caused largely by oil imports.

#### Assistance to the industry

According to a private research source, which based its findings on information provided by the Banco do Brasil, a number of programs specifically designed to encourage exports are available. 1/ The availability and application of these programs vary, and some are entirely or partially offset by taxes. The incentives extended by the Government of Brazil include: (1) income tax exemptions for export earnings; (2) a rebate on the Industrial Products Tax, referred to as IPI; (3) export financing at preferential interest rates; (4) preferential working capital financing for exports; (5) green and yellow drawbacks, which is a program extending tax exemptions to domestically produced primary and intermediate products purchased by an authorized trading company for use in the manufacture of an item to be

1/ A. J. Spilner, Brazilian Export Subsidies, Rohm and Haas Co., June 1, 1983, pp. 4-21.

exported by the trading company; (6) BEFLEX grants in certain targeted industries that sign contracts that include specific export commitments; (7) short-term financing for programs committed to increasing future exports; (8) preferential financing of the value of merchandise placed in a warehouse and destined for export; (9) rebate on export credit insurance; (10) certain credit transactions are not liable to the tax on credit, exchange and insurance transactions, and transactions involving bonds and securities; (11) accelerated depreciation for capital goods manufactured in Brazil; (12) long-term Government loans at preferential rates; (13) reimbursement on the value of the single tax on lubricants, fuels, and electricity, which has been included in the costs of production, provided they account for more than 2 percent of the FOB value of the product exported; (14) preferential export financing for exporters who maintain a minimum fixed level of foreign exchange contracts with the Banco do Brasil; (15) drawback, which is the system that suspends, exempts, and reimburses import duties and certain taxes, as well as customs duties on the import of raw material, parts, components, and packaging materials to be used wholly in the manufacture, processing, packaging, or wrapping of a product for export, or which are intended to make up the stock of these same commodities that have been imported and used in products already exported; (16) certain benefits to trading companies; and (17) financing for development, manufacturing, and marketing of certain products to substitute for imports. 1/

On March 15, 1977, the United States imposed a countervailing duty of 21.4 percent ad valorem on imports of cotton yarns from Brazil, after it was determined that Brazilian manufacturers and exporters were receiving assistance through the following programs: (1) income tax exemption for export earnings; (2) a rebate on the IPI tax; (3) preferential financing for exports; (4) fiscal benefits for special export programs, primarily used in purchasing machinery; and (5) preferential export financing for exporters that maintain a fixed level of foreign exchange contracts with the the Banco do Brasil. 2/ This countervailing duty was eliminated in December 1979 because the Brazilian Government abolished the rebate programs. In order to revive exports of this product, however, the Brazilian Government, beginning in 1981, reestablished the subsidies in the five programs. They were again declared by the United States to constitute a net subsidy that was determined to be equivalent to 10.97 percent ad valorem during 1981. 3/ A subsequent review covering 1982 revealed that net subsidies in the five programs had increased to 15.16 percent ad valorem. 4/ The same review in 1983 reduced the deposit rate to 2.72 percent ad valorem, which will be in effect until another administrative review is completed. 5/

On July 17, 1981, the Brazilian Government requested the U.S. International Trade Commission to determine whether an industry in the United States would be materially injured, or threatened with material injury, or the establishment of an industry would be materially retarded by reason of imports of cotton yarn from Brazil if the outstanding countervailing duty order were to be revoked. Accordingly, on January 18, 1984, the Commission instituted an

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1/ Ibid.

2/ 42 F.R. 14089, Mar. 15, 1977.

3/ 48 F.R. 35000, Aug. 2, 1983.

4/ 49 F.R. 15250, Apr. 18, 1984.

5/ 48 F.R. 50594, Nov. 2, 1983.

investigation covering cotton yarn from Brazil. 1/ On May 8, 1984, the Commission determined that an industry in the United States would be materially injured by reason of imports from Brazil of carded yarn wholly of cotton if the countervailing duty order covering those imports were to be revoked. 2/ The Commission further determined that an industry in the United States would not be materially injured or threatened with material injury, nor would the establishment of an industry in the United States be materially retarded, by imports from Brazil of combed yarn wholly of cotton and of blended cotton yarn. As a result, the Department of Commerce revoked the countervailing duty order covering combed yarn wholly of cotton and blended cotton yarn that was entered or withdrawn from warehouse for consumption on or after August 3, 1981. 3/

### Export promotion

There are both non-Government organizations and Government agencies dedicated to promoting Brazilian textile and apparel exports. The non-Government organization, called the Textile Exports Bureau, receives funding and was established by the National Textile Industry Association and the National Textile Industry Council. The Bureau's primary function is to collect data on prices and export markets as well as to assist small- and medium-sized businesses in gaining access to foreign markets. The Government agencies are the Foreign Trade Department of the Banco do Brasil (CACEX) and the Ministries of Finance and Foreign Affairs.

Trade shows have also been used to promote Brazilian exports of textiles and apparel. One of the most significant trade fairs, sponsored by the domestic industry, took place in Sao Paulo during May 29-June 3, 1983. It was reported that more than 700 domestic producers displayed the latest fashions in Brazilian apparel and textile products. It was estimated that there were 1,500 foreign visitors from 70 different countries in attendance.

### Export Potential

Brazil has potential for a moderate increase in its textile and apparel exports beyond the current level. While the dollar value of Brazil's world textile and apparel exports has not shown steady growth during 1979-83, its exports to the United States, its largest single export market, increased from 17 million SYE in 1980 to 133 million SYE in 1983 and then increased by 47 percent to 195 million SYE in 1984. In addition, Brazil's recent export growth to the United States included several textile and apparel products that heretofore had not been rapid-growth items in Brazil/U.S. trade.

The Government of Brazil has a variety of programs to encourage exports, some of which may benefit textile and apparel producers. However, other policies followed by Brazil, including those that limit imports of textiles

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1/ 49 F.R. 3145-6, Jan. 25, 1984.

2/ See Cotton Yarn From Brazil, Determinations of the Commission in Investigation No. 104-TAA-21 . . . , USITC Publication 1530, May 1984.

3/ 49 F.R. 21811, May 23, 1984.

and textile machinery, are not favorable to the export-oriented portions of Brazil's textile and apparel industries. In addition, the elimination of the CDI programs in 1981, which previously assisted manufacturers in purchasing equipment, coupled, with Brazil's high capital cost, hinder acquisition of new textile machinery.

Brazil's exports are primarily in the area of yarn and fabric. Developed countries, particularly the United States, are efficient producers of these products, making for keen competition in those markets, particularly since Brazil does not have a clear cost advantage in the production of these items.

Increased exports from Brazil may occur as a result of continued strong demand in the U.S. market for traditional products, i.e. carded yarn and sheeting; expansion of apparel and home furnishing exports to the United States; continued growth in newer markets, including East Germany, Hong Kong, Hungary, Israel, and Morocco; and an upswing in consumption and demand in Brazil's traditional European markets. However, Brazil's potential for exploiting these possibilities will depend on its ability to improve, or at least maintain, its current level of cost competitiveness in the world market despite its high inflation and capital costs.

Table I-1.--Textiles and apparel: Brazilian exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
iles:								
veloping								
Big Three...	3,014	9,364	11,367	13,124	8,175	27,436	16,705	17,455
Other Asia...	2,463	4,099	5,216	5,007	8,091	25,532	16,114	13,968
Other								
developing...	57,825	81,133	113,965	186,430	174,096	153,635	94,387	103,451
cialist.....	26,158	42,740	27,072	41,515	65,552	71,759	50,882	90,488
veloped								
EEC.....	95,905	145,184	136,962	208,773	214,226	175,754	171,298	185,879
Southern								
Europe.....	1,333	2,225	1,944	3,630	10,651	2,367	3,020	6,671
Other Europe:	11,487	16,793	18,218	27,415	42,181	33,960	35,591	39,445
United								
States.....	46,058	52,338	67,974	74,431	79,237	106,290	73,084	115,363
Canada.....	11,345	14,342	13,956	12,224	16,440	26,477	23,829	38,890
Japan.....	17,850	9,433	15,239	22,440	20,638	22,626	19,738	21,403
Other.....	7,790	4,843	8,113	12,709	15,005	21,736	18,072	20,288
rel:								
veloping								
Big Three...	6	72	44	430	498	92	39	118
Other Asia...	139	295	146	400	379	961	1,903	1,940
Other								
developing...	26,257	28,402	39,326	32,144	39,746	48,561	24,811	17,060
cialist.....	679	1,223	1,001	1,246	6,611	3,966	4,388	8,256
veloped								
EEC.....	41,171	41,503	42,343	51,607	56,845	48,317	36,876	31,845
Southern								
Europe.....	588	556	625	374	749	404	440	434
Other Europe:	3,009	3,716	4,210	8,398	13,065	8,402	6,787	7,227
United								
States.....	21,417	22,074	35,938	18,729	15,681	17,881	19,532	36,976
Canada.....	5,166	1,980	1,398	2,487	2,422	2,429	1,063	1,048
Japan.....	377	952	1,757	2,407	937	1,647	956	816
Other.....	630	144	545	618	928	1,142	744	687
ile &								
pparel:								
veloping								
Big Three...	3,020	9,436	11,411	13,554	8,673	27,528	16,744	17,573
Other Asia...	2,602	4,394	5,362	5,407	8,470	26,493	18,017	15,908
Other								
developing...	84,082	109,535	153,291	218,574	213,842	202,196	119,198	120,511
cialist.....	26,837	43,963	28,073	42,761	72,163	75,725	55,270	98,744

footnotes at end of table.

Table I-1.--Textiles and apparel: Brazilian exports, l/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textile & Apparel: Developed								
EEC.....	137,076	186,687	179,305	260,380	271,071	224,071	208,174	217,724
Southern Europe.....	1,921	2,781	2,569	4,004	11,400	2,771	3,460	7,105
Other Europe: United States.....	14,496	20,509	22,428	35,813	55,246	42,362	42,378	46,672
Canada.....	67,475	74,412	103,912	93,160	94,918	124,171	92,616	152,339
Japan.....	16,511	16,322	15,354	14,711	18,862	28,906	24,892	39,938
Other.....	18,227	10,385	16,996	24,847	21,575	24,273	20,694	22,219
	8,420	4,987	8,658	13,327	15,933	22,878	18,816	20,975
<b>Total.....</b>	<b>380,671</b>	<b>483,665</b>	<b>547,361</b>	<b>726,562</b>	<b>792,160</b>	<b>801,411</b>	<b>620,291</b>	<b>759,824</b>

l/ Based on Brazil's exports as reported to the United Nations.

Source: Compiled from United Nations data.

Table I-2.--Textiles and apparel: Brazilian exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
United States.....	46,058	52,338	67,974	74,431	79,237	106,290	73,084	115,363
West Germany.....	52,512	73,411	69,398	89,962	96,962	74,228	70,410	78,584
East Germany.....	3,873	8,547	5,434	7,386	10,556	19,663	17,748	41,410
Canada.....	11,345	14,342	13,956	12,224	16,440	26,477	23,829	38,890
Italy.....	12,143	23,561	18,384	39,004	39,850	31,008	31,385	33,849
Paraguay.....	17,955	21,851	26,555	33,131	30,008	23,760	13,396	17,276
Japan.....	17,850	9,433	15,239	22,440	20,638	22,626	19,738	21,403
Hong Kong.....	2,751	8,602	8,909	8,393	3,200	20,049	9,308	9,195
Poland.....	8,192	18,390	14,550	22,617	42,332	35,572	13,170	20,747
France.....	5,423	11,511	12,184	20,715	21,964	19,879	19,358	18,148
Other.....	103,126	140,762	167,445	277,419	293,132	288,057	231,315	258,550
Total.....	281,228	382,748	420,028	607,722	654,299	667,609	522,741	653,415
Apparel:								
United States.....	21,417	22,074	35,938	18,729	15,681	17,881	19,532	36,976
West Germany.....	27,929	25,685	24,759	28,356	35,139	24,946	21,572	19,919
East Germany.....								3,684
Canada.....								1,048
Italy.....	5,166	1,980	1,398	2,487	2,422	2,429	1,063	1,559
Paraguay.....	2,849	4,129	1,585	1,048	805	446	271	559
Japan.....	11,822	16,520	27,156	14,747	12,849	13,926	8,339	8,581
Hong Kong.....	377	952	1,757	2,407	937	1,647	956	816
Poland.....	6	72	44	430	498	92	39	37
France.....				305	3,384	24		
Other.....	2,526	2,256	1,984	1,962	1,785	3,250	2,633	2,439
Total.....	27,351	27,219	32,712	48,369	64,361	69,161	43,140	32,350
Total.....	99,443	100,917	127,333	118,840	137,861	133,802	97,550	106,409
Textile & Apparel								
United States.....	67,475	74,412	103,912	93,160	94,918	124,171	92,616	152,339
West Germany.....	80,441	99,096	94,157	118,318	132,081	99,174	91,982	98,503
East Germany.....	3,873	8,547	5,434	7,386	10,556	19,663	17,753	45,094
Canada.....	16,511	16,322	15,354	14,711	18,862	28,906	24,892	39,938
Italy.....	14,992	27,690	19,969	40,052	40,655	31,454	31,656	34,408
Paraguay.....	29,777	38,371	53,711	47,878	42,857	37,686	21,735	25,857
Japan.....	18,227	10,385	16,996	24,847	21,575	24,273	20,694	22,219
Hong Kong.....	2,757	8,674	8,953	8,823	3,698	20,141	9,347	9,232
Poland.....	8,192	18,420	14,550	22,922	45,716	35,596	13,170	20,747
France.....	7,949	13,767	14,168	22,677	23,749	23,129	21,991	20,587
Other.....	130,477	167,981	200,157	325,788	357,493	357,218	274,455	290,900
Total.....	380,671	483,665	547,361	726,562	792,160	801,411	620,291	759,824

1/ Based on Brazil's exports as reported to the United Nations.

2/ Not available.

Source: Compiled from United Nations data.





Table I-4.--Cotton textiles: U.S. imports from Brazil, by MFA categories, 1980-83

MFA category No.	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983	1980	
300	Carded yarn	0	13,077,156	34,113,779	38,017,109	0	0	0	3,522	6,854	9,185
301	Combed yarn	0	317,838	1,165,649	2,595,706	0	0	0	152	380	766
310	Gingham	0	0	114,514	0	0	0	0	0	175	0
312	Corduroy	0	0	180	0	0	0	0	0	1/	0
313	Sheeting	1,580,684	20,894,675	9,613,008	29,987,631	755	9,189	4,416	9,189	4,416	12,300
314	Poplin and broadcloth	249,833	979,103	959,919	874,745	198	881	805	881	805	721
315	Printcloth	417,044	4,372,723	1,580,133	3,370,445	162	1,415	613	1,415	613	1,217
316	Shirting	24,362	74,243	3,544	0	22	67	3	67	3	0
317	Twill and sateen	1,283,131	5,065,554	2,488,754	7,115,142	1,527	2,588	1,373	2,588	1,373	3,380
318	Yarn-dyed fabric, n.e.s.	496,891	595,516	393,599	592,948	435	759	511	759	511	722
319	Duck	904,456	3,402,315	3,363,203	8,055,217	921	2,212	1,859	2,212	1,859	3,904
320	Woven fabrics, n.e.s.	304,703	1,405,215	1,361,363	2,388,775	183	668	776	668	776	1,435
332	Hosiery	566	0	0	4,444	1/	0	0	0	0	11
333	Suit-type coats, men's and boys'	0	2,896	7,784	0	0	23	55	23	55	0
334	Other coats, men's and boys'	44,852	8,013	28,497	16,437	171	21	55	21	55	38
335	Coats, women's, girls', and infants'	6,361	49,560	66,163	50,924	62	31	123	31	123	107
336	Dresses	10,057	13,727	11,506	369,805	26	25	22	25	22	257
337	Play suits	1,241,800	1,020,225	525,150	1,066,725	795	813	478	813	478	830
338	Knit shirts, men's and boys'	111,096	100,433	184,126	123,329	798	747	1,028	747	1,028	741
339	Knit shirts and blouses, women's, girls', and infants'	1,075,789	562,436	656,654	719,360	4,981	2,413	1,930	2,413	1,930	3,078
340	Shirts, not knit, men's and boys'	2,040	4,224	1,848	8,592	4	20	6	20	6	21
341	Blouses, not knit, women's, girls', and infants'	581	11,021	8,310	206,350	4	31	31	31	31	234
342	Skirts	18,601	2,759	2,723	120,595	92	7	23	7	23	277
345	Sweaters	4,306	74	478	96,196	16	1	4	1	4	175
347	Trousers, men's and boys'	259,400	72,927	368,728	493,951	960	258	858	258	858	1,421
348	Trousers, women's, girls', and infants'	795,750	822,377	1,043,721	2,577,245	701	732	1,000	732	1,000	5,345
349	Brassieres	0	2,765	802	0	0	25	17	25	17	0
350	Dressing gowns	559,827	912,645	1,401,531	2,235,993	2,051	3,539	5,765	3,539	5,765	7,686
351	Nightwear	468	4,108	29,120	84,292	1/	5	27	5	27	54
352	Underwear	0	29,447	4,950	3,300	0	35	3	35	3	2
359	Other apparel	25,821	87,286	175,466	216,710	92	243	453	243	453	548
360	Pillowcases	0	0	0	62,295	0	0	0	0	0	75
361	Sheets	0	0	565	571,795	0	0	1	0	1	349
362	Bedspreads and quilts	0	0	110	0	0	0	0	0	0	0
363	Terry and other pile towels	1,119,928	2,450,486	1,490,810	2,985,409	7,272	12,399	11,010	12,399	11,010	13,359
369	Other manufactures	3,034,657	3,318,674	8,195,286	6,482,049	1,553	1,747	4,741	1,747	4,741	3,174
	Total	13,569,024	59,660,423	69,301,973	111,513,514	23,781	44,528	47,397	44,528	47,397	71,414

1/ Less than 500 dollars.

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

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

Table I-5.--Wool textiles: U.S. imports from Brazil, by MFA categories, 1980-83

SY	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983		
00	Wool tops and yarn	6,826	75,890	235,222	327,02	13	136	437	576		
10	Woolens and worsteds	78	2,731	0	8,379	1/	7	0	24		
11	Tapestries and upholstery	0	0	0	14,060	0	0	0	59		
29	Fabric, n.e.s.	0	0	0	360	63	0	0	3		
33	Suit-type coats, men's and boys'	9,720	0	0	0	7	66	0	0		
34	Other coats, men's and boys'	2,268	9,504	0	1,649	0	0	0	8		
35	Coats, women's, girls', and infants'	42,174	7,722	3,132	1,890	188	37	16	10		
36	Dresses	394	0	0	0	4	0	0	0		
38	Knit shirts and blouses	0	0	0	18,750	0	0	0	54		
42	Skirts	8,424	1,728	1,134	342	64	13	11	3		
44	Suits, women's, girls', and infants'	13,176	4,644	0	7,074	74	36	0	28		
45	Sweaters, men's and boys'	0	0	0	139,604	0	0	0	455		
46	Sweaters, women's, girls', and infants'	2,211	238	3,109	11,681	33	4	45	80		
48	Trousers, women's, girls', and infants'	594	108	432	36	6	2	5	1/		
49	Other apparel	187,216	120,292	24	3,534	774	566	1/	12		
44	Blankets	0	0	0	1,433	0	0	0	11		
5	Floor coverings	335	277	740	63	36	4	8	6		
9	Other manufactures	2,360	4,594	0	786	7	14	0	1		
	Total	275,782	227,728	243,793	536,665	1,270	885	522	1,320		
	/ Less than 500 dollars.										

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

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

Table I-6.--Manmade fiber textiles: U.S. imports from Brazil, by MFA categories, 1980-83

Category	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983		
600	Textured yarn	97,678	42,098	842,608	305,541	44	76	432	1,122		
601	Continuous cellulosic yarn	0	0	0	1,950,931	0	0	0	443		
602	Continuous noncellulosic yarn	6,113	0	3,283	0	1	0	2	0		
604	Noncontinuous noncellulosic yarn	0	84,940	1,830,560	6,775,861	0	41	795	2,657		
605	Other yarns	24,074	22,789	699,724	95,729	63	75	142	130		
610	Continuous cellulosic woven fabrics	31,279	16,001	4,333	0	72	49	14	0		
611	Spun cellulosic woven fabrics	6,846	9,150	4,333	0	13	28	14	0		
612	Continuous noncellulosic woven fabrics	2,012	2,983	241	9,184	1	7	1	7		
613	Spun noncellulosic woven fabrics	1,458	2,904,829	1,677,029	1,911,184	4	1,121	707	992		
614	Woven fabrics, n.e.s.	2,178,770	2,508,111	2,472,508	2,919,990	5,395	6,624	6,694	7,251		
625	Knit fabric	36,941	14,719	53,180	29,765	40	25	83	44		
626	Pile or tufted fabric	7,462	671	0	0	18	2	0	0		
627	Specialty fabrics	134,449	50,100	48,379	465,512	54	55	49	562		
631	Gloves	0	756	0	0	0	9	0	0		
632	Hosiery	13,418	548	262	46	18	2	1	1		
633	Suit-type coats, men's and boys'	0	0	0	326	0	0	0	2		
634	Other coats, men's and boys'	0	0	0	165	0	0	0	1		
635	Coats, women's, girls', and infants'	5,410	124	1,157	207	33	1	3	7		
636	Dresses	906	45	23,648	14,088	3	1/	19	7		
637	Playsuits	0	0	1,534	7,540	0	0	4	14		
638	Knit shirts, men's and boys'	0	576	51,552	29,466	0	2	90	140		
639	Knit shirts and blouses, women's, girls', and infants'	3,000	435	825	11,295	17	2	3	13		
640	Shirts, not knit, men's and boys'	0	0	27,384	40,416	0	0	71	48		
641	Blouses, not knit, women's, girls', and infants'	740	943	131	5,829	5	6	1/	11		
642	Shirts	4,165	214	0	0	33	2	0	0		
643	Suits, men's and boys'	0	0	0	54	0	0	0	1		
644	Suits, women's, girls', and infants'	8,208	594	486	0	50	5	3	0		
645	Sweaters, men's and boys'	0	0	356,739	26,717	0	0	349	30		
646	Sweaters, women's, girls', and infants'	0	14,720	130,272	152,352	0	13	134	203		
647	Trousers, men's and boys'	2,350	89	0	133,411	26	1/	0	117		
648	Trousers, women's, girls', and infants'	1,585	214	854	4,556	11	2	7	35		

See footnote at end of table.

Table I-6.--Manmade-fiber textiles: U.S. imports from Brazil categories, 1980-83--Continued

Code	Description	1980	1981	1982	1983	1980	1981	1982	1983
		Equivalent square yards							
649	Brassieres	33,868	63,139	32,271	3,754	221	697	377	52
650	Dressing gowns	0	102	0	0	0	1	0	0
651	Mightwear	0	0	0	936	0	0	0	1
652	Underwear	9,600	56,512	164,400	13,600	7	76	327	9
659	Other apparel	68,765	55,996	28,789	134,089	171	198	122	308
665	Floor coverings	0	0	2,878	25	0	0	26	1/
666	Other furnishings	491	1,592	80,668	99,816	3	3	104	37
669	Other manufactures	545,540	145,782	1,116,640	2,942,293	84	21	201	346
	Total	3,225,128	5,998,772	9,656,868	20,834,588	6,386	9,141	10,774	14,585

1/ Less than 500 dollars.

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

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

Table I-7. Textiles and apparel: Limits under the United States-Brazil bilateral agreement and shipments charged, by MFA categories, agreement year 1981 1/

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				1,000 units		Percent
Group I:	Specific	Cotton yarn	Lb	12,196	4,852	40
300/301						
Group II:						
313	do	Cotton sheeting	Sq yd	2/ 25,965	24,637	95
315	do	Cotton printcloth	do	2/ 21,892	5,818	27
317	do	Cotton twill and sateen	do	2/ 9,673	6,589	68
319	do	Cotton duck	do	2/ 5,431	5,285	97
320	do	Cotton woven fabric, other	do	11,641	2,238	19
Group III:						
337	do	Cotton playsuits	Doz	2/ 102	35	34
339	do	Cotton knit shirts and blouses, women's, girls', and infants'	do	2/ 289	106	37
340	do	Cotton woven shirts, men's and boys'	do	151	3/	4/
345	do	Cotton sweaters	do	57	3/	4/
347	do	Cotton trousers, men's and boys'	do	176	15	9
348	do	Cotton trousers, women's, girls', and infants'	do	120	59	49
350	do	Cotton dressing gowns	do	65	21	32
352	do	Cotton underwear	do	148	3	2
363	do	Cotton terry towels	Number	11,414	4,602	40
369 (pt.)	do	Other cotton manufactures	Lb	1,108	635	57
369 (pt.)	do	Cotton floor coverings	do	720	556	77

1/ The 1981 agreement year is from Apr. 1, 1981, through Mar. 31, 1982.

2/ Adjusted upward.

3/ Less than 500 units.

4/ Less than 0.5 percent.

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

Table I-8.---Textiles and apparel: Limits under the United States-Brazil bilateral agreement and shipments charged, by MFA categories, agreement year 1982 1/

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				1,000 units		Percent
Group I:						
313	Specific	Cotton sheeting	Sq yd	21,616	8,157	38
317	do	Cotton twill and sateen	do	9,100	1,373	15
319	do	Cotton duck	do	7,000	3,252	46
Group II:						
369 (pt.)	do	Other cotton manufactures	Lb	1,185	767	65

1/ The 1982 agreement year is from Apr. 1, 1982, through Mar. 31, 1983.

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

Table I-9.---Textiles and apparel: Limits under the United States-Brazil bilateral agreement and shipments charged, by MFA categories, agreement year 1983 1/

MFA cate- GORY	Type of limit	Description	Units	Limitations	Shipments charged	Share filled Percent
Group I:				-----1,000 units-----		
300/301	Specific	Cotton yarn				91
313	do	Cotton sheeting	Lb	2/ 8,574	7,835	
317	do	Cotton twill and sateen	Sq yd	2/ 31,720	31,265	99
319	do	Cotton duck	do	2/ 10,888	10,350	95
Group II:				7,490	8,314	111
338/339	do	Cotton knit shirts	Doz			
347/348	do	Cotton trousers	do	389	161	41
350	do	Cotton dressing gowns	do	281	147	52
363	do	Cotton terry towels	do	3/ 45	45	100
369 (pt.)	do	Other cotton manufactures	Number	10,800	4,679	43
			Lb	1,268	1,131	89

1/ The 1983 agreement year is from Apr. 1, 1983, through Mar. 31, 1984.

2/ Adjusted upward.

3/ Adjusted downward.

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



## CHAPTER II. CHINA

## Introduction

China's textile and apparel industries experienced significant growth in terms of capacity, production and exports during 1979-83. These industries were important to China's economy, accounting for 18 percent of its industrial output, 12 percent of its industrial employment, and about 28 percent of its exports in 1983. In addition, they were, for China, capital and energy efficient as well as labor intensive, all of which were important to the current state of China's development.

China's exports of textile fibers, textiles, and apparel increased by over 75 percent during 1979-83, reaching \$6.7 billion in 1983. China ranked third only to Italy and West Germany in exports of these items.

The growth in China's production has also been noteworthy. Raw cotton production increased from 10.2 million bales in crop year 1979/80 to 21.3 million in 1983/84. This growth made China the world's largest cotton producer and enabled China, which had to import 4.1 million bales in crop year 1979/80, to become a net exporter in 1983/84. Manmade-fiber and yarn production also increased, from 698 million pounds in 1979 to 1.3 billion pounds in 1983. New facilities that will increase manmade-fiber production capacity to over 2 billion pounds by 1985 were under construction.

Fabric production increased from 10.4 billion yards in 1979 to 16.3 billion in 1983 to enable China to end its domestic rationing of cotton cloth in December 1983 and, at the same time, to be the world's largest exporter of cotton fabric.

Apparel production is estimated to have been about 1 billion pieces in 1982. It is growing rapidly to meet the demands of increasing domestic consumption and export growth.

The economy

China's economy grew rapidly during 1979-83. Its national income, 1/ the most comprehensive measure of aggregate production in China, reached \$236 billion 2/ in 1983. The national income showed real annual growth of 7 percent in both 1979 and 1980 and 4.8 percent in 1981 before it increased to 7.4 percent in 1982 and to 9 percent in 1983. 3/ Industry and agriculture were the major contributors to the national income, accounting for 44 and 42 percent, respectively, of the total in 1981, while construction accounted for 3.9 percent, transportation and communications, 2.9 percent, and commerce, 7 percent. 4/ The relatively low shares of the last three sectors largely

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1/ Defined as the net value of output of five "material" sectors--industry, agriculture, construction, transportation and communications, and commerce. This is different from the GDP, which in addition to the above also includes capital depreciation and output of service sectors.

2/ U.S. \$1= RMB 1.98.

3/ U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984, p. 1.

4/ Ibid.

resulted from China's practice of excluding from its national income those service sector activities that do not contribute directly to material output. According to the U.S. Department of Commerce, the gross domestic product (GDP) for China in 1983 totaled \$275 billion, 16.5 percent of which is an estimate for depreciation, non-material services, and rent. 1/

Industrial output, after annually increasing by 8.5 percent in 1979 and 8.7 percent in 1980, rose by only 4.1 percent in 1981. It recovered thereafter, increasing by 7.7 percent in 1982 and by 10.5 percent in 1983. 2/ Light industry contributed most of the growth during 1979-81, expanding by an average annual growth rate of 14 percent, while heavy industry experienced an average annual growth rate of slightly more than 1 percent in this period. However, the growth of light industry slowed to 5.7 percent in 1982 and 8.7 percent in 1983, whereas the growth of heavy industry accelerated to 9.9 percent in 1982 and to 12.4 percent in 1983, far above the planned growth rate of 3.9 percent for 1983. 3/ The economic policies initiated in 1979 were designed to achieve optimum utilization of the country's resources, especially energy. They were also designed to provide greater employment opportunities, and generate larger foreign exchange earnings. They also helped light industry to increase its share of industrial production from 42.7 percent in 1979 to 51.4 percent in 1981. However, it then dropped to 50.2 percent in 1982 and to 48.5 percent in 1983. 4/

The building of machines is by far the largest component of heavy industry, accounting for 30 percent of the gross value of heavy industry output. It accounted for much of the growth of heavy industry in 1982 and 1983, when demand for machinery rose in a number of key sectors, including agriculture, energy, transportation, and construction. Other major industries contributing to the growth in heavy industry during 1982 and 1983 were chemicals, metals, and building materials.

The textile industry is the largest light-industry segment, accounting for about one-third of the gross value of light industrial output. The textile industry grew rapidly during 1979-81, but its growth slowed to only 1.3 percent in 1982, largely because of a 15-percent decline in manmade-fiber fabric output brought about by reduced domestic consumption. In 1983, there was a marked resumption of growth in textile-industry output, which rose by 10.3 percent because of greater domestic demand generated by Government measures that reduced the prices of manmade-fiber textiles by 12 to 30 percent. 5/ Production of most other consumer goods also continued to expand except for a brief period in 1982.

The agricultural policy implemented by China in 1979 contributed importantly to the 35-percent growth of agricultural output between 1979 and 1983. This policy, which introduced incentives and payments of higher procurement prices, was designed to achieve a balanced growth of crops and rural industry. China's major agricultural products include grain, rice,

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : China, July 1984, p. 2.

2/ U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984, p. 2.

3/ Ibid.

4/ Ibid.

5/ Ibid., p. 5.

wheat, corn, soybeans, cotton, oilseeds, and tobacco; and rural agricultural non-crop products include forestry, livestock, and fisheries.

China emerged as the largest producer of raw cotton in the world during the 1983/84 crop year, when its output totaled 21.3 million bales, 32 percent of world cotton production. <sup>1/</sup> Its cotton production expanded significantly during the 1980's, especially during crop years 1982/83 and 1983/84, when output increased by 56 percent. At the same time, China's imports of cotton declined significantly, enabling China to become a net exporter of cotton in crop year 1983/84 as shown in table 16. The increase in cotton production is attributed to the agricultural policy implemented in 1979. It provided for higher procurement prices for cotton and several other incentives to cotton growers based on productivity, which in terms of yield per acre has improved significantly in recent years. The increased output also resulted from adoption of improved cotton varieties and wider use of chemical fertilizers.

Table 16.---Raw cotton: China's production, trade, and consumption, crop years 1979/80-1983/84

Item	1979/ 80	1980/ 81	1981/ 82	1982/ 83	1983/ 84
Production------(1,000 bales)---	10,158	12,433	13,632	16,525	21,300
Imports-----do-----	4,132	3,463	2,181	1,016	219
Exports-----do-----	0	0	0	100	500
Consumption <sup>1/</sup> -----do-----	13,564	15,078	16,094	16,813	17,400
Total area cultivated (million acres)---	11.2	11.9	12.8	14.4	15.1
Yield/acre------(pounds)---	435	501	511	551	678

<sup>1/</sup> Adjusted for inventory levels.

Source: International Cotton Advisory Committee, Cotton World Statistics, Washington, DC, Vol. 38, Nos. 2 & 3 (Part II).

Although China's economy grew significantly during 1979-83, the development of its energy sector and transportation system did not keep pace. <sup>2/</sup> Most of the major rail upgrading projects are not due for completion until 1990. Energy production still lags behind China's overall industrial growth, which has resulted in some industries operating below capacity.

Coal is the major source of fuel in China, providing over 70 percent of its energy supply. Crude oil provides another 23 percent. However, China's crude oil production has remained stagnant since reaching 106.2 million tons in 1979. <sup>3/</sup> However, offshore oil exploration is expected to boost its oil output during the late 1980's, and a large number of new coal mines are being

<sup>1/</sup> World production totaled 67.6 million bales in crop year 1983/84 according to the International Cotton Advisory Committee, Washington, DC.

<sup>2/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : China, July 1984, p. 11.

<sup>3/</sup> U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984, p. 2.

opened to increase its coal production capacity. About 14 percent of China's production of crude oil was exported.

China's economic growth in recent years has changed the pattern of sectorial investment. Increased investment has been directed towards improving housing, culture, education, health, administrative facilities and other nonincome-producing ventures in the social sectors, which increased their share of total investment from 21 percent in 1978 to 42 percent in 1983. <sup>1/</sup> Another important change in the investment pattern has been the increase in investment in light industry, whose share of investment increased from 11 percent in 1978 to 18 percent in 1982. Investment in the energy sector also increased rapidly in 1983. The investment growth in light industry and energy reflected China's policy of providing a balance between producer- and consumer-goods production and also of producing more energy to keep pace with the growth of industrial production.

China's new laws and regulations governing foreign investment activities have attracted increased foreign investment, especially for export-oriented industries, and for others related to domestic transportation, power, and communications. However, the largest portion of foreign investment has gone into small projects in the light industrial-goods sector, making use of flexible forms of trade such as export processing, countertrade, and joint production, all of which minimize the use of Chinese capital and provide a rapid return on investment. Of the \$6.6 billion total foreign investment in China during 1979-83, joint-equity ventures numbering 188 accounted for only \$340 million. The United States led other countries in the total dollar value of joint-equity venture investment at \$85 million.

China has the largest population of any nation, with 1.03 billion people as of July 1984, or about a quarter of the world's population, and it is the third largest country in terms of area, with 3.7 million square miles. The population growth has recently averaged 1.2 percent per year. The total workforce numbered 447 million people in 1982, with agriculture employing over 72 percent of the total; industry, 13 percent; commerce and services, 4 percent; construction, 3 percent; and government and public services, 5 percent. <sup>2/</sup> According to one Chinese survey, less than 3 percent of the workforce currently manning China's large- and medium-sized enterprises are technicians. <sup>3/</sup>

### Foreign trade

The growth of China's foreign trade, a State monopoly, has played a central role in meeting China's economic needs. It has stimulated the expansion of capacity in certain critical sectors and the modernization of its technological base.

China's imports during 1979-83 showed fluctuating trends, as shown in table 17. Imports rose rapidly in 1979 and 1980 but declined during 1981 and

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<sup>1/</sup> Ibid.

<sup>2/</sup> State Statistical Bureau of China, Statistical Yearbook of China--1983, published by the Economic Information and Agency, Hong Kong, October 1983, p. 121.

<sup>3/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : China, July 1984, p. 6.

1982 as a result of economic policies that deemphasized investment in heavy industry, leading to cancellation of some large development projects. In 1983, China's imports reversed their 2-year decline and increased by 10 percent to \$18.4 billion, but they still remained below the 1980 level. It was also the first year since 1979 that the growth of imports exceeded that of exports. Much of the import growth occurred in manufactured and semi-manufactured products, particularly machinery and equipment and iron and steel products.

China's exports have grown over the past few years, but the rate of growth declined steadily from 34 percent in 1979 to 2.3 percent in 1983. Despite the slower growth during 1980-83, exports of high-labor-content products increased rapidly. The strongest export growth occurred in apparel, exports of which increased by 68 percent during 1980-83. Exports of other light manufactures, including textile products, also increased.

Table 17.--China's foreign trade, by major commodities, 1979-83

(In millions of dollars)						
Item	1979	1980	1981	1982	1983	
Exports, total-----	13,489	18,893	21,496	23,437	23,983	
Fruits and vegetables-----	769	935	1,048	1,041	1,028	
Textile fibers-----	509	544	498	552	606	
Petroleum and petroleum products-----	2,252	4,164	4,496	4,931	4,351	
Textile yarn and fabrics-----	2,232	2,764	3,079	2,921	3,333	
Clothing-----	1,022	1,653	2,093	2,434	2,780	
Other-----	6,705	8,833	10,282	11,558	11,885	
Imports, total-----	14,431	19,180	17,941	16,689	18,399	
Cereal and cereal preparations--	1,362	2,225	2,341	2,475	1,632	
Textile fibers-----	1,112	2,040	2,283	1,469	1,133	
Chemicals-----	1,446	2,162	2,024	2,110	2,236	
Iron and steel-----	3,429	2,215	1,319	1,872	3,052	
Textile yarn and fabrics-----	293	835	1,574	1,160	1,000	
Machinery and transportation equipment-----	3,833	5,352	4,596	3,280	4,421	
Other-----	2,956	4,351	3,804	4,323	4,925	

Source: U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984.

The significant export growth during the early 1980's helped to improve China's balance of trade. After experiencing trade deficits during 1979 and 1980, China recorded trade surpluses of \$3.6 billion in 1981, \$6.7 billion in 1982, and \$5.6 billion in 1983. This helped boost China's yearend foreign exchange reserves from about \$2.2 billion in 1979 and 1980 to \$11.1 billion in 1982 and to \$14.3 billion in 1983. <sup>1/</sup>

<sup>1/</sup> U.S. Department of Agriculture, China Outlook and Situation Report, June 1984, p. 13.

Developed countries supplied 64 percent of China's imports in 1983; developing non-Communist countries supplied 27 percent; and Communist countries supplied the remaining 9 percent. Japan is by far the largest source of China's imports, accounting for 27 percent of the total. Imports from Japan, after averaging over \$5 billion in 1980 and 1981, fell sharply in 1982 to \$3.5 billion before rebounding with a 40-percent increase in 1983 to \$4.9 billion, as shown in table 18. Imports from Western Europe also showed a reversal in trend, increasing for the first time since 1979 to a total of \$2.9 billion in 1983. Imports from the United States dropped sharply during 1981-83, from \$3.6 billion to \$2.2 billion. Other major sources of imports were Hong Kong and Canada.

Table 18.--China's foreign trade, by areas and major countries, 1979-83

(In millions of dollars)						
Item	1979	1980	1981	1982	1983	
<b>Exports to:</b>						
World-----	13,489	18,892	21,495	23,437	23,983	
Developed countries-----	5,645	8,268	10,043	10,225	9,943	
Japan-----	2,793	4,139	5,032	5,083	4,846	
Western Europe-----	1,912	2,655	2,759	2,342	2,383	
United States-----	597	1,059	1,875	2,275	2,252	
Developing countries-----	6,094	8,737	10,209	12,003	12,748	
Hong Kong-----	3,021	4,401	5,264	5,431	5,847	
Singapore-----	392	599	736	839	788	
Latin America-----	236	437	624	536	719	
Middle East-----	769	1,054	1,173	2,422	2,675	
Communist countries-----	1,750	1,887	1,243	1,209	1,292	
<b>Imports from:</b>						
World-----	14,431	19,180	17,941	16,689	18,399	
Developed countries-----	10,168	13,514	12,739	10,804	11,712	
Japan-----	3,674	5,109	5,076	3,500	4,918	
Western Europe-----	3,398	2,951	2,523	2,441	2,941	
West Germany-----	1,493	1,145	1,017	853	1,075	
United States-----	1,724	2,755	3,603	2,912	2,173	
Canada-----	507	742	776	1,005	1,189	
Developing countries-----	2,319	3,722	3,930	4,217	4,966	
Hong Kong-----	382	1,249	1,957	1,954	2,495	
Latin America-----	805	629	555	471	1,104	
Communist countries-----	1,944	1,944	1,272	1,668	1,721	

Source: U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984.

Developed-country markets took more than 40 percent of China's exports during 1981-83. However, developing countries were the largest export markets for China, accounting for 53 percent of China's exports in 1983. Hong Kong

was the largest single market, accounting for nearly one-fourth of China's exports, closely followed by Japan with 20 percent. The United States received 9 to 10 percent of China's exports in 1982 and 1983, although China's exports to the United States have grown rapidly in recent years, increasing by 77 percent in 1981 and 21 percent in 1982 before declining slightly in 1983.

China experienced a significant turnaround in its trade balance with the United States in 1983, when it recorded a \$79 million trade surplus, its first since 1977. In 1980 and 1981, China's trade with the United States was marked by a deficit of approximately \$1.7 billion annually; in 1982, the deficit declined considerably to \$0.6 billion. This was mainly caused by smaller Chinese purchases of U.S. grain and textile fibers, coupled with increased U.S. imports of Chinese textiles and apparel. Other major imports from the United States included machinery and equipment, chemicals, wood and paper, and scientific instruments. Major Chinese exports to the United States were textile and apparel products, which totaled more than \$1 billion and accounted for nearly half of China's exports to the United States in 1983.

### The Textile and Apparel Industries

#### Structure

The textile and apparel industries have played a vital role in China's economic expansion. In 1983, they accounted for 18 percent of total industrial output value, 12 percent of industrial employment, and 28 percent of total exports. 1/ These industries use relatively less energy inasmuch as they contributed 18 percent of the industrial output while consuming only about 5 percent of the total electric power used by all industries. They also employed more people for a given amount of investment than the heavy industries, and were major contributors to the value added by manufacturing.

China's textile industry in 1982 consisted of an estimated 18,100 mills. 2/ Of these an estimated 60-65 percent were of the cottage-industry type. The industry has expanded significantly since 1950 or so, when there were 5 million cotton spindles, 127,000 looms, and 130,000 wool-spinning spindles. 3/ By 1981, there were 18 million cotton spindles, 540,000 cotton looms, and 700,000 wool spindles. The expansion was most rapid after 1977 and especially after 1979, when the new economic policies took effect. With this growth, the textile industry's share of the total industrial output value increased to 15.5 percent in 1982 from 12.5 percent in 1978. 4/ In 1982, there were about 5,400 cotton textile mills 5/ with an installed capacity of 23 million spindles and 660,000 looms.

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1/ General Agreement On Tariffs and Trade, The Chinese Textile Industry, COMITEXTIL, Bulletin 83/1, pp. 33-54, and U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984.

2/ State Statistical Bureau of China, Statistical Yearbook of China--1983, published by the Economic Information and Agency, Hong Kong, October 1983, p. 221.

3/ International Textile Manufacturers Federation, International Textile Manufacturing, vol. 5, 1982, pp. 49-57.

4/ State Statistical Bureau of China, op. cit., p. 218.

5/ Ibid.

The woolen industry consisted of 250 factories employing 290,000 persons, 1/ with an installed capacity of about 1 million spindles. 2/ This industry has grown significantly, especially since 1979. As a result, its need for raw wool has exceeded domestic supplies, forcing it to import more raw wool and wool tops mainly from Australia and New Zealand. Imports of raw wool rose from 64 million pounds in 1980 to an estimated 154 million pounds in 1983, when they accounted for 25 percent of domestic demand.

Despite the need to import wool fiber, the Government of China has encouraged the development of the wool industry because the value added in this sector is far greater than in many other textile sectors. The major products of the wool industry are yarn, fabric, carpets, and sweaters. The growing output of wool fabrics has been consumed mostly by the domestic garment industry and, as a result, exports of woolen fabrics have been declining in recent years.

Woolen carpets, on the other hand, have been an increasing source of foreign exchange, largely reflecting demand for China's oriental carpets, noted for their high density and good quality wool pile. Sweaters have been another important source of foreign exchange and are made from domestically produced yarn, though some is imported from Hong Kong, Japan, Korea, and Taiwan. More than 20 Hong Kong-based firms have woolen fabric and knitwear cooperative production agreements with China. 3/

China's synthetic fiber industry began in 1957 with the construction of an experimental plant in Beijing with technical assistance from East Germany. Full-scale production started sometime in the mid-1960's. Polyester production began in 1977 when a plant with a capacity of 50 million pounds was built in Shanghai using Japanese technology. Since 1978, construction of synthetic fiber and yarn manufacturing plants has grown at a rapid pace. Currently, there are about 200 plants manufacturing synthetic fibers and yarn, 4/ most of which are very modern because 90 percent of the capacity has been built since 1978. 5/ There are several projects now under construction, and with the completion of these projects in 1985, production capacity is expected to reach over 2 billion pounds of synthetic fiber and yarn per year. This would make China the third largest producer after the United States and Japan, 6/ whose capacities are estimated at 11 billion and 5 billion pounds, respectively. Domestic production is currently augmented by significant imports of manmade fibers.

China ranks among the largest producers of silk textiles in the world and supplies half the world's total cocoon production. It has about 600 factories, concentrated in the South and Southeast, engaged in silk reeling, weaving,

1/ Textile Industries, December 1983, pp. 56-57.

2/ "Equipment for Woollens," Textile Asia, August 1984, p. 84.

3/ "Woollen Sweaters Aim for Fashion Markets," China Sources, January 1984, vol. 4, No. 12, pp. 52 and 54.

4/ State Statistical Bureau of China, op. cit., p. 218.

5/ International Textiles Manufacturers' Federation, International Textile Manufacturing, vol. 5, 1982, pp. 49-57.

6/ Ibid.

dyeing, and printing. 1/ Most of China's production of raw silk is consumed domestically; only about 35 percent of the output is exported. 2/ However, China's potential to increase production and exports of its silk textiles is hindered by limited finishing facilities. 3/

China's apparel industry accounts for only about 2.5 percent of its total industrial output, a much smaller share than does its textile industry. 4/ However, the apparel industry has been growing rapidly in recent years to meet growing export demand as well as domestic demand inasmuch as the Chinese, who traditionally had relied on home-sewn clothes, are now turning to ready-made apparel. In 1982, there were about 23,000 plants in the apparel sector, with Shanghai contributing the largest share (12 percent) of the gross output value of apparel manufacture. 5/ Total employment in the apparel industry was about 1.6 million persons in 1982. 6/

### Capacity

China's textile industry is the largest in the world as a result of the recent construction of new factories and the modernization and expansion of old ones. It has an installed capacity of 23 million spindles and 660,000 looms and an output of 7.2 billion pounds of yarn and 16.3 billion yards of fabric.

The greatest growth in installed capacity during the past decade occurred in the manmade fiber and yarn manufacturing sector, which increased from 120 million pounds in 1977 to about 1.3 billion pounds in 1983. Capacity utilization in 1983 was over 90 percent. Capacity equivalent to yearly production of nearly 800 million pounds now under construction or in the planning stage will put China's production capacity at 2 billion pounds per year by the end of 1985. 7/ The capacity in the woolen sector also increased significantly in recent years, rising from 700,000 spindles in 1981 to 1 million spindles in 1983. The Government of China aims to attain a capacity of 1.2 million spindles by 1985, which would make China the seventh or eighth largest producer of woolen textiles in the world.

The estimated surplus capacity that would result from improvement of old plant facilities in China's textile industry is large. At the best equipped mills, spindle speeds reach 17,500 rpm, which means an hourly production (converted to a 20's yarn basis) of approximately 88 pounds per 1,000 spindles. 8/ This compares with the current national average of only about 44 pounds, indicating that considerable additional capacity could be created through modernization.

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1/ "Inadequate Finishing Holds Back Silk Sales," China Sources, June 1984, vol. 5, no. 5, pp. 45-46.

2/ Ibid.

3/ Ibid., p. 44.

4/ State Statistical Bureau of China, op. cit., p. 233.

5/ Ibid., p. 233.

6/ Ibid., p. 129.

7/ International Textile Manufacturers Federation, International Textile Manufacturing, vol. 5, 1982, pp. 49-57.

8/ Ibid.

Production

China's production of cotton yarn and cotton fabrics in 1983 was the highest of any country in the world. Its yarn and fabric production grew steadily after 1977 before declining for the first time in 1983, based on data of the International Cotton Advisory Committee, as shown in the following tabulation:

<u>Year</u>	<u>Yarn 1/</u> (In millions of pounds)	<u>Fabric</u> (In millions of yards)
1977-----	4,855	10,351
1978-----	5,248	12,061
1979-----	5,799	13,287
1980-----	6,461	14,731
1981-----	6,990	15,606
1982-----	7,387	16,841
1983-----	7,210	16,273

1/ Includes yarn of 100-percent cotton, 100-percent manmade fibers, and blends of cotton and manmade fibers, chiefly cotton.

Although most Chinese textiles and apparel continue to be made of cotton, the use of synthetic fibers has been accelerating. From 6 percent of total fibers used in China's fabric production in 1976, the use of synthetic fibers increased to 20 percent in 1981 and to 32 percent in 1983. Production of fabrics made of blends of cotton and manmade fibers has been increasing and in 1981 totaled 3.5 billion yards.

Manmade fiber and yarn production has risen sharply in recent years, from 438 million pounds in 1977 to 1.3 billion pounds in 1983, as shown in table 19. The greatest growth during the period occurred in the production of synthetic staple fiber, which increased nearly sevenfold, and in synthetic yarn, which grew threefold. However, the production of rayon and acetate staple and filament yarn showed only modest growth, averaging less than 7 percent annually. Polyester represented nearly half of total output of all manmade fiber and yarn in 1983.

Table 19.--Manmade fibers and yarn: China's production, 1977-83

Item	(In millions of pounds)						
	1977	1978	1979	1980	1981	1982	1983
Rayon and acetate staple---	170	176	187	209	232	232	247
Rayon and acetate yarn----	135	143	150	165	176	176	187
Synthetic staple-----	93	235	282	452	644	666	717
Synthetic yarn-----	40	66	79	95	121	148	165
Total-----	438	620	698	921	1,173	1,222	1,316

Source: International Cotton Advisory Committee, Cotton-World Statistics, Washington, DC, vol. 37, No. 6 (part II), January 1984.

To meet the growing demand at home, domestic production of manmade fibers is still augmented by imports, the value of which totaled over \$1 billion in 1983. U.S. exports, which were estimated between 54 and 57 percent of China's imports of manmade fibers in 1981, dropped sharply to only about \$30 million in 1983. China's major sources of manmade fibers now are Japan, Australia, and other Asian countries.

Production of woolen fabrics has also shown significant growth in recent years, increasing 61 percent since 1978, and reaching 156 million yards in 1983. 1/ Over 200 million pounds of knitting wool and yarn were produced in 1983, more than double China's 1978 production levels. In addition, this sector produced 14 million blankets in 1982, 2/ compared with only 6 million in 1979, and 105 million woolen sweaters in 1983, compared with 100 million in 1981. In the case of carpets, China's output of knotted carpets and rugs, based on export quantities, was an estimated 7 to 8 million square yards in 1982. 3/

Domestic production of raw wool, which accounted for only 15 percent of domestic wool consumption during the early 1950's, increased to account for three-fourths of domestic demand in 1983. Domestic production supplied 452 million pounds of raw wool, supplemented by imports of 154 million pounds, in 1983. The Government of China plans to quadruple the number of sheep to 400-410 million by the year 2000 to provide enough raw wool for the growing industry to transform it into a major export earner.

China produced 680 million pounds of silk cocoon, representing over half the world production, in 1983. China's production of silk fabrics, accounting for about 40 percent of the world silk fabric output, 4/ doubled during 1977-83, as shown in the following tabulation (in millions of yards):

<u>Year</u>	<u>Production</u>
1977-----	582
1978-----	672
1979-----	729
1980-----	835
1981-----	913
1982-----	1,000
1983-----	1,093

Silk fabrics, representing about 5 percent of all textile fabrics produced in China, are not produced in sufficient quantities to meet domestic and foreign demand. Therefore, China has started producing an imitation silk fabric using polyester yarn that emulates many of the characteristics of genuine silk. 5/ In another area, the Textile Ministry has announced a plan to develop production of ramie yarn with a target of 110,000 spindles by 1985. 6/

1/ International Textile Bulletin, China Report, 3rd quarter 1984, p. 23.

2/ State Statistical Bureau of China, op. cit., p. 251.

3/ "Emerging Giant," Textile Asia, March 1984, pp. 134-136.

4/ Inadequate Finishing Holds Back Silk Sales," China Sources, June 1984, vol. 5, No. 5, p. 45.

5/ "Regional Notes, China," Textile Asia, September 1983, pp. 196-197.

6/ "Regional Notes, China," Textile Asia, June 1983, p. 100.

In 1983, new factories with a capacity of 71,300 spindles were planned to double the production over the previous year. Consumption of ramie is expected to reach 23,500 tons annually, enough to produce 32 million yards of fabric. <sup>1/</sup> China currently produces 300 different types of synthetic fabrics using ramie fiber.

Nearly 1 billion pieces of clothing (excluding undergarments) were produced in China during 1982. <sup>2/</sup> According to Government sources, one-fourth of the items produced were intended for export.

### Plants and equipment

Most of China's existing spinning and weaving facilities are domestically manufactured, and a significant number of mills are currently equipped with old machinery. In recent years, the Chinese textile industry has been modernizing with new machinery and equipment, produced both domestically and abroad. In 1957, only 1.3 percent of China's looms were power driven, but currently the figure is up to 81 percent. A number of mills have converted from shuttle looms to new high-speed shuttleless looms, with a production rate that may be 30 to 50 percent higher than that of the shuttle looms. However, total replacement of shuttle looms may not be economical for China in view of the large capital investment required, especially considering China's low labor costs. New open-end spinning equipment that is being installed in some mills provides much higher output than conventional spinning.

As a result of the modernization of a number of mills, the capital structure of the textile industry has improved during the past three decades. The average fixed assets per employee more than doubled during that time to about \$3,000.

Weaving and finishing plants are generally integrated or located near the spinning mills. Integrated fabric production facilities generally have about 25 to 30 looms per 1,000 spindles. Major mills often range in size from 20,000 to 100,000 spindles with a 50,000-spindle plant being rather common.

### Investment and expansion

China has allocated some \$7.1 billion for several textile projects during 1981-85. <sup>3/</sup> These projects included building twelve synthetic fiber plants (380,000 ton capacity), six cotton spinning mills (300,000 spindle capacity), and six woolen spinning mills (200,000 spindle capacity). In addition, China planned to recondition 4.4 million cotton spindles and 270,000 wool spindles during the period.

As early as 1983, China, by completing these projects, was able to reach most of the production targets set for 1985. The 1985 production targets were

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<sup>1/</sup> Ibid.

<sup>2/</sup> State Statistical Bureau of China, op. cit., p. 253.

<sup>3/</sup> U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984.

aimed to significantly expand its output over the 1980 levels to 3.6 million tons of cotton yarn (up 23 percent), 16.7 billion yards of cotton and man-made fiber fabric (up 13.6 percent), nearly 200 million yards of woolen and worsted fabric (up 78 percent), 43,000 tons of silk yarn (up 3 percent), 1.1 billion yards of silk fabric (up 32 percent), and 780,000 tons of synthetic fibers (up 95 percent).

The rate of capital investment in the textile industry quadrupled during 1976-80 from the previous 4-year period, increasing from an average annual rate of \$150 million during 1971-75 to \$600 million during 1976-80. 1/ Since 1980, growth has been even more rapid, amounting to \$7.1 billion during 1981-85, or an average annual rate of \$1.8 billion. Overall, 1,209 and 1,266 textile projects were under construction in 1981 and 1982, respectively, out of which 882 projects were completed during the period. 2/ To facilitate this expansion program, a substantial amount of textile machinery and equipment has been imported, mainly from Europe, and a significant number of Chinese technicians have been sent abroad for training. 3/

China plans to continue modernizing its textile industry during 1985-87, with more than 1,000 projects scheduled, each involving an investment of more than \$500,000 in new machinery and equipment. 4/ The new machinery and equipment will replace the existing ones that are anywhere from 20 to 30 years old or older. 5/ Most of the machines are expected to be imported from Europe, the United States, and Japan. China also plans to manufacture textile machinery in collaboration with joint venture partners, beginning with the manufacture of machine parts, leading to reduction of imports and complete production of machinery and equipment at home. 6/

China's textile industry also has been attracting foreign investment as a result of the current investment policies of the Government of China. China National Textiles Import and Export Corporation (Chinatex) has announced the availability of 104 joint-venture projects with overseas firms to import equipment for spinning, weaving, dyeing, printing, finishing, knitting, and cotton production. 7/ In addition, Chinatex will also assist Chinese producers in joint ventures with foreign businesses and invest directly in some of the projects, especially when the factories are just coming on stream.

A number of joint ventures with China involve compensation trade. As of December 31, 1981, 43 contracts involving compensation trade had been signed in the area of textiles, 13 for printing and dyeing of cotton fabrics, 8 for silk fabric production, 11 for knitted underwear, 7 for woolen fabrics, and

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1/ Computed from the investment data published by the State Statistical Bureau of China in Statistical Yearbook of China, 1983, pp. 344-345.

2/ Ibid, p. 352.

3/ "China: A Land of Opportunity for Machine Builders," Textile Month, May 1984, p. 8.

4/ "China Maps Overhaul of Textile Machinery," Women's Wear Daily, Sept. 12, 1984, p. 34.

5/ Ibid.

6/ "Dyeing/Printing/Finishing," China Report 1984, published by International Textile Bulletin, 3rd Quarter 1984, pp. 13-23.

7/ "Textile Traders See Impact of China Reforms," Women's Wear Daily, Nov. 13, 1984, p. 15.

4 for linen piece goods. Most of the contracts were with producers from Japan, the United States, Hong Kong and Macau, which supplied equipment in return for a share of China's manufactured goods. Additional joint ventures involving compensation trade have been undertaken since 1981.

### Employment and earnings

Total employment in the textile and apparel industries of China is estimated at nearly 6 million persons. Approximately 4.3 million persons are employed by the textile industry and 1.6 million by the apparel industry.

The Chinese textile industry employs a large number of workers relative to the developed countries for a given level of output, owing partly to the fact that only 3.4 percent of the workforce is technically qualified. 1/ Consequently, labor productivity in terms of output per employee is low. However, China's wage level is low, with the hourly labor cost of workers in the spinning and weaving mills averaging \$0.26 during spring 1984, only 3 percent of U.S. costs and about 14-15 percent of that paid in Hong Kong, Korea and Taiwan. 2/

The labor productivity of state-owned textile enterprises, as measured by output per employee year, amounted to \$9,296 in 1982, 3/ down 11 percent from the 1981 level and up only 2.3 percent over the 1978 level. However, China's competitive advantage in labor continues to be significant because textile wages in China, averaging approximately \$500 per year per employee in 1982, 4/ amounted to only 5 percent of the gross output value of the industry compared with over 20 percent in the United States.

Chinese workers' compensation generally consists of three parts: the basic wage, which constitutes approximately 70 percent of total wages, bonuses amounting to about 15 percent, and various fringe benefits, accounting for another 15 percent. 5/ In addition, state-owned enterprises also pay for labor insurance and welfare benefits, and help pay workers' living expenses by charging less than cost for certain foods, clothing, housing and services. Such payments were equivalent to roughly 40 percent of total wages paid by state enterprises in 1982. 6/

### Government Policy

In China, foreign trade is a state monopoly and constitutes an integral part of national economic planning. The importance of earning foreign exchange to pay for its modernization program has been an important influence in shaping China's trade and industrial policy. The current approach to planning foreign trade is first to promote exports with due consideration to domestic resources, then to determine the level of imports based on expected foreign exchange earnings, thereby maintaining the current account balance.

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1/ "Regional Notes, China," Textile Asia, July 1983, pp. 83 and 84.

2/ Werner International Management Consultants, Inc., Spinning and Weaving Labour Cost Comparisons, Spring 1984, New York and Brussels.

3/ State Statistical Bureau of China, op. cit., p. 298.

4/ This figure based on an hourly wage rate of 26 cents for a 40-hour week and 50 weeks per year.

5/ "Chinese Labor," The China Business Review, May-June 1984, p. 16.

The textile industry by virtue of its comparative advantages is a key industry that is expected to continue contributing to China's export growth.

China aims to achieve export growth through modernization and improvement of the domestic infrastructure dealing with power and transportation. To meet these goals, the Chinese Government has promulgated a number of new laws and policies, particularly those dealing with foreign investment. During 1979-83, foreign investment in various Chinese enterprises totaled \$6.6 billion, 1/ of which \$2.9 billion was for contractual joint ventures and \$2 billion was for offshore oil development. Compensation trade attracted \$930 million and joint-equity ventures absorbed \$340 million, about one-fourth of which was from U.S. firms. China's goal is to attract \$20 billion in foreign capital by the end of 1985.

The major forms of involvement in Chinese enterprises are: joint ventures (equity and contractual), compensation trade, countertrade and material processing and component assembly agreements. Joint ventures are business ventures in which there is a sharing of investment, technology, management, and profits between the foreign investors and the Chinese interests. Joint-equity ventures remain the least popular method for investment in China, partly because of the uncertainty over its economic and legal systems. The head of the joint-equity venture must be a Chinese official, and minimum foreign investment is set at 25 percent of the total equity. 2/ It differs from a contractual joint venture in that in the latter the capital contributed by each party need not be money, and a venture's profits need not be distributed in proportion to the equity shares of the partners but in any proportion agreed upon by the partners. Profits of a joint venture may be repatriated outside China subject to a 10 percent tax. Corporate tax in China is 33 percent, including local surtax. 3/ Favorable tax treatment is provided for reinvestment of profits in China. Joint ventures that are intended to operate more than 10 years may have their income exempt from taxation in the first 2 years and subject to reduced tax rates in the third through fifth years. 4/

Under compensation trade, China provides the building and labor, and the foreign firm supplies the capital, equipment, and technology and is reimbursed with goods produced. An advantage of this arrangement is that it allows machinery and equipment to be imported without cash payments in foreign exchange. It is also attractive to foreign investors because no Chinese income tax is levied on compensation trade ventures. Several hundred of these projects are operational, with about one-half of them involved in textiles. The major foreign investor has been Japan.

Countertrade includes trade arrangements that require purchase of products from China as a precondition of sales to China or that involve payment for foreign goods or services with Chinese goods. However, few such transactions have occurred.

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1/ U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984, p. 25.

2/ U.S. Department of Commerce, Doing Business with China, December 1983, p. 5.

3/ Ibid., p. 6.

4/ Ibid.

Material processing and component assembly is particularly prevalent in textiles and other light industrial sectors. The Chinese manufacturer produces articles from imported components and materials according to the specifications provided by the foreign country.

China has established four "special economic zones" in the two coastal provinces of Guangdong and Fujian near Hong Kong and Macau on the South China Sea to attract foreign investment in industries catering to export markets. These zones provide special facilities and preferential tax treatment. Foreign investors are provided with tax holidays, lower tax rates, and preferential treatment with regard to land, raw materials, customs treatment, labor contracts, and foreign currency controls. 1/ Additional preferential investment incentives announced in 1983 included 20- to 50-percent reductions in income taxes, 2- to 3-year tax holidays, and exemption from local surtaxes for enterprises capitalized over \$5 million or for those utilizing advanced technology. 2/ During the 3 years in which these special zones have been operating, they have attracted a total of \$3.2 billion in foreign funds. 3/

China's current policies emphasize optimization of energy resources by increased expansion of light industry; development of power, transportation, and port facilities; and achievement of self-sufficiency in raw materials. To implement this program, policies have been introduced that include reform of industrial management, use of incentive bonuses in industry and agriculture, a greater role to the private sector, reintroduction of free markets in the cities, and partial liberalization of the state-controlled distribution system. During the next 10 years, China plans to secure foreign loans for about \$50 billion for industrial development. It plans to repay them through increased exports and through the proceeds of its foreign-exchange reserves.

Prices of both domestic and foreign goods are still fixed centrally by the State Price Bureau. 4/ Domestic prices are insulated from world-market prices for the dual purpose of maintaining domestic price stability and of protecting domestic industries. Imported goods are sold in the domestic market at prices consistent with prices of domestically produced goods, regardless of the price at which imported goods were obtained. On the other hand, trade agencies buy export commodities at the ex-factory price for domestic procurement fixed by the Price Bureau, but they sell at prices determined by world market conditions.

#### Domestic Consumption

Chinese demand for consumer goods has increased rapidly in recent years, owing to large increases in household incomes. Between 1978 and 1981, incomes of wage- and salary-earning households increased by 47 percent and incomes of

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1/ U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85, September 1984, p. 26.

2/ Ibid., p. 27.

3/ Ibid., p. 26.

4/ Ibid., p. 8.

agricultural households by 67 percent, 1/ largely because of higher pay and bonuses being provided to workers, based on productivity. During the same period, household expenditures on apparel increased by 74 percent, and per capita consumption of cloth increased from 8.7 yards to 11.2 yards. 2/ Currently, per capita consumption of fabric is just over 13 yards and is projected to increase to 16.4 yards by 1990.

Viewed regionally, textile consumption in the agricultural villages is still predominantly based on cotton, and consumption of synthetics is concentrated in the cities and their surrounding districts. The existing gap between the consumption pattern of the urban and rural populations is due to their respective lifestyles and income levels. Nevertheless, consumption of cotton-blend goods and synthetics has been increasing. In addition, consumers are increasingly seeking more diversified styles and correct sizes, though the Chinese textile and apparel industries are not currently able to fully satisfy these new demands.

Fabric supplies in China have been traditionally insufficient and, therefore, a rationing system had been in effect on cotton goods for 30 years until the end of 1983. In 1980, cotton textiles were, on the average, rationed at 6.2 yards per person and available at extremely low prices. 3/ However, the Chinese could purchase synthetic and woolen products on the free market. The ration system was suspended in December 1983 as a result of large increases in production of manmade-fiber fabric or cotton/manmade-fiber blended fabric that supplemented the supply of all-cotton fabric. According to a 1982 survey, recipients of cotton-cloth coupons usually spent 58 percent of them on cotton cloth to make into garments at home, 34 percent on cotton textile furnishings, and 8 percent for cotton garments. 4/

#### Trade in Textiles and Apparel

Textiles and apparel accounted for about 28 percent of China's total exports, and provided 80 percent of China's overall positive trade balance of more than \$5 billion in 1983. Fabrics, home furnishings, and apparel were major contributors to China's trade surplus in textiles and apparel of \$4.5 billion in 1983, as shown in table 20. However, China has consistently experienced a trade deficit in textile fibers, although its fiber imports have been declining with increased domestic production of cotton and synthetic fibers. As a result, the fiber trade deficit, which peaked at \$1.8 billion in 1981, decreased rapidly in 1982, and again in 1983, when it amounted to \$527 million.

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1/ International Textile Manufacturers Federation, International Textile Manufacturing, vol. 5, 1982, pp 49-57.

2/ Ibid.

3/ Ibid.

4/ "Regional Notes, China," Textile Asia, August 1983, p. 121.

Table 20.--Textile fibers, textiles, and apparel: China's imports, 1/ exports, 1/ and trade balances, 1979-83

(In millions of dollars)

Item	1979	1980	1981	1982	1983
Imports:					
Textile fibers---	1,112.2	2,040.3	2,282.5	1,469.1	1,132.5
Textiles-----	292.5	835.4	1,573.6	1,160.4	999.9
Apparel-----	5.6	20.9	41.2	50.0	60.7
Total-----	1,410.3	2,896.6	3,897.3	2,679.5	2,193.1
Exports:					
Textile fibers---	509.1	543.5	498.3	552.4	605.6
Textiles-----	2,231.6	2,763.7	3,078.8	2,920.9	3,333.3
Apparel-----	1,022.1	1,653.4	2,093.4	2,433.8	2,779.7
Total-----	3,762.8	4,960.6	5,670.5	5,907.1	6,718.6
Trade balance:					
Textile fibers---	-603.1	-1,496.8	-1,784.2	-916.7	-526.9
Textiles-----	1,939.1	1,928.3	1,505.2	1,760.5	2,333.4
Apparel-----	1,016.5	1,632.5	2,052.2	2,383.8	2,719.0
Grand total----	2,352.5	2,064.0	1,773.2	3,227.6	4,525.5

1/ F.o.b.

Source: U.S. Department of Commerce, China's Economy and Foreign Trade, 1981-85.

### Export trends

China's textile and apparel exports began their rapid growth during the late 1970's; they totaled nearly \$2.5 billion in 1978. Since then, there has been an uninterrupted annual growth of exports, although it slowed to 4 percent in 1982 before increasing to 14 percent in 1983.

The greater part of these exports consisted of textiles, such as yarn, fabric, and textile furnishings. Exports of textiles rose almost 50 percent during 1979-83, to \$3.3 billion in 1983. In contrast, exports of apparel during that period increased by 172 percent to \$2.8 billion. The remaining exports consisted of fibers, mainly raw silk and animal hair and, in recent years, cotton.

China is the world's largest exporter of cotton fabric. Woven cotton fabric has been the largest fabric category, exports of which increased to nearly \$700 million in 1983 or about one-half of China's total fabric exports. Woven fabrics of synthetic or blended fabrics rose more rapidly, doubling in value to nearly \$300 million in 1983. Other major export items were textile furnishings and floor coverings which totaled about \$500 million and \$175 million, respectively, in 1983 (table II-3).

### Major export markets

China's major export market for textiles and apparel has been neighboring Hong Kong, reflecting the close ties within their industries. Chinese fabrics

are used for clothing made in Hong Kong and re-exported to other countries, and China is a leading sewing and processing base for Hong Kong. <sup>1/</sup> Hong Kong is also an intermediary for China in the procurement of products from Taiwan and Korea, countries with which China does not have direct trade relations. Other major export markets include the United States, the EC, and Japan, which along with Hong Kong, accounted for 76 percent of China's exports of textiles and apparel in 1983, as shown in table 21.

Table 21.--Textile fibers, textiles, and apparel: China's exports, by principal markets, 1983

(In millions of dollars)

Country	Fibers	Textiles	Apparel	Total
Hong Kong-----	104.8	1,231.3	877.8	2,213.9
Japan-----	208.2	344.4	278.4	831.0
United States-----	14.3	255.4	840.7	1,110.4
European Community--	274.5	378.8	306.7	960.0
Australia <sup>1/</sup> -----	0.4	87.9	59.7	148.0
Singapore-----	2.3	117.9	21.2	141.4
Canada-----	1.0	49.2	78.9	129.1
All other-----	0.1	868.4	316.3	1,184.8
Total-----	605.6	3,333.3	2,779.7	6,718.6

<sup>1/</sup> 1982 data.

Source: Compiled from United Nations and U.S. Department of Commerce data.

Japan, Hong Kong, and Italy are the major markets for Chinese textile fibers, as shown in table 22. They accounted for \$486 million or 80 percent of such exports in 1983. China's fiber exports have not increased significantly in recent years, despite rapid growth in domestic fiber production, largely because of greater domestic and export demand for manufactured textile goods.

<sup>1/</sup> International Textile Manufacturers Federation, International Textile Manufacturing, vol. 5, 1982, p. 55.

Table 22.--Textile fibers: China's exports, by principal markets, 1976-83

(In millions of dollars)

Country	1976	1977	1978	1979	1980	1981	1982	1983
France-----	14.6	23.5	24.7	29.5	34.5	27.0	30.4	30.4
Hong Kong-----	47.9	14.8	16.8	21.9	31.0	66.5	46.8	104.8
Italy-----	56.1	68.3	77.8	145.8	119.0	114.9	155.8	173.4
Japan-----	107.9	129.3	200.8	223.7	179.4	162.1	176.9	208.2
United Kingdom---	21.1	24.1	29.5	39.8	53.5	29.3	34.3	39.1
All other-----	48.6	44.0	54.5	48.4	126.1	98.5	108.2	49.7
Total-----	296.2	304.0	404.1	509.1	543.5	498.3	552.4	605.6

Source: Compiled from data published by the United Nations, and U.S. Department of Commerce's China's Economy and Foreign Trade, 1981-85.

Hong Kong has been by far the largest destination for China's exports of textiles, accounting for \$1.2 billion or 37 percent of China's total exports of such products in 1983, as shown in table 23. China's exports to Hong Kong have been increasing since 1977, experiencing a 352-percent growth during 1977-83. Exports to Japan, the second leading market for China's textile exports, after rising 152 percent during 1977-79, declined during 1980-81, and then began to increase again in 1982 and 1983. However, China's exports to the United States have registered the largest growth rate of all major countries, increasing sixfold since 1977. Shipments to the EC have fluctuated since 1980, following a 150-percent growth during 1977-80.

Table 23.--Textiles: China's exports, by principal markets, 1976-83

(In millions of dollars)

Country	1976	1977	1978	1979	1980	1981	1982	1983
Australia----	40.9	49.2	57.5	68.3	74.1	84.6	87.9	<u>1/</u> 97.0
Hong Kong-----	258.8	272.7	456.2	618.3	830.1	1,041.5	964.9	1,231.3
Japan-----	120.3	124.4	221.2	313.1	295.4	301.4	300.1	344.4
United States-----	46.8	36.3	67.0	69.1	149.4	257.1	244.9	255.4
European Community--	131.2	150.6	183.7	271.5	376.5	367.7	383.7	378.8
All other-----	291.9	294.3	215.0	891.3	1038.2	1026.5	939.4	<u>1,026.4</u>
Total-----	<u>2/</u> 937.8	<u>2/</u> 927.5	<u>2/</u> 1200.6	2231.6	2763.7	3078.8	2920.9	3333.3

1/ Estimated.

2/ Represents about 80-85 percent of China's total exports and, therefore, exports shown for all other countries are understated by such volume.

Source: Compiled from data published by the United Nations and the U.S. Department of Commerce's China's Economy and Foreign Trade, 1981-85.

Hong Kong has also been the largest market for China's apparel exports; shipments to Hong Kong totaled \$878 million in 1983 for a gain of 756 percent since 1977. The fastest growing market, however, has been the U.S. market, which received \$841 million of China's apparel exports in 1983, about 33 times greater than China's exports in 1977, as shown in table 24. Especially notable is China's 200-percent growth of apparel exports to the United States during the last 3 years. Apparel exports to the EC increased rapidly until 1981, but have not grown since then. Canada and Australia were the secondary export markets for China's apparel, totaling \$79 million and \$68 million, respectively, in 1983. China also has diversified into new markets, primarily the Middle East, where exports to Kuwait doubled during 1978-81 to \$50 million, and exports to Saudi Arabia increased nearly threefold between 1978 and 1982 to over \$60 million.

Table 24.--Apparel: China's exports, by principal markets, 1976-83

(In millions of dollars)

Country	1976	1977	1978	1979	1980	1981	1982	1983
Australia----	17.3	24.1	25.2	38.2	53.3	60.5	59.7	<u>1/68.0</u>
Hong Kong----	70.3	102.5	132.4	217.3	456.7	658.2	771.1	877.8
Japan-----	47.8	60.8	87.2	173.9	239.0	250.9	273.6	278.4
United States-----	16.5	25.5	68.5	165.8	278.0	457.8	679.8	840.7
European Community--	43.5	64.2	79.6	131.6	267.3	343.5	263.8	306.7
All other----	164.1	203.5	217.7	295.3	359.1	322.5	385.8	<u>408.1</u>
Total-----	359.5	480.6	610.6	1022.1	1653.4	2093.4	2433.8	2779.7

1/ Estimated.

Source: Compiled from United Nations and U.S. Department of Commerce data.

Exports of MFA-controlled cotton, wool, and manmade-fiber textiles (including apparel) shipped to the United States from China, according to U.S. import statistics, increased during 1977-83 million from 88 to 785 million SYE, as shown in table 25. Exports from China are reported to have increased by another 23 percent to 967 million SYE in 1984. Although, cotton textiles still represented approximately 65 percent of U.S. imports from China in 1983, manmade-fiber and wool textiles, with their rapid growth since 1979, doubled their share to 35 percent in 1983 with a consequent drop in cotton textiles share from 82 to 65 percent.

The major items of cotton textile exports from China in 1983 were printcloth, sheeting, trousers, shirts, blouses, nightwear, playsuits, and a variety of others. Sweaters represented over 40 percent of wool textiles. In manmade-fiber textiles, exports consisted of a variety of textile and apparel items; the notable ones were coats, suits, jackets, shirts, blouses, sweaters, trousers, and spun noncellulosic woven fabric (tables II-4 through II-6).

Table 25.--Textiles and apparel: U.S. imports from China, by fibers, 1977-83

(In millions of square yard equivalents)

Fiber	1977	1978	1979	1980	1981	1982	1983
Cotton-----	81.9	186.1	190.3	261.4	443.0	438.2	510.5
Wool-----	0.5	1.2	1.0	10.7	9.2	11.4	14.6
Manmade fibers--	5.8	13.7	39.9	52.7	109.8	221.1	259.5
Total-----	88.2	201.0	231.2	324.8	562.0	670.7	784.6

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

### MFA constraints

The United States currently has a 5-year agreement with China to control imports of textiles and apparel of cotton, wool, and manmade fibers through 1987. <sup>1/</sup> The agreement replaced the 3-year agreement that expired at the end of 1982. The agreement established specific quota limits for 33 product categories, of which 18 were in cotton products, 10 in manmade-fiber products, and 5 in wool items.

The current agreement, which did not provide for any aggregate limit on total imports from China, provides for growth of 2-4 percent per year for quota items. It also contains provisions for establishing new quotas on categories whose imports are causing or threatening to cause market disruption in the United States. The significant growth in imports from China (table II-7) led to new quotas on 22 additional categories, mostly apparel and furnishings, bringing the number of categories under quota to 55 as of March 1985. In terms of trade, nearly 80 percent of China's total shipments are now covered by quotas, compared with 21 percent in 1981, and 62 percent in 1983.

In 1983, China filled over 90 percent of its quotas in 30 of the 33 categories subject to specific limits. China also used the shift and carryforward provisions to maximize the quantity of shipments (table II-9). In 1984, China filled over 90 percent of its quotas in 26 quota categories and also filled over three-fourths of its quotas in another 11 categories, as of November 1984.

China's shipments of manmade-fiber and wool textiles increased the most among the 66 products covered by the bilateral agreements that were not limited by quota in 1983. Although quotas were established on an additional 22 categories since 1983, more than 40 product categories representing about 20 percent of China's shipments were not restrained. It is in these categories, particularly in wool and manmade-fiber textiles where China has been increasing its capacity, that potential exists for export growth.

<sup>1/</sup> The agreement with China, which became a signatory to the MFA in December 1983, was negotiated under sec. 204 of the Agricultural Act of 1956, which provides the authority for the United States to enter into textile and apparel trade agreements with MFA and non-MFA signatories.

## Export Potential

China has all of the elements necessary for significant continued expansion of its textile and apparel production and exports. It has large and growing supplies of all types of fiber, the world's largest textile mill industry, and an abundance of low-cost labor. Government policies, in general, favor these industries and are stimulating foreign investment, modernization, and, where needed, expanded capacity. In addition, China's overall policy of decentralization of control has been beneficial to the textile and apparel industries. During 1977-83, China's exports increased from \$1.6 to \$6.7 billion, elevating China to the world's third largest exporter. This is largely due to China's ability to sell a broad range of good quality textile and apparel products at competitive prices and to its diversity of markets. Well over half of China's exports go to countries with no quota restrictions, with Hong Kong being its largest customer.

China's growth potential is restricted by its limited capacity for high-quality dyeing and finishing, longer production lead times than those of some of its Asian competitors, and increasing import restraints abroad, particularly in the United States. However, these factors should not prevent China from continuing to increase its exports. Future growth will result from increased shipments of products currently being exported, expansion of exports of high-value silk and wool products, additional market diversification, and upgrading of quality.

Hong Kong is China's largest export market, accounting for \$2.2 billion or 33 percent of China's exports in 1983. China exports yarn, fabric, and other textiles to Hong Kong, accounting for nearly 40 percent of Hong Kong's requirements. It is also a source of low- and medium-priced apparel. China's major competitors for Hong Kong's fabric trade are Japan, which supplies higher quality fabrics, and Pakistan, a supplier of low-cost cotton fabrics. Competition for China's yarn comes mainly from Taiwan, Korea, and Pakistan. Future growth of China's exports of yarn and fabric will depend to a large degree on Hong Kong's ability to increase apparel exports to its major markets, the EC and the United States. However, China, with its strategic location and diversity of good quality, competitively priced exports, has increased its share of Hong Kong's market. These exports are likely to continue to grow at the expense of its major competitors.

The United States is China's second largest textile and apparel market, taking \$1.1 billion or 16 percent of China's exports in 1983, a fourfold increase since 1979. China supplied 10 percent of the value of U.S. textile imports and 8 percent of the value of U.S. apparel imports in 1983. In terms of quantity, U.S. imports of cotton, wool, and manmade-fiber textiles and apparel from China increased from 231 million equivalent square yards in 1979 to 785 million in 1983.

China's increased share of U.S. textile imports coincided with the decline in the shares of India, Pakistan, Mexico, and the EC; this trend is expected to continue. China has shown greater penetration in apparel exports in recent years, competing with Hong Kong, Korea, and Taiwan (the Big Three), and to a lesser extent with Japan, the EC, and India. The market shares of Japan and the EC have been declining and the market shares of the Big Three have shown no apparent growth in recent years.

The growth in China's exports to the United States was in a wide range of fabrics, home furnishings, and apparel of cotton, wool, and manmade fibers. Accompanying this growth was an increase in the number of MFA product categories under quota, from 13 in 1981 to over 50 in 1985. Consequently, the growth in China's exports to the United States is likely to moderate but continue. This growth will be based on increased shipments of non-quota products or products not covered by the MFA, expansion of shipments of products subject to quota through MFA growth and flexibility provisions, and some trading-up to higher-priced merchandise.

The EC is China's third largest market, taking an estimated \$960 million or 14 percent of China's exports in 1983. As the EC is the world's largest importer of textiles and apparel, China's share was a relatively modest 4.8 percent in textiles and 2.5 percent in apparel in 1982. 1/ Reasons for the small market share are (1) China's relatively late entry into the EC market, (2) lack of growth in the EC market, (3) competition from developed countries and low-cost suppliers in Southern Europe and the Eastern trading area as well as from other Asian countries, and (4) preferential tariff treatment given to some of China's competitors.

The major competition for China's yarn, fabric, and other textile products in the EC market comes from India, Pakistan, Brazil, Spain, Portugal, and Turkey, in addition to developed countries in Europe, the United States, and Japan. The developed countries sell higher-quality fabrics to the EC as well as competitively-priced staple fabrics. Countries such as Turkey, Portugal, and Spain enjoy proximity to the EC and favorable trade relations. Nevertheless, China's exports of textiles nearly tripled during 1977-83, even though the growth has been small since 1981. In view of their price competitiveness, China's textile exports to the EC are likely to increase, but the rate of increase will be limited by strong competition and the low growth of the EC market.

Developing nations, especially Hong Kong and Korea, are the dominant suppliers of apparel to the EC market. The market shares of Hong Kong and Korea in the EC have stayed at around 20 percent and 10 percent, respectively, during 1978-82, while China's exports quadrupled, increasing their market share from 0.7 percent in 1978 to 2.5 percent in 1982. 2/ While China currently holds a small share of the EC apparel market, it is believed to have good growth potential, growing at the expense of the EC's higher-cost suppliers, as well as other MFA-controlled suppliers which have been held to lower quota growth rates than China.

Japan is China's fourth largest market, taking \$831 million or 12 percent of China's exports in 1983. China is the second largest supplier of textiles and apparel to Japan, preceded only by Korea. China supplied 16 percent of Japan's textile imports and 17 percent of Japan's apparel imports in 1982, compared with the 12-percent share for textiles and 8-percent share for apparel in 1978. 3/ China's exports of yarn, fabric, and other textile

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1/ General Agreement on Tariffs and Trade, Textile and Clothing Statistics, COM. TEX/W/143, Dec. 9, 1983, p. 21.

2/ Ibid.

3/ Ibid., p. 25.

products to Japan were stable during 1980-82, but increased significantly in 1983. China's share of apparel exports to Japan doubled during 1978-82. Most of this growth coincided with the decline in Korea's market share, which ranked first among all apparel suppliers to Japan, holding a 36 percent share of its imports in 1982. China's other major competitor in Japan's apparel market is Hong Kong, the market share of which remained at 6 percent between 1978 and 1982. With its geographic proximity, competitive prices and product diversity, apparel exports from China to Japan will continue to increase, competing primarily with Korea.

Australia and Canada are the secondary markets for China's textile and apparel exports. Nevertheless, China's exports of textiles and apparel to these markets have increased rapidly in recent years. Between 1977 and 1982, China's textile and apparel exports to Australia doubled, increasing from \$73 million to \$148 million. The growth was particularly significant in apparel. China's share of Australia's apparel imports increased from 7.7 percent in 1978 to 14.1 percent in 1982, 1/ while import shares of all other major apparel suppliers to Australia declined. However, this trend is unlikely to continue in view of restraints imposed by the Government of Australia on textile and apparel imports.

China's textile and apparel exports to Canada rose from \$50 million in 1978 to \$128 million in 1983. Most of the growth during this period was attributed to apparel exports, which increased from \$25 million to \$79 million. Despite this rapid growth, China accounted for only 6 percent of Canada's total textile and apparel imports, valued at approximately \$2 billion in 1983. Based on China's small but growing share of Canada's imports, China has potential to increase its exports, particularly of apparel, to Canada.

China's export growth in textiles and apparel averaged over 30 percent annually between 1976 and 1980, with growth before and after that period at around 10 percent. Since China has been proven a successful competitor world-wide, its future growth is likely to be related more to world economic conditions and consumption than to competition and MFA restraints.

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1/ General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84) 24, Add. 1, May 4, 1984, p. 24.

Table II-1.1.--Textiles and apparel: China's exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
iles:								
veloping								
Big Three...	258,790	272,726	456,189	620,915	830,053	1,041,530	964,911	1,231,332
Other Asia..	180,996	146,834	109,534	315,034	313,190	480,226	298,932	126,717
Other								
developing..	86,869	70,327	13,531	138,701	66,140	73,054	28,825	8,561
cialist.....	6,656	6,353	1,786	12,624	26,148	10,158	1,876	2,586
veloped								
EEC.....	131,176	150,551	183,736	271,487	376,527	367,668	383,678	378,813
Southern								
Europe.....	7,140	11,330	22,652	41,081	49,958	39,952	28,818	8,165
Other Europe:	23,069	28,644	32,106	37,948	53,733	49,788	49,631	54,164
United								
States.....	46,829	36,284	66,954	69,105	149,373	257,139	244,914	255,363
Canada.....	25,608	19,980	24,847	48,500	40,044	50,358	44,556	49,175
Japan.....	120,291	124,429	221,232	313,075	295,433	301,367	300,092	344,400
Other.....	48,324	58,287	67,998	86,626	97,104	102,895	108,296	14,230
rel:								
veloping								
Big Three...	70,314	102,518	132,370	217,267	456,655	658,177	771,121	877,841
Other Asia..	41,713	67,318	17,741	119,719	135,680	182,477	120,488	22,298
Other								
developing..	51,475	53,179	6,068	23,372	18,766	17,997	10,154	2,862
cialist.....	6,961	18,843	11,243	27,981	58,887	27,014	9,537	7,466
veloped								
EEC.....	43,453	64,126	79,643	131,547	267,300	316,069	263,800	306,701
Southern								
Europe.....	2,238	3,689	5,746	8,923	18,602	29,393	21,095	48
Other Europe:	13,994	21,857	22,085	32,400	49,386	46,389	47,439	48,223
United								
States.....	16,460	25,518	68,535	165,834	278,029	457,833	681,462	840,687
Canada.....	39,286	30,770	25,475	48,487	46,684	47,268	53,326	78,917
Japan.....	47,826	60,840	87,151	173,906	238,979	250,881	273,555	278,369
Other.....	17,552	24,498	25,513	38,676	54,171	61,599	62,987	2,072
ile &								
pparel:								
veloping								
Big Three...	329,104	375,244	588,559	838,182	1,286,708	1,699,707	1,736,032	2,109,173
Other Asia..	222,709	214,152	127,275	434,753	448,870	662,703	419,420	149,015
Other								
developing..	138,344	123,506	19,599	162,073	84,906	91,051	38,979	11,423
cialist.....	13,617	25,196	13,029	40,605	85,035	37,172	11,413	10,052

footnotes at end of table.

Table II-1.--Textiles and apparel: China's exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
Textile & Apparel: Developed								
EEC.....	174,629	214,677	263,379	403,034	643,827	683,737	647,478	685,514
Southern Europe.....	9,378	15,019	28,398	50,004	68,560	69,345	49,913	8,213
Other Europe:								
United States.....	37,063	50,501	54,191	70,348	103,119	96,177	97,070	102,387
Canada.....	63,289	61,802	135,489	234,939	427,402	714,972	926,376	1,096,050
Japan.....	64,894	50,750	50,322	96,987	86,728	97,626	97,882	128,092
Other.....	168,117	185,269	308,383	486,981	534,412	552,248	573,647	622,769
Total.....	65,876	82,785	93,511	125,302	151,275	164,494	171,283	16,302
Total.....	1,289,673	1,400,689	1,682,135	2,947,612	3,926,134	4,889,711	4,769,493	4,981,007

1/ Based on world imports from China as reported to the United Nations and therefore totals shown in this table may be restated from the totals shown in the text.

Source: Compiled from United Nations data.

Table II-2.--Textiles and apparel: China's exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
China	258,790	272,726	456,189	618,293	830,053	1,041,530	964,911	1,231,332
United States	46,829	36,284	66,954	69,105	149,373	257,139	244,914	255,363
Japan	120,291	124,429	221,232	313,075	295,433	301,367	300,092	344,400
West Germany	27,881	33,958	46,727	64,169	94,906	82,849	80,720	92,466
Singapore	57,400	55,624	83,940	91,947	117,556	133,557	121,444	117,935
Australia	40,928	49,155	57,518	68,333	74,085	84,601	87,941	2/
Canada	30,360	33,083	36,817	54,883	75,477	64,480	68,178	60,144
U.A.E.	16,536	22,824	18,554	41,708	64,177	69,321	71,918	61,177
U.A.R.	190	2,059	24,847	19,531	39,261	55,175	38,332	2/
Yemen	25,608	19,980	187,787	48,500	40,044	50,358	44,556	49,175
Other	312,941	277,411	1,200,565	569,890	522,620	654,140	431,523	287,252
Total	937,754	927,533	1,200,565	1,959,434	2,302,985	2,794,517	2,454,529	2,499,244
China	70,314	102,518	132,370	217,267	456,655	658,177	771,121	877,841
United States	16,460	25,518	68,535	165,834	278,029	457,833	681,462	840,687
Japan	47,826	60,840	87,151	173,906	238,979	250,881	273,555	278,369
West Germany	22,113	37,910	47,538	75,247	141,697	158,360	123,566	167,959
Singapore	10,420	8,312	10,426	9,787	13,422	20,450	26,256	21,198 <sup>100</sup>
Australia	17,262	24,123	25,230	38,217	53,332	60,525	59,745	47,004
Canada	6,638	8,024	9,249	20,467	45,237	55,353	48,090	31,492
U.A.E.	2,320	3,591	4,855	9,370	23,889	35,025	33,470	2/
U.A.R.	327	3,240	2/	28,523	59,219	64,785	61,917	78,917
Yemen	39,286	30,770	25,475	48,487	46,684	47,268	53,326	138,296
Other	118,953	168,310	70,741	201,073	266,006	286,537	182,456	138,296
Total	351,919	473,156	481,570	988,178	1,623,149	2,095,194	2,314,964	2,481,763
China	329,104	375,244	588,559	835,560	1,286,708	1,699,707	1,736,032	2,109,173
United States	63,289	61,802	135,489	234,939	427,402	714,972	926,376	1,096,050
Japan	168,117	185,269	308,383	486,981	534,412	552,248	573,647	622,769
West Germany	49,994	71,868	94,265	139,416	236,603	241,209	204,286	260,425
Singapore	67,820	63,936	94,366	101,734	130,978	154,007	147,700	139,133
Australia	58,190	73,278	82,748	106,550	127,417	145,126	147,686	2/
Canada	36,998	41,107	46,066	75,350	120,714	119,833	116,268	107,148
U.A.E.	18,856	26,415	23,409	51,078	88,066	104,346	105,388	92,669
U.A.R.	517	5,299	2/	48,054	98,480	119,960	100,249	2/
Yemen	64,894	50,750	50,322	96,987	86,728	97,626	97,882	178,092
Other	431,894	445,721	258,528	770,963	788,626	940,677	613,979	425,548
Total	1,289,673	1,400,689	1,682,135	2,947,612	3,926,134	4,889,711	4,769,493	4,981,007

Based on world imports from China as reported to the United Nations and therefore totals shown in this table may be restated from the totals shown in the text.

Not available.

Source: Compiled from United Nations data.



Table II-3.--Textiles and apparel: China's exports, 1/ by types, 1979-83--Continued

C Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
	--1,000 dollars--					
ories, not						
t.....	51,342	76,086	103,596	103,575	91,494	78.205
s of textile						
erials.....	42,380	45,032	49,323	57,707	56,498	33.313
ear.....	15,393	17,508	20,189	25,408	31,162	102.443
ings, etc.,						
t.....	10,983	16,182	17,704	14,336	14,763	34.417
garments, knit:	65,510	120,340	179,364	207,090	257,817	293.554
garments, knit:	88,557	238,564	355,464	431,746	481,773	444.026
ic fab. & art.,						
t.....	376	417	383	801	320	-14.894
er apparel and						
essories.....	95,393	150,986	139,229	111,669	125,856	31.934
r apparel and						
essories.....	1,446	5,785	6,297	7,036	9,227	538.105
pparel and						
icles.....	51,318	71,157	62,463	43,798	44,289	-13.697

Based on world imports from China as reported to the United Nations.

Source: Compiled from United Nations data.

Table II-4.--Cotton textiles: U.S. Imports from the People's Republic of China, by MFA categories, 1980-83

Category	Description	Equivalent square yards							1,000 dollars		
		1980	1981	1982	1983	1980	1981	1982	1983		
300	Carded yarn	185,840	27,600	0	83,692	49	11	0	55		
310	Gingham	214,315	0	245,353	559,117	162	0	160	287		
311	Velveteen	37,000	109	0	18,750	93	1/	0	31		
312	Corduroy	152,521	17,005	2,159	6,424	199	29	3	6		
313	Sheeting	29,462,815	40,692,500	30,077,617	64,063,780	10,836	16,382	13,022	22,539		
314	Poplin and broadcloth	0	11,100,673	9,765,002	19,755,112	0	3,954	3,469	6,120		
315	Printcloth	66,903,393	110,545,802	68,899,599	118,268,909	24,447	41,399	26,839	378,635		
317	Twill and sateen	6,801,804	10,956,188	4,578,275	11,085,649	3,689	5,755	2,593	4,941		
318	Yarn-dyed fabric, a.o.s.	489,618	368,659	561,884	259,694	397	346	514	146		
319	Duck	20,000	59,166	349,650	132,800	16	15	172	40		
320	Woven fabrics, a.o.s.	16,765,933	62,079,789	79,612,547	11,397,765	5,506	20,783	26,524	4,117		
320	Handkerchiefs	2,877,162	4,155,199	2,549,555	3,346,387	2,933	4,839	2,810	3,354		
321	Gloves	12,971,904	15,697,703	16,663,715	13,406,527	10,543	13,657	16,102	13,084		
322	Hosiery	0	230	0	0	0	1/	0	0		
323	Suit-type coats, men's and boys'	857,470	825,867	1,478,228	1,495,422	2,498	2,800	5,546	5,855		
324	Other coats, men's and boys'	5,395,185	8,699,308	7,005,058	10,327,105	6,322	11,043	11,659	19,758		
325	Coats, women's, girls', and infants'	7,591,483	16,678,016	13,872,052	8,901,059	16,933	43,897	43,480	25,069		
326	Dresses	439,410	2,493,901	1,650,506	5,429,796	370	2,980	1,894	6,082		
327	Playsuits	6,204,700	14,303,000	16,726,725	14,529,750	5,104	12,913	15,052	13,011		
328	Knit shirts, men's and boys'	3,003,034	5,779,022	3,975,379	5,976,655	6,681	15,868	11,593	22,077		
329	Knit shirts and blouses, women's, girls', and infants.	5,060,643	3,662,099	8,272,719	7,067,333	5,997	6,430	16,423	16,549		
340	Shirts, not knit, men's and boys'	9,797,448	11,351,328	15,104,904	18,730,776	11,502	17,399	27,329	31,359		
341	Blouses, not knit, women's, girls', and infants'	7,950,819	2,027,140	6,849,033	9,856,001	12,871	4,599	15,932	23,959		
342	Skirts	877,913	1,485,358	1,757,057	2,690,115	1,397	3,186	3,911	5,204		
345	Sweaters	470,524	1,359,355	4,951,882	1,708,735	1,188	2,755	8,913	3,516		
347	Trousers, men's and boys'	12,722,141	14,304,846	10,274,859	19,033,523	22,864	32,028	27,833	43,300		
348	Trousers, women's, girls', and infants'	18,035,195	18,375,936	13,503,328	33,777,295	25,728	41,454	34,226	70,692		
349	Brassieres	480	0	0	69,010	1	0	0	163		
350	Dressing gowns	527,085	1,588,701	4,258,398	4,647,477	612	1,581	4,377	6,550		
351	Nightwear	6,777,992	9,854,468	14,592,016	19,771,076	5,059	7,988	12,377	15,334		
352	Underwear	1,209,307	805,937	1,588,752	11,773,971	411	345	527	3,417		
353	Down-filled coats, men's and boys' 2/	-	67,484	62,858	29,653	0	387	335	193		
354	Down-filled coats, women's, girls', and infants' 2/	-	55,301	186,057	106,430	0	390	1,716	877		

See footnotes at end of table.

Table II-4.--Cotton textiles: U.S. imports from the People's Republic of China, by MFA categories, 1980-83--Continued

Category	Description	1980	1981	1982	1983	1980	1981	1982	1983
		-----Equivalent square yards-----							
		-----1,000 dollars-----							
359	Other apparel	6,743,573	7,728,197	10,504,022	11,884,637	4,508	6,074	8,045	10,691
360	Pillowcases	952,463	1,691,880	1,778,474	1,187,828	1,863	2,783	2,924	2,214
361	Sheets	147,616	267,790	1,024,847	2,756,644	74	137	578	1,373
362	Bedspreads and quilts	332,732	487,140	398,627	772,607	2,600	2,395	3,624	3,322
363	Terry and other pile towels	2,922,240	3,891,454	8,593,496	6,321,142	4,857	7,593	17,027	11,104
369	Other manufactures	25,725,731	59,511,824	76,456,230	69,294,215	11,070	24,534	32,063	34,283
	Total	261,377,489	442,985,975	498,169,563	510,522,861	209,379	358,727	399,592	468,286

1/ Less than 500 dollars.  
 2/ New categories effective April 1, 1981.

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

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



Table II-6.--Manmade-fiber textiles: U.S. imports from the People's Republic of China, by MFA categories, 1980-83

Category: No.	Description	Equivalent square yards											
		1980	1981	1982	1983	1980	1981	1982	1983				
600	Textured yarns	0	0	0	1,505	0	0	0	0	0	0	0	1
604	Noncellulosic noncellulosic yarns	0	85,870	441,980	941,688	0	0	24	137	0	0	0	249
605	Other yarns	70,242	49,935	756	50,870	50	2	45	2	15	15	15	15
610	Continuous cellulosic woven fabrics	21,227	17,654	2,618	797	27	8	34	8	1	1	1	1
611	Spun cellulosic woven fabrics	0	759	47	267,420	0	2	2	1	61	61	61	61
612	Continuous noncellulosic woven fabrics	0	200,888	514,123	736,461	0	0	82	196	157	157	157	157
613	Spun noncellulosic woven fabrics	1,472,668	5,395,112	9,982,372	12,682,180	903	2,068	3,856	3,512	3,512	3,512	3,512	3,512
614	Woven fabrics, n.e.s.	156,694	617,678	3,336,816	4,897,852	129	305	1,471	1,334	1,334	1,334	1,334	1,334
625	Knit fabric	0	3,900	2,317	0	0	1	1	0	0	0	0	0
626	Pile or tufted fabrics	2,437	6,899	34,939	109,743	7	26	127	412	412	412	412	412
627	Specialty fabrics	37,853	50,044	222,144	56,808	18	26	37	10	10	10	10	10
630	Handkerchiefs	97,917	141,411	102,884	65,693	281	559	337	144	144	144	144	144
631	Gloves	423,358	614,527	1,633,462	1,916,646	423	952	1,793	2,480	2,480	2,480	2,480	2,480
632	Hosiery	1,099	35,080	27,462	547	1	41	33	1	1	1	1	1
633	Suit-type coats, men's and boys'	192,765	367,466	81,775	353,131	190	366	212	1,412	1,412	1,412	1,412	1,412
634	Other coats, men's and boys'	2,178,657	5,989,491	18,420,792	21,368,331	2,427	7,040	30,193	33,717	33,717	33,717	33,717	33,717
635	Coats, women's, girls', and infants'	1,577,907	5,985,237	21,278,379	21,849,930	1,823	8,531	35,661	30,674	30,674	30,674	30,674	30,674
636	Dresses	497,259	2,737,162	7,057,334	15,431,265	479	2,563	5,523	15,217	15,217	15,217	15,217	15,217
637	Playsets	108,886	191,424	710,717	2,298,142	107	173	793	1,271	1,271	1,271	1,271	1,271
638	Knit shirts, men's and boys'	554,814	3,414,132	6,407,298	7,490,574	612	4,108	8,088	10,161	10,161	10,161	10,161	10,161
639	Knit shirts and blouses, women's, girls', and infants'	1,569,000	3,736,875	7,321,020	15,149,325	1,263	3,573	6,660	19,362	19,362	19,362	19,362	19,362
640	Shirts, not knit, men's and boys'	9,392,304	18,015,720	23,511,024	20,262,480	11,951	27,198	33,968	27,280	27,280	27,280	27,280	27,280
641	Blouses, not knit, women's, girls', and infants'	4,620,718	8,228,562	13,808,498	17,542,869	9,298	21,299	32,921	46,852	46,852	46,852	46,852	46,852
642	Shirts	1,442	33,179	370,293	919,708	6	69	904	2,612	2,612	2,612	2,612	2,612
643	Suits, men's and boys'	55,134	32,400	18,522	347,004	185	61	35	1,319	1,319	1,319	1,319	1,319
644	Suits, women's, girls', and infants'	5,670	578,178	122,580	394,200	13	241	292	725	725	725	725	725
645	Sweaters, men's and boys'	4,764,938	4,676,985	7,063,171	4,994,276	3,628	4,188	6,993	5,015	5,015	5,015	5,015	5,015
646	Sweaters, women's, girls', and infants'	11,980,387	15,237,556	20,811,951	20,782,873	6,874	11,204	17,564	16,711	16,711	16,711	16,711	16,711
647	Trousers, men's and boys'	985,336	4,308,953	12,883,073	17,843,025	1,664	8,203	23,501	31,550	31,550	31,550	31,550	31,550
648	Trousers, women's, girls', and infants'	1,246,677	9,252,476	35,644,981	17,981,114	1,150	11,349	38,838	19,392	19,392	19,392	19,392	19,392
649	Breezers	8,227	871,238	2,224,353	2,017,411	22	2,245	6,817	5,668	5,668	5,668	5,668	5,668
650	Dressing gowns	803,505	1,076,417	1,054,680	2,550,765	1,041	1,240	1,327	2,161	2,161	2,161	2,161	2,161
651	Lightwear	1,675,648	2,977,728	3,575,000	6,281,028	782	1,896	2,201	3,181	3,181	3,181	3,181	3,181
652	Underwear	16,400	107,664	230,928	1,107,664	47	64	44	230	230	230	230	230

See footnote at end of table.

Table II-6.--Manmade-fiber textiles: U.S. imports from the People's Republic of China, by MFA categories, 1980-83-  
Continued

Category No.	Description	1980	1981	1982	1983	1980	1981	1982	1983
Equivalent square yards									
653	Down-filled coats, men's and boys' 2/	-	861,477	1,023,868	805,144	-	4,732	6,724	6,373
654	Down-filled coats, women's, girls' and infants' 2/	-	615,411	771,484	985,749	-	5,878	6,414	7,981
659	Other apparel	4,036,016	5,070,430	6,361,994	11,954,489	2,412	3,640	4,208	7,681
665	Floor coverings	3,794	7,433	9,717	56,109	11	129	203	848
666	Other furnishings	4,085,499	8,179,486	12,230,079	14,028,589	4,043	9,536	16,031	16,289
669	Other manufactures	9,394	13,690	2,556,387	12,929,810	26	33	215	1,054
	Total	52,654,072	109,780,507	221,051,818	3,259,453,215	51,695	143,726	294,330	323,065

1/ Less than 500 dollars.

2/ New categories effective Apr. 1, 1981.

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

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

Table II-7.--U.S. imports from China of cotton, wool, and manmade-fiber textiles and apparel subject to specific limits and not subject to specific limits, 1981-83

Year	: U.S. imports subject to		: U.S. imports of products not	
	: specific limits		: subject to specific limits 1/	
	: Number of	: Total	: Number of	: Total
	: categories	: imports	: categories	: imports
1981-----	: 13	: 120,632	: 85	: 441,289
1982-----	: 24	: 394,518	: 71	: 276,063
1983-----	: 33	: 482,270	: 66	: 301,862

1/ Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraint are not included.

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

Table II-8.---Textiles and apparel: Limits under the United States-China bilateral agreement and shipments charged, by MFA categories, agreement years 1981 and 1982

MFA category	Description	Units	Limitation		Shipments charged		Share filled	
			1981	1982	1981	1982	1981	1982
			1,000 units				Percent	
315/320 (pt.)	Cotton printcloth and other woven fabric.	Sq yd	-	165,524	-	105,461	-	63.7
331	Cotton gloves	Doz pr	3,740	3,382	3,740	3,382	100.0	100.0
333	Cotton suit-type coats, men's and boys'	Doz	-	2/ 42	-	39	-	94.7
334	Other cotton coats, men's and boys'	do	1/ 150	193	139	169	92.8	87.5
335	Cotton coats, women's, girls', and infants'	do	1/ 237	269	237	269	100.0	100.0
337	Cotton playsuits	do	-	717	-	525	-	73.1
338 (pt.)	Cotton knit shirts, men's and boys'	do	1/ 583	742	504	591	86.4	79.6
339	Cotton knit blouses	do	732	766	695	766	94.9	100.0
340	Cotton woven shirts, men's and boys'	do	577	584	482	540	83.5	92.4
341	Cotton woven blouses	do	332	443	192	381	57.7	86.0
345	Cotton sweaters	do	-	2/ 59	-	79	-	133.1
347/348	Cotton trousers	do	2,013	1,786	1,993	1,667	97.5	93.3
443	Wool suits, men's and boys'	do	-	2/ 7	-	1	-	12.9
445/446	Wool sweaters	do	250	274	241	274	96.3	100.0
635	Manmade-fiber coats, women's, girls', and infants'	do	-	2/ 332	-	38	-	11.4
640	Manmade-fiber woven shirts, men's and boys'	do	-	3/ 944	-	430	-	45.5
641	Manmade-fiber woven blouses, women's, girls', and infants'	do	-	3/ 760	-	358	-	44.5
645/646	Manmade-fiber sweaters	do	550	619	550	619	100.0	100.0
648	Manmade-fiber trousers, women's, girls', and infants'	do	-	3/ 833	-	403	-	48.3

1/ Ten month restraint period of Mar. 1, 1981-Dec. 31, 1981.

2/ Twelve month restraint period of Nov. 26, 1982-Nov. 25, 1983.

3/ Twelve month restraint period of July 30, 1982-July 29, 1983.

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

Table II-9.--Textiles and apparel: Limits under the United States-China bilateral agreement and shipments charged, by MFA categories, agreement year 1983

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				----- 1,000 units		Percent
314	Specific	Cotton poplin and broadcloth	Sq yd	15,000	15,000	100.0
315	do	Cotton printcloth	do	118,000	118,000	100.0
331	do	Cotton gloves	Doz pr	1/ 3,687	3,687	100.0
333	do	Cotton suit-type coats, men's and boys'	Doz	52	41	78.1
334	do	Other cotton coats, men's and boys'	do	1/ 210	210	100.0
335	do	Cotton coats, women's, girls', and infants'	do	2/ 302	290	96.2
337	do	Cotton playsuits	do	647	638	98.6
338	do	Cotton knit shirts, men's and boys'	do	768	716	93.2
338 (pt.)	do	Cotton knit shirts, tank tops and sweatshirts	do	550	550	100.0
339	do	Cotton knit blouses, women's, girls', and infants'	do	896	940	104.9
340	do	Cotton woven shirts, men's and boys'	do	1/ 632	632	100.0
341	do	Cotton woven blouses	do	1/ 480	480	100.0
342	do	Cotton skirts	do	155	155	100.0
345	do	Cotton sweaters	do	80	80	99.7
347/348	do	Cotton trousers	do	1/ 1,872	1,872	100.0
350	do	Cotton dressing gowns	do	89	89	100.0
351	do	Cotton nightwear	do	1/ 305	305	100.0
363	do	Cotton terry towels	Number	3/ 15,327	13,118	85.5
443	do	Wool suits, men's and boys'	Doz	10	10	99.5
445/446	do	Wool sweaters	do	1/ 268	268	100.0
447	do	Wool trousers, men's and boys'	do	73	73	100.0
448	do	Wool trousers, women's, girls', and infants'	do	1/ 19	17	88.5
631	do	Manmade-fiber gloves	Doz pr	3/ 475	475	100.0
634	do	Manmade-fiber coats, men's and boys'	Doz	1/ 2/ 425	425	100.0
635	do	Manmade-fiber coats, women's, girls', and infants'	do	1/ 2/ 442	442	100.0
636	do	Manmade-fiber dresses	do	295	271	91.7
640	do	Manmade-fiber woven shirts, men's and boys'	do	3/ 915	915	100.0
641	do	Manmade-fiber woven blouses	do	1/ 908	908	100.0
645/646	do	Manmade-fiber sweaters	do	1/ 631	631	100.0
647	do	Manmade-fiber trousers, men's and boys'	do	789	789	100.0
648	do	Manmade-fiber trousers, women's, girls', and infants'	do	1/ 2/ 1,082	1,082	100.0

1/ Shift added.

2/ Carryforward granted.

3/ Shift subtracted.

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

## CHAPTER IV. INDIA

## Introduction

The textile and apparel industries are the largest sources of nonagricultural employment in India. They provide jobs for over 10 million people in the rural, decentralized textile sector and 1.3 million in the organized mill sector. These industries account for 20 percent of the country's industrial output and 15 percent of its exports. In contrast to the overall trade deficit experienced by India over the years, these industries contributed an average annual surplus of \$1.5 billion during 1979-83. However, exports have been declining since 1980.

The number of mills in the organized textile sector increased from 691 in 1980 to 841 in 1984. However, nearly all of the increase was devoted to yarn spinning, in which capacity rose from 21.1 million spindles in 1980 to 23 million in 1983. Expansion in the organized weaving sector was not significant because of Government policies aimed at protecting and encouraging the handloom and powerloom weavers in the decentralized sector, which provide much needed employment in the rural areas. Weaving capacity rose by only 2,000 looms in the mills to 210,000 in 1984, and almost all of the increased capacity was targeted for exports.

India's organized mill sector has suffered declines in its output since 1980. The decline was particularly sharp during 1981 and 1982 as a result of an 18-month strike in 60 Bombay mills during that time. Mill production dropped from 4.6 billion square yards in the Indian fiscal year (FY) 1980 to 3.4 billion square yards in FY 1982 before increasing to 3.9 billion in FY 1983. <sup>1/</sup> This decline was more than offset by increased production in the decentralized sector, which in FY 1983 accounted for 71 percent of the 13.5 billion square yards of fabric produced in India.

India's exports of textiles and apparel declined in 1983, to an estimated \$1.5 billion, following a peak of \$1.8 billion in 1980. This was due partly to the recession in the major textile-importing nations, but to a greater extent, it was caused by Government policies and by an industry structure that is predominantly domestic- rather than export-oriented.

India's export potential lies with its very large industry and skilled workforce, low wage rates, trained technicians, and a large cotton crop. However, actual export growth during the rest of this decade depends to a large extent on Government policies and the ability of the textile and apparel industries to diversify their products and adjust to the competition of the international marketplace.

### The economy

India's economy showed average real annual growth of about 5 percent during the last 3 years, only slightly lower than the average annual target of

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<sup>1/</sup> The Indian fiscal year runs from April 1 to March 31; FY 1983 covers the 12-month period beginning on Apr. 1, 1983.

5.2 percent. This was made possible by a strong economic recovery in FY 1983, which is estimated to have shown real growth of 7 percent, a significant increase over the 2-percent growth recorded in the previous year. The agricultural sector recorded 10-percent growth in FY 1983 in contrast to the industrial sector, which is estimated to have grown by only 5 percent. 1/ The gross national product (GNP) is estimated at \$182 billion for FY 1983, with per capita income averaging \$251, among the lowest in the world. 2/ Agriculture accounts for 44 percent of the GNP and industry represents 22 percent. 3/

Following a period of relative price stability in FY 1982, when the Wholesale Price Index (WPI) rose by only 2.5 percent, FY 1983 was marked by a resurgence in inflationary pressures, with the WPI increasing by 9.3 percent. 4/ The Consumer Price Index (CPI) increased even more rapidly--by 12.6 percent--than the WPI. 5/ However, the FY 1983 increase in producer prices was in line with the growth that occurred during the past 5 years when the WPI rose at an average annual rate of 9.5 percent.

One factor contributing to inflation was the budget deficit of the Government. The overall deficit increased from \$12.2 billion in FY 1982 to \$13.8 billion in FY 1983, which was approximately 8 percent of the GNP. 6/ Of the estimated \$37 billion total revenue received by the Government in 1984, customs and excise taxes represented the largest source of income at 48.5 percent of the revenue; corporate taxes represented 8.3 percent; and personal taxes represented 5.9 percent. 7/

The Government's role in industrial operations has grown over the past two decades, mainly through new investment rather than nationalization of existing enterprises. Certain industries are operated as Government monopolies (armaments, atomic energy, railways), and the Government is heavily involved with many other industries such as iron and steel, heavy electrical equipment, mining, shipbuilding, banking, insurance, and generation of electricity. Most of the textile and apparel industry is privately owned, even though 13 of the unprofitable textile mills in Bombay were recently taken over by the Government.

Over the last decade, India has continued to increase its rate of investment from about 19 percent of the gross domestic product (GDP) in the early 1970's to about 24.5 percent of the GDP during the early 1980's. 8/ The increase in investment was largely financed by the gross national savings, which increased from nearly 18.5 percent of the GDP in the first half of the 1970's to more than 22.5 percent of the GDP in the second half of the 1970's.

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : India, August 1984, p. 2.

2/ Ibid.

3/ "Regional Performance Figures," Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984, p. 6.

4/ U.S. Department of Commerce, Foreign Economic Trends . . . : India, August 1984, p. 8.

5/ Ibid.

6/ Ibid.

7/ "Regional Performance Figures," Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984, p. 6.

8/ World Bank, Situation and Prospects of the Indian Economy--a Medium Term Perspective, April 1984, p. 3.

Private savings provided the major share of the increase. Since the end of the 1970's, the savings share of the GDP has not grown any further, and the full increase in the nominal investment rate was financed from foreign savings. 1/

A major policy development of 1983 was the Government's greater willingness to allow foreign participation in core-sector industries such as oil, coal, and power. India's foreign investment policy is designed to promote maximum technology transfer, production for export, and energy conservation. Although foreign investment continues to be limited to 40 percent of equity, a higher percentage is generally granted to certain priority industries, including export-oriented industries. 2/ Incentives granted by the Government to encourage foreign investment include tax holidays on income up to 6 percent on capital invested for 5 years, special depreciation allowances, and customs and excise tax concessions for industries that export their products. U.S. direct investment in India has been growing in recent years. In 1980, the latest year for which data are available, it had increased by \$45 million over the previous year to \$396 million. 3/ More significantly, the number of approved joint ventures is on the increase--85 in 1981, 110 in 1982, and 135 in 1983. Most of these ventures are in the form of licensing agreements. 4/

Agriculture continues to be an important sector in the Indian economy, accounting for about 44 percent of national income and about 20 percent of the total value of Indian exports. The agricultural growth rate for FY 1983 is expected to have reached 10 percent in contrast to the 4-percent decrease in FY 1982, largely because of a bumper foodgrain crop in FY 1983. Among the nonfood crops, output of cotton declined by 5 percent from FY 1982 to FY 1983 to 7.8 million bales because of damages inflicted by pests. Output of oilseeds rose by 17 percent to 15.4 million metric tons, and jute production showed no change at about 7.5 million bales. 5/

Cotton, a principal commercial crop, is produced on about 5 percent of the cultivated land, mostly in the western part of the country. Approximately 28 percent of the total cotton acreage is irrigated. The output has increased from 5.8 million bales in crop year 1976/77 to an estimated 8.4 million bales in crop year 1984/85. India's cotton acreage is by far the largest in the world, but its production ranks fourth, and its yields are among the lowest in the world. During crop year 1983/84, India's cotton production averaged 143 pounds per acre versus 414 pounds for all cotton producing countries as a whole. 6/ The Government is sponsoring programs to increase yields, especially by greater use of irrigation and improved varieties of cotton, and intends to maintain self-sufficiency in cotton supplies. Though long-staple cotton once dominated India's cotton imports, production of this cotton has increased and almost none has been imported in recent years. 7/

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1/ Ibid.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : India, August 1984, p. 13.

3/ Ibid.

4/ Ibid.

5/ Ibid, p. 4.

6/ International Cotton Advisory Committee, Cotton: World Statistics, Washington, DC, April 1985, p. 2.

7/ U.S. Embassy, New Delhi, Annual Cotton Report: India, June 1983, p. 24.

India's industrial sector contributes 22 percent to the GNP while providing employment to 19 percent 1/ of the work force. The growth of industrial output was 5 percent in FY 1983, an improvement over the FY 1982 growth of 3.9 percent. 2/ The sector continues to be affected by the level of development of the infrastructure, especially power. The demand for power is generally 8-10 percent higher than the supply, resulting in unutilized capacity in the industrial sector. For FY 1985, electricity generation is projected to be approximately 170 billion kilowatts compared with the estimated demand of 191 billion kilowatts. 3/ Although the agricultural sector receives priority over industry in the allocation of power, both sectors experience shortages.

The annual population growth rate is about 2 percent, 4/ with life expectancy at birth estimated around 54 years. 5/ Education is compulsory to age 14. The labor force totaled 278 million persons in FY 1983; agriculture employed 71 percent; industry and commerce employed 19 percent; services and Government 8 percent; and transport and communications accounted for the remaining 2 percent. 6/ About 80 percent of the population lives in more than 550,000 villages and 20 percent lives in more than 200 towns and cities.

An important development in the Indian economy in recent years has been the growth in domestic oil production, which grew from just over 10 million metric tons in FY 1981 to 26 million metric tons in FY 1983, and is expected to reach 30 million metric tons in FY 1984. 7/ As a result of this growth, domestic production now accounts for nearly two-thirds of consumption, up from less than one-third in FY 1980. 8/ Production is estimated to reach 40 million metric tons by 1990, which should help India to further reduce its trade deficit.

### Foreign trade

India's trade deficit has been steadily declining from the peak of \$7.4 billion it reached in FY 1980 after crude oil prices rose sharply in 1979, as shown in table 26. Most of this decrease is the result of import substitution and the slowing of the economy over the last year rather than acceleration in exports. Despite the advantages of low labor costs and numerous Government initiatives, including some liberalization of trade and investment regulations and the establishment of export processing zones and special incentives for

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1/ Including commerce.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : India, August 1984, p. 5.

3/ "India; Economy and Infrastructure," Asia 1984 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1983, pp. 174-176.

4/ "Regional Performance Figures," Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984.

5/ U.S. Department of State, Bureau of Public Affairs, Background Notes, June 1982.

6/ Ibid.

7/ U.S. Department of Commerce, Foreign Economic Trends . . . : India, August 1984, p. 7.

8/ Ibid.

firms locating in the zones, the volume of export growth in FY 1983 is unlikely to exceed 1 percent, compared with an average 2-percent growth rate of the past several years. <sup>1/</sup> The relatively slow export growth is attributed in part to stagnation in India's own production of export items, such as textiles. It is also attributed to increased competition from other less-developed countries.

Table 26.--India's exports, imports, and trade balance, fiscal years 1980-83

(In millions of dollars)

Transaction	1980	1981	1982	1983 <sup>1/</sup>
Exports (f.o.b.)--	8,505	8,673	9,155	9,222
Imports (c.i.f.)--	15,919	15,120	14,881	14,360
Trade balance-----	-7,414	-6,447	-5,726	-5,138

<sup>1/</sup> Estimated.

Source: U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States: India, August 1984.

Although the reduction in the trade deficit has lately played a leading role in improving India's external payment position, the remittances from Indians living abroad, which in FY 1983 totaled \$1.8 billion, <sup>2/</sup> have also been a significant factor in improving India's overall balance of payments in recent years.

Petroleum was the largest imported item, accounting for 33 percent of total imports in FY 1982 compared with 42 percent in FY 1980. <sup>3/</sup> Other major imported items are: machinery and equipment, pearls, precious and semi-precious stones, edible oil, non-ferrous metals, and iron and steel. The major export categories are machinery and equipment, crude oil, pearls, precious and semi-precious stones, textiles and ready-made garments, leather, marine products, coffee and tea, iron ore, and chemical and allied products.

India's major trading partners include the United States, Japan, the USSR, countries of Western Europe, and, recently, the Middle Eastern countries. Total trade between India and the United States is estimated to have reached \$4 billion for FY 1983 with the United States supplying \$1.9 billion of Indian imports while absorbing \$2.2 billion of Indian exports. <sup>4/</sup> Major imports from the United States are machinery and transport equipment, chemicals and fertilizers, and wheat. Major exports to the United States are precious and semi-precious stones, pearls, textiles and apparel, and coffee and tea.

<sup>1/</sup> Ibid., p. 2.

<sup>2/</sup> U.S. Department of Commerce: Foreign Economic Trends . . . : India, August 1984, p. 10.

<sup>3/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : India, March 1984.

<sup>4/</sup> Ibid.

## The Textile and Apparel Industries

### Structure

The textile industry is the third largest industry in India, behind steel and engineering, in terms of contribution to the gross domestic product. It represents approximately 20 percent of industrial production 1/ and provides about 15 percent of India's exports. The industry comprises three production sectors: the organized mill sector, a decentralized sector covering handlooms and powerlooms, and the "Khadi" or village sector. "Khadi" is a coarse handwoven cloth produced from yarn handspun in homes. The organized mill sector employs 1.3 million workers and mostly operates old spinning and weaving equipment and accounts for about 29 percent of the output of textile fabrics. 2/ The decentralized sector is a labor-intensive cottage industry 3/ that employs over 10 million workers. This sector depends on the mill sector for its yarn requirements. In the decentralized sector, mill spun yarn is woven on manually operated looms (handlooms) or ordinary power-operated looms (powerlooms). The decentralized sector accounts for about 71 percent of the total output of textile fabrics. Handloomed production is by far the largest and the most important cottage industry in India and provides employment to an estimated 8 million people in rural areas. Next to agriculture it is the main source of village income. This sector accounts for about 25 to 30 percent of cotton textiles produced in the country with a capacity of over 3.9 million handlooms.

The organized mill sector's consumption of cotton in India was 7.45 million bales in FY 1982 compared with 7.12 million bales in FY 1981, but below the 7.73 million bales in FY 1980. 4/ Mill consumption is estimated to have increased to 8 million bales in FY 1983 when production increased in the strike-affected textile mills in Bombay, which partially resumed operations during that year. Domestically grown cotton supplied practically all the mill consumption, whereas in the 1960's and early 1970's imports often supplied 10 percent or more of total consumption.

Manmade-fiber consumption (including filament yarn) by both the organized mill sector and the decentralized sector totaled 608 million pounds in 1982, and increased to 717 million pounds in 1983. Imports supplied one-fourth of the total consumption in both years. Consumption by the organized mill sector totaled 370 million pounds in FY 1982, and is estimated to have been slightly lower at 360 million pounds in FY 1983, mainly because of reduced consumption of viscose staple fiber because of its relatively higher prices vis-a-vis comparable varieties of cotton. 5/

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1/ U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1983, May 1983, p. 3.

2/ The Government of India, Ministry of Commerce, Annual Report 1983-84, p. 80.

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

4/ U.S. Embassy, New Delhi, Annual Cotton Report: India, June 1983, p. 8.

5/ Ibid.

Wool and raw silk are produced and consumed in significant quantities. Raw-wool production has been stagnant at about 80 million pounds a year. 1/ Indian varieties of wool are generally low in quality and hence are mostly used by the carpet sector. Raw wool is imported from Australia by the worsted sector, and the shoddy sector of the industry depends almost entirely on imports for its raw material. The industry also imports carpet wool from New Zealand and acrylic, polyester, and nylon fibers from other sources for blending with wool in the manufacture of fabrics. The wool products industry is being developed as an export-oriented industry. The industry, with assistance from the Government, is being rehabilitated and modernized, including purchases of the latest machinery. 2/

The apparel industry as an organized activity in India came into existence during World War II to meet the need for uniforms; subsequently its operations changed to making apparel for the civilian market. It remained essentially a cottage industry, however, until the late 1960's, when a number of medium- and large-scale factories were set up. The organization of larger firms came about as a result of expanding international trade and Government policies that encouraged apparel exports. However, production is mostly undertaken in the cottage sector. There are an estimated 1,500 to 2,000 organized apparel producers in India and some 500,000 persons engaged in making apparel. Approximately 35-40 percent of the apparel industry's capacity, production, and employment is concentrated in the western state of Maharashtra. 3/ It is believed that only about 600 producers have significant employment outside of family members, and most operate from 11 to 100 machines. 4/

A characteristic feature of the apparel industry is its low capital base. Many of the units operate with a capital investment of less than \$5,000. 5/ In general, the garment-producing establishments are either proprietary or partnership concerns, obtaining their raw materials, mainly fabrics, from the mill, powerloom, or handloom sectors for conversion in small plants. Structurally, the industry can be grouped under two broad categories, one catering exclusively to the domestic market and the other primarily oriented toward export production. This is due to differences in style, price, and quality requirements in the local and foreign markets. A few larger producers handle most of the export business. The manufacture and export of garments tends to be divided into two segments--products made from handloomed fabrics and those of mill-made fabrics. A substantial amount of knit apparel is also produced, especially wool outer wear and cotton or manmade-fiber hosiery. Much of the apparel consumed domestically is produced in the home.

Production capacity for the apparel sector totaled 734 million pieces of garments in a single shift in 1977, and is estimated at well over 1 billion

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1/ U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1984, June 1984, p. 11.

2/ The Government of India, op. cit., p. 87.

3/ Indian Institute of Foreign Trade, Readymade Garment Industry In Maharashtra, July 1977, p. 1.

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

5/ Indian Institute of Foreign Trade, Readymade Garment Industry In Maharashtra, July 1977, p. 2.

pieces during the early 1980's. 1/ Cotton apparel dominates, representing over 80 percent of production. Shirts, blouses and children's wear were the major products, accounting for approximately 62 percent of the production.

### Production and capacity

India's organized textile sector has experienced considerable growth in its yarn-spinning capacity. As shown in table 27, the number of spinning mills increased from 338 in 1976 to 561 in 1983. The increase in yarn production capacity was to fill the needs of the decentralized sector, which had increased its production of fabric and, therefore, its need for yarn, for which it relies on the organized sector. Weaving capacity, as measured by the number of integrated mills and looms, was stagnant as a result of India's policy which does not permit any expansion in the weaving sector of the organized mills in order to protect the decentralized sector. The number of looms installed in the organized mill sector at the end of January 1984 totaled 210,000, as against 208,000 in 1976.

Table 27.--Number of mills and installed capacity in India's organized cotton textile mill industry, as of Dec. 31 of 1976-83

Year as of Dec. 31	Mills			Looms installed	Spindles installed
	Spinning mills	Integrated: mills	Total		
	Number			1,000 units	
1976-----	338	289	627	208	19,890
1977-----	347	290	637	208	19,679
1978-----	357	291	648	207	20,085
1979-----	370	291	661	206	20,609
1980-----	400	291	691	208	21,076
1981-----	442	281	723	210	21,797
1982-----	522	281	803	210	22,505
1983 <u>1/</u> -----	561	280	841	210	23,040

1/ As of Jan. 31, 1984

Source: Government of India, Office of the Textile Commissioner, Bombay, Indian Textile Bulletin 1980, p. iii, and Government of India, Ministry of Commerce, Annual Report 1983-84, p. 78.

The number of powerlooms in use in the decentralized sector totaled 609,000 in FY 1983, 2/ of which over 60 percent were used to produce cotton fabric, compared with 346,000 active looms in FY 1977. Additionally, trade sources estimated that the number of unauthorized powerlooms (i.e., those

1/ Indian Institute of Foreign Trade, New Delhi, Readymade Garment Industry in Maharashtra, July 1977, p. 16.

2/ The Government of India, op. cit., p. 81.

being operated without a Government license) exceeded 200,000. 1/ Trade sources believe that an average of 60 powerlooms are being added every month with Government approval. 2/ The 18-month strike in Bombay's organized mill sector during 1982 and 1983 provided a strong impetus to the growth of powerlooms in the decentralized sector over the last 2 years. 3/ The number of handlooms has remained relatively stable at 4 million. 4/

Capacity utilization in the organized spinning and weaving mill sector showed significant declines after FY 1978. Increased idle capacity is largely because of power constraints, labor absenteeism, and frequent breakdowns of old machinery in a large number of units. 5/ The higher percentage of unutilized capacity in the third shift was essentially because the industry did not work at full capacity in order to avoid production of defective goods. Table 28 shows the capacity utilization figures with respect to installed spindles and looms.

Table 28.--Capacity utilization in India's organized cotton textile mill industry, fiscal years 1976-83

(In percent)

Fiscal year	Spindle utilization			Loom utilization		
	First shift	Second shift	Third shift	First shift	Second shift	Third shift
1976-----	77	77	70	86	85	57
1977-----	78	79	73	87	85	58
1978-----	80	81	77	91	86	63
1979-----	75	76	80	85	83	66
1980-----	76	77	77	84	82	65
1981-----	77	78	77	85	83	67
1982-----	67	67	65	67	62	50
1983-----	69	70	66	72	72	55

Source: Government of India, Office of the Textile Commissioner, Bombay, Indian Textile Bulletin 1980, p. 11. and the Government of India, Ministry of Commerce, Annual Report 1983-84, p. 78.

The largest amount of Indian textiles is manufactured in the decentralized sector. Of the 13.5 billion yards of cloth produced in FY 1983, 9.6 billion yards were produced in the decentralized sector. The powerloom segment of this sector is estimated to have accounted for nearly 5.7 billion yards; the remainder of the sector's output was accounted for by the handloom segment. While the impact of handloomed cloth is mostly in the export market, production by the the powerloom segment has captured an

1/ U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1984, June 1984, p. 4.

2/ Ibid.

3/ Ibid.

4/ Ibid.

5/ The Government of India, op. cit., p. 79.

increased share of the domestic market from the organized mill sector. <sup>1/</sup> Data on the production of cloth by the mill sector and the decentralized sector are provided in table 29.

Table 29.--Textile fabrics: India's production, by fibers and by sectors, fiscal years 1978-83

(In millions of yards)				
Sector and fiscal year	Wholly of cotton	Blends	Wholly of manmade fibers	Total
<b>Mill sector:</b>				
1978-----	3,628	1,091	14	4,733
1979-----	3,533	931	3	4,467
1980-----	3,756	798	4	4,558
1981-----	3,196	959	9	4,164
1982-----	2,617	802	7	3,426
1983-----	3,011	895	1/	3,906
<b>Decentralized sector:</b>				
1978-----	4,715	779	1,484	6,978
1979-----	4,705	691	1,491	6,887
1980-----	5,396	591	1,472	7,459
1981-----	5,534	720	1,591	7,845
1982-----	6,080	612	1,489	8,181
1983-----	6,944	717	1,981	9,642
<b>Total:</b>				
1978-----	8,343	1,870	1,498	11,711
1979-----	8,238	1,622	1,494	11,354
1980-----	9,152	1,389	1,476	12,017
1981-----	8,730	1,679	1,600	12,009
1982-----	8,697	1,414	1,496	11,607
1983-----	9,955	1,612	1,981	13,548

<sup>1/</sup> Small quantities not available.

Source: Government of India, Ministry of Commerce, Annual Report 1983-84, p. 80, and U.S. Consulate, Bombay, Industrial Outlook Report on Indian Textiles, 1984, June 1984, enclosure No. 3.

As shown in the following tabulation, the share of fabric production accounted for by the decentralized sector increased steadily from 60 to 71 percent during FY 1978-83 (in percent):

<u>Fiscal year</u>	<u>Mill sector</u>	<u>Decentralized sector</u>
1978-----	40.4	59.6
1979-----	39.3	60.7
1980-----	37.9	62.1
1981-----	34.7	65.3
1982-----	29.5	70.5
1983-----	28.8	71.2

<sup>1/</sup> "Regional Notes," Textile Asia, July 1984, p. 82.

Production of fabrics by the mill sector has been shifting in terms of yarn count 1/ from coarse and lower medium categories to the higher medium categories, as shown in table 30.

Table 30.--Cotton fabrics: Percentage distribution of India's production, by types of yarn, fiscal years 1951 and 1978-82

Fiscal year	Coarse and lower medium	Higher medium	Fine and superfine	Total
1951-----	58.9	34.1	7.0	100.0
1978-----	41.9	51.7	6.4	100.0
1979-----	41.3	53.0	5.7	100.0
1980-----	37.7	56.7	5.6	100.0
1981-----	34.3	60.5	5.2	100.0
1982-----	34.6	56.7	8.7	100.0

Source: Government of India, Office of the Textile Commissioner, Bombay, Indian Textile Bulletin.

The output of the various types of yarn by the mill sector fluctuated between 2.7 and 3.0 billion pounds during FY 1979-84 (table 31). The estimated production in FY 1983 was nearly 3 billion pounds, about 82 percent of which was all-cotton yarn. A little over 30 percent of the spun yarn is consumed by the mill sector and most of the remainder is consumed by the decentralized sector. The decline in output in fiscal years 1981 and 1982 was attributed by official sources to the closure of several mills because of labor troubles and power restraints. 2/

1/ This is a yarn numbering system based on length and weight. It is based on a unit length of 840 yards, and the count of yarn is equal to the number of 840-yard skeins required to weigh 1 pound. Under this system, the higher the number, the finer the yarn.

<u>Fabric category</u>	<u>Average yarn count</u>	<u>Fabric category</u>	<u>Average yarn count</u>
Coarse-----	below 17s	Fine-----	41s-61s
Lower medium-----	17s-26s	Superfine-----	Above 61s
Higher medium-----	26s-41s		

2/ U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles 1983, May 1983, p. 4.

Table 31.--Yarn: India's production, by types, fiscal years 1977-83

(In millions of yards)					
Sector and fiscal year	Wholly of cotton	Blends	Wholly of manmade fibers	Total	
1977-----	1,855	471	200	2,526	
1978-----	2,083	477	235	2,795	
1979-----	2,092	378	207	2,677	
1980-----	2,347	317	191	2,855	
1981-----	2,176	367	205	2,748	
1982-----	2,198	301	180	2,679	
1983-----	2,451	330	211	2,992	

Source: Government of India, Ministry of Commerce, Annual Report 1983-84 p. 80.

The pattern of production of cotton yarn during the last few years has also shown a declining trend for the lower count groups, while yarn of higher count groups showed increases. The average count of yarn produced by the spinning mills increased from 30.48 during 1973 to 33.43 during 1982. 1/ The percentage of production of cotton yarn by count group for FY 1978-82 is provided in table 32.

Table 32.--Cotton yarn: Percentage distribution of India's production, by range of yarn counts, fiscal years 1978-82

(In percent)					
Fiscal year	1-20s	21-40s	41-60s	61s and above	Total
1978-----	41.2	47.3	7.1	4.4	100.0
1979-----	40.4	49.0	6.1	4.5	100.0
1980-----	38.9	50.0	6.3	4.8	100.0
1981-----	36.8	50.9	6.7	5.6	100.0
1982-----	36.5	48.8	7.7	7.0	100.0

Source: Government of India, Office of the Textile Commissioner, Bombay, Indian Textile Bulletin.

In FY 1983 there were about 200,000 manmade-fiber powerlooms in India of which only 18,000 were in the organized mill sector. 2/ The decentralized sector accounts for most of the production of manmade-fiber fabric, which in FY 1983 totaled nearly 2 billion yards and has grown gradually since FY 1978 (see table 29). Spinning units, located in the decentralized sector, had a capacity of 461,000 spindles as of December 1983, which were engaged mainly in the spinning of manmade fibers. 3/

1/ The Government of India, op. cit., p. 80.

2/ The Government of India, op. cit., p. 85.

3/ Ibid.

The manmade fiber and manmade-fiber yarn manufacturing segment is engaged in manufacturing both manmade fibers and filament yarn of cellulosic and noncellulosic origin and meets three-fourths of domestic needs. In 1983, total yarn and fiber production rose by 17 percent over 1982 to 538 million pounds (table 33).

Table 33.--Manmade fibers: India's production, production capacity, and capacity utilization, by types, specified years 1982-85

Type	Production		Production capacity		Capacity utilization
	1982	1983	1984 <sup>1/</sup>	1985 <sup>2/</sup>	1983 <sup>3/</sup>
	Million pounds				Percent
<b>Staple:</b>					
<b>Cellulosic:</b>					
Viscose-----	115.7	153.7	202.9	211.7	75.8
Acetate-----	.7	.4	1.8	1.8	22.2
<b>Noncellulosic:</b>					
Polyester-----	62.0	57.0	129.2	162.2	44.1
Nylon-6 <sup>4/</sup> -----	-	-	2.0	2.0	-
Acrylic-----	35.5	32.2	35.3	44.1	91.2
Total staple--	213.9	243.3	371.2	421.8	65.5
<b>Filament:</b>					
<b>Cellulosic:</b>					
Viscose-----	79.1	76.7	100.3	100.3	76.5
High tenacity					
rayon-----	23.9	22.0	45.9	45.9	47.9
Acetate-----	4.1	3.2	7.1	7.1	45.1
<b>Noncellulosic:</b>					
Polyester-----	42.4	98.6	96.9	143.6	101.8
Nylon-6 <sup>4/</sup> -----	94.3	93.8	123.7	192.7	75.8
Total fila-					
ment-----	243.8	294.3	373.9	489.6	78.7
Total, all					
fibers-----	457.7	537.6	745.1	911.4	72.2

<sup>1/</sup> As of March 1984.

<sup>2/</sup> Estimated capacity by December 1985.

<sup>3/</sup> Computed on annualized production capacity as of March 1984.

<sup>4/</sup> Including high tenacity nylon.

Source: Compiled from April 1984 report prepared by the U.S. Consulate, Bombay, World Survey of Manmade-Fiber Production: India, based on data of the Association of Synthetic Fiber Industry, Bombay, India.

The demand for polyester staple fiber remains strong as is indicated by the projected growth in production capacity. The fall in 1983 production of polyester staple yarn resulted mostly from labor troubles in the major producing units. <sup>1/</sup> The production of viscose staple fiber increased 33

<sup>1/</sup> U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1984, p. 9.

percent in 1983, recovering from a 44-percent drop in 1982 caused by labor troubles and a long lockout in both firms manufacturing that fiber. 1/ Other reasons for the fall in staple fiber output in 1982 were lower consumption by the cotton textile industry following closure of Bombay textile mills, availability of cheaper imported fiber, and, to some extent, the price of cotton relative to that of viscose and polyester fibers. The 1983 recovery was primarily due to measures taken by the Government, which included increasing duties from 10 percent to 40 percent on imports of viscose staple fiber to protect the domestic industry from competitive imports.

The demand for texturized polyester filament yarn increased in 1983, resulting in a 100-percent increase in production from the 1982 level. Domestic units have experienced 100-percent capacity utilization, and there have been substantial imports as well. Production capacity is projected to increase by almost 50 percent by December 1985. On the other hand, demand for viscose filament yarn has been consistently falling for the last several years. Overall production capacity of all manmade fiber and yarn is expected to reach over 900 million pounds by the end of December 1985, an increase of 22 percent from the March 1984 level.

Knitting of manmade-fiber yarn takes place on about 1,050 warp-knitting and raschel-knitting machines. 2/ Warp-knitting machines mostly manufacture apparel fabrics out of filament texturized yarn, and raschel-knitting machines make laces and curtain materials from a variety of yarn, mostly of filament type. In addition, there are a large number of circular-knitting machines, including hosiery-knitting machines, consuming filaments, texturized, and spun yarns. In addition, about 114 embroidery machines are also operational. 3/

The wool segment of the industry is small compared with the manmade-fiber and cotton textile sectors. About 75 percent of the production takes place in the decentralized sector, where yarn produced in the organized-mill sector is converted into hosiery, fabric, and carpets. 4/

The installed production capacity and production of wool textiles has increased considerably since FY 1977. The FY 1982 production of worsted yarn increased 43 percent and that of woollen yarn increased 59 percent over the FY 1981 level. Similarly, fabric production also showed increases: 43 percent for apparel, 110 percent for nonapparel, and 77 percent for hosiery. The production and the installed capacity for wool-textile production are provided in table 34.

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1/ U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1983, May 1983, p. 10.

2/ The Government of India, op. cit., p. 85.

3/ Ibid.

4/ U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1983 May 1983, p. 16.

Table 34.--India's wool industry's installed capacity 1/ and production, fiscal years 1981 and 1982

Sector	Installed capacity	Production	
		1981	1982
	Number	Million pounds	
Worsted spindles-----	307,330	615	883
Weaving yarn-----	-	463	665
Hosiery yarn-----	-	91	131
Knitting yarn-----	-	61	87
Non-worsted spindles-----	199,984	1,056	1,680
Powerlooms-----	5,158	-	-
Fabric:			
Apparel (in millions of yards)-----	-	717	1,029
Non-apparel-----	-	445	934
Hosiery-----	-	68	120

1/ As of Nov. 30, 1983.

Source: General Agreement on Tariffs and Trade and the Government of India.

India is the third largest raw-silk-producing country in the world after China and Japan. This sector plays a significant role in providing rural employment in sericulture and promoting exports of finished silk products. The industry provides employment to over 4 million persons in rural and semi-urban areas.

Raw silk production in FY 1981 totaled 11.6 million pounds, and in FY 1982, production increased 9 percent to 12.6 million pounds. 1/ The market value of this raw silk exceeded \$225 million. Approximately 10 percent of the production was exported. The Government of India (GOI) hopes to achieve a production target of 22 million pounds by March 1985. 2/

An estimated 187,000 handlooms and 8,000 powerlooms are engaged in pure-silk weaving. Production in this sector has been increasing gradually during the last decade, with production of raw silk and silk fabrics more than doubling. Exports of silk products, including carpets, fabric, and apparel also increased, totaling over \$80 million in FY 1982, and showed further increases in FY 1983 rising to a total of \$100 million. 3/

#### Employment and wages

The organized mill sector employed 1.27 million people at the end of 1983, an increase of 65,000 from the 1982 level. In the decentralized sector, about a million people are engaged in producing "Khadi" fabrics made of

1/ The Government of India, op. cit., p. 88

2/ "Regional Notes," Textile Asia, April 1984, p. 72.

3/ U.S. Consulate, Bombay, Industrial Outlook Report--Indian Textiles, 1984, June 1984, p. 14, and "Regional Notes," Textile Asia, April 1984, p. 72.

handspun yarn, an estimated 7 million people are engaged in the handloom segment, and 2.4 million people are employed in the powerloom segment. Approximately 400,000 people are employed in the wool sector, most of whom are engaged in producing handmade carpets and rugs.

Employment in the organized mill sector has increased slowly since 1976, from 1.03 million to 1.27 million in 1983. The increase in employment occurred mainly in spinning and preparatory operations. Employment in weaving remained almost the same because of Government restrictions on expansion. Of the total worker population, approximately 38 percent is engaged in spinning and preparatory operations, and the remainder is equally divided between weaving and preparatory operations, and processing operations. 1/ Women account for about 6 percent of all mill employees in contrast to the United States, where women comprise nearly one-half of the total work force. The employment trends in Indian cotton mills are provided in the following tabulation (in thousands):

<u>Year</u>	<u>Total employment</u>	<u>Year</u>	<u>Total employment</u>
1976-----	1,028	1980-----	1,178
1977-----	1,073	1981-----	1,200
1978-----	1,125	1982-----	1,203
1979-----	1,161	1983-----	1,268

Hourly compensation paid to production workers in textile manufacturing was estimated at \$0.71 for 1984, only 8 percent of the wage paid in the United States. 2/ This ratio has not shown any significant change since 1980. Workers compensation in India is less than one-half of that paid in Korea, Taiwan, and Hong Kong. Only Pakistan, Sri Lanka, Indonesia, and China, among the major textile producing nations, have lower hourly labor costs than India. This cost advantage, however, is partially offset by low productivity, but the 1983 labor cost per unit of output in spinning and weaving mills is substantially lower in India than in most of the major textile producing countries as seen in the following tabulation (in U.S. cents): 3/

<u>Country</u>	<u>Yarn</u> <u>(cost per pound) 1/</u>	<u>Fabric</u> <u>(cost per yard) 1/</u>
Korea-----	3.5	3.1
India-----	3.1	2.4
Brazil-----	7.9	6.1
Japan-----	7.6	8.6
United States---	11.7	11.8
West Germany----	15.5	16.3

1/ Made from carded 100-percent cotton yarn.

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1/ Government of India, Office of the Textile Commissioner, Bombay, Indian Textile Bulletin 1980, Nov. 25, 1981, p. 6.

2/ Werner International Management Consultants, Inc., Spinning and Weaving Labour Cost Comparisons, Spring 1984, New York and Brussels.

3/ Computed by the Commission staff based on information from the International Textile Manufacturers Federation, 1983 International Production Cost Comparison for Spinning and Weaving, pp. 16-19.

The lower labor cost per unit of output in spinning and weaving operations is offset to a large extent by higher costs for power and auxiliary materials and the higher financial cost in India. As a result, the total manufacturing cost per yard of fabric in 1983 amounted to \$0.275 in India, compared to \$0.236 in Korea, and \$0.335 in the United States. <sup>1/</sup> It is believed that many of the Southeast Asian countries, especially China, have overall cost advantages over India which make India less competitive in the international markets relative to those suppliers.

### Plants and equipment

The Indian textile industry is one of the largest in the world in terms of number of spindles and looms. By the end of January 1984, there were 841 textile mills in India, with a capacity of 23 million spindles and 210,000 looms. While spinning mills are allowed to increase their capacity up to 50,000 spindles without a Government license, no expansion is permitted in the weaving sector of the organized mills except for the production of fabric for export. Weaving capacity in the decentralized sector includes about 3.9 million handlooms and 609,000 powerlooms, of which about 60 percent are utilized by the cotton sector and the balance in other sectors.

India has a large textile machinery industry capable of producing modern mill equipment. The industry supplies an estimated 80 percent of the domestic needs for machinery and accessories and also exports machinery and equipment mainly to South Asia, Eastern Europe, and Africa. In the past decade, the value of textile machinery production has increased nearly 400 percent, from \$56 million in 1973 to \$273 million in 1981. In addition, the industry produced textile machinery accessories valued at about \$100 million in 1981. Production of textile machinery was estimated to total about \$240 million in 1982, down by approximately 12 percent from the 1981 level, because of a decline in textile industry activities. Production of accessories also fell to an estimated \$85 million in 1982. In FY 1983, machinery production increased to about \$300 million and production of components and accessories increased to \$120 million. <sup>2/</sup>

Approximately 100 companies produce textile equipment in India. Some of the larger firms are also engaged in a broad range of activities, such as selling foreign-made machinery, building plants, consulting, and supplying and building foreign installations, as well as exporting the domestically made machinery. The export target for FY 1983 is reported to have been about \$35 million, but actual exports are estimated to have fallen far short of the target. <sup>3/</sup>

Despite the 1982 setback, most of the major machinery manufacturers are either expanding their existing capacity or are planning to produce a new range of machines. These manufacturers have been encouraged by a new Government policy that emphasizes the modernization of the textile industry by providing low-interest long-term loans to the companies. Quite a few joint

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<sup>1/</sup> Ibid.

<sup>2/</sup> "India Plans Machinery Sector Boost," Textile Month, May 1984, p. 7.

<sup>3/</sup> U.S. Consulate, Bombay, Industrial Outlook Report-Indian Textiles, 1984, June 1984, p. 17

ventures with foreign firms are also planned and will become operative during the next 2 years. The textile machinery industry has planned to invest an additional \$208 million in an expansion program to increase the production value to about \$350 million. 1/

Despite having trained textile technologists and strong engineering capabilities to manufacture modern machinery and equipment, India is relatively far behind many other countries in modernizing its mills and, therefore, is less competitive in the export market than its Far Eastern neighbors. More than one-half of the spinning and weaving equipment in Indian textile mills is believed to be over 20 years old, and only about one-fourth of the looms are automatic. Modernization has progressed slowly for a number of reasons, the most important being workers' resistance because of a fear of losing jobs, lack of sufficient profits, low rate of return on investment, and high interest rates compounded further by a high debt-equity ratio in the financial structure of the industry. 2/ Many believe that, through automation, India not only can improve the quality of yarn and fabrics, but also can lower the unit cost of production, making its products more competitive in the world market. According to the Chairman of the Indian Cotton Textile Export Promotion Council, earnings on fabric manufactured on the old looms are as much as 10 percent less than those on fabrics of the same specifications manufactured by competitors on shuttleless looms and other sophisticated machinery. 3/

Open-end spinning for making yarn and shuttleless looms for weaving fabrics represent two of the major developments in textile technology. Indian manufacturers have yet to take advantage of the liberal import policies of the GOI to import these machines since the major reason for importing them would be for producing exports and Indian manufacturers have been unsure of the export market. Only about 5,000 rotors for open-end spinning were installed as of 1982, compared with nearly 23 million standard ring spindles. Out of 210,000 looms, only 25 percent were automatic, and about 929 shuttleless looms were in use.

### Investment and expansion

The textile and apparel industries come mostly under the private sector and are controlled by Indian ownership. Textile machinery manufacturing, however, is open to foreign investment and a number of joint ventures have been approved, which has helped modernize the textile industry through indigenous production of modern machinery and equipment. The textile machinery manufacturing industry is planning to spend about \$208 million towards expansion and technological improvements through joint ventures.

Modernization and expansion planned for the textile industry is believed to involve significant investment. To help meet the cost of modernization,

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1/ "India Plans Machinery Sector Boost," Textile Month, May 1984, p. 7.

2/ "India, Sunset Industry," Textile Asia, November 1984, pp. 83-84, and speech given by the Chairman of the Cotton Textile Export Promotion Council, Textile Asia, February 1983, p. 108.

3/ Speech given by the Chairman of the Cotton Textile Export Promotion Council, Textile Asia, February 1983, p. 108.

the Industrial Bank of India has provided about \$300 million in loans to 58 mills owned by the National Textile Corporation. 1/ In addition, the GOI has been providing low-interest, long-term loans to the mill sector. Through October 1983, of a total demand of \$800 million and approval for \$500 million, over \$300 million was provided in low-interest loans. 2/ While modernization has been occurring throughout the industry, expansion of facilities is going on mostly in the manmade-fiber and yarn manufacturing sector, where investment is believed to have increased significantly in recent years as indicated by the growth of capacity and production.

India plans to modernize its wool sector through increased investment in imported machinery and equipment. The proposal submitted by the Indian Woolen Mills Federation calls for about \$385 million of investment during the seventh 5-year plan commencing in 1985. 3/ India also has been increasing its investment in its raw silk industry. 4/ The project is being sponsored by a World Bank program through which India will build "two or three" automated factories and automate old plants in the southern states of India, which produce about 75 percent of India's mulberry silk. The Central Silk Board (CSB) is entrusted with the task of providing research and development support, with an outlay of nearly \$5 million over a period of 3 years from FY 1981. 5/ Significant investment is also being made to develop muga silk and tasar silk with financial assistance from the Swiss Development Corporation.

#### Government Policy

The textile policy of the Indian Government is aimed at meeting the domestic demand for textiles and apparel; providing maximum employment to the work force, particularly in rural areas; achieving import substitution; and promoting export growth. The fiscal policies of the Government are amended from time to time in order to meet these goals.

The GOI policy is designed to increase the production of cloth in the mill sector through modernization rather than expansion. This policy is aimed at protecting the decentralized handloom and powerloom sector, which provides employment to the bulk of the population in rural areas and has expanded rapidly at the expense of the mill sector. However, spinning capacity in the organized mill sector is being expanded to provide enough yarn for the decentralized sector at reasonable prices to meet its additional demand. To facilitate the modernization and expansion process in the mill sector, the GOI has continued to provide low-interest long-term loans to the mill sector. In order to replace old machinery and equipment, mills are allowed to import machinery and equipment that is not manufactured domestically. The mills are also granted licenses for installing additional capacity where such increased production is used for exports. The GOI has also reduced the import duty to 20 percent on the import of certain sophisticated textile machinery such as shuttleless looms of 102 inches and above, open-end spinning machinery, and

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1/ Colourage, June 16, 1983, p. 35.

2/ The Government of India, op. cit., p. 79.

3/ "Wool Textile Industry to Modernize in India," The Commercial Bulletin, Boston, July 20, 1984.

4/ "India Hikes Investment in Silks," Daily News Record, Aug. 21, 1984, p. 12.

5/ The Government of India, op. cit., p. 88.

air-jet and water-jet looms, subject to the condition that for a period of 8 years 75 percent of the production of these machines is exported. 1/

The GOI textile policy envisages increases in cloth production primarily through expansion and development of the decentralized sector. The targeted increase is to be achieved through assured availability of yarn, organization of handloom cooperatives, and assistance to weavers in design development, product diversification, training, marketing, and modernization. The central Government in FY 1983 planned financial assistance of approximately \$10 million to the states under various cooperative coverage schemes to meet these objectives. An additional \$200 million of institutional credit is expected to flow to the cooperative sector in FY 1983 compared with \$150 million in FY 1982. 2/

In order to increase availability of manmade fibers and yarns, steps have been taken to create additional capacity. The GOI policy encourages the use of manmade fibers and yarns while maintaining the predominant position of cotton. Availability of such fibers and yarns is to be increased through higher domestic production augmented by imports. Accordingly, restrictions on imports of important manmade fibers and yarns have been lifted. Necessary changes in customs duties have been made to ensure that the landed cost of imports remains marginally higher than the price of domestically produced products in order to protect the domestic industry.

The Government is seriously considering the June 1983 recommendations of a study group on the wool industry which calls for a reduction of duty on imported machinery for modernization, a reduction of the excise duty on blended fabrics, restrictions on production of blended woolen cloth by the nonwoolen sector, and formulation of procedures to facilitate growth in export sales. 3/ The Government is also considering the study group's recommendation to increase the quantity and quality of indigenous raw wool through a sheep development program utilizing World Bank loans. In the meantime, to encourage production of wool products for export, the Government has permitted installation of additional spinning and weaving capacity in the woolen industry and has lifted restrictions on imports of raw wool and wool rags. 4/

India is the only country that produces all varieties of natural silk (mulberry, tusar, eri, and muga). The GOI policy is to increase the production of quality silk primarily for export. To achieve this objective, the Central Silk Board, a body entrusted with the responsibility of developing the sericulture industry, has undertaken several research studies. A new export promotion council named the Indian Silk Export Promotion Council has been established in Bombay.

To ensure availability of better quality cotton to the mill sector, the GOI has conducted research on cotton and has implemented various programs in recent years to increase the production of long-staple varieties. This has led not only to a decrease in imports of raw cotton, but also to an increase in exports of cotton, mainly long- and extra-long-staple varieties. 5/

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1/ The Government of India, op. cit., p. 79.

2/ Ibid., p. 83.

3/ Government of India, Ministry of Commerce, Annual Report 1983-84, p. 87

4/ General Agreement on Tariffs and Trade, Textiles Committee Report on India, COM. TEX/32/Add. 22, Oct. 7, 1983, p. 8.

5/ U.S. Embassy, New Delhi, Annual Cotton Report, June 1983, p. 24.

To facilitate export growth, the Government provided export incentives, which in 1984 included higher rates of cash assistance on exports of textiles and apparel, ranging from 6 percent to 15 percent, depending upon the type of fabrics, furnishings, garments, the destination of exports, and export performance. <sup>1/</sup> Additionally, a number of export promotion measures, such as participation in international fairs and exhibitions and market-study tours are being sponsored by the Government. A number of export promotion councils look after the export interests of various textile items. GOI policy also allows duty-free entry of machinery and raw materials if the textile and apparel production is 100-percent exported, but manufacturers, unsure of overseas markets, are seeking some relaxation of that restriction.

The GOI also encourages modernizing garment production and increasing exports. A large number of machines needed for garment manufacture are now imported at a concessional rate of duty. The GOI approved 96 applications for setting up 100-percent export-oriented units for manufacture of garments <sup>2/</sup> and production is expected to start in Bombay by May 1985.

Under the Multifiber Arrangement (MFA), the GOI formulates and operates its textile policy in a flexible way, ensuring (a) fuller utilization of restraint levels, (b) increased unit value realization, and (c) orderly development of the trade.

#### Domestic Consumption

Domestic per capita consumption showed a gradual decline during the past decade from 15.8 yards in 1973 to 14.1 yards in 1982. In 1973, cotton textiles accounted for about 90 percent of domestic consumption. In recent years, there has been a significant shift to blended fabrics. By 1990, per capita consumption is projected to reach the 1973 level of 15.8 yards, and the share of cotton cloth is expected to fall to about 8.2 yards, with the remainder consisting of fabrics that are blends of cotton and manmade fibers. <sup>3/</sup>

Population growth is estimated at 2 percent per year, which will add about 15 million people to the population annually. Consequently, an additional 1.3 billion yards of cloth will be needed annually for domestic consumption alone by 1990, based on the projected per capita consumption rate of 15.8 yards. Under India's Seventh 5-Year Plan (1985-90), fabric production for 1990 is targeted at 16.6 billion yards, of which 8.9 billion yards will consist of cotton cloth, 6.3 billion yards will consist of blended fabric, and the remainder will be 100-percent of manmade fibers, as shown in the following tabulation (in billions of yards):

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<sup>1/</sup> The Government of India, op. cit., pp. 93-96.

<sup>2/</sup> Ibid. p. 93.

<sup>3/</sup> "Shift to Synthetics: India," Textile Asia, March 1984, pp. 106-108.

Item	Estimated production 1985	Targeted production 1990
Wholly of cotton-----	10.1	8.5
Blends-----	2.5	6.3
Wholly of manmade fibers-----	2.0	1.8
Total-----	14.6	16.6

Total demand for raw cotton in 1990 is estimated at 9.5 million bales, which is expected to be supplied locally. However, estimated demand for manmade fibers, particularly polyester, in 1990 far exceeds current capacity, as shown in the following tabulation: 1/

Item	Actual production FY 1983	Estimated demand 1990
Cotton (million bales)-----	7.8	9.5
Polyester (million pounds)---	156.0	467.0
Viscose-----do-----	154.0	190.0

#### Trade in Textiles and Apparel

Textiles and apparel are major Indian export items, accounting for about 15 to 20 percent of India's total exports. The fiber, textile, and apparel sector contributed an estimated \$1.4 billion trade surplus in 1983, compared with the country's overall trade deficit in excess of \$5 billion.

Textile products and apparel are the major contributors to the trade surplus in contrast to fibers for which India had a trade deficit of \$20 million in 1983. India imports small quantities of fabric and apparel, and its imports of fibers are mostly manmade, but include some wool, which comes primarily from Japan, Australia, and the United Kingdom. The textile trade of India is shown in table 35.

#### Export trends

The total value of India's exports of textiles and apparel doubled to \$1.8 billion between 1976 and 1980, but has declined since then, reaching \$1.5 billion in 1983. Exports of textiles grew 82 percent from \$599 million in

1/ Ibid., with the exception of cotton production data for 1983-84 which were taken from U.S. Department of Commerce, Foreign Economic Trends . . . India, August 1984, p. 4.

1976 to \$1.1 billion in 1980 before dropping to \$774 million in 1983. Apparel exports more than doubled during 1976-80 to \$758 million, and increased again by 10 percent in 1981 but since then declined to \$700 million in 1983 (tables III-1 and III-2).

Table 35.--Textile fibers, textiles, and apparel: India's imports, 1/ exports, 2/ and trade balances, 1977-83

(In millions of dollars)								
Item	1977	1978	1979	1980	1981	1982	1983	
Imports:								
Textile fibers---	316.6	283.8	165.9	171.0	271.9	196.5	100.9	
Textiles-----	25.7	56.5	65.3	67.3	111.5	93.5	79.9	
Apparel-----	1.4	1.5	1.4	2.0	1.2	4.0	2.3	
Total-----	343.7	341.8	232.6	240.3	384.6	294.0	183.1	
Exports:								
Textile fibers---	27.5	27.2	86.4	139.6	103.2	40.6	80.9	
Textiles-----	678.2	674.7	934.7	1,091.5	899.6	<u>3/</u> 782.9	<u>3/</u> 773.6	
Apparel-----	384.3	504.8	681.5	757.6	831.1	<u>3/</u> 737.7	<u>3/</u> 699.9	
Total-----	1,090.0	1,206.7	1,702.6	1,988.7	1,833.9	1,561.2	1,554.4	
Trade balance:								
Textile fibers---	-289.1	-256.6	-79.5	-31.4	-168.7	-155.9	-20.0	
Textiles-----	652.5	618.2	869.4	1,024.2	788.1	689.4	693.4	
Apparel-----	382.9	503.3	680.1	755.6	829.9	733.7	697.6	
Grand total----	746.3	864.9	1,470.0	1,748.4	1,449.3	1,267.2	1,371.3	

1/ C.i.f.

2/ F.o.b.

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

Source: Compiled from United Nations data, except as noted.

Exports of yarn showed no significant change between 1979 and 1983 at \$46 million (table III-3). However, fabric exports declined rapidly during this period, with woven cotton fabrics dropping 61 percent to \$87 million, woven manmade-fiber fabrics dropping 91 percent to \$2 million, and other woven fabrics (except wool) dropping 46 percent to \$107 million. Exports of textile furnishings, except floor coverings, also decreased 55 percent from \$141 million to \$64 million during 1979-83, but floor coverings, the largest textile export item, increased 23 percent from \$239 million in 1979 to \$295 million in 1983. Exports of apparel, although declining in 1982 and 1983, showed 3-percent growth during 1979-83. The major growth items were knit outer garments (94 percent), knit undergarments (55 percent), and leather apparel and accessories (21 percent) (table III-3). The apparel categories showing major declines were men's and boys' woven outer garments (40 percent) and undergarments (36 percent).

#### Major markets

India's major markets for textiles and apparel have been the EC and the United States, as shown in table 36.

Table 36.--Textiles and apparel: India's exports, by major markets, 1976 and 1979-83

(In millions of dollars)

Item and market	1976	1979	1980	1981	1982	1983
<b>Textiles:</b>						
<b>European Community:</b>						
Total-----	222.3	438.0	520.3	394.8	337.2	352.2
West Germany-----	64.4	157.6	202.2	176.0	156.9	167.6
United Kingdom-----	92.4	147.1	132.4	81.2	57.0	70.7
United States-----	165.1	201.3	231.8	202.3	152.2	150.2
Canada-----	17.8	19.7	23.5	18.0	14.0	13.3
Japan-----	16.6	38.2	36.1	28.7	36.4	28.3
All other-----	177.5	237.5	279.8	255.8	243.1	229.6
Total-----	599.3	934.7	1,091.5	899.6	782.9	773.6
<b>Apparel:</b>						
<b>European Community:</b>						
Total-----	166.4	344.7	431.9	420.7	366.4	274.8
West Germany-----	53.1	100.3	152.5	169.5	141.3	97.5
United Kingdom-----	50.7	92.4	98.4	94.6	79.0	65.8
France-----	22.3	61.8	76.4	65.0	55.7	43.8
United States-----	87.5	181.5	164.8	205.6	179.6	253.9
Canada-----	10.3	13.5	15.1	26.2	21.4	24.0
Japan-----	4.3	29.7	23.8	24.1	22.5	15.6
All other-----	57.5	112.1	122.0	154.5	147.8	131.6
Total-----	326.0	681.5	757.6	831.1	737.7	699.9

Source: Compiled from United Nations data.

The EC has been the largest market for Indian textiles, accounting for nearly half of total exports. Textile exports to the EC rose 134 percent between 1976 and 1980 to \$520 million and then declined to \$352 million in 1983. West Germany was the largest single EC market, accounting for \$168 million, or nearly one-half of total exports to the EC in 1983. The United States has been the second largest market, taking 19 percent of Indian textile exports in 1983, valued at \$150 million, a level 35 percent below the peak level of exports to the United States of \$232 million in 1980.

The EC also has been the largest market for India's apparel exports. Exports of apparel to the EC rose 160 percent between 1976 and 1981 to \$432 million before dropping to \$275 million in 1983. In 1983, the EC absorbed 39 percent of India's total apparel exports, a significantly lower share than the 57 percent share in 1980. West Germany was again the leading export market among the EC countries for Indian apparel, but exports to that country dropped by 36 percent to \$98 million in 1983 after peaking at \$153 million in 1980. India's apparel exports to the United States, its largest single country market, doubled between 1976 and 1979, and then fluctuated widely, reaching a high of \$254 million in 1983. Among the newer and secondary markets showing increases are Canada, Saudi Arabia, and Australia.

India's exports of MFA-controlled cotton, wool, and manmade-fiber textiles and apparel to the United States, according to U.S. import statistics, fluctuated during 1977-83 between 133 million square yard equivalents (SYE) and 170 million SYE, as shown in table 37.

Table 37.--Textiles and apparel: U.S. imports from India, by fibers, 1977-83

(In millions of square yard equivalents)

Item	1977	1978	1979	1980	1981	1982	1983
Cotton-----	154.3	136.0	121.5	141.0	146.9	123.9	157.1
Wool-----	1.6	1.0	.6	1.1	2.6	1.5	2.4
Manmade fiber-----	9.7	12.2	11.1	9.1	8.6	7.2	10.6
Total-----	165.6	149.2	133.2	151.1	158.1	132.6	170.1

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

U.S. imports of these items, after a 16-percent drop in 1982 to 133 million SYE, rose 28 percent to 170 million SYE in 1983 (tables III-4 - III-6). A 49-percent increase was reported for 1984, advancing the imports to 253 million SYE. Over 90 percent of the imports in 1983 consisted of cotton products, the ratio of which had shown little change since 1977.

#### MFA constraints

There is currently a bilateral agreement between the United States and India under the terms of the Multifiber Arrangement (MFA) that controls Indian exports of textiles and apparel to the United States. The current agreement, which went into effect on January 1, 1983, of 4-years duration but authorizing a possible fifth year option, includes a number of significant changes from the previous agreement, notably an end to the so-called "elephant" certification. The elephant mark was intended to identify Indian apparel made from handloomed fabrics for which the quota totaled nearly 3 million dozen. However, the quota was usually unfilled and was allegedly being used to ship apparel made of other fabrics. In the new agreement, all apparel except exempt cottage-industry items are grouped together within an overall quota limitation and with the same general certification applied across the board.

The current agreement with India <sup>1/</sup> provides for an overall limit in group II of 100 million SYE in 1983. The group limit is allowed an annual growth rate of 7 percent, which is significantly greater than that given to major suppliers such as Hong Kong, Taiwan, and Korea. Within group II, specific quotas have annual growth rates ranging from 3 to 7 percent as shown in the following tabulation:

<sup>1/</sup> The agreement provides for two broad groups of cotton, wool, and manmade-fiber products: Group I includes yarns, fabrics, made-up goods, and miscellaneous products and group II includes apparel.

<u>Cotton category</u>	<u>Quota for the first restraint year (1983)</u> (dozens)	<u>Annual growth</u> (percent)
335-Women's coats-----	130,000	6
336-Dresses-----	235,895	7
338/339/340-Knit shirts and blouses and men's woven shirts-----	1,065,780	3
341-Woven blouses-----	2,332,595	3
342-Skirts-----	310,866	6
347/348-Men's and women's trousers-----	200,000	7

The agreement also includes a swing provision that allows a limited amount of unused quota for product categories in group II to be shifted to other group II categories during a given year, as long as the lending item's limit is reduced by the borrowed amount. By using swing, categories 336, 342, and 347/348 may be increased by 7 percent; category 341 may be increased by 5 percent; and categories 338/339/340 by 6 percent. In addition, group and specific limits may be increased by up to 11 percent for carryover and up to 6 percent for carryforward; the combination of both not to exceed 11 percent.

The current agreement has a quota limitation of 15 million pieces of terry and other pile towels (category 363) in group I. No limitation has been set on aggregate imports in group I, unlike the previous agreement that expired in December 1982.

The overall performance of Indian exports relative to their U.S. quotas during 1978-82 was low. The quotas on these products, on the average, were 36 percent filled during 1978-82, declining from 46 percent filled in 1978 to 24 percent filled in 1982. Imports classified in group I 1/ filled less and less of their quotas each year during 1978-82; these items filled almost 30 percent of the aggregate group I quota in 1978 and then filled only 4 percent of the quota in 1982. Imports classified in group II, 2/ however, filled or nearly filled their aggregate quota during the period as shown in table 38.

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1/ Group I under the agreement that expired on Dec. 31, 1982, included only yarns and fabrics of cotton, wool, and manmade fibers.

2/ Group II under the agreement that expired on Dec. 31, 1982, included apparel, made-up goods, and miscellaneous textile products of cotton, wool, and manmade fibers.

Table 38.--Textiles and apparel: Percent of  
U.S. quotas used by India, 1978-82

(In percent)						
Item	1978	1979	1980	1981	1982	
Group I-----	29.9	23.8	23.8	15.9	3.5	
Group II <u>1</u> /-----	94.7	91.7	100.0	100.0	96.3	
Overall-----	46.0	39.3	38.2	33.8	24.1	

1/ Includes adjustments for carryover, carryforward, and swing.

Source: U.S. Department of Commerce.

India continued to fill its aggregate group II quota as well as the aggregate level in 1983 and 1984, (table III-8 for 1983 figure). This was due largely to India's success in shipping cotton shirts and blouses as well as other cotton apparel.

#### Export Potential

India has limited potential to increase its exports of textiles and apparel during the next 5 years inasmuch as it is increasingly faced with keen competition from several low-cost suppliers, particularly China and Pakistan. India's competitive disadvantages include its higher production costs for yarn and fabrics, particularly of manmade materials, limited variety of apparel items, limited fabric base, unfavorable Government policies towards the organized mill sector, and the structure of the industry, which is domestic-market oriented. In addition, tighter MFA restrictions could further limit India's export growth.

Despite these problems, the Indian textile industry possesses several advantages, including a large and well-trained work force, low wages, and a large cotton crop, and it produces unique handloomed fabrics. These advantages contributed to India's overall growth in exports until 1980. A recent trade report indicates that India's exports to the United States increased again in 1984. U.S. imports of textiles and apparel covered by MFA categories increased by 49 percent to 253 million SYE in 1984 from the level in 1983.

The major factors that will determine India's export growth, other than macroeconomic factors such as worldwide demand levels and exchange rates, are (1) Government policies, (2) industry structure, (3) competition from other less-developed countries, and (4) MFA restraints.

The GOI textile policy, though favoring exports, is primarily guided by welfare considerations and, therefore, is employment- rather than efficiency-oriented. The GOI policy to restrict importation of machinery and equipment has slowed the modernization process in the organized mill sector, although, under the new GOI policy, imports of certain machinery and equipment are

allowed and licenses are granted for installing additional equipment where the increased production is used for exports. The GOI also has been encouraging producers to set up 100-percent export-oriented units in apparel manufacturing and has allowed them to import machinery at a lower rate of duty. The GOI plan to set up free trade zones for apparel, when implemented in 1985, should also provide a much needed boost for exports. The GOI textile policy does not provide the organized mill sector with the kind of incentives and tax benefits that are accorded to the decentralized powerloom and handloom sector.

The GOI hopes to develop the wool and silk sectors as major export earners and has been working towards achieving this goal. With no MFA restraints on silk textiles, India has an opportunity to increase its exports of silk textiles, and, with Government support for importing dyeing and finishing machinery to improve the quality of silk textiles, India has the potential to compete effectively with China, Japan, and Italy.

The outlook for exports of manmade-fiber or blended textiles remains dim in the immediate future because the costs of manmade fiber and manmade-fiber yarn production in India continue to remain high. The manmade fiber and manmade-fiber yarn manufacturing segment is protected with high tariff rates on manmade fibers and manmade-fiber yarn. However, the Government has been sanctioning additional capacity in this industrial segment. Production and capacity have increased significantly in recent years, and capacity is expected to grow by another 50 percent in the manufacture of polyester filament yarn and by 26 percent in polyester-staple fiber by the end of 1985. However, with costs of production remaining high, India is not seen as a major exporter of manmade-fiber textiles in the near future.

The Indian textile industry suffers from structural problems, and the welfare-oriented employment policy of the Government has caused the outputs of the organized mill sector and the decentralized powerloom and handloom sector to be inconsistent with the pattern of consumer preferences in the domestic and international markets. The demand on the organized mill sector to produce controlled cloth (cheap, coarse cloth for mass consumption) in huge quantities has resulted in the sector selling 95 percent of its production in the domestic market, in contrast with other major exporting countries that generally export a higher percentage of their production. The requirements of domestic and international markets are different, and this inhibits production for export purposes. In addition, organized labor tends to oppose the installation of automatic looms. The use of automatic looms has, therefore, remained for years at a very low level, about 25 percent at the present time, which is much below the level in developed countries. The problem of insufficient infrastructure, especially power, has added further to the industry's structural problems.

The two basic reasons for buying from India are price and the "Indian look." However, India's price advantage has been diminishing with the advent of exports from China and Pakistan, whose prices of yarn and fabric are quoted about 15 to 50 percent lower than India's prices. Pakistan's and China's export prices for sheeting and other woven fabrics shipped to the United States averaged about 50 percent lower than India's prices during 1980-83, and China's and Pakistan's twill and sateen fabrics were consistently

cheaper by 15 to 50 percent. In the future, China is expected to become an even stronger competitor with India in the lower price/quality range, which has been India's traditional strength.

India's yarn exports are small 1/ and have been declining. The prospects of their growth appear to be slim because Indian yarn is made of short-staple cotton, making the yarn too weak to be suitable for weaving on the high tension looms used by the United States and the EC. India's yarn prices are also high relative to their quality and competition has been keen from other major yarn exporters, particularly China and Pakistan.

India's fabric exports are mainly unfinished fabrics. There has been a steady reduction in the number of conversion or finishing facilities especially in the United Kingdom, its major export market, because of the United Kingdom's noncompetitiveness with the Far East suppliers of finished fabrics. India's export potential in fabrics will depend on its ability to expand finishing facilities and to upgrade quality standards. With India's low labor costs, it can successfully compete with the Far East, where labor costs are going up much more rapidly because of shortages of skilled labor caused by greater industrialization.

Apparel exports from India grew in the 1970's, but growth prospects for the rest of the decade are limited. This is due to the narrow range of India's exports, which are confined to casual wear worn primarily during the summer season. The lack of product diversification is the result of the limited fabric base and the lack of organized product development both in terms of fabrics and garments.

The restraints established under the MFA by the United States and the EC could play a major role in the growth of exports from India. The current bilateral agreement with the United States provides no limitation on exports of yarns, fabrics, and furnishings from India, but India's exports of these items have been declining gradually in recent years. The current agreement with the United States puts more restrictive conditions on exports garments of handloomed fabric than did the agreement that expired in 1982. Such garments are now included with other apparel items under the group II quota with its 7-percent-growth per year. India has filled its apparel quota, and no extra quota was provided to account for the handloomed fabric products.

Nearly 50 percent of U.S. imports from India of MFA-controlled cotton, wool, and manmade-fiber textiles and apparel were not subject to specific limits in 1983, as seen in the following tabulation. This provides India with the opportunity to increase these exports to the United States beyond the growth rates provided for in the U.S.-India agreement for the 10 categories subject to quotas.

	<u>Categories</u> <u>number</u>	<u>Imports</u> <u>(in thousands of SYE)</u>
MFA categories under specific limits-----	10	86,307
Other MFA categories-----	<u>71</u>	<u>83,825</u>
Total-----	81	170,132

Approximately 59 percent of India's exports of textiles and apparel to the EC in 1982 were nonquota items, including both MFA and non-MFA items, primarily nonapparel products. However, with the exception of silk textiles, export growth of these items is limited due to higher production costs, increased competition, limited fabric base, and lack of product diversification.

Potential exists for India to increase its exports of silk and other non-MFA textiles and apparel to the United States and the EC. India's exports of silk textiles have been increasing and are expected to continue growing as a result of favorable Government policies providing incentives for the production of high quality silk products for export.

In sum, despite possessing enormous resources that could help India become a major exporter of textiles and apparel, the growth prospects for India's exports appear to be limited during the remainder of this decade under the existing economic and policy environment. Exports will perhaps increase more rapidly in silk and wool textiles (including carpets) with only moderate growth expected in apparel products and no significant growth expected in cotton textile products.

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1/ Totaled only \$46 million in 1983.

Table III-1.--Textiles and apparel: India's exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
Developing								
Big Three.....	4,361	4,343	4,251	4,578	4,392	3,780	3,483	3,366
Other Asia...	59,835	52,808	9,819	84,079	82,504	81,918	58,654	14,175
Other								
developing:	36,835	21,902	6,898	26,155	29,823	28,684	10,121	487
socialist.....	9,264	10,684	8,980	15,134	25,621	30,068	28,938	1,534
Developed								
EEC.....	222,259	288,347	322,843	438,024	520,289	394,821	337,175	352,179
Southern								
Europe.....	3,455	4,973	5,110	7,049	8,223	9,813	7,381	3,644
Other Europe:	27,547	37,053	35,247	49,276	65,006	57,191	52,034	44,880
United								
States.....	165,087	177,329	191,388	201,301	231,836	202,310	152,228	150,158
Canada.....	17,779	15,246	16,896	19,738	23,453	17,961	13,973	13,261
Japan.....	16,595	20,331	24,755	38,182	36,052	28,717	36,416	28,263
Other.....	33,517	42,313	48,517	50,058	64,263	44,211	38,355	5,612
Apparel:								
Developing								
Big Three....	201	375	1,040	2,106	1,146	2,486	2,280	1,013
Other Asia...	16,605	21,829	9,601	44,126	44,017	59,496	50,537	16,445
Other								
developing:	8,648	7,595	1,214	4,617	4,615	3,260	2,035	832
socialist.....	1,907	4,304	1,100	4,640	6,693	5,512	4,436	4,701
Developed								
EEC.....	166,429	213,347	239,193	344,665	431,901	420,650	366,366	274,816
Southern								
Europe.....	1,423	4,313	4,174	3,906	8,397	5,562	5,696	26
Other Europe:	20,776	29,219	35,005	41,219	46,595	58,674	59,670	45,035
United								
States.....	87,520	73,762	169,578	181,481	164,833	205,627	179,612	253,908
Canada.....	10,334	5,284	8,123	13,501	15,143	26,176	21,401	23,986
Japan.....	4,345	7,586	15,791	29,697	23,846	24,103	22,468	15,596
Other.....	7,803	16,691	20,017	11,544	10,387	19,480	17,284	1,309
Textile & Apparel:								
Developing								
Big Three....	4,562	4,718	5,291	6,684	5,538	6,266	5,763	4,379
Other Asia...	76,440	74,637	19,420	128,205	126,521	141,414	109,191	30,620
Other								
developing:	45,483	29,497	8,112	30,772	34,438	31,944	12,156	1,319
socialist.....	11,171	14,988	10,080	19,774	32,314	35,580	33,374	6,235

footnotes at end of table.

Table III-1.---Textiles and apparel: India's exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	-----1,000 dollars-----							
ile &								
pparel:								
veloped								
EEC.....	388,688	501,694	562,036	782,689	952,190	815,471	703,541	626,995
Southern								
Europe.....	4,878	9,286	9,284	10,955	16,620	15,375	13,077	3,670
Other Europe:	48,323	66,272	70,252	90,495	111,601	115,865	111,704	89,915
United								
States.....	252,607	251,091	360,966	382,782	396,669	407,937	331,840	404,066
Canada.....	28,113	20,530	25,019	33,239	38,596	44,137	35,374	37,247
Japan.....	20,940	27,917	40,546	67,879	59,898	52,820	58,884	43,859
Other.....	41,320	59,004	68,534	61,602	74,650	63,691	55,639	6,921
1.....	925,359	1,062,542	1,179,540	1,616,197	1,849,058	1,730,720	1,520,543	1,473,507

Based on world imports from India as reported to the United Nations.

Partly estimated by the staff of the U.S. International Trade Commission, and includes data for those countries which reported in 1981 and prior years, but have not reported in 1982 and 1983.

Source: Compiled from United Nations data.

Table III-2.--Textiles and apparel: India's exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
United States.....	165,087	177,329	191,388	201,301	231,836	202,310	152,228	150,158
West Germany.....	64,397	87,719	113,779	157,635	132,027	175,961	156,901	167,631
United Kingdom.....	92,385	109,833	109,918	147,055	132,401	81,246	57,002	70,705
France.....	24,008	34,362	32,015	45,928	56,931	41,168	39,713	32,050
Italy.....	12,343	11,283	10,646	28,231	37,747	28,254	29,206	26,809
Japan.....	16,595	20,331	24,755	38,182	36,052	28,717	36,416	28,263
Australia.....	23,046	28,193	33,901	35,221	46,143	35,342	27,322	31,300
Netherlands.....	7,119	14,269	20,821	24,251	30,238	19,348	18,387	31,368
Saudi Arabia.....	9,751	18,996	21,896	25,485	34,433	29,928	23,177	31,250
Canada.....	17,779	15,246	16,896	19,738	23,453	17,961	13,973	31,250
Other.....	166,832	160,676	120,585	211,667	260,224	239,394	312,533	312,388
Total.....	599,342	678,237	674,704	934,694	1,091,485	899,629	782,858	773,633
Apparel:								
United States.....	87,520	73,762	169,578	181,481	164,833	205,627	179,612	253,908
West Germany.....	53,129	67,165	74,888	100,252	152,489	169,470	141,275	97,479
United Kingdom.....	50,713	51,404	52,159	92,377	98,444	94,601	79,031	65,801
France.....	22,252	31,492	40,967	61,803	76,393	64,978	55,652	43,837
Italy.....	12,709	21,139	22,241	31,320	45,301	35,714	44,380	32,209
Japan.....	4,345	7,586	15,791	29,697	23,846	24,103	22,468	15,596
Australia.....	7,754	16,625	19,918	11,380	10,258	19,171	16,590	31,200
Netherlands.....	19,239	26,576	32,173	35,557	29,147	28,891	25,107	31,180
Saudi Arabia.....	5,397	4,122	21,137	11,137	15,178	13,882	14,063	31,150
Canada.....	10,334	5,284	8,123	13,501	15,143	26,176	21,401	31,239
Other.....	52,625	79,150	68,998	112,998	126,541	148,478	138,106	113,938
Total.....	326,017	384,305	504,836	681,503	757,573	831,091	737,685	699,874
Textile & Apparel								
United States.....	252,607	251,091	360,966	382,782	396,669	407,937	331,840	404,066
West Germany.....	117,526	154,884	188,667	257,887	354,516	345,431	298,176	265,110
United Kingdom.....	143,098	161,237	162,077	239,432	230,845	175,847	136,033	136,506
France.....	46,260	65,854	72,982	107,731	133,324	106,146	95,365	75,887
Italy.....	25,052	32,422	32,887	59,551	83,048	63,968	73,586	59,018
Japan.....	20,940	27,917	40,546	67,879	59,898	52,820	58,884	43,859
Australia.....	30,800	44,818	53,819	46,601	56,401	54,513	43,912	31,500
Netherlands.....	26,358	40,845	52,994	59,808	59,385	48,239	43,494	34,488
Saudi Arabia.....	15,148	23,118	21,896	36,622	49,611	43,810	37,240	31,247
Canada.....	28,113	20,530	25,019	33,239	38,596	44,137	35,374	40,000
Other.....	219,447	239,826	189,583	324,665	386,765	387,872	366,639	273,327
Total.....	925,359	1,062,542	1,179,540	1,616,197	1,849,058	1,730,720	1,520,543	1,473,507

1/ Based on world imports from India as reported to the United Nations.

2/ Not available.

3/ Partly estimated by the staff of the U.S. International Trade Commission for those countries which reported in 1981 and prior years, but have not reported in 1982 and 1983.

Source: Compiled from United Nations data.

Table III-3.--Textiles and apparel: India's exports, 1/ by types, 1979-83

C Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Yarn.....	118	73	135	90	366	210.169
Woolen yarn.....	13	913	85	130	20	53.846
Cotton yarn.....	16,080	12,019	8,550	9,083	8,512	-47.065
Manmade fibers.....	4,569	5,486	2,301	2,240	4,352	-4.749
Grey cotton	25,756	25,474	23,741	25,190	32,574	26.472
Woolen	150,591	132,691	79,959	35,358	43,776	-70.931
Cotton	76,484	81,083	69,294	60,575	43,649	-42.931
Manmade	17,733	18,012	13,131	8,558	1,663	-90.622
Woolen	8,301	5,235	3,522	2,261	730	-91.206
Cotton	886	741	486	308	105	-88.149
Manmade	3,187	3,158	3,137	2,142	1,983	-37.778
Woolen	198,703	263,309	189,428	138,086	106,589	-46.358
Cotton	1,866	1,253	466	463	184	-90.139
Manmade	88,396	116,439	88,539	68,954	45,151	-48.922
Woolen	52,951	77,599	56,222	44,896	18,922	-64.265
Cotton	238,722	282,627	295,538	288,372	294,716	23.456
Manmade	42,176	51,877	42,022	32,722	25,203	-40.243
Woolen	417,647	484,266	578,803	473,107	423,869	1.490
Cotton	117,854	85,999	62,317	74,579	75,582	-35.868
Manmade	3,803	8,081	7,881	2,674	2,314	-39.153

footnotes at end of table.

Table III-3.---Textiles and apparel: India's exports, 1/ by types, 1979-83---Continued

SITC Description	1,000 dollars					Percent change 1983 from 1979
	1979	1980	1981	1982	1983	
cessories, not						
knit.....	28,439	35,842	50,518	60,940	25,585	-10.036
oves of textile						
materials.....	2,267	2,133	1,628	1,808	1,530	-32.510
adwear.....	1,054	1,400	1,910	1,063	954	-9.488
ockings, etc.,						
knit.....	245	249	9	108	90	-63.265
der garments, knit:	13,152	18,392	21,118	20,073	20,443	55.436
ter garments, knit:	13,939	19,672	20,199	23,108	26,974	93.515
astic fab. & art.,						
knit.....	108	138	85	127	45	-58.333
ather apparel and						
accessories.....	18,804	24,353	21,032	23,458	22,728	20.868
ber apparel and						
accessories.....	125	254	109	79	86	-31.200
apparel and						
articles.....	4,178	4,341	4,910	3,448	1,588	-61.991

1/ Based on world imports from India as reported to the United Nations.

Source: Compiled from United Nations data.

Table III-4.--Cotton textiles: U.S. imports from India, by MFA categories, 1980-83

Category	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983		
310	Cingham	11,783	0	2,723	49	10	0	4	1		
312	Corduroy	12,705	8,432	386	0	14	9	1	0		
313	Sheeting	8,661,224	5,149,491	1,275,563	466,710	3,942	2,348	609	211		
314	Poplin and broadcloth	61,362	12,494	594	0	40	8	1	0		
315	Printcloth	3,113	194,806	267,580	5,980	2	69	115	6		
316	Shirting	1,098	109,891	0	3,303	2	68	0	3		
317	Twill and sateen	11,224,493	8,169,393	498,479	30,659	6,991	5,259	353	17		
318	Yarn-dyed fabric, n.e.s.	1,976,888	492,126	168,827	750,579	1,633	458	173	694		
319	Duck	7,658,442	6,411,767	2,587,058	1,864,451	4,809	4,877	2,707	1,969		
320	Woven fabrics, n.e.s.	11,789,138	12,682,373	5,334,860	5,379,311	7,880	8,141	4,221	3,597		
330	Handkerchiefs	2,615	4,388	6,496	2,756	8	16	16	6		
331	Gloves	176,355	109,872	770,000	658,655	149	85	630	518		
333	Suit-type coats, men's and boys'	84,708	5,358	6,010	85,975	146	14	8	178		
334	Other coats, men's and boys'	259,570	241,482	506,916	1,224,751	424	408	774	1,686		
335	Coats, women's, girls', and infants'	3,732,242	4,523,879	4,243,904	5,646,412	4,286	6,073	6,004	8,074		
336	Dresses	9,388,923	11,913,449	10,506,929	13,054,323	14,392	19,330	15,084	19,110		
337	Playsuits	61,200	155,450	301,900	1,367,600	151	399	579	2,377		
338	Knit shirts, men's and boys'	87,286	78,991	130,550	220,413	284	293	354	595		
339	Knit shirts and blouses, women's, girls', and infants'	370,520	387,208	425,383	342,395	1,048	991	1,155	1,134		
340	Shirts, not knit, men's and boys'	8,358,144	11,499,624	13,721,832	17,489,856	12,951	16,576	19,508	26,970		
341	Blouses, not knit, women's, girls', and infants'	32,392,727	34,213,984	26,020,617	38,031,515	75,323	85,305	64,738	90,169		
342	Skirts	3,899,820	5,195,001	5,449,826	2,737,568	9,597	13,969	14,809	7,028		
345	Sweaters	109,812	86,075	85,744	196,365	114	157	129	312		
347	Trousers, men's and boys'	199,360	150,677	120,505	311,411	588	489	441	848		
348	Trousers, women's, girls', and infants'	1,576,812	2,933,920	2,005,437	3,539,105	3,797	8,496	7,463	8,819		
349	Brassieres	38	0	0	0	1	0	0	1,241		
350	Dressing gowns	142,545	383,877	584,052	760,971	153	576	990	0		
351	Nightwear	1,280,812	1,376,908	477,672	790,816	1,440	1,586	564	989		
352	Underwear	7,722	2,640	21,791	8,844	12	5	67	19		
359	Other apparel	3,860,313	4,463,562	3,415,592	7,456,042	6,767	8,408	6,000	11,464		
360	Pillowcases	134,324	270,874	121,554	40,679	132	188	115	42		
361	Sheets	9,077	5,127	7,378	22,866	7	6	6	12		
362	Bedspreads and quilts	2,189,191	2,383,910	2,270,108	1,015,913	1,717	1,684	1,600	1,016		
363	Terry and other pile towels	4,322,147	3,741,713	7,042,549	4,935,977	4,735	4,401	7,083	4,297		
369	Other manufactures	27,178,762	29,549,174	35,503,926	48,670,080	10,787	12,310	13,398	16,857		
	Total	141,035,143	146,907,918	23,882,741	157,112,380	174,333	203,003	169,700	210,657		

1/ Less than 500 dollars.

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

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

Table III-5.--Wool textiles: U.S. imports from India, by MFA categories, 1980-83

Category	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983	1980	
400	Wool tops and yarn	110	110	6,636	8,550	1	1	25	10		
410	Woolens and worsteds	23,784	10,765	15,657	13,729	84	41	45	58		
429	Tapestries and upholstery	32,845	39,127	3,298	40,331	33	28	18	113		
431	Fabric, n.e.s.	0	0	0	74	0	0	0	1		
431	Gloves	0	0	0	27	0	0	0	1		
433	Suit-type coats, men's and boys'	72	6,516	0	0	1	59	0	0		
434	Other coats, men's and boys'	1,188	0	3,078	2,052	4	0	25	8		
435	Coats, women's, girls', and infants'	25,434	3,942	2,430	47,790	46	25	20	38		
436	Dresses	4,576	295	7,429	5,462	11	1	30	21		
438	Knit shirts and blouses	60	0	0	165	1	0	0	1		
440	Shirts and blouses, not knit	2,496	3,096	1,920	18,528	11	20	11	84		
442	Skirts	2,934	1,962	5,778	7,650	12	22	30	58		
443	Suits, men's and boys'	54	28,674	0	0	1/	148	0	0		
45	Sweaters, men's and boys'	9,463	5,416	50,116	182,756	53	31	207	821		
46	Sweaters, women's, girls', and infants'	5,416	34,329	51,336	354,516	46	190	245	1,308		
47	Trousers, men's and boys'	93,636	97,128	62,892	20,106	605	715	461	143		
48	Trousers, women's, girls', and infants'	5,382	23,112	234	1,854	29	202	2	11		
59	Other apparel	4,980	3,292	3,456	14,016	30	24	29	90		
54	Blankets	44	237	0	307	1	1	0	2		
55	Floor coverings	846,919	2,273,172	1,222,499	1,623,189	40,177	45,447	43,957	49,784		
59	Other manufactures	56,192	34,690	26,732	71,982	210	160	87	136		
	Total	1,115,585	2,565,863	1,463,491	2,413,084	41,355	47,114	45,192	52,689		
	/ Less than 500 dollars										

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

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

Table III-6.--Manmade-fiber textiles: U.S. imports from India, by MFA categories, 1980-83

Category	Description	Equivalent square yards					1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982
600	Textured yarns	182	105	0	420	1/	1/	0	0	0	0	3
601	Continuous cellulosic yarn	0	0	98,108	17,196	0	0	0	0	0	55	13
602	Continuous noncellulosic yarn	0	0	128,250	0	0	0	0	0	0	3	0
605	Other yarns	278	12,548	56,418	16,874	1	16	61	159	424	159	93
610	Continuous cellulosic woven fabrics	1,420,296	728,541	422,225	69,521	741	0	11	2	0	0	3
611	Spun cellulosic woven fabrics	0	8,399	1,277	1,985	0	0	0	0	0	0	0
612	Continuous noncellulosic woven fabrics	8,903	16,796	18,816	5,629	21	26	12	12	0	0	3
613	Spun noncellulosic woven fabrics	95	25,235	125	319	2	33	1	1	0	0	1
614	Woven fabrics, n.e.s.	27,774	17,490	60,244	75,958	64	42	79	134	0	0	0
621	Knit fabric	0	0	0	1,661	0	0	0	0	0	0	4
626	Pile or tufted fabric	57,599	4,721	5,675	78	111	9	15	1	0	0	1
627	Specialty fabrics	301,626	56,869	14,937	9,204	257	125	93	48	0	0	0
631	Gloves	5,922	0	0	0	12	0	0	0	0	0	0
634	Other coats, men's and boys'	661	950	21,848	21,682	2	2	36	44	0	0	0
635	Coats, women's, girls', and infants'	56,787	63,478	55,880	173,129	97	116	117	267	0	0	0
636	Dresses	730,870	635,648	776,081	1,623,509	1,237	1,318	1,601	2,474	0	0	0
637	Play suits	1,151	937	6,604	2,300	4	3	21	7	0	0	0
638	Knit shirts, men's and boys'	8,460	2,016	0	0	9	4	0	0	0	0	0
639	Knit shirts and blouses, women's, girls', and infants'	25,020	35,490	35,670	61,320	65	79	118	150	0	0	0
640	Shirts, not knit, men's and boys'	570,096	628,824	275,976	179,376	944	1,080	375	293	0	0	0
641	Blouses, not knit, women's, girls', and infants'	1,359,088	1,527,750	1,199,820	3,192,235	3,710	4,816	3,575	8,450	0	0	0
642	Skirts	76,290	299,681	443,113	1,231,725	231	1,071	1,424	3,653	0	0	0
644	Suits, women's, girls', and infants'	6,318	3,564	3,834	3,186	10	7	23	6	0	0	0
645	Sweaters, men's and boys'	0	0	294	121,661	0	0	1/	134	0	0	0
646	Sweaters, women's, girls', and infants'	17,406	2,245	74	35,255	31	3	1	60	0	0	0
647	Trousers, men's and boys'	481	1,798	23,265	6,942	2	5	56	24	0	0	0
648	Trousers, women's, girls', and infants'	80,900	162,603	221,272	231,560	226	492	434	536	0	0	0
650	Dressing gowns	7,803	0	9,027	29,631	6	0	35	29	0	0	0
651	Nightwear	34,788	11,856	676	45,864	46	16	1	48	0	0	0
652	Underwear	2,624	592	304	0	3	4	1	0	0	0	0
659	Other apparel	201,224	579,844	793,354	1,143,315	275	711	940	1,291	0	0	0
665	Floor coverings	6,080	4,570	4,007	7,145	39	23	27	61	0	0	0
666	Other furnishings	4,048,262	3,757,338	2,420,964	2,216,752	2,549	2,695	1,892	1,686	0	0	0
69	Other manufactures	35,849	18,868	56,878	81,706	18	21	48	43	0	0	0
	Total	9,092,923	8,608,756	7,155,016	10,607,138	10,711	13,150	11,207	19,573	0	0	0

1/ Less than 500 dollars.

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

Table III-7.---Textiles and apparel: Limits under the United States-India bilateral agreement and shipments charged, by MFA categories, agreement years 1981 and 1982

MFA category	Description	Units	Limitation 1/		Shipments charged		Share filled	
			1981	1982	1981	1982	1981	1982
			-----1,000 units-----				-----Percent-----	
Group I---	Aggregate-----	SYE	228,110	244,078	77,127	58,884	33.8	24.1
313---	Yarns and fabrics-----	do	2/ 184,740	2/ 197,672	29,420	7,024	15.9	3.5
315---	Cotton sheeting-----	Sq yd	50,000	50,000	4,616	1,286	9.2	2.5
317---	Cotton printcloth-----	do	12,500	12,500	234	159	1.8	1.2
	Cotton twill and sateen.	do	24,000	24,000	6,030	161	25.1	0.6
319---	Cotton duck-----	do	17,500	17,500	5,717	1,842	32.6	10.5
320---	Other cotton woven fabric.	do	45,000	45,000	11,428	2,873	25.3	6.3
610---	Manmade-fiber woven fabric of continuous cellulosic filament.	do	7,000	7,000	983	57	14.0	0.8
Group II---	Apparel, made-up goods, and other miscella- neous textile articles.	SYE	2/ 3/ 47,707	2/ 53,831	47,707	51,859	100.0	96.3
360---	Cotton pillowcases-----	Number	8,182	8,182	185	3	2.2	-
361---	Cotton sheets-----	do	1,613	1,613	1	-	0.0	-
362---	Cotton bedspreads and quilts.	do	333	333	51	85	15.2	25.4
363---	Cotton terry towels-----	do	20,000	20,000	7,144	11,579	35.7	57.8
369---	Other cotton manu- factures.	Lb	2,609	2,609	1,271	824	48.7	31.5
666---	Other manmade-fiber furnishings.	do	4/ 1,026	5/ 513	494	293	48.1	57.2

1/ Limitations are specific limits, unless otherwise noted.

2/ Designated consultation levels.

3/ Swing granted.

4/ Increase in consultation level.

5/ Adjusted upward.

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

Table III-8.--Textiles and apparel: Limits under the United States-India bilateral agreement and shipments charged, by MFA categories, agreement year 1983

MFA category	Description	Units	Limitation	Shipments charged	Share filled
			-----1,000 units-----		Percent
Group I:	Yarns, fabrics, made-up goods, and other miscellaneous textile products:				
363-----	Cotton terry towels.	Number	15,000	8,899	59.3
Group II--:	Apparel-----	SYE	<u>1/</u> 98,997	98,528	99.5
335-----	Cotton coats, women's, girls' and infants'.	Doz	<u>2/</u> 146	146	100.0
336-----	Cotton dresses-----	do-----	<u>2/</u> 267	267	100.0
338/339 : 340. :	Cotton shirts-----	do-----	<u>2/</u> 910	858	94.2
341-----	Cotton blouses-----	do-----	2,589	2,589	100.0
342-----	Cotton skirts-----	do-----	<u>2/</u> 351	332	94.3
347/ 348. :	Cotton trousers-----	do-----	<u>2/</u> 226	224	98.9

1/ Adjusted limit with carryforward used.

2/ Adjusted limit with shift added and carryforward granted.

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

## CHAPTER IV. INDONESIA

## Introduction

Indonesia is an archipelago of more than 13,500 islands extending for 3,000 miles along the equator from the mainland of Southeast Asia to Australia. It is the fifth most populous country in the world after China, India, the U.S.S.R., and the United States. Its population, which grew at an average annual rate of 2.1 percent during 1976-83, totaled 162.2 million people in 1984. 1/ Approximately 90 million live on the island of Java, which is one of the most densely populated regions in the world and covers an area, including the country's capital (Jakarta), about the size of New York State.

Indonesia is the poorest of the ASEAN countries, 2/ with a per capita income of \$551 in 1982 (based on the gross national product in 1980 market prices). 3/ However, it reportedly ranks third in the world in known natural resources, with vast resources of rubber, tin, coal, and timber. 4/ Indonesia and neighboring Malaysia are the world's largest producers of natural rubber, and they, together with Thailand, are the largest producers of tin. In addition, Indonesia, the only OPEC member country in Asia, has natural gas reserves that rank among the largest in the world. 5/

Indonesia's economy is highly influenced by developments in the energy sector, which generated two-thirds of the Government's revenues during fiscal year (FY) 1984 6/ and slightly more than three-fourths of the country's exports during 1981-83. After growing rapidly during the 1970's and into the early 1980's, when real growth in the gross domestic product (GDP) averaged 9.9 percent in 1980 and 7.9 percent in 1981, the Indonesian economy slowed considerably in 1982 when real growth declined to 2.2 percent, the smallest increase since 1967. The economy recovered modestly in 1983, with real GDP growth rising to 4.2 percent; real growth in 1984 is expected to reach 4.5 to 5 percent. 7/ The slowdown in 1982 resulted primarily from the economic recession in the major world markets and the corresponding decline in demand for Indonesia's energy products, which was exacerbated by declining oil prices, and for many of its other primary commodities (e.g., rubber and tin), which account for a significant share of its non-oil exports. The partial recovery in 1983 was led by oil and agriculture, the largest sector of the country's economy.

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1/ "Regional Performance Figures," Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984, p. 6.

2/ The Association of South East Asian Nations (ASEAN) has six members--Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand; all but Brunei are covered in this report.

3/ Per capita income in 1982 (based on 1980 market prices) for Malaysia was \$1,732; the Philippines, \$772; Singapore, \$5,568; and Thailand, \$753. See International Monetary Fund, International Financial Statistics: Supplement on Output Statistics, No. 8, 1984, pp. 19 and 21.

4/ U.S. Department of Commerce, "Investment Opportunities in Indonesia," Business America, July 26, 1982, p. 11.

5/ Ibid., p. 12.

6/ Indonesia's fiscal year runs from April 1 to March 31. FY 1984 ends on Mar. 31, 1984.

7/ U.S. Embassy, Jakarta, Economic Trends Report--Indonesia, Nov. 16, 1984.

The Government of Indonesia is seeking to diversify the country's economic base to reduce its dependence on the capital-intensive oil and gas sector, generate much-needed export revenues to finance further economic growth, and create new jobs. It is emphasizing further development of its natural resources; agribusiness, especially in "areas of transmigration;" <sup>1/</sup> and labor-intensive manufacturing, particularly of textiles and apparel. Indonesia's manufacturing sector is at an early stage of development. It is highly dependent on imported materials, though the Government is encouraging local procurement, and demand for its output is reliant on domestic consumption, which showed little or no growth during 1982 and 1983.

### The economy

Indonesia's GDP, which in 1983 totaled \$73 billion in current market prices, showed a real growth of 7.9 percent in 1981, 2.2 percent in 1982, and 4.2 percent in 1983. <sup>2/</sup> Depressed international markets and weak oil prices slowed general economic growth in 1982 to its smallest advance since 1967, but strong agricultural growth and non-oil export performance created a modest recovery in 1983. Economic growth was expected to increase somewhat in 1984 to between 4.5 and 5.0 percent, though still remaining below the growth during the last decade.

The worldwide economic recession and reduction in oil prices contributed importantly to the current account deficit of \$5.3 billion in 1982 and \$6.3 billion in 1983, compared with surpluses of \$2.9 billion in 1980 and just under \$1 billion in 1979. <sup>3/</sup> However, the current account deficit is expected to be reduced as a result of the economic measures taken by the Government, including an austere FY 1983 budget; a reduction in domestic oil subsidies; a 28-percent devaluation of the rupiah on March 30, 1983, to stimulate non-oil exports; and cancellation or postponement of some major public sector projects involving foreign exchange expenditures. <sup>4/</sup> Despite the devaluation, inflation was 12 percent in 1983 and just under 10 percent in 1984, compared with the 11-percent annual rate during 1981 and 1982. <sup>5/</sup> The check on inflation was due to restraints on government spending, weak domestic demand, and wage restraints, which are likely to increase unemployment levels and bring down real wages.

Total revenue received by the Government increased moderately to an estimated \$16.1 billion in 1984 from \$15.8 billion in 1983. About 64 percent of the revenue came from taxes on oil, and corporate taxes as a whole made up 78 percent of the revenue. Customs and excise taxes accounted for 4.2 percent

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<sup>1/</sup> Areas of transmigration are sparsely populated areas of the country to which the Government is encouraging migration to improve the distribution of the population and provide manpower for labor-scarce areas.

<sup>2/</sup> U.S. Embassy, Jakarta, Economic Trends Report-Indonesia, Nov. 16, 1984.

<sup>3/</sup> International Monetary Fund, International Financial Statistics, April 1985, p. 250.

<sup>4/</sup> U.S. Embassy, Jakarta, Economic Trends Report-Indonesia, Nov. 16, 1984.

<sup>5/</sup> Ibid.

and personal taxes 1.8 percent. 1/ Government expenditures increased by 9 percent from \$17.7 billion in 1983 to an estimated \$19.2 billion in 1984, resulting in an increase in the deficit of nearly \$1.3 billion to \$3.2 billion. The deficit was financed mostly through foreign borrowing. 2/

Because the prospect of growth of oil tax revenues is limited, the new tax measures planned by the Government are intended to broaden the tax base and increase non-oil tax revenues from about 7 percent of the GDP in FY 1983 to about 11 percent by FY 1988. 3/ Lower corporate tax rates and liberalized depreciation schedules have been promulgated; value-added tax is scheduled to go into effect by January 1, 1986.

The largest sector in Indonesia's economy is agriculture, accounting for approximately one-fourth of the GDP and employing slightly more than half the labor force. Agricultural production, after increasing at an average annual rate of 3.6 percent during 1970-80, rose by 7.5 percent in 1981 and only 1.4 percent in 1982. 4/ Growth in agricultural production recovered to 4.6 percent in 1983. 5/ Rice is the major crop in which Indonesia has attained self-sufficiency in recent years. Other major crops are rubber, palm oil, coconuts, coffee, tea, cloves, pepper, tobacco, and sugarcane. Significant production gains were registered for sugarcane, rubber, and palm oil in 1984.

The manufacturing sector, accounting for almost 13 percent of GDP in 1982, is largely domestic oriented and import dependent. However, the structure is changing, especially since the reduction in oil revenues, and manufacturing is becoming a significant source of export earnings. This sector, presently faced with increased prices of raw materials, fuels, and utilities, and depressed local market conditions brought about by the Government's austere measures, has found it difficult to pass on higher operating expenses, which has resulted in a significant drop in earnings. Consequently, investment in manufacturing activities has declined. Investments in 1984 totaled only about one-third those of the previous year. 6/

The Government of Indonesia is encouraging the development of both basic industry and production of consumer goods. Consumer goods production represents 45 percent of manufactured output, a significant decline from a decade ago, while intermediate goods represent 40 percent, and capital goods, 15 percent. 7/ Major industries of Indonesia are those producing fertilizers, pesticides, paper, tires, cement, glass, oxygen, and manmade fibers.

Crude oil production, the country's major source of Government revenues and export earnings, totaled 480 million barrels in FY 1983. Total proven crude reserves are estimated at 10 billion barrels; given current rates of

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1/ Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984, p. 8.

2/ International Monetary Fund, International Financial Statistics, April 1985, p. 250.

3/ U.S. Embassy, Jakarta, Economic Trends Report-Indonesia, Nov. 16, 1984.

4/ International Monetary Fund, International Financial Statistics: Supplement on Output Statistics, No. 8, Washington, D.C., 1984, p. 412.

5/ Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984, p. 164.

6/ Ibid.

7/ Ibid.

output, Indonesia could face an energy crisis in the 1990's. Indonesia also has proven recoverable reserves of natural gas that exceed 80 trillion standard cubic feet, approximately one-half of which are located offshore. Coal is expected to supply 18 percent of Indonesia's domestic energy needs by 1990. Significant quantities of coal are also exported. The Government plans for the installation of over 1,800 megawatts of coal-fired electric generating capacity during the next 5 years, with further expansion planned thereafter. A plan is also underway to triple its electric power capacity by 1989, the per capita production of which is currently the lowest among the ASEAN countries.

Indonesia's total workforce in 1984 totaled 54 million persons, 55 percent of whom were employed in the agricultural sector, 29 percent in commerce and services, 9 percent in manufacturing, and 3 percent in construction. <sup>1/</sup> Each year, approximately 2 million people are added to the work force, and, consequently, the Government has emphasized job creation through expansion of labor-intensive and low technology industries.

### Foreign trade

Indonesia recorded growing trade surpluses during the 1970's, aided principally by its growing exports of petroleum. After peaking at \$13.1 billion in 1980, the trade surplus declined thereafter, especially in 1982 when imports accelerated and exports of petroleum products declined significantly, as shown in table 39.

Table 39.--Indonesia's imports, exports, and trade balance, 1979-84

(In millions of dollars)

Year	Including petroleum and natural gas			Excluding petroleum and natural gas		
	Imports	Exports	Balance	Imports	Exports	Balance
1979-----	7,202.3	15,590.1	+8,387.3	6,408.8	5,426.4	-982.4
1980-----	10,834.4	23,950.4	+13,116.0	9,085.9	6,168.8	-2,917.1
1981-----	13,272.1	25,164.5	+11,892.4	11,550.4	4,501.3	-7,904.1
1982-----	16,858.9	22,328.3	+5,469.4	13,314.1	3,929.0	-9,385.9
1983-----	16,351.7	21,145.9	+4,794.2	12,206.9	5,005.2	-7,201.7
1984 <sup>1/</sup> -----	18,426.7	22,402.2	+3,975.5	14,282.1	6,261.5	-8,020.6

<sup>1/</sup> Estimated.

Source: Government of Indonesia, Central Bureau of Statistics, Exports By Commodity, Country of Destination and Port of Export, 1983.

Machinery and transportation equipment accounted for the largest portion of Indonesia's imports in 1983, amounting to \$5.7 billion; minerals, fuels, lubricants, and related materials were second, amounting to \$4.1 billion in 1983, as shown in table 40. Leading exports in 1983 were minerals, fuels,

Table 40.--Indonesia's exports and imports, by major commodities, 1981-83

(In millions of dollars)			
Item	1981	1982	1983
<b>Exports:</b>			
Food and other agricultural products-----	1,113	1,062	1,290
Inedible crude materials-----	2,208	1,582	1,650
Crude rubber-----	835	607	848
Wood, lumber, and cork-----	884	556	348
Mineral fuels, lubricants, and related products-----	20,669	18,408	16,153
Crude petroleum-----	16,953	14,856	12,600
Refined petroleum products-----	1,209	637	951
Gas, natural and manufactured-----	2,499	2,906	2,583
Chemicals-----	64	61	119
Manufactured goods-----	1,051	1,138	1,696
Wood and cork manufactures-----	201	323	746
Textile products-----	36	44	121
Apparel-----	95	116	157
Machinery and transportation equipment-----	154	180	133
All other-----	60	77	238
<b>Total-----</b>	<b>25,165</b>	<b>22,328</b>	<b>21,146</b>
<b>Imports:</b>			
Food and other agricultural products-----	1,430	1,138	1,174
Inedible crude materials-----	565	609	676
Textile fibers-----	310	300	255
Minerals fuels, lubricants, and related products-----	1,727	3,550	4,150
Crude petroleum-----	671	1,133	894
Refined petroleum products-----	991	2,327	3,157
Chemicals-----	1,754	1,804	1,893
Manufactured goods-----	7,462	9,368	8,394
Machinery and transportation equipment-----	4,619	6,260	5,684
Textile and apparel products-----	261	208	158
All other-----	334	390	65
<b>Total-----</b>	<b>13,272</b>	<b>16,859</b>	<b>16,352</b>

Source: Government of Indonesia, Central Bureau of Statistics, Imports by Commodity and Country of Origin and Exports by Commodity, Country of Destination and Port of Export, various issues.

lubricants, and related materials (chiefly crude petroleum), \$16.2 billion; rubber, \$0.6 billion; and coffee, tin, and wood (especially teakwood), each \$0.3 billion. In 1983, exports of textile products totaled \$106 million, and apparel, \$154 million. Imports of textile products were over \$149 million, and apparel, under \$10 million, in 1983. 1/

Indonesia's major export market is Japan, which received products valued at \$9.7 billion in 1983. The chief exports to Japan that year were crude petroleum, valued at \$3.7 billion, and liquified natural gas, valued at \$1.6 billion. Indonesia's exports to the United States, its second most important market, totaled \$4.3 billion in 1983. The exports were predominant crude petroleum, which totaled \$2.2 billion in that year.

Indonesia imported chiefly from Japan, which furnished products valued at \$3.8 billion in 1983, and Singapore, which supplied products valued at \$3.5 billion in the same year. The United States was the third largest source and provided imports valued at \$2.5 billion in 1983, as shown in table 41.

Table 41.--Indonesia's imports and exports, by principal trading partners, 1982 and 1983

(In millions of dollars)

Country	Imports		Exports	
	1982	1983	1982	1983
Japan-----	4,278.5	3,793.1	11,192.6	9,678.2
United States-----	2,417.2	2,533.7	3,546.0	4,266.7
Singapore-----	2,819.0	3,464.5	3,120.9	3,127.9
All others-----	7,344.2	6,560.4	4,468.8	4,073.1
Total-----	16,858.9	16,351.7	22,328.3	21,145.9

Source: Government of Indonesia, Central Bureau of Statistics, Exports by Commodity, Country of Destination and Port of Export, 1983.

Singapore furnished mainly petroleum products, valued at \$2.6 billion in 1983; Japan, machinery, \$0.4 billion, and motor vehicles, \$0.3 billion; and the United States, machinery, \$0.3 billion. 2/

### The Textile and Apparel Industries

#### Structure

Traditionally, textiles were manufactured in the cottage industry using homespun cotton yarn. Much of the raw cotton used by the cottage industry was locally grown. There was little distribution of textiles because each area

1/ Government of Indonesia, Central Bureau of Statistics, Statistik Indonesia, 1983, pp. 382-3.

2/ Ibid., various pages.

met its own needs and, in major population centers, a spinning and weaving industry developed. However, in the 19th century, cheaper and higher quality textiles were imported, reducing dependence on domestically produced traditional products. Thereafter, textile production declined and imports became a more important source of textiles. After independence from the Netherlands was achieved in 1945, the Indonesian Government encouraged modern textile manufacturing. In the late 1960's the Government pursued a policy to replace textile imports with domestic production and, chiefly through tax incentives, encouraged foreign firms to invest in establishing textile enterprises in the country. As a result of greater foreign and domestic investment, the Indonesian textile industry was able to produce most of its domestic needs by the late 1970's.

In 1983, the textile, apparel, and leather industries had an output valued at \$1.4 billion, compared to \$11.6 billion for all manufacturing. The number of persons employed in the textile, apparel, and leather industries was 228,000 in 1979, 265,000 in 1981, 266,000 in 1982, and 301,000 in 1983. In 1979, the labor costs in these three industries were \$97 million; by 1983 they had risen to \$158 million. In 1979, input costs (including raw materials) totaled \$731 million; in 1983, they were \$833 million. 1/

Most of Indonesia's textile industry is located on Java, especially near the capital, Jakarta. Most textile jobs require semiskilled and unskilled workers, of which Indonesia had over 19 million in 1980. However, the textile industry needs additional professionally trained management and technical personnel; almost all the skilled, technical, and professional employees, which totaled almost 4 million in 1980, were employed in other industries. 2/

Indonesia's textile industry is dependent on imports of machinery and raw materials such as cotton and wool. Through Government encouragement and incentives, several manmade-fiber plants were constructed by domestic and foreign investors during the 1970's. As a result, Indonesia was able to supply almost all domestic requirements for manmade fibers in the 1980's. 3/

The nation had over 100 integrated textile mills producing yarn and fabric in 1984. These mills' production reportedly is efficient and their products are usually of good quality, especially in those plants recently established by Japanese investors. Many of these integrated mills were constructed during the late 1970's. The number of textile mills owned by foreign firms is not available; however, the Japanese are the greatest foreign investors in Indonesia and accounted for \$528 million of \$665 million total foreign investment in textiles in 1978. The only known U.S. investor in the Indonesian textile industry left in 1975 when its joint venture did not meet its expectations. 4/

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1/ Government of Indonesia, Central Bureau of Statistics, Statistik Indonesia, 1983, pp. 304-319; conversion to dollars based on 632 rupiah to US\$1 in 1979 and 970 rupiah to US\$1 in 1983.

2/ U.S. Embassy, Jakarta, Labor Trends in Indonesia, May 1984, app. II, pp. 3-4.

3/ Indonesian Synthetic Fiber Makers Association, Directory of Indonesian Textile Industries, 1981, and Supplement, 1983, Jakarta, Indonesia, pp. 22-25.

4/ "Indonesia," International Textile Review, McGraw-Hill Publications Co., 1981, p. 2.

At the end of 1983, Indonesia had 1,335 specialized textile mills. 1/ This figure includes 6 manmade-fiber plants, 88 spinning mills, 51 textured yarn plants, 898 weaving mills, 266 finishing, dyeing, and printing plants, 14 embroidery plants, and 12 carpet mills. 2/ According to Indonesian standards, all the manmade-fiber plants, almost all of the spinning and textured yarn mills, and about one-fourth of the weaving mills are classified as large. 3/ Many of the remaining textile mills and half the weaving establishments (chiefly those using handlooms) are classified as small-scale enterprises which the Government wishes to retain as a basis for an expanded textile industry.

Indonesia also had 295 knitting mills in 1980; 30 were considered large factories, 90 were classified as medium, and the rest were classified as small factories. 4/ In addition to textile mills, Indonesia has almost 110,000 batik 5/ enterprises, scattered throughout the country. These enterprises include over 2,000 classified as factories; however, most are individual home operations with one printing machine.

The Indonesian textile industry accounted for 13.7 percent of all the workers employed in manufacturing and 5.8 percent of total value added by all manufacturing industries in 1979. By 1982, the total number of workers had declined to 12 percent of all manufacturing, but the value added by the textile industry edged upward to 5.9 percent of all manufacturing. 6/ In 1984, the total hourly compensation cost for employees in spinning and weaving was 22 cents. This compares with 26 cents for China, 28 cents for Sri Lanka, 49 cents for Pakistan, 56 cents for Thailand, 71 cents for India, \$1.63 for Brazil, \$2.62 for Mexico, and \$8.60 for the United States. 7/

The sarong was the major apparel item produced in traditional Indonesia. Like textiles, this item was produced by a cottage industry using locally-grown cotton. Mechanization came in the late 1930's with the purchase of Japanese or German long, narrow sarong looms, many of which are still in use. With the arrival of independence in 1945, the Indonesian Government encouraged manufacturing of a greater variety of apparel, and by the mid-1970's larger clothing factories were established, with some of the apparel manufactured in the new factories produced for export. Because the Indonesian apparel industry was not yet "fashion oriented," the items initially produced for export were low-cost basic garments--shirts, blouses, and pants. In recent years, production for the domestic apparel market has increased, but the greater part of the Indonesian consumption of clothing

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1/ Does not include knit fabric plants.

2/ Textiles Committee, General Agreement on Tariffs and Trade, Indonesia, COM. TEX/32/Add. 9/Supp. 2, Mar. 21, 1984, p. 2.

3/ Indonesian Synthetic Fiber Makers Association, Directory of Indonesian Textile Industries, 1981, various pages.

4/ Ibid., p. 119.

5/ A method of dyeing designs on cloth by coating the parts not to be dyed with wax which is removed after dyeing.

6/ U.S. Embassy, Jakarta, Labor Trends in Indonesia, May 1984, app. II, p. 13.

7/ Werner International Management Consultants, Inc., Spinning and Weaving: Labour Cost Comparisons, Spring 1984, New York and Brussels.

remains homemade. <sup>1/</sup> The bulk of the Indonesian apparel industry, with the exception of that producing homemade garments, is located around Jakarta on the island of Java.

In 1981, 265 factories were manufacturing garments; <sup>2/</sup> with the increased production since 1981, it is believed that the number of garment factories has increased. By Indonesian standards, less than half are considered large, having over 150 sewing machines, while the remaining plants are classified as of medium size. Excluding those producing homemade garments, Media Tekstil, an Indonesian textile magazine, estimates that there are an additional 400 small establishments with several sewing machines.

### Production and capacity

Indonesia's production in the textile, apparel, and leather products industries, including household output, in 1975, 1979, and 1981-83 is shown in the following tabulation (value of gross output in millions of U.S. dollars and millions of Indonesian rupiahs, according to Statistik Indonesia, 1983):

<u>Year</u>	<u>Dollars</u> <sup>1/</sup>	<u>Rupiahs</u>
1975-----	656	272,185
1979-----	1,257	794,196
1981-----	1,619	1,040,943
1982-----	1,648	1,141,187
1983-----	1,395	1,352,997

<sup>1/</sup> Conversion equivalent of rupiahs to US\$: 1975, 415 rupiahs; 1979, 632 rupiahs; 1981, 643 rupiahs; 1982, 692 rupiahs; and 1983, 970 rupiahs.

The value of gross output in the textile, apparel, and leather industries doubled from 1975 to 1979 and continued to increase during the 1980's. Cotton fabrics dominated domestic production of textiles up to 1978. In 1978, manmade-fiber fabrics surpassed cotton fabrics and, by 1982, accounted for 60 percent of the fabrics produced in Indonesia. <sup>3/</sup>

In 1983, the most important Indonesian textiles manufactured for export were shirting fabrics and polyester-cotton spun fabrics. In the same year, apparel exports were chiefly men's and boys' shirts and trousers and women's blouses.

Total domestic fiber consumption increased from 406 million pounds in 1974 to 453 million pounds in 1979, but declined slightly to 444 million pounds in 1980 as shown in table 42. Since the population in Indonesia has increased, per capita consumption of fibers in Indonesia declined from 3.1 pounds in 1974 and 1979 to 3.0 pounds in 1980. Manmade fibers account for the

<sup>1/</sup> Indonesian Synthetic Fiber Makers Association, Directory of Indonesian Textile Industries, 1981, pp. 170-172.

<sup>2/</sup> Ibid., p. 170.

<sup>3/</sup> International Cotton Advisory Committee, Cotton--World Statistics, October 1984, p. 109.

majority of consumption. Cotton consumption was significant, while the use of other fibers was negligible. 1/

Indonesia's production of manmade fibers increased from 79 million pounds in 1976 to 332 million pounds in 1983, and planned capacity for 1985 is over 500 million pounds 1985 as shown in table 43. Production of noncellulosic manmade fibers, such as nylon and polyester, trended upward to 305 million pounds in 1983. Increases have been especially large for the continuous filament fibers since 1979. Production of staple and tow, which is used in spun yarns, also has increased. 2/

A recent development has been the beginning of production of cellulosic manmade fibers, which include rayon and acetate. Indonesia started producing these fibers in 1982, with a total output of 22.0 million pounds. Its production of cellulosic manmade fibers increased to 26.5 million pounds in 1983. 3/

Much greater emphasis has been placed on the production of cotton in Indonesia. The harvested acreage ranged between 4,000 acres and 17,000 acres during crop years (CY) 1975/76 to 1980/81, as shown in table 44. From CY 1981/82, acreage has increased steadily to 89,000 acres in CY 1983/84. 4/ However, cotton yields per acre have been erratic, and Indonesia still produces less than 10 percent of its cotton consumption. Production per acre increased from 169 pounds in CY 1975/76 to 359 pounds in CY 1977/78, then declined to 212 pounds in CY 1979/80. The average annual yield rose to 480 pounds per acre in 1980/81, but dropped to 184 pounds in CY 1981/82. Yields during CY 1981/82 to 1983/84, with the expanded acreage, averaged 201 pounds per acre. 5/ Total production of cotton in Indonesia increased to 41,000 bales in CY 1983/84. 6/

Stocks of raw cotton held in Indonesia were reduced in recent years, despite increases in total supplies and mill consumption. Although an increased volume of business generally implies a need to expand commercial inventories, the textile industry of Indonesia apparently has achieved tighter

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1/ Food and Agricultural Organization of the United Nations.

2/ Textile Economics Bureau, Inc., Textile Organon, vol. 55, no. 6, July 1984, pp. 128-9.

3/ Ibid.

4/ International Cotton Advisory Committee, Cotton--World Statistics, Washington, DC, October 1984, p. 22.

5/ Ibid., p. 24.

6/ Ibid., p. 14.

Table 42.—Cotton, wool, manmade fiber, and flax: Indonesia's mill consumption, foreign trade in textile products, and fiber available for home use (total and per capita), 1974, 1979, and 1980

Item and year	Mill consumption			Foreign trade in textile products			Available for home use		
	Million pounds	Imports Million pounds	Exports Million pounds	Balance Million pounds	Total Million pounds	Per capita 1/			
<b>Cotton:</b>									
1974	124.3	61.7	1.5	60.2	184.5	1.4			
1979	202.8	8.6	12.1	-3.5	199.3	1.4			
1980	217.2	9.7	15.0	-5.3	211.9	1.4			
<b>Manmade fiber:</b>									
1974	138.0	82.9	1.1	81.8	219.8	1.7			
1979	200.4	69.7	17.9	51.8	252.2	1.7			
1980	178.3	75.6	23.8	51.8	230.1	1.6			
<b>Wool and flax:</b>									
1974	0.0	2.0	0.0	2.0	2.0	2/			
1979	0.0	2.0	0.5	1.5	1.5	2/			
1980	0.0	2.2	0.4	1.8	1.8	2/			
<b>Total:</b>									
1974	262.3	146.6	2.6	144.0	406.3	3.1			
1979	403.2	80.3	30.5	49.8	453.0	3.1			
1980	395.5	87.5	39.2	48.3	443.8	3.0			

1/ Based on mid-year population estimated at 132.9 million in 1974, 145.6 million in 1979, and 148.0 million in 1980.

2/ Less than 0.05 pound.

Source: Compiled from official statistics of the Food and Agriculture Organization of the United Nations.

Table 43.--Manmade fibers: Indonesia's production, 1976-83, and production capacity, 1984-85

(In millions of pounds)

Item and year	Noncellulosic fibers			Total	Cellulosic fibers <u>1/</u>	Total
	Monofilament and filament yarn	Staple and tow				
Production:						
1976-----	24.3	55.1	79.4	0.0	79.4	
1977-----	38.1	82.0	120.1	0.0	120.1	
1978-----	46.9	100.1	147.0	0.0	147.0	
1979-----	50.0	110.9	160.9	0.0	160.9	
1980-----	91.6	118.9	210.5	0.0	210.5	
1981-----	102.5	121.4	223.9	0.0	223.9	
1982-----	134.3	121.7	256.0	22.3	278.3	
1983-----	154.3	151.0	305.3	26.5	331.8	
Production capacity:						
1984-----	176.4	176.4	352.8	79.4	432.2	
1985-----	176.4	246.9	423.3	79.4	502.7	

1/ All of which is staple and tow.

Source: Textile Economics Bureau, Inc., Textile Organon, Roseland, NJ, various issues.

control over inventories. Total Indonesian stocks of raw cotton trended upward from 85,000 bales on August 1, 1977, to 149,000 bales on August 1, 1980, but have ranged from 83,000 to 88,000 bales during 1981-83. 1/

Indonesia's imports of raw cotton have increased steadily since 1976, from 288,000 bales to 528,000 in CY 1983/84, reflecting the upward trend in mill consumption of these fibers. 2/ Total annual supplies of raw cotton in Indonesia, including beginning stocks, production, and imports, have exceeded 600,000 bales since CY 1979/80, compared with a little over 400,000 bales in CY 1975/76 and CY 1976/77.

Indonesia's mill consumption of cotton increased steadily from 314,000 bales during the 1975/76 season to an estimated 579,000 bales during the 1983/84 season. 3/ Indonesia's exports of cotton have been nil. 4/

1/ Ibid., p. 32.

2/ Ibid., p. 28.

3/ Ibid., p. 26.

4/ Ibid., p. 30.

Table 44.--Raw cotton: Indonesia's harvested acreage, yield, production, stocks, imports, total supply, and consumption, crop years 1975/76 to 1983/84 <sup>1/</sup>

Period (beginning: August 1)	Harvested acreage	Yield	Production	Beginning stocks	Imports for consumption	Total supply	Mill consumption
	: Pounds/acre: -----1,000 bales						
1975/76	17	169	6	80	345	431	314
1976/77	10	191	4	115	288	407	319
1977/78	4	359	3	85	400	488	368
1978/79	6	239	3	120	403	526	398
1979/80	9	212	4	124	473	601	448
1980/81	15	480	15	149	490	654	476
1981/82	60	184	23	83	491	597	509
1982/83	77	199	32	88	505	625	542
1983/84	89	221	41	83	528	652	579

<sup>1/</sup> Years beginning August 1 and ending July 31.

Source: Compiled from statistics of the International Cotton Advisory Committee Cotton--World Statistics, Washington, DC, various issues.

Combined mill consumption of cotton and manmade fibers in Indonesia during 1976-82, as reported by the International Cotton Advisory Committee, is shown in the following tabulation (in millions of pounds):

<u>Year</u>	<u>Mill consumption</u>
1976-----	403.8
1977-----	465.7
1978-----	411.7
1979-----	475.3
1980-----	551.1
1981-----	606.6
1982-----	624.4

Of particular note in the upward trend in Indonesia's mill consumption of cotton and manmade fibers is the large increases in 1977, 1980, and 1981. From 1976 to 1982, mill consumption of these fibers increased by 55 percent. Much of this increase in mill consumption of raw fiber was reflected in the expanded exports of textiles and textile products.

Production of cotton yarn in Indonesia increased from 154 million pounds in 1979 to 194-200 million pounds annually during 1980-82. Output of cotton fabrics increased significantly from 166 million pounds in 1979 to 210 million pounds in 1981, but declined to 172 million pounds in 1982. Production of fabrics of manmade fibers (including blends of manmade fibers and other fibers) increased from 313 million pounds in 1979 to 333 million pounds in 1980, and then trended downward to 260 million pounds in 1982. 1/

Indonesia's Ministry of Industry, in its 6-year plan for FY's 1982-87, estimated Indonesia's production, capacity, and domestic demand for the spinning, weaving and knitting, and apparel industries. The estimates for the spinning industry in terms of fiber consumption are shown in the following tabulation (in millions of pounds):

<u>Fiscal year</u>	<u>Production</u>	<u>Capacity</u>	<u>Demand</u>
1982-----	620.4	719.8	650.2
1983-----	664.8	755.6	670.5
1984-----	759.6	798.0	729.6
1985-----	803.0	852.4	771.0
1986-----	853.4	896.2	819.0
1987-----	910.3	955.8	873.1

These estimates project spun yarn output to increase by 31 percent from FY 1983 to FY 1986 and capacity to rise by 13 percent during the same period. Except for cotton fibers, for which domestic production is insufficient to meet demand, fibers (especially manmade fibers) for spun yarn are expected to be supplied principally by domestic sources as spinning capacity increases.

The estimates of the Ministry for the weaving and knitting industries are tabulated on the following page (in millions of yards):

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1/ Ibid.

<u>Fiscal year</u>	<u>Production</u>	<u>Capacity</u>	<u>Demand</u>
1982-----	1,868.7	2,335.9	1,928.4
1983-----	2,566.9	2,966.3	2,468.7
1984-----	2,845.7	3,131.0	2,572.3
1985-----	3,005.3	3,302.1	2,677.2
1986-----	3,190.6	3,508.2	2,785.9
1987-----	3,399.9	3,736.7	2,896.7

These estimates project weaving and knitting output to increase by 82 percent from FY 1982 to FY 1987 and capacity to expand by 60 percent in the same period. With the increasing capacity for spun yarn production, the Government anticipates that nearly all yarn for weaving and knitting mills can be supplied by domestic sources.

The estimates of the Ministry for production and capacity of the apparel industry and domestic demand for apparel are shown below (in millions of dozens):

<u>Fiscal year</u>	<u>Production</u>	<u>Capacity</u>	<u>Demand</u>
1982-----	17.1	21.2	11.0
1983-----	22.3	25.0	11.3
1984-----	24.0	27.0	11.6
1985-----	26.0	29.3	12.3
1986-----	29.5	33.2	13.4
1987-----	33.5	37.7	15.3

These estimates project apparel output to increase by 96 percent from FY 1982 to FY 1987 and capacity to rise by 78 percent during the period. The Government indicates that domestic mills could probably furnish almost all increases in demand for fabric needed for an expanded domestic apparel industry.

Indonesia experienced a significant economic recession beginning in mid-1984 and continuing into 1985. As a result, personal consumption and capital investment were stagnant and textile mill operating rates dropped. <sup>1/</sup> Consequently, it is unlikely that all of the projected growth will be achieved.

### Equipment

The Association of Textile Industrialists in Indonesia, with support from the Indonesian Government, had formulated a plan by which the yarn-spinning sector would have 2,200,000 spindles in operation by 1984; the textured yarn sector, 55,000 spindles; the weaving sector, 82,000 mechanical looms; and the

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<sup>1/</sup> "Indonesia Attempts to Expand Exports for Recovering Supply and Demand", Japan Textiles News, March 1985, p. 43.

knitting sector, 15,000 knitting machines. 1/ Except for the textured yarn and knitting sectors, all targets were achieved by 1981.

In 1976, the Indonesian yarn-spinning sector had 1,238,500 spindles. 2/ By 1979, it had 2,029,892 spindles; 3/ in 1981, it operated over 2,200,000 spindles. 4/ In 1979, the Indonesian Government operated 330,004 spindles, the provincial governments, 150,092 spindles; and private Indonesian organizations, 631,134 spindles. The remaining spindles were operated by foreign joint ventures with the United Kingdom, Japan, India, and Hong Kong. In 1979, 734,250 spindles were producing 100-percent cotton yarn, 629,530 were producing polyester-cotton yarn, and 248,772 were producing polyester-rayon yarn. The remaining spindles were producing 100-percent rayon yarn, acrylic yarn, and a variety of other types of yarn. 5/ In 1968, there were no textured yarn spindles in operation in Indonesia; by 1981, there were 32,388.

In 1968, the Indonesian weaving sector operated 35,335 looms (excluding handlooms) 6/; in 1979, it operated 68,272 looms; 7/ and by 1981, it operated 88,648 looms. 8/ Loom purchases in the late 1970's and early 1980's consisted almost entirely of automatic shuttle-type looms; however, in more recent years, Indonesian weaving firms, especially those owned jointly with foreign firms, have begun limited purchases of shuttleless looms. Handlooms, of which there were an estimated 60,000 as late as 1980, have been declining in number and are principally found in small or home enterprises. 9/

In 1968, the Indonesian knitting sector operated 5,053 knitting machines; 10/ in 1979, it operated 8,400 machines; 11/ and by 1981, it operated 10,592 knitting machines. 12/

### Trade in Textiles and Apparel

#### Trade balance

Indonesia's total trade in textile fibers, textiles, and apparel increased steadily from a total of \$357.5 million in 1977 to \$697.3 million in 1981; it then declined to \$667.4 million in 1982 and rose slightly to \$676.7

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1/ "Restructuring Needs," Textile Asia, March 1984, p. 121.

2/ Indonesian Synthetic Fiber Makers Association, Directory of Indonesian Textile Industries, 1981, p. 35.

3/ "Indonesia," International Textile Review, McGraw-Hill Publications Co., 1981, p. 2.

4/ Chemiefassern Textilindustrie, August 1982, p. 504.

5/ "Indonesia," International Textile Review, McGraw-Hill Publications Co., 1981, p. 11.

6/ Ibid.

7/ "Indonesia," International Textile Review, McGraw-Hill Publications Co., 1981, p. 2.

8/ "Restructuring Needs," Textile Asia, March 1984, p. 121.

9/ Indonesian Synthetic Fiber Makers Association, Directory of Indonesian Textile Industries, 1981, p. 82.

10/ "Restructuring Needs," Textile Asia.

11/ "Indonesia," International Textile Review, McGraw-Hill Publications Co., 1981, p. 2.

12/ "Restructuring Needs," Textile Asia, March 1984, p. 121.

million in 1983 (table 45). Imports, which consist almost entirely of fiber, yarn, and fabric, have been larger than exports and a trade deficit existed each year during 1977-83. During this period, the deficit ranged from \$142.3 million in 1983 to \$434.3 million in 1981. Imports increased from \$349.6 million in 1977 to \$565.8 million in 1981, but declined to \$506.9 million in 1982 and \$409.5 million in 1983. Combined exports of textiles, and apparel increased significantly throughout the period, from \$7.9 million in 1977 to \$267.2 million in 1983.

Table 45.--Textile fibers, textiles, and apparel: Indonesia's imports, exports, and trade balances, 1977-83

(In millions of dollars)								
Item	1977	1978	1979	1980	1981	1982	1983	
Imports:								
Textile fibers-----	147.4	162.9	203.5	293.1	306.0	299.7	250.8	
Textiles-----	196.3	183.3	216.4	216.5	249.3	203.1	149.3	
Apparel-----	5.9	4.9	3.2	3.1	10.5	4.1	9.4	
Total-----	349.6	351.1	423.1	512.7	565.8	506.9	409.5	
Exports:								
Textile fibers-----	0.3	0.2	0.6	0.4	1.1	1.2	7.0	
Textiles-----	2.8	5.8	51.1	45.4	35.1	42.3	106.1	
Apparel-----	4.8	15.0	66.1	98.3	95.3	116.9	154.1	
Total-----	7.9	21.0	117.8	144.1	131.5	160.5	267.2	
Trade balance:								
Textile fibers-----	-147.1	-162.7	-202.9	-292.7	-304.9	-298.5	-243.8	
Textiles-----	-193.5	-177.5	-165.3	-171.1	-214.2	-160.8	-43.2	
Apparel-----	-1.1	10.1	62.9	95.2	84.8	112.8	147.7	
Grand total-----	-341.7	-330.1	-305.3	-368.6	-434.3	-346.4	-142.3	

Source: Compiled from official statistics of the United Nations and the Central Bureau of Statistics, Jakarta, Indonesia.

Imports of fibers, yarn, and fabric increased from \$419.9 million in 1979 to \$555.3 million in 1981, but declined to \$502.8 million in 1982 and to \$400.1 million in 1983. They accounted for over 5 percent of all Indonesia's imports in 1979, but by 1983 they had dropped to about 2 percent of all imports. The imports have been chiefly cotton fiber, which totaled \$174 million in 1982 and \$175 million in 1983. Also important were imports of manmade fibers, which totaled \$119 million in 1982 and dropped to \$71 million in 1983. <sup>1/</sup> The cotton imports were chiefly from the United States, which provided imports valued at \$108 million in 1983. <sup>2/</sup> Imports of manmade fibers in 1983 were mainly from Taiwan and Japan, which provided imports valued at \$26 million and \$24 million, respectively, in 1983. Other significant import items for this sector were tire cord fabric (\$36 million), viscose rayon yarn (\$11 million), and polyester yarn (\$10 million). <sup>3/</sup>

<sup>1/</sup> Central Bureau of Statistics, Jakarta, Indonesia, Imports By Commodity and Country of Origin, vol. II, 1983, p. 431.

<sup>2/</sup> Ibid., vol. I, p. 189.

<sup>3/</sup> Ibid., vol. I, pp. 186 and 187.

Exports of textile fibers increased from \$0.3 million in 1977 to \$7.0 million in 1983, but remained below imports. The trade deficit in textile fibers increased annually from \$147.1 million in 1977 to \$304.9 million in 1981; however, it has since declined, dropping to \$243.8 million in 1983. Exports of textile products also remained below imports during 1977-83; however, they increased significantly from \$2.8 million in 1977 to \$106.1 million in 1983. With the increase in textile product exports, the trade deficit in these items dropped from between \$161 million and \$214 million annually from 1977 to 1982 to only \$43.2 million in 1983.

Imports of apparel fluctuated during 1977-83, reaching a peak of \$10.5 million in 1981 and a low of \$3.1 million in 1980. They accounted for less than 1 percent of total Indonesian imports annually during the period. Imports have been chiefly clothing accessories (mainly gloves) and men's and boys' outer garments.

Indonesian exports of apparel increased from \$4.8 million in 1977 to \$154.1 million in 1983 and exceeded apparel imports each year during 1978-83. The trade surplus in apparel followed the rise in exports and jumped from \$10.1 million in 1978 to \$144.7 million in 1983.

#### Export trends

Total textile and apparel exports of Indonesia by specific markets and countries are shown in table IV-1. The most important markets for these products since 1981 have been the United States and the EC.

Indonesia's exports of textile fibers and textile products increased from \$2.9 million in 1976 to \$113.1 million in 1983 (table IV-2). Woven fabrics of blends of cotton and manmade-fibers (especially polyester) dominated the exports in 1983 and totaled \$52.8 million in 1983. 1/ Other important exports in 1983 included woven cotton shirting (\$16.5 million) 2/ and spun cotton-manmade-fiber (particularly polyester) yarns (\$7.9 million). 3/ The principal markets for Indonesian textile fibers and textile products have been the United States, Singapore, Japan, and the United Kingdom, which together accounted for \$58.6 million, or 52 percent of total textile exports in 1983. The principal types of textiles and apparel exported by Indonesia are shown in table IV-3.

Indonesia's exports of textile fibers and textile products to the United States rose from \$294,000 in 1976 to \$18.2 million in 1983. In 1983, the United States was Indonesia's largest market for these products and accounted for 16 percent of all such exports in that year. The chief exports were woven fabrics of blends of cotton and manmade fibers (especially polyester), \$12.4 million; woven cotton fabrics (including shirting), \$3.2 million; and spun yarn of manmade fibers, \$2.0 million. 4/

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1/ Central Bureau of Statistics, Jakarta, Indonesia, Exports By Commodity, Country of Destination and Port of Export, 1983, p. 56.

2/ Ibid., p. 54.

3/ Ibid., p. 55.

4/ Ibid., p. 216-7.

Sizable increases in Indonesian apparel exports began in 1979--when they were \$66.1 million, up from \$15.0 million in 1978. Since 1979, they have more than doubled, and reached \$154.1 million in 1983. Principal exports in 1983 were men's and boys' cotton trousers, \$36.7 million; 1/ men's and boys' shirts, \$30.8 million, of which \$20.2 million was manufactured chiefly of manmade fibers and \$10.3 million of cotton; 2/ and blouses, \$22.2 million, mainly of manmade fibers. 3/ The principal market for apparel has been the United States, which accounted for \$83.9 million, or 54 percent of total Indonesian apparel exports in 1983. Other important markets have been Singapore, \$10.0 million in 1983; West Germany, \$9.6 million in 1983; and the Netherlands, \$7.9 million in 1983.

Indonesian exports of apparel to the United States have increased rapidly since 1977 when they were \$800,000. By 1980, they had reached \$7.4 million; in 1981 they topped \$37.6 million; and in 1983, they had more than doubled from 1981 to \$83.9 million. The chief exports to the United States in 1983 were men's and boys' trousers, chiefly of cotton, \$23.9 million; women's and girls' blouses, almost all chiefly of manmade fibers, \$16.9 million; and men's and boys' shirts, split about evenly between chiefly of cotton and chiefly of manmade fibers, \$10.7 million. 4/

#### MFA constraints

Quantitative limitations were first applied to U.S. imports of textiles and apparel from Indonesia effective July 1, 1983. The four cotton products brought under quota were women's, girls', and infants' coats (MFA category 335); men's and boys' shirts, not knit (category 340); men's and boys' trousers (category 347); and women's, girls', and infants' trousers (category 348). During the first quota agreement year (July 1, 1983, through June 30, 1984), the quota for category 335 was 68.3 percent filled while quotas for the other categories were overfilled by 6.3 percent (table IV-7).

Restraints were placed on 12 additional products during 1984 most of which became effective in May. The products, their MFA category numbers, and restraint limits for those categories with limits from July 1, 1983, to June 30, 1984, are as follows:

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1/ Ibid., p. 62.

2/ Ibid., p. 68-69.

3/ Ibid., p. 66-67.

4/ Ibid., p. 217-18.

<u>Item</u>	<u>MFA category number</u>	<u>Restraint limits</u>
Cotton printcloth-----	315 and 320 pt.	<u>1/</u> 6,563,019
Cotton twill-----	317 pt.	<u>2/</u>
Cotton duck-----	319	<u>1/</u> 1,194,826
Cotton gloves and mittens-----	331	<u>2/</u> 148,837
Cotton men's and boys' coats, except suit-type coats-----	334	<u>3/</u>
Cotton women's, girls', and infants' shirts and blouses, knit-----	339	<u>3/</u>
Cotton women's, girls', and infants' blouses, not knit-----	341	<u>4/</u> 141,281
Yarns, wholly of noncontinuous noncellulosic manmade fibers----	604	<u>5/</u> 1,174,617
Manmade-fiber work gloves-----	631 pt.	<u>3/</u>
Manmade-fiber women's, girls', and infants' shirts and blouses, knit-----	639	<u>4/</u> 68,948
Manmade-fiber men's and boys' shirts, not knit-----	640	<u>3/</u>

1/ Restraints in square yards.

2/ Restraints in dozen pairs.

3/ No restraint limit from July 1, 1983, to June 30, 1984.

4/ Restraints in dozens.

5/ Restraints in square yard equivalents.

U.S. imports by MFA categories are shown in tables IV-4 through IV-6 and the shipments charged to each applicable category are shown in table IV-7. New restraint limits were placed on the listed categories for agreement year July 1, 1984, to June 30, 1985.

#### Government Policy

Because of the country's large population, the Indonesian Government places a high priority on job creation, particularly in labor-intensive industries such as the textile and apparel industries.

The Government has retained control over most cotton spinning mills, primarily to ensure the availability of cotton yarn for weaving and knitting mills. 1/ In addition, the Government has given priority to the fiber, textile, and apparel industries through its Investment Coordinating Board, which administers a wide range of incentives and guarantees to the prospective domestic or foreign investor. Firms that are granted priority are eligible for generous tax holidays or waivers in addition to outright grants from the Government. 2/

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1/ Indonesian Synthetic Fiber Makers Association, Directory of Textile Industries, 1981, p. 16.

2/ The Investment Coordinating Board, Jakarta, Indonesia, A Guide for Investors 1983, April 1983.

The Government has also been active in promoting exports of textiles and apparel. In 1972, it built bonded warehouses and created tax-free export-processing zones that are similar to free trade zones in other countries. Domestic and foreign goods are permitted to enter the zones without payment of duties and fees. Firms leasing space in the zones are given special incentives and are also exempted from paying export duties. 1/

A recent development by the Indonesian Government to encourage exports is the export certificate. The certificate is awarded to exporters and can be used by them as a tax payment to the Government Treasurer or cashed. 2/ Other Government assistance to exporters include export financing and export insurance at preferential rates through government-owned companies and several tax benefits. 3/

On July 20, 1984, the U.S. Department of Commerce received a petition filed by members of the American Textile Manufacturers' Institute, the Amalgamated Clothing and Textile Workers' Union, and the International Ladies' Garment Workers' Union, alleging that the producers and exporters of textiles and apparel in Indonesia receive benefits that constitute bounties or grants within the meaning of the countervailing duty law. 4/ The Department of Commerce initiated an investigation on August 9, 1984, and on December 21, 1984, preliminarily determined that three programs of the Government of Indonesia---(1) preferential short-term financing for non-oil exports; (2) tax holidays, accelerated depreciation, and other tax benefits; and (3) import duty exemptions for capital equipment---provide countervailable benefits to Indonesia's textile and apparel producers and exporters. The Department of Commerce preliminarily estimated that the countervailable benefits were 0.83 per cent ad valorem for textile mill products and 0.636 percent ad valorem for apparel. On March 4, 1985, Indonesia became a "country under the agreement" of the GATT subsidies code. Subsequently, the petition was withdrawn on April 8, 1985, and Commerce terminated its investigation on April 17, 1985. 5/

### Export Potential

Indonesia increased its textile and apparel exports from \$118 million in 1979 to \$267 million in 1983 and has the capability for further growth, albeit at a slower rate. The continued growth will be based on (1) extremely low wage rates, (2) Government encouragement of textile and apparel exports, (3) fewer quota restrictions than several of its Asian competitors, (4) sufficient flexibility to rapidly increase its exports in individual products, and (5) continued diversification of its markets for textile products other than apparel.

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1/ "Indonesia," International Textile Review, McGraw-Hill Publications Co., 1981, p. 7.

2/ Indonesian Synthetic Fibers Makers Association, Directory of Indonesian Textile Industries, 1981, p. 220.

3/ The Investment Coordinating Board, Jakarta, Indonesia, A Guide for Investors 1983, April 1983.

4/ F.R. 49672-8, Dec. 21, 1984.

5/ 50 F.R. 15208-09.

Indonesia exports more than one-half of its apparel to the United States, which is, by far, Indonesia's largest market. In terms of quantity, shipments increased from 7 million square yard equivalents in 1980 to 84 million square yard equivalents in 1983 and reached 268 million square yard equivalents in 1984. To control this export expansion, the United States negotiated a bilateral agreement under the MFA with Indonesia, effective July 1, 1983. Initially, four product categories were subject to quotas and, by the end of 1984, an additional eight product categories were restrained by quotas. However, Indonesia has been able to increase its exports of individual products to the United States very rapidly, as shown in the following tabulation (based on official statistics of the U.S. Department of Commerce):

Category	Description	Unit of measure	Year	
			1982	1983
315	Cotton printcloth-----	Sq. yd.	698,153	22,109,356
341	Women's woven cotton blouses-----	Doz.	128,249	357,356
604	Continuous noncellulosic manmade-fiber yarn-----	Lb.	332,653	961,570
614	Woven fabrics of manmade fibers not elsewhere specified-----	Sq. yd.	1,602	2,388,030
640	Men's woven manmade-fiber shirts-----	Doz.	30,851	117,732

Consequently, export increases in product categories not under quota could be possible, as well as normal year-to-year growth and flexibility in the categories already under quota.

While the preponderance of Indonesia's apparel exports go to the United States, its markets for yarn and fabric are more diversified. As shown in the following tabulation (based on data from Indonesia's Central Bureau of Statistics and United Nations data), Indonesia's exports of yarn and fabric have increased rapidly to several countries (in thousands of dollars):

<u>Destination</u>	<u>1982</u>	<u>1983</u>	<u>Increase</u> (percent)
United States-----	2,449	18,203	643
Singapore-----	7,719	15,692	103
Japan-----	8,062	13,814	71
United Kingdom----	5,960	10,879	83

Thus, although Indonesia was a late starter as a world exporter of textiles and apparel, its competitive advantages should enable it to continue to grow in importance as a supplier of textiles and apparel.

Table IV-1.--Textiles and apparel: Indonesia's exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983 2/
---1,000 dollars---								
Textiles:								
Developing								
Big Three....	23	75	917	3,525	1,885	5,131	2,726	
Other Asia....	230	252	617	28,004	25,881	16,962	13,618	
Other								
developing..	16	1	3	431	1,413	187	118	
Socialist.....	3/	3/	3/	3/	11	2	3/	
Developed								
EEC.....	938	599	1,318	6,054	5,154	1,827	14,404	
Southern								
Europe.....	5	22	3/	3/	4	3/	72	
Other Europe	8	75	14	77	52	20	6	
United								
States.....	294	332	663	860	1,312	3,501	2,449	
Canada.....	8	2	62	1,189	156	241	82	
Japan.....	1,269	1,619	2,127	9,095	7,956	6,313	8,062	
Other.....	115	78	247	2,493	2,000	2,046	1,994	
Apparel:								
Developing								
Big Three....	39	35	49	12,321	11,161	1,141	2,859	
Other Asia..	1,645	1,096	1,907	32,830	33,260	14,452	18,831	
Other								
developing..	24	28	22	1,023	471	227	200	
Socialist.....	3/	3/	3/	35	4	40	2	
Developed								
EEC.....	1,051	1,413	5,284	11,061	37,225	30,113	22,790	
Southern								
Europe.....	81	46	25	19	30	55	97	
Other Europe	152	617	443	991	5,370	6,969	4,823	
United								
States.....	649	800	6,081	5,481	7,425	37,621	60,071	
Canada.....	22	17	11	269	387	314	3,205	
Japan.....	164	365	577	1,142	706	815	1,956	
Other.....	753	393	586	948	2,235	3,515	2,107	
Apparel:								
Developing								
Big Three....	62	110	966	15,846	13,046	6,272	5,585	
Other Asia..	1,875	1,348	2,524	60,834	59,141	31,414	32,449	
Other								
developing..	40	29	25	1,454	1,884	414	318	
Socialist.....	3/	3/	3/	35	15	42	2	

ie footnotes at end of table.

Table IV-1.--Textiles and apparel: Indonesia's exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983 2/
	1,000 dollars							
Textiles and apparel:								
Developed:								
EEC.....	1,989	2,012	6,602	17,115	42,379	31,940	37,194	
Southern Europe.....	86	68	25	19	34	55	169	
Other Europe:	160	692	457	1,068	5,422	6,989	4,829	
United States.....	943	1,132	6,744	6,341	8,737	41,122	62,520	
Canada.....	30	19	73	1,458	543	555	3,287	
Japan.....	1,433	1,984	2,704	10,237	8,662	7,128	10,018	
Other.....	868	471	833	3,441	4,235	5,561	4,101	
Total.....	7,489	7,871	20,953	117,848	144,100	131,503	160,472	

1/ Based on Indonesia's exports as reported to the United Nations.  
 2/ Data not yet reported to the United Nations by Indonesia.  
 Not available.

Source: Compiled from United Nations data.

Table IV-2.--Textiles and apparel: Indonesia's exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
United States.....	294	332	663	860	1,312	3,501	2,449	18,203
Japan.....	126	220	572	15,867	13,022	7,993	7,719	15,692
United Kingdom.....	1,269	1,619	2,127	9,095	7,956	6,313	8,062	13,814
West Germany.....	17	27	68	2,689	1,760	749	5,960	10,879
Netherlands.....	503	505	897	922	1,110	205	1,040	2,244
France.....	27	17	32	603	296	227	1,324	2,945
Sweden.....	21	23	199	313	587	248	3,734	3,688
Hong Kong.....	-	11	6	51	22	17	2	17
Italy.....	23	40	855	2,621	1,359	818	1,391	4,563
Other.....	53	9	55	1,090	920	80	1,546	5,069
Total.....	573	252	494	17,617	17,482	16,090	10,304	35,948
Apparel:	2,906	3,055	5,968	51,728	45,826	36,241	43,531	113,062
United States.....	649	800	6,081	5,481	7,425	37,621	60,071	83,944
Japan.....	1,408	960	1,624	29,305	30,228	13,505	16,403	10,003
United Kingdom.....	164	365	577	1,142	706	815	1,956	876
West Germany.....	30	17	2,505	6,109	11,209	4,479	6,284	6,461
Netherlands.....	614	655	797	1,511	5,812	10,848	8,789	9,581
France.....	132	161	1,453	1,688	6,709	5,416	4,076	7,949
Sweden.....	103	99	48	686	5,712	4,145	1,958	2,412
Hong Kong.....	29	73	229	871	5,036	6,093	3,210	5,528
Italy.....	39	25	31	12,318	11,048	542	1,847	2,571
Other.....	119	427	81	199	3,717	1,956	916	401
Total.....	1,296	1,234	1,559	6,810	10,672	9,842	11,431	24,374
Textile & Apparel	4,583	4,816	14,985	66,120	98,274	95,262	116,941	154,100
United States.....	943	1,132	6,744	6,341	8,737	41,122	62,520	102,147
Japan.....	1,534	1,180	2,196	45,172	43,250	21,498	24,122	25,695
United Kingdom.....	1,433	1,984	2,704	10,237	8,662	7,128	10,018	14,690
West Germany.....	47	44	2,573	8,798	12,969	5,228	12,244	17,340
Netherlands.....	1,117	1,160	1,694	2,433	6,922	11,053	9,829	11,825
France.....	159	178	1,485	2,291	7,005	5,643	5,400	10,894
Sweden.....	124	122	247	999	6,299	4,393	5,692	6,100
Hong Kong.....	29	84	235	922	5,058	6,110	3,212	5,545
Italy.....	62	65	886	14,939	12,407	1,360	3,238	7,134
Other.....	172	436	136	1,289	4,637	2,036	2,462	5,470
Total.....	1,869	1,486	2,053	24,427	28,154	25,932	21,735	60,322
Total.....	7,489	7,871	20,953	117,848	144,100	131,503	160,472	267,162

1/ Data for 1979-82 based on Indonesia's exports as reported to the United Nations, and 1983 data compiled from statistics the Government of Indonesia.

Source: Compiled from United Nations data and official statistics of the Central Bureau of Statistics, Indonesia.

Table IV-3.--Textiles and apparel: Indonesia's exports, 1/ by types, 1979-83

SITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
1,000 dollars						
ilk yarn.....	2/		2/	2/	2/	2/
ool yarn.....	1,548	384		23	875	-43.475
otton yarn.....	2,385	2,765	1,751	1,277	12,836	+438.197
rn of manmade fibers.....	2/	2/	2	2/	2/	2/
her yarn.....	1,407	2,153	3,041	6,607	20,602	+1,364.250
ven grey cotton fabrics.....	1,994	239	283	889	4,904	+145.938
ven finished cotton fabrics.....	5,837	4,253	1,138	922	4,901	-15.984
ven fabric of discontinuous manmade fibers.....	26,534	22,774	21,790	23,364	58,165	+119.209
le fabrics of manmade fibers.....	2/	2/	19	2/	10	2/
ven fabrics of wool.....	248	3				176
ven fabrics of other fibers.....	454	690	518	675	176	-29.032
it fabrics.....	2,869	2,173	604	380	448	-1.322
ankets, tapestries, linens, and other furnishings.....	352	1,396	642	633	1,169	-59.254
her textile products.....	2/	1	952	408	2,014	2/
oor coverings.....		1	148	26	6,353	+472.159
IB outer garments, not knit.....	27,401	69,834	49,975	32,828	54,545	+99.062
II outer garments, not knit.....	35,649	24,093	25,964	35,716	55,087	+54.526
IB under garments, not knit.....	165	995	12,482	36,408	32,839	+19,802.424
II under garments, not knit.....	17	185	2,070	2,912	2,963	+17,329.412

See footnotes at end of table.

Table IV-3.--Textiles and apparel: Indonesia's exports, 1/ by types, 1979-83--Continued

ITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Accessories, not knit.....	15	55	88	3,424	864	+5,660.000
Materials of textile wear.....	9	39	233	12	2,093	+23,155.555
Knitings, etc., knit.....	5	216	29	217	1,879	+853.807
Garments, knit: men's.....	155	41	1,191	26	585	+11,600.000
Garments, knit: women's.....	2,023	2,103	2,364	1,231	1,766	+1,039.355
Stitch fabric & art., knit.....	66	312	125	2,486	2,873	+42.017
Other apparel and accessories.....	413	399	733	27	14	-78.788
Other apparel and accessories.....	2/	2/	2/	1,652	1,699	+311.380
Apparel and accessories.....	2/	2/	2	1	11	2/
Articles.....				2/	2/	2/

1/ Data for 1979-82 based on Indonesia's exports as reported to the United Nations, and 1983 data compiled from statistics of the Government of Indonesia.  
 2/ Not available.

Source: Compiled from United Nations data and official statistics of the Central Bureau of Statistics, Indonesia.

Table IV-4.--Cotton textiles: U.S. imports from Indonesia, by MFA categories, 1980-83

Category	Description	Equivalent square yards						1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
313	Sheeting	0	347,287	230,902	1,192,182	0	203	94	460				
314	Poplin and broadcloth	0	6,566	0	435,458	0	5	0	122				
315	Printcloth	370,753	2,862,922	698,153	22,109,356	95	984	294	5,911				
317	Twill and sateen	0	0	22,222	1,188,600	0	0	13	409				
318	Yarn-dyed fabrics, n.e.s.	0	0	0	391	0	0	0	1/				
319	Duck	1,077,915	1,615,562	1,884,339	3,412,788	566	980	1,108	1,899				
320	Woven fabrics, n.e.s.	22,912	21,287	29,457	117,245	55	58	41	64				
331	Gloves	0	0	0	2,577,311	0	0	0	1,607				
333	Suit-type coats, men's and boys'	8,616	0	290	19,946	11	0	0	1				
334	Other coats, men's and boys'	40,061	867	315,903	452,855	90	2	617	680				
335	Coats, women's, girls', and infants'	10,490	119,522	989,713	1,716,716	17	504	2,268	3,508				
336	Dresses	226,908	250,418	135,630	167,927	259	286	178	228				
337	Playsuits	4,050	43,250	32,575	8,800	12	74	50	24				
338	Knit shirts, men's and boy's	49,112	31,025	101,621	250,178	86	89	349	897				
339	Knit shirts and blouses, women's and girls' and infants'	402,076	365,803	332,236	492,234	412	664	696	1,949				
340	Shirts, not knit, men's and boys'	304,488	4,622,400	17,486,448	6,958,224	221	5,235	18,725	6,414				
341	Blouses, not knit, women's, girls', and infants'	190,574	645,629	1,859,613	5,180,911	221	989	3,257	9,857				
342	Skirts	71,253	56,800	89,196	251,301	176	150	256	665				
344	Sweaters	3,680	0	0	0	7	0	0	0				
347	Trousers, men's and boys'	692,011	4,178,408	5,356,039	6,682,868	1,422	12,745	15,244	18,168				
348	Trousers, women's, girls', and infants'	1,364,833	4,787,026	4,855,235	6,785,019	1,464	12,681	11,451	18,162				
550	Dressing gowns	24,327	306	7,650	5,916	16	1	15	2				
351	Nightwear	208	1,040	0	469,976	1/	1	0	306				
352	Underwear	0	0	44	1,507	0	0	1/	2				
359	Other apparel	54,726	37,407	102,363	72,230	76	86	184	136				
360	Pillowcases	0	1,022	237	0	0	8	2	0				
362	Bedspreads and quilts	41	0	7	214	1/	0	1/	1				
363	Terry and other pile towels	0	0	29,904	0	0	0	23	0				
369	Other manufactures	34,587	31,839	52,446	1,050,793	64	63	49	308				
	Total	4,953,621	20,026,386	34,602,223	61,590,946	5,269	35,807	54,916	71,812				

1/ Less than 500 dollars.

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

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

Table IV-5.--Wool textiles: U.S. imports from Indonesia, by MFA categories, 1980-83

Category	Description	Equivalent square yards						1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983	
		1980	1981	1982	1983	1980	1981												1982
435	Coats, women's, girls', and infants'	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
436	Dresses	0	0	54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
438	Knit shirts and blouses	0	492	984	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
440	Shirts, and blouses, not knit	0	0	0	285	0	0	0	0	0	0	0	0	0	0	0	0	0	0
442	Skirts	0	0	12,864	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1/
443	Suits, men's and boys'	0	0	216	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
445	Sweaters, men's and boys'	0	0	54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
446	Sweaters, women's, girls', and infants'	16,666	35,504	9,508	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			33,198	50,890	100,663	75	113	146	143	143	143	143	143	143	143	143	143	143	143
459	Other apparel	0	0	206	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
465	Floor coverings	50	16	0	20	3	1	1	1	1	1	1	1	1	1	1	1	1	1
469	Other manufactures	0	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	16,716	69,256	74,766	100,968	78	261	261	194	194	194	194	194	194	194	194	194	194	194
	1/ Less than 500 dollars.																		

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

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

Table IV-6.--Manmade-fiber textiles: U.S. imports from Indonesia, by MFA categories, 1980-83

Category	Description	Equivalent square yards						1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983				
602	Continuous noncellulosic yarn	0	0	0	521,165	0	0	0	0	0	0	0	54
604	Noncontinuous noncellulosic yarn	0	2,223,246	1,363,877	3,942,437	0	0	0	727	459	1,242	0	1,242
605	Other yarns	105	0	0	0	1/	0	0	0	0	0	0	0
610	Continuous cellulosic woven fabrics	0	849	0	0	0	0	0	2	2	0	0	0
611	Spun cellulosic woven fabrics	0	2,488	354	556	0	0	0	3	3	1/	1	1
612	Continuous noncellulosic woven fabrics	0	5,219	4,075	1,036	0	0	0	9	12	0	5	5
613	Spun noncellulosic woven fabrics	97,481	2,833	138,536	1,812,925	66	66	4	4	86	86	586	586
614	Woven fabrics, n.e.s.	1,678	1,602	2,388,030	0	2	2	0	0	2	2	772	772
632	Hosiery	124	0	0	0	4	4	0	0	0	0	0	0
634	Other coats, men's and boys'	107,297	620	9,623	38,327	66	66	2	2	15	15	64	64
635	Coats, women's, girls', and infants'	57,201	72,028	469,911	54,475	84	84	107	107	528	528	90	90
636	Dresses	492,546	699,748	537,668	928,741	649	649	925	925	726	726	1,265	1,265
637	Playsuits	3,365	5,134	15,698	5,453	13	13	18	18	42	42	21	21
638	Knit shirts, men's and boy's	103,014	918	16,506	109,746	202	202	2	2	18	18	34	34
639	Knit shirts and blouses, women's, girls', and infants'	82,875	55,935	465,090	2,954,925	115	115	101	101	244	244	1,410	1,410
640	Shirts, not knit, men's and boys'	52,032	24,096	740,424	2,825,688	77	77	46	46	740	740	2,409	2,409
641	Blouses, not knit, women's, girls', and infants'	99,573	293,075	2,727,497	2,619,311	252	252	665	665	4,866	4,866	4,567	4,567
642	Skirts	39,926	44,750	28,409	57,263	111	111	121	121	78	78	143	143
644	Suits, women's, girls', and infants'	11,178	10,206	19,764	45,684	18	18	12	12	17	17	37	37
645	Sweaters, men's and boys'	0	73,968	37,278	237,728	0	0	52	52	28	28	136	136
646	Sweaters, women's, girls', and infants'	251,123	502,394	626,925	344,043	160	160	309	309	414	414	232	232
647	Trousers, men's and boys'	11,410	21,360	23,033	127,395	8	8	12	12	41	41	94	94
648	Trousers, women's, girls', and infants'	72,766	161,091	794,574	3,219,093	174	174	280	280	369	369	1,131	1,131
649	Brassieres	0	922	0	0	0	0	3	3	0	0	0	0
650	Dressing gowns	47,583	47,889	46,767	20,196	52	52	49	49	60	60	28	28
651	Nightwear	0	6,968	780	37,980	0	0	2	2	1	1	9	9
659	Other apparel	545,252	214,626	194,625	216,451	225	225	219	219	240	240	213	213
666	Other furnishings	273	569	1,685	0	1/	1/	1	1	5	5	0	0
669	Other manufactures	0	4,001	0	0	0	0	5	5	0	0	0	0
	Total	2,076,802	4,474,933	8,264,701	22,458,576	2,280	2,280	3,677	3,677	8,993	8,993	14,545	14,545

1/ Less than 500 dollars.

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

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

Table IV-7.--Textiles and apparel: Limits under the United States-Indonesia bilateral agreement and shipments charged, by MFA categories, agreement year 1983 <sup>1/</sup>

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled <sup>2/</sup>
				-----1,000 units-----		Percent
Group I:						
335	Specific	Cotton coats, women's, girls', and infants'	Doz	60	41	68.6
340	do	Cotton woven shirts, men's and boys'	do	324	345	106.3
347/348	do	Cotton trousers	do	580	616	106.3

<sup>1/</sup> The 1983 agreement year is from July 1, 1983, through June 30, 1984.

<sup>2/</sup> Percentages calculated on actual figures, not rounded figures shown.

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



## CHAPTER V. MACAU

## Introduction

The apparel and textile industries are the largest industries in Macau, which covers an area of only 6 square miles, about one-tenth the size of the District of Columbia. The textile and apparel industries employ two-thirds of Macau's manufacturing work force and generate about three-fourths of its total exports.

Macau has significantly increased its exports of apparel and textiles during the past decade. Between 1976 and 1983, its textile exports increased nearly four-fold from \$20 million to \$97 million, and its apparel exports more than doubled from \$181 million to \$467 million. During 1979-83, Macau increased its exports of textiles and apparel by 58 percent. This is particularly significant in view of a 30-percent depreciation of its currency against the U.S. dollar during 1980-83. Macau currently ranks among the important suppliers of low-cost apparel to the European Community (EC) and the United States. In 1982, Macau was the 12th largest apparel supplier to the United States and ranked 10th among the apparel suppliers to the EC. 1/

The Government of Macau's current policy is directed at diversification and expansion of the industrial and service sectors and providing sufficient infrastructure. This industrial policy has reduced Macau's dependence on the apparel and textile industries. The share of new investment in apparel and textile industries has been declining since 1980.

The economy

Macau's economy is based on light industry (particularly apparel production), tourism, and fishing. However, other industries, such as toys, artificial flowers, furniture, electronics, and precision instruments, have increased in importance in recent years. While textiles and clothing still accounted for about three-fourths of export earnings, 2/ tourists attracted by gambling (casinos and dog racing) and a warm climate are a major source of Government revenue in the province. The province has no airfield or rail connections, but it can be reached by road from China and by sea ferry, jetfoil, and hydrofoil from Hong Kong.

Macau's gross national product (GNP) was estimated at \$640 million for 1980, 3/ or just under \$2,000 per person. During the 1970's, the GNP showed an average annual increase of 16 percent. This growth was due not only to the increased output of textiles and clothing, but also to the expansion of other industrial activities, to the development of tourism, to an upsurge in

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1/ General Agreement on Tariffs and Trade, Textile and Clothing Statistics, COM. TEX/W/143, Dec. 9, 1983, p. 21; and General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84)24, May 4, 1984, p. 48.

2/ General Agreement on Tariffs and Trade, Textile Committee Report on Macau, COM. TEX/32/Add. 12/Supp. 1, March 1984, p. 2.

3/ Central Intelligence Agency, The World Factbook, 1984, p. 139.

building activity, growth in foreign trade, and the expansion of banking. 1/ During the most recent years, Macau showed significant economic growth. Its overall economy (excluding the tourism sector) showed a real growth rate of 7 percent in 1982 and 12 percent in 1983. 2/ The export sector, which accounts for about 40 percent of Macau's gross domestic product (GDP), grew in real terms by 9 percent in 1982 and 15 percent in 1983; the tourism sector, which contributes 25 percent of the GDP, showed a real growth rate of 5 percent in 1983; and the retail trade sector (7 percent of the GDP) gained 12 percent in real terms in both 1982 and 1983. 3/ The financial sector, sharing 5 percent of the GDP, showed the strongest growth: 21 percent in 1982 and 15 percent in 1983.

Total population in Macau is estimated at 400,000, 4/ and has been increasing at an average annual rate of 1.6 percent. Approximately 155,000 people are included in the work force. Commerce and services employed 30 percent; manufacturing, 46 percent; agriculture and fishing, 5 percent; construction, 8 percent; and others, the remaining 11 percent. 5/ The textile, apparel, and leather industries employed approximately 71 percent of the manufacturing workers in 1981. 6/ This ratio is estimated to have declined to 65 percent in 1982.

The budget of Macau generally was in balance during the 1970's and early 1980's, with a \$16 million surplus registered in 1982. 7/ However, increased Government spending in 1983 and 1984 on developmental projects, including infrastructure facilities such as roads, water and electricity supplies, and telecommunication services, resulted in deficits of \$10 million in 1983 and an estimated \$39 million in 1984 on revenues of \$119 million and \$91 million, respectively. 8/ Government revenues were received in 1983 from personal taxes (5.9 percent), company taxes (9.3 percent), and customs and excise taxes (11.5 percent). 9/ The most important source of revenue for the Government was the tax on gambling receipts. This tax was raised from 10 percent to 25 percent in 1983, which nearly doubled the gambling revenue. 10/ Revenue from

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1/ Government of Macau, Investing in the Future, October 1982, p. 10.

2/ Government of Macau, Economic Services Department, The Economic Performance of Macau in 1983 and Prospects in 1984, June 1984, pp. 7-8.

3/ Ibid.

4/ Government of Macau, Investing in the Future, October 1982, p. 8.

5/ Government of Macau, Economic Services Department.

6/ General Agreement on Tariffs and Trade, Textile Committee Report on Macau, COM. TEX/32/Add. 12/Supp. 1, March 1984, p. 2.

7/ Government of Macau, Macau Data and Information, 2nd revised edition 1983, Table 1 (Exchange rate US\$1=6.27 patacas for 1982).

8/ Asia 1985 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1984, pp. 8-9.

9/ Asia 1984 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1983, pp. 6-9.

10/ Ibid., p. 210.

gambling accounted for 57 percent of the Government revenue in 1983, compared with about 31 percent during 1978-82. 1/

The new Government policies adopted for economic development aim to change the concentrated dependency of the economy and base its expansion on two essential features: new industrial sectors and services. Expansion of the service sector is connected with the tourist industry, industry services, and services related to the financial sector.

Macau's investment policy offers several advantages to foreign investors. It emphasizes equal treatment for foreign investors, minimum Government interference with private investment, no exchange control on the flow of capital and profits, a maximum 15 percent corporate tax on locally derived profits, and special incentives for diversification of production. This has resulted in increased investment in industries other than textiles and apparel during 1980-82. As against 60 to 96 percent of total new investment going into the textile and apparel industries in the 1970's, they attracted only about one-third of new investment during 1980-82. 2/

#### Foreign trade

From 1970 through 1975, Macau incurred significant trade deficits every year. However, beginning with 1977, Macau has generally maintained a positive trade balance, as indicated by the following tabulation (in millions of dollars):

<u>Item</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Imports-----	226	256	348	535	698	708	723
Exports-----	251	266	385	527	679	714	757
Trade balance--	25	10	37	-8	-19	6	34

Manufactured products represent approximately 97 percent of Macau's total exports. The most important items are apparel and textiles, which accounted for 73 percent of the value of all export shipments from Macau in 1983. 3/ Macau's major imported items are raw materials for the textile and apparel industries, which represented 46 percent of its total imports in 1983, 4/ and foodstuff, fuel, and equipment. The pattern of external trade for 1981-83 is shown in table 46.

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1/ Report from the Government of Macau, Economic Services Department.

2/ General Agreement on Tariffs and Trade, Textile Committee Report on Macau, COM. TEX/32/Add. 12/Supp. 1, March 1984, p. 3.

3/ Government of Macau, Economic Service Department, The Economic Performance of Macau in 1983 and Prospects for 1984, June 1984, p. 18.

4/ Government of Macau, Census and Statistics Department.

Table 46.--Macau's exports and imports, by major categories, 1981-83

(In millions of dollars) 1/

Item	1981	1982	1983
Total exports (f.o.b.)-----	679	714	757
Textiles and clothing-----	550	546	555
Artificial flowers-----	20	21	28
Toys-----	21	46	56
Other-----	88	101	118
Total imports (c.i.f.)-----	698	708	723
Food products-----	2/	98	99
Other consumer goods-----	2/	101	104
Industrial raw materials-----	2/	339	353
Building materials-----	2/	58	50
Capital goods-----	2/	67	71
Other-----	2/	45	46

1/ Exchange rates, US\$1= 5.85 patacas in 1981; 6.27 patacas in 1982; and 7.47 patacas in 1983.

2/ Not available.

Source: The Government of Macau, Economic Services Department.

The major customers for Macau's exports are the United States, West Germany, France, the United Kingdom, and Hong Kong, which together accounted for just over three-fourths of Macau's total exports in 1983. Latin America and the Middle East are developing as potential export markets. Imports come mainly from the Asiatic market, particularly Hong Kong and China. While Hong Kong acts as an entrepot for various products originating in other countries and imported by Macau, China has shown marked growth in recent years, supplying nearly 30 percent of Macau's imports.

Macau acquires from Hong Kong approximately three-fourths of its textile requirements for apparel production and this represents about one-half of the total purchases from that territory. Macau also acquires from Hong Kong about one-half of its food which amounts to approximately one-fourth of its total imports. The composition of imports from China, however, has different characteristics. The majority of imports from China consist of food and fuel products, which represent nearly one-half of Macau's requirements.

During 1981-83, Macau registered its largest trade deficit with China, although its imports from China are lower than those from Hong Kong. In recent years, Macau's largest positive trade balance has been with the United States, as seen in table 47.

Table 47.--Macau's foreign trade with principal countries, 1982 and 1983

(In millions of dollars)

Country	1982			1983		
	Imports	Exports	Trade balance	Imports	Exports	Trade balance
United States-----	58	168	110	49	201	152
Hong Kong-----	266	150	-116	280	166	-114
West Germany-----	5	86	81	4	89	85
France-----	9	83	74	11	79	68
United Kingdom-----	16	43	27	13	47	34
China-----	207	25	-182	205	28	-177
Japan-----	67	12	-55	68	11	-57
Total, all countries--	708	714	6	723	757	34

Source: Government of Macau, Macau Data and Information, 2nd revised edition, 1983, Tables 4 and 5, and Quarterly Economic Bulletin, 2nd Quarter 1984, pp. 10 and 15.

### The Textile and Apparel Industries

#### Structure

The textile and apparel industries are the most important industries in Macau, in terms of their contribution to the GDP, export earnings, and as a source of employment. Together, these industries account for about two-thirds of the total manufacturing work force and generate approximately three-fourths of Macau's total exports.

The textile and apparel industries comprised 509 manufacturing establishments as of December 1982, <sup>1/</sup> employing some 39,000 people. <sup>2/</sup> Nearly 400 of them were apparel firms, which employed a total of about 30,000 workers. Of these apparel establishments, 258 employed less than 100 workers. In the textile industry, nearly 70 percent of the units operated with less than 100 employees. <sup>3/</sup> About 70 percent of the textile and apparel units in Macau are believed to be subsidiaries of Hong Kong companies. In 1983, these industries exported goods worth \$555 million, of which 83 percent were apparel products. <sup>4/</sup>

The knitwear sector of the apparel industry includes about 70 manufacturing units, and was responsible for about 30 percent of Macau's apparel exports in 1981. <sup>5/</sup> In spinning and weaving and finishing of textiles, a significant amount of machinery and equipment consists of used items brought from Hong Kong, but new factories equipped with modern machines

<sup>1/</sup> Issuing Institute of Macau, Reports and Accounts, 1982, p. 99.

<sup>2/</sup> Government of Macau, Macau, Investing in the Future, October 1982, p. 16.

<sup>3/</sup> Government of Macau, Macau Census and Statistics Department, The Industrial Survey 1981, p. 64.

<sup>4/</sup> Report from the Government of Macau, Economic Services Department.

<sup>5/</sup> Government of Macau, Macau, Investing in the Future, October 1982, p. 16.

are also being established, especially for spinning wool and silk yarns and weaving silk fabrics. Recently, there has been an increase in the number of printing and dyeing plants.

### Production

Nonapparel textile production in 1983 was concentrated in wool yarn (\$38 million), silk (\$17 million), and cotton (\$17 million). Macau is becoming an increasingly important producer of wool yarn, the output of which increased sharply in recent years. Much of the wool yarn production is based on imports of fine animal hair from China and is used in the production of knitwear. The major apparel items produced in 1983 were knit outer garments (\$151 million); men's and boys' woven outer garments (\$99 million); women's, girls' and infants' woven outer garments (\$78 million); men's and boys' woven undergarments (\$41 million); and knitted undergarments (\$28 million). 1/

### Investment and expansion

Since 1980, the expansion in the textile and apparel industries has slowed. Only 58 new establishments came into operation between 1980 and 1982, about 28 percent of all new establishments compared with the 46-percent share prior to 1980. 2/ Out of the 14,055 new employees added to the manufacturing sector, textile and apparel industries shared only one-third, 3/ compared with over a two-thirds share by these industries before 1980. Overall investment in new industrial establishments nearly tripled from \$6.2 million in 1981 to \$18.5 million in 1982, but the textile and apparel industries shared only about one-third of the new investment in 1981 and 1982, in contrast to an average two-thirds share of new investment during the 1970's. 4/ Despite the loss of share in new investment, overall investment in the textile and apparel industries tripled to \$6.3 million in 1982, following steady declines in each year during 1979-81.

### Employment and wages

Although the employment in the textile and apparel industries has shown significant gains from 29,817 in 1978 to 39,000 in 1982, their share of total manufacturing employment dropped from 80 percent in 1978 to 65 percent in 1982. This decline in relative share was due largely to a new Government policy, which has not only favored the diversification of its industrial sector, but also has worked as a deterrent to the growth of the textile and apparel industries.

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1/ Production statistics are not available on textiles and apparel. The figures shown were extrapolated from Macau's export statistics.

2/ Issuing Institute of Macau, Reports and Accounts, 1982, p. 99.

3/ Ibid.

4/ General Agreement on Tariffs and Trade, Textile Committee Report on Macau, COM. TEX/32/Add. 12/Supp. 1, March 1984, p. 3.

Nearly three-fourths of the textile and apparel workers are employed by the apparel industry. Statistics on the total work force employed by the manufacturing sector compared with the textile and apparel industries, as published in the GATT Textile Committee's report on Macau, are given in the following tabulation (in number of workers):

<u>Year</u>	<u>All manufacturing</u>	<u>Textiles and apparel</u>
1978-----	37,363	29,817
1979-----	39,540	31,122
1980-----	47,060	35,876
1981-----	53,741	38,163
1982 <u>1/</u> -----	59,800	39,000

1/ Estimated.

The hourly wages in the textile and apparel industries were estimated to be \$0.70 for an unskilled worker and \$1.08 for a skilled worker in 1982. 1/ They were approximately 13 to 21 percent of U.S. wages and 54 to 88 percent of wages paid in Hong Kong and Taiwan; however, they were significantly higher than the \$0.67 paid in Korea and \$0.26 paid in China. The workers are compensated based on their skill levels and quantity and quality of their output. In the textile and apparel sector, monthly wages for different skill levels of production workers and for other clerical, technical, supervisory, and managerial employees during 1982 are shown in the following tabulation: 2/

<u>Category of employees</u>	<u>Monthly wages</u>
Production workers:	
Unskilled-----	\$120 to \$160
Skilled-----	\$191 to \$239
Highly skilled-----	\$319 to \$478
Other employees:	
Technicians and foremen-----	\$478 to \$558
Office employees-----	\$239 to \$478
Bilingual secretaries (Chinese and English)-----	\$400
Auxiliary personnel-----	\$191
Cleaning and domestic-----	\$96 to \$120

The net labor productivity measured in value-added-per-worker has increased in recent years, which, in combination with the relatively slow increase in wages, has contributed to the competitive position of the textile and apparel industries. 3/

1/ Based on median monthly wages and 200 work hours per month.

2/ The Government of Macau, Macau, Investing in the Future, October 1982, p. 36.

3/ Ibid., p. 37.

Employees' wages and salaries are tax-free to employees, and taxes, if any, are paid by the employers. In addition, large textile and clothing companies provide a variety of benefits, including their own welfare and security plans, medical assistance, maternity assistance, nurseries, and food and transport subsidies.

### Trade in Textiles and Apparel

Textiles and apparel have been major items of Macau's external trade. Approximately three-fourths of Macau's overall export earnings were generated by the textile and apparel industries in 1983. Macau's imports of textiles accounted for roughly 46 percent of its total imports in 1983 and were the largest imports that year. Macau has incurred a trade surplus in its textile and apparel trade, as seen in table 48. Macau's imports consisted mainly of large quantities of fabrics, which were used in the production of apparel for exports. Hong Kong and China were the major sources of imports of raw material for apparel production. The finished apparel products were exported primarily to the United States, West Germany, France, the United Kingdom, and Hong Kong.

Table 48.--Textile fibers, textiles, and apparel: Macau's imports, exports, and trade balances, 1978-83

(In millions of dollars)							
Item	1978	1979	1980	1981	1982	1983	
Imports (c.i.f.):							
Textile fibers---	57.8	22.6	24.3	34.7	1/	1/	
Textiles-----	46.0	103.7	141.4	304.1	1/	1/	
Apparel-----	3.5	5.4	9.7	17.3	1/	1/	
Total-----	107.3	131.7	175.4	356.1	316.3	329.7	
Exports (f.o.b.):							
Textile fibers---	0.8	1.8	2.2	2.8	2.6	3.1	
Textiles-----	27.5	52.4	90.3	94.9	96.2	96.9	
Apparel-----	223.0	307.0	416.4	456.6	463.0	467.1	
Total-----	251.3	361.2	508.9	554.3	561.8	567.1	
Trade balance:							
Textile fibers---	-57.0	-20.8	-22.1	-31.9	1/	1/	
Textiles-----	-18.5	-51.3	-51.1	-209.2	1/	1/	
Apparel-----	219.5	301.6	406.7	439.3	1/	1/	
Grand total----	144.0	229.5	333.5	198.2	245.5	237.4	

1/ Not available.

Source: Compiled from data of the United Nations and the Government of Macau, Economic Services Department.

### Export trends

The value of Macau's exports of textiles and apparel (excluding textile fibers) showed rapid increases between 1976 and 1981, nearly tripling to \$552

million in 1981 (tables V-1 and V-2). Exports leveled off during 1981-83, reaching \$564 million in 1983. This was mainly due to an 11-percent decline in shipments to the EC during the period. Apparel, which represented 83 percent of Macau's total textile and apparel exports in 1983, more than doubled between 1976 and 1983 to \$467 million. However, the greatest growth categories were yarn, fabrics, and other textile furnishings (table V-3).

#### Principal export products and major markets

Wool yarn exports represented nearly 80 percent of all types of yarn exported from Macau in 1983 and accounted for 34 percent of total export earnings of all nonapparel textiles (excluding fibers), which in 1983 amounted to \$97 million. Exports of apparel amounted to \$467 million in 1983, about two-thirds of which were outer garments, both knit and woven (tables V-1 through V-3).

Hong Kong has been the largest market for Macau's textiles (excluding apparel) (table V-2). In 1983, Macau's textile exports to Hong Kong totaled \$71 million, or 73 percent of its world exports. The EC absorbed another 22 percent of Macau's textiles in 1983; Italy was the major market in the EC, absorbing 16 percent. Since 1976, exports to Hong Kong have shown rapid increases, as a result of which Hong Kong's share of Macau's exports increased from 40 to 73 percent between 1976 and 1983, with a simultaneous drop to the EC, as shown in table 49.

Table 49.--Textiles (excluding apparel): Macau's exports, by major markets, 1976 and 1978-83

(In millions of dollars)								
Market	1976	1978	1979	1980	1981	1982	1983	
Hong Kong-----	7.9	15.5	25.8	43.0	56.9	66.8	70.6	
EC:								
Total-----	8.0	8.4	20.5	37.7	27.0	20.1	21.0	
Italy-----	4.8	3.0	13.6	30.2	22.4	16.0	16.0	
West Germany-----	2.6	4.6	5.0	5.6	3.4	2.8	4.0	
All other-----	4.0	3.2	6.1	9.6	11.0	9.3	5.3	
Total-----	19.9	27.1	52.4	90.3	94.9	96.2	96.9	

Source: Compiled from United Nations data.

The EC has been the largest export market for Macau's apparel, followed by the United States (table 50). In 1983, the EC, with 47 percent, and the United States, with 30 percent, together accounted for approximately three-fourths of Macau's apparel exports. West Germany, France, and the United Kingdom were the major markets in the EC for Macau's apparel (table V-2). Between 1976 and 1980, apparel exports to the EC rose 95 percent, from \$135 million to \$263 million, but have been declining since then, dropping to

\$219 million in 1983. Macau's exports to the United States increased 445 percent from \$20 million to \$109 million between 1976 and 1981 and increased by another 8 percent in 1982 and 20 percent in 1983, to \$141 million, despite a 22-percent depreciation of Macau's currency against the U.S. dollar during 1981-83. Macau has also increased its apparel shipments to Hong Kong and diversified its export markets since 1980.

Table 50.--Apparel: Macau's exports, by major markets, 1976 and 1978-83

(In millions of dollars)

Market	1976	1978	1979	1980	1981	1982	1983
EC:							
Total-----	134.9	134.2	187.7	262.7	242.4	237.7	218.7
West Germany-----	52.8	56.3	67.7	103.5	93.9	91.7	92.0
France-----	39.3	36.8	64.2	82.0	71.1	75.4	60.4
United Kingdom-----	19.5	16.9	24.9	33.3	38.3	31.8	28.5
United States-----	20.4	58.5	79.7	97.4	109.2	117.4	140.7
Hong Kong-----	3.1	5.4	10.6	16.0	24.5	28.1	27.4
All other-----	22.6	24.9	29.0	40.3	80.5	79.8	80.3
Total-----	181.0	223.0	307.0	416.4	<u>1/</u> 456.6	<u>1/</u> 463.0	<u>1/</u> 467.1

1/ Compiled from data of the Government of Macau, Economic Services Department.

Source: Compiled from United Nations data, except as noted.

Currently, Macau has been shipping its apparel exports to two of the largest world markets, the EC and the United States. Macau ranked 10th among the apparel-supplying nations to the EC in 1982, increasing its share of the EC apparel market from 2.4 to 3 percent between 1978 and 1982. It also ranked 12th among the apparel suppliers to the U.S. market, increasing its share from 1.1 to 1.5 percent during 1978-82. Macau's export share of other world apparel markets is small and has represented generally less than 1 percent.

Outer garments represented nearly two-thirds of Macau's total apparel exports in 1983; woven accounting for 49 percent and knit representing 25 percent (table V-3). Undergarments were another 30 percent. Among other apparel products, exports of headwear showed a twenty-two-fold growth during 1979-83, and exports of gloves increased by 59 percent during 1979-83.

#### Trade with the United States

Macau's exports of cotton, wool, and manmade-fiber textiles and apparel to the United States, according to U.S. import statistics, increased every year during 1976-81, from 15.5 to 46.4 million SYE (square yard equivalents), and then declined to 42.8 million SYE in 1982 before increasing to 50.2 million SYE in 1983, as shown in table 51. Exports are reported to have increased by 23 percent, to 61.7 million SYE, in 1984. Exports of

cotton and manmade-fiber items were concentrated in trousers, shirts, blouses, coats, and sweaters (tables V-4 through V-6).

Table 51.--Textiles and apparel: U.S. imports from Macau, by fibers, 1976-83

(In millions of square yard equivalents)								
Fiber	1976	1977	1978	1979	1980	1981	1982	1983
Cotton-----	5.8	13.2	16.2	19.0	24.1	23.0	21.0	24.1
Wool-----	.5	2.2	1.1	.9	1.4	1.2	1.2	1.3
Manmade fibers-----	9.2	9.8	19.8	24.8	17.4	22.2	20.6	24.8
Total-----	15.5	25.2	37.1	44.7	42.9	46.4	42.8	50.2

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

#### MFA constraints

Macau has bilateral agreements with the United States, the EC, Canada, Finland, Austria, and Sweden that limit its exports of textiles and apparel to those countries. Macau has filled most of its overall quota with the United States and the EC, as shown in table 52.

Table 52.--Textiles and apparel: Macau's quota utilization rate (trade weighted average), by selected countries, 1977-82

(In percent)				
Country	1979	1980	1981	1982
EC-----	93.8	92.1	81.9	86.1
United States-----	95.5	97.9	<u>1/</u>	93.9

1/ Not available.

Source: General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84) 24, May 4, 1984, pp. 95-98.

The United States-Macau bilateral agreement is effective for a period of 5 years, from January 1, 1984, through December 31, 1988. This agreement replaced the previous 4-year agreement, which expired on December 31, 1983. The current agreement provides for an aggregate limit of 57.9 million SYE, applied to all categories of cotton, wool, and manmade-fiber textiles and apparel, during 1984. Within the aggregate, cotton and manmade-fiber products are classified in group I, with the aggregate limit set at 56 million SYE for 1984, and wool products are classified in group II, with the aggregate limit set at 1.56 million SYE for 1984. These quotas at the aggregate and group I levels are allowed increases of 6.25 percent for each of the current agreement years, as shown in the following tabulation (in millions of SYE):

	<u>Aggregate limit</u>	<u>Group I limit</u>	<u>Group II limit</u>
1984-----	57.93	56.02	1.56
1985-----	61.55	59.52	1.58
1986-----	65.40	63.24	1.59
1987-----	69.49	67.19	1.61
1988-----	73.83	71.39	1.63

Within the group limits, there are certain specific limits (quotas) and designated consultation levels. During 1984, there were 12 specific limits involving 20 MFA categories and 2 designated consultation levels imposed under group I and 1 specific limit involving 2 MFA categories under group II.

Macau filled over 90 percent of its aggregate quotas with the United States in 1981-83. It utilized a high percentage of its quotas in all cotton categories, wool sweaters, and manmade-fiber coats, trousers and blouses, while a significant portion of its quotas in manmade-fiber shirts, sweaters, and underwear were not filled (table V-7).

Approximately three-fourths of Macau's exports of textiles and apparel to the United States and to the EC during 1982 were covered by quotas, as shown in table 53. The remaining exports to these markets were quota free. During 1982, 26 quotas were in effect on Macau's exports to the EC and 13 quotas were in effect on Macau's exports to the United States.

Table 53.--Textiles and apparel: Macau's exports, quotas, and quota utilization rates with the United States and the EC, 1979-82

Market and year	Exports		Quotas		
	Total	Covered by quota	Total	Filled over 90%	Average utilization 1/
	Million: dollars	Percent	Number		Percent
United States:					
1979-----	78	87.2	2/ 13	8	95.5
1980-----	103	79.0	2/ 13	7	97.9
1981-----	3/	3/	2/ 13	8	3/
1982-----	134	75.7	2/ 13	8	93.9
European Community:					
1979-----	4/ 156	87.5	22	10	93.8
1980-----	4/ 220	76.0	23	9	92.1
1981-----	4/ 249	79.6	26	4	81.9
1982-----	4/ 270	78.9	26	8	86.1

1/ Trade-weighted.

2/ The 13 quotas cover 22 product categories.

3/ Not available.

4/ The EC exports are in European Currency Units.

Source: General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84) 24, May 4, 1984, pp. 95-98.

## Government Policy

The Government of Macau has adopted policies for economic development aimed at diversifying and expanding the economy. Economic expansion is based on two essential features, new industrial sectors and services. The Government's encouragement of industrial diversification is intended to reduce Macau's dependence on traditional industries like textiles and apparel, which are vulnerable to international market factors. Macau also seeks to expand its service sector: services connected with the tourist industry, trading services, and services related to the financial sector (both insurance and banking).

As part of the diversification process, preference has been given to firms manufacturing products other than textiles and apparel. This has occurred in the distribution of the limited land area, most of which is owned by the Government and ceded to the user. Another factor that may limit the growth of the textile and apparel sector is the fact that new firms entering this sector are ineligible to participate in the Government's distribution of so-called free quotas (quotas that are reserved for the distribution among the exporters regardless of their past performance) for a period of 3 years. 1/

The fiscal system of Macau presents several advantages to investors. The taxation rate in Macau is one of the lowest in Southeast Asia. 2/ All equipment and auxiliary machines for the erection, modification, and expansion of industries as well as raw materials for industrial production are exempt from direct import duty and other taxes, except a few capital goods that are subject to consumer tax. 3/ In order to stimulate productive investment, profits reinvested in equipment or new facilities of importance for Macau's economic development may be deducted from the taxable income within 3 years immediately following such reinvestments, if profits arise from normal operating activities. Other benefits include a nondiscriminatory policy with respect to foreign investors, minimum Government interference with private investment, no exchange control on the flow of capital and profits, a maximum corporate tax of 15 percent on locally derived profits, and incentives for diversification of production.

The taxation system in Macau gives the investor significant advantages in terms of attribution of depreciation allowances to costs and subsequent income tax reduction. In addition to the exception deduction, which is normally 20 percent during the year of purchase, it is also possible to accelerate the rate of depreciation beyond the maximum established limits. 4/ For the textile industry, the depreciation rates for machinery, tools, and other equipment are set at 15 percent, compared with 12.5 percent for the precision machinery and tool industry, 16.7 percent for the electronics industry, and 10 percent for most other industries. 5/

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1/ General Agreement on Tariffs and Trade, Textile Committee Report on Macau, COM. TEX/32/ Add. 12/Supp. 1, March 1984, p. 1.

2/ Government of Macau, Macau, Investing in the Future, October 1982, p. 41.

3/ Ibid., p. 45.

4/ Ibid.

5/ Ibid.

Exports of Macau are generally not subject to export tax. However, exports to countries that have imposed quotas on specific products are subject to an export tax of 1.2 percent of the f.o.b. value of the shipment. 1/ To assist exporters, the Government has established an export promotion department. Through this department, the Government sponsors participation in world trade fairs promoting exports. To individual manufacturers that seek to promote their own products, the department gives a partial subsidy for the cost of printing advertisements and the cost of shipping sample products to trade fairs. 2/

### Export Potential

Macau's exports of textiles and apparel grew significantly from \$201 million in 1976 to \$564 million in 1983. Growth averaged 26 percent annually during 1976-80, before declining to less than 1 percent during 1981-83. This drop was largely due to reduced consumption of textiles and apparel brought about by the economic recession in the EC. Although small in size, Macau ranked among the top 20 suppliers of apparel in the world during 1982, accounting for 1.2 percent of world apparel exports. Also, it ranked among the major apparel suppliers to the world's largest markets: 10th in the EC and 12th in the United States.

Although the Government of Macau's industrial policy is directed at diversification and expansion of the industrial sector, the textile and apparel industries will continue to dominate Macau's economic activity by virtue of their current ability to generate foreign exchange earnings and provide significant employment to the population.

The major factors that will determine Macau's export growth in textiles and apparel are (1) industry structure, (2) Government policies, (3) competition from other developing countries, and (4) MFA restraints. Most of the apparel and textile establishments in Macau are either owned by or related to firms located in Hong Kong, which is about 50 miles from Macau. The establishments generally operate on a small scale, employing an average of 75 workers each. Macau's competitive strength is based on low wage rates, a skilled labor force, availability of duty-free inexpensive fabric from China, and experience in apparel production. Wage increases in Macau have been modest, and productivity has been increasing, which has lowered the unit cost of production and improved Macau's competitive advantage. In addition, Macau's proximity to Hong Kong allows it to use Hong Kong's seaport and airport facilities for overseas shipments.

Although Macau is not a major exporter of textiles, its textile exports have shown rapid gains since 1976, increasing fourfold during 1976-83. About 70 percent of the exports go to Hong Kong (mainly wool yarn and furnishings).

Macau's shipments of textiles to the EC market have been dropping more rapidly since 1980, due at least in part to competition from other developing nations in Asia and from Mediterranean countries like Turkey and Greece (a

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1/ The SGV Group, Comparative Investment Incentives: Hong Kong, Indonesia, Korea, Macau, Malaysia, Philippines, Singapore, Taiwan, Thailand, Manila, 1982, p. 82.

2/ Ibid., p. 83.

member of the EC), which have geographic and trade advantages over Macau. Macau's textile exports to the United States have been small.

The prospects for any significant growth in exports of textiles are limited in view of the Government's industrial policy deemphasizing the expansion of the textile industry. Nevertheless, new investment in the textile industry increased in 1982, and the industry that year received 45 percent of the total loans and advances to the manufacturing sector (which accounted for 27 percent of the domestic credit). <sup>1/</sup> Any increased output of yarns or fabrics will probably substitute for imports.

The United States is the largest single market for Macau's apparel, and exports to the United States have shown sustained growth, increasing by almost sixfold during 1976-83 to \$141 million. Although Macau's apparel competes with that from Hong Kong, Korea, and Taiwan in quality, it also enjoys marginal price advantages over Hong Kong and Taiwan, due primarily to somewhat lower labor costs. The lower tax rates on corporate profits also help Macau's apparel manufacturers to remain price competitive, and, in terms of quality, they enjoy comparative advantages over China and other developing nations.

Macau's potential to expand its exports of textiles and, especially, apparel will be significantly influenced by MFA restrictions in its major markets, the United States and the EC. Approximately three-fourths of the value of Macau's exports to the United States during 1982 consisted of quota items. Macau generally filled over 90 percent of its quotas with the United States at the aggregate and group levels in 1981-83. It also consistently filled over 90 percent of the quotas in 7 to 8 of the 13 categories subject to specific restraints. The United States-Macau bilateral agreement that went into force on January 1, 1984, for 5 years provides for annual quota growth of 6.25 percent, which is significantly higher than that provided in the bilateral agreements with the Big Three and China.

Macau's exports of textiles and apparel to the United States under 22 MFA categories were limited by quotas during 1983. Its exports also entered under another 34 MFA categories not restrained by quotas that year (table 54). Although exports under the nonquota MFA categories represented only 15 percent of Macau's total exports in quantitative terms, their export growth has been rapid, increasing by 44 percent in 1983 over the 1982 level. Therefore, potential does exist for Macau to increase its exports to the United States in products covered by the MFA as well as those not covered by the MFA.

With respect to the EC, its largest market for textiles and apparel, the potential for export growth is limited. The EC considers Macau a "dominant supplier," along with Hong Kong, Korea, and Taiwan, and the EC-Macau bilateral agreement that went into effect in 1983 included certain quota rollbacks and growth rates as low as 1 percent per year in some sensitive product categories. However, as with the United States, growth is possible in products not subject to MFA restraint. Such shipments grew by 200 percent during 1979-82, and increased their share of Macau's total exports to the EC from 13 percent in 1979 to 21 percent in 1982.

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<sup>1/</sup> Issuing Institute of Macau, Report and Accounts, 1982, pp. 51 and 112.

Table 54.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Macau subject to specific quota limits and not subject to specific quota limits, 1981-83

Year	: U.S. imports subject to		: U.S. imports of products not	
	: specific limits		: subject to specific limits 1/	
	: Categories	: Total	: Categories	: Total
	: Number	: 1,000 SYEs	: Number	: 1,000 SYEs
1981-----	: 22	: 40,480	: 30	: 5,902
1982-----	: 22	: 37,670	: 30	: 5,111
1983-----	: 22	: 42,837	: 34	: 7,380

1/ Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton), which are not subject to MFA restraints are not included.

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

Macau has been trying to diversify its export markets. Exports to Australia increased tenfold during 1980-83, to \$9 million, and Macau's exports to the developed country markets in Europe outside the EC more than doubled during 1976-82, to \$35 million.

Macau is believed to be a conduit for apparel from China. According to the U.S. Customs Service, reliable sources indicated that up to 20 percent of certain quotas on Macau's apparel exports to the United States are utilized by China. In addition, the Customs Service noted that Macau suppliers have utilized third countries such as Japan, the Philippines, Cyprus, and Panama for the transshipment of apparel produced in Macau. 1/

In summary, Macau's exports will grow only moderately during the rest of this decade. While its exports of apparel to the United States, Australia, and other non-MFA developed countries may show relatively greater growth, they will show only limited growth to the EC and other MFA countries.

1/ U.S. Congress, House Committee on Energy and Commerce, Unfair Foreign Trade Practices, pt. 3, Hearings before the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, 98th Cong., 2 sess., 1984, p. 364.

Table V-1.--Textiles and apparel: Macau's exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
--1,000 dollars--								
Textiles:								
developing:								
Big Three....	7,945	13,454	15,503	25,806	42,998	56,887	66,771	70,622
Other Asia...	431	162	226	653	343	497	771	6
Other								
socialist:	234	44	3	196	261	26	6	7
developed:	2/	2/	2/	2/	2/	2/	2/	2/
EEC.....	8,020	10,249	8,355	20,485	37,656	26,992	20,077	21,030
Southern								
Europe.....	1,644	4,962	2,664	2,463	4,297	4,979	3,094	263
Other Europe:	62	170	132	258	312	256	261	
United								
States.....	3	19	13	48	41	91	565	1,004
Canada.....	2/ 1,538	2/ 1,330	2/ 220	2/ 2,452	2/ 4,262	2/ 4,387	2/ 4,294	2/ 3,922
Japan.....				30	130	785	323	49
Other.....	2/	2/	2/					
apparel:								
developing:								
Big Three....	3,064	3,632	5,389	10,641	16,042	24,524	28,057	27,437
Other Asia...	2,864	3,130	2,869	2,918	1,074	5,172	2,362	492
Other								
socialist:	1,182	398	18	836	1,036	660	855	694
developed:	2/	2/	2/	2/	2/	2/	2/	2/
EEC.....	134,903	142,842	134,151	187,683	262,730	242,435	237,690	218,731
Southern								
Europe.....	4,004	4,785	3,902	3,680	4,775	7,101	7,744	21,977
Other Europe:	9,145	13,508	12,899	12,681	22,220	21,080	23,622	140,725
United								
States.....	20,387	40,101	58,455	79,663	97,445	109,149	117,366	7,326
Canada.....	2/ 2,242	2/ 3,506	2/ 4,250	2/ 7,910	2/ 9,930	2/ 6,019	2/ 8,712	2/ 7,326
Japan.....	3,170	845	1,021	747	817	3,869	9,234	355
Other &								
apparel:								
developing								
Big Three....	11,009	17,086	20,892	36,447	59,040	81,411	94,828	98,059
Other Asia...	3,295	3,292	3,095	3,571	1,417	5,669	3,133	498
Other								
socialist:	1,416	442	21	1,032	1,297	686	861	701
developing:	2/	2/	2/	2/	2/	2/	2/	2/
EEC.....								
Southern								
Europe.....								
Other Europe:								
United								
States.....								
Canada.....								
Japan.....								
Other.....								

footnotes at end of table.

Table V-1.--Textiles and apparel: Macau's exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	-----1,000 dollars-----							
World	142,923	153,091	142,506	208,168	300,386	269,427	257,767	239,761
Developed	5,648	9,747	6,566	6,143	9,072	12,080	10,838	2/
EEC.....	9,207	13,678	13,031	12,939	22,532	21,336	23,883	22,240
Southern Europe.....								
Other Europe:								
United States.....	20,390	40,120	58,468	79,711	97,486	109,240	117,931	141,729
Canada.....	2/3,780	2/4,836	2/4,470	2/0,362	2/4,192	2/0,406	2/3,006	2/11,248
Japan.....	3,170	845	1,021	777	947	4,654	9,557	404
Other.....								
Total	200,840	243,137	250,070	359,342	506,721	515,143	531,804	514,640

1/ Based on world imports from Macau as reported to the United Nations and therefore totals shown in this table may be restated from the totals shown in the text.  
 / Not available.

Source: Compiled from United Nations data.





Table V-3.--Textiles and apparel: Macau's exports, by types, 1979-83--Continued

TC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
1,000 dollars						
Accessories, not knit	7,678	13,364	11,183	11,569	11,678	52.097
Articles of textile materials	4,590	6,111	5,978	8,032	7,308	59.216
Apparel, knit	45	824	1,234	1,628	1,038	2206.667
Articles of textile materials, knit	772	1,675	1,581	1,528	1,575	104.016
Apparel, knit	41,717	64,171	64,758	67,172	72,655	74.162
Articles of textile materials, knit	62,198	100,760	110,289	105,119	104,729	68.380
Apparel, knit	14	26	2/	160	73	421.429
Accessories	333	646	694	1,179	1,548	364.865
Apparel	2/	200	320	469	593	2/
Articles	2/	52	42	77	194	2/

Based on world imports from Macau as reported to the United Nations.  
Not available.

Source: Compiled from United Nations data.

Table V-4.--Cotton textiles: U.S. imports from Macau, by MFA categories, 1980-83

Code	Description	1,000 dollars							
		1980	1981	1982	1983	1980	1981	1982	1983
				EQUIVALENT SQUARE YARDS					
313	Sheeting	0	0	0	65,278	0	0	0	25
330	Handkerchiefs	49,300	66,640	66,045	161,075	29	43	63	128
331	Gloves	492,846	767,701	722,230	566,076	458	621	627	510
333	Suit-type coats, men's and boys'	175,099	10,897	20,381	4,959	365	53	83	15
334	Other coats, men's and boys'	3,931,141	4,546,140	2,071,773	2,312,222	6,803	7,341	5,292	6,461
335	Coats, women's, girls', and infants'	625,737	988,526	1,269,107	1,082,391	1,393	2,278	4,271	3,604
336	Dresses	327,066	86,297	31,801	73,161	366	97	54	106
337	Playuits	672,350	465,225	467,350	369,300	646	778	694	574
338	Knit shirts men's and boys'	843,004	797,551	1,103,595	997,473	5,278	4,750	6,928	7,815
339	Knit shirts and blouses, women's, girls', and infants'	4,592,471	3,669,076	4,045,508	4,104,711	19,366	14,890	20,399	23,597
340	Shirts, not knit, men's and boys'	2,947,656	3,064,632	2,928,768	3,491,376	3,705	4,361	4,771	5,194
341	Blouses, not knit, women's, girls', and infants'	1,098,347	1,228,572	1,194,511	1,341,876	2,969	3,249	3,761	3,851
342	Skirts	405,946	292,293	280,379	327,555	1,203	824	956	832
345	Sweaters	525,872	305,588	533,857	1,037,391	819	503	1,134	2,371
347	Trousers, men's and boys'	2,559,783	2,479,470	1,933,561	2,501,684	7,685	9,313	6,612	8,499
348	Trousers, women's, girls', and infants'	3,043,739	2,697,804	2,933,212	3,456,510	9,140	9,814	10,089	11,243
350	Dressing gowns	560,847	346,800	253,674	415	371	228	182	276
351	Nightwear	637,104	739,648	625,716	650	435	497	484	451
352	Underwear	0	0	179,289	519	0	0	93	344
359	Other apparel	587,382	428,793	199,611	334	681	530	326	440
363	Terry and other pile towels	0	6,912	0	0	0	5	0	0
369	Other manufactures	14,458	58,234	121,669	318	22	54	78	297
	Total	24,090,138	23,026,819	20,962,037	24,108,695	61,735	60,229	66,898	76,633

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

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

Table V-5.--Wool textiles: U.S. imports from Macau, by MFA categories, 1980-83

MFA cate- gory No.:	Description	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
		-----Equivalent square yards----- -----1,000 dollars-----											
410	Woolens and worsted	0	0	0	0	0	0	0	0	0	0	0	0
411	Teaptries and upholstery	186	0	0	2,061	1	0	0	0	0	0	0	0
431	Coats, women's, girls', and infants'	0	937	1,756	19,622	0	0	9	14	0	0	0	0
434	Other coats, men's and boys'	0	0	0	4,482	0	0	0	0	0	0	0	88
435	Coats, women's, girls', and infants'	18,792	52,272	1,350	2,268	84	208	5	17	0	0	0	10
436	Dresses	0	36,162	0	10,283	0	209	0	44	0	0	0	44
438	Knit shirts and blouses	4,425	8,535	47,130	62,985	30	73	234	360	0	0	0	0
440	Shirts and blouses, not knit	25,080	0	0	0	44	0	0	0	0	0	0	0
442	Skirts	0	972	2,718	900	0	7	6	7	0	0	0	7
444	Suits, women's, girls', and infants'	0	0	41,904	74,412	0	0	0	372	0	0	0	800
445	Sweaters, men's and boys'	312,926	411,343	632,311	662,206	1,324	2,132	3,914	3,987	0	0	0	0
446	Sweaters, women's, girls', and infants'	1,047,150	595,095	430,241	439,035	4,893	4,179	2,150	2,216	0	0	0	0
448	Trousers, woman's, girls', and infants'	0	81,000	3,222	21,780	0	437	13	118	0	0	0	0
459	Other apparel	12,406	0	12,446	8,400	150	0	27	24	0	0	0	0
465	Wool floor coverings	42	4	11	0	8	2	2	0	0	0	0	0
	Total	1,421,007	1,186,320	1,173,089	1,308,634	6,536	7,258	6,736	7,679	0	0	0	0

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

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

Table V-6.--Manmade-fiber textiles: U.S. imports from Macau, by MFA categories, 1980-83

Code	Description	Equivalent square yards						1983	1980	1981	1982	1983	1984
		1980	1981	1982	1983	1984	1985						
604	Noncontinuous noncellulosic yarns	0	0	0	0	0	0	0	0	0	0	0	0
631	Gloves	11,970	34,944	213,500	528,623	17	39	110	281	0	0	0	55
632	Hosiery	0	0	828	0	0	0	10	0	0	0	0	281
633	Suit-type coats, men's and boys'	0	1,955	32,146	3,475	0	6	104	0	0	0	0	0
634	Other coats, men's and boys'	2,766,234	5,345,707	4,940,059	5,164,029	4,007	8,916	10,004	10,716	10,004	10,004	10,004	10,716
635	Coats, women's, girls', and infants'	1,804,810	2,389,951	3,345,671	2,924,289	2,664	4,188	6,919	5,563	6,919	6,919	6,919	5,563
636	Dresses	20,702	98,573	1,812	92,186	14	105	2	470	2	2	2	470
637	Playsuits	94,615	151,294	3,238	89,268	73	140	8	83	73	140	8	83
638	Knit shirts, men's and boys'	2,202,516	2,968,092	1,734,318	2,481,912	3,858	5,764	3,580	4,558	3,580	3,580	3,580	4,558
639	Knit shirts and blouses, women's, girls', and infants'	4,011,945	3,967,320	3,288,810	4,407,270	4,207	4,464	4,074	7,199	4,074	4,074	4,074	7,199
640	Shirts, not knit, men's and boys'	89,064	376,392	311,616	513,672	128	732	627	872	627	627	627	872
641	Blouses, not knit, women's, girls', and infants'	519,478	1,153,490	768,341	1,093,649	1,480	4,650	2,705	3,450	4,650	2,705	2,705	3,450
642	Skirts	5,340	18,939	18,013	40,922	9	83	28	107	9	83	28	107
643	Suits, men's and boys'	0	14,580	0	0	0	49	0	0	0	0	0	0
644	Suits, women's, girls', and infants'	486	0	0	16,092	1	0	0	128	1	0	0	128
645	Sweaters, men's and boys'	319,203	177,928	186,318	212,557	367	243	254	309	367	243	254	309
646	Sweaters, women's, girls', and infants'	469,458	1,453,158	1,108,158	1,886,809	695	1,750	1,113	2,198	695	1,113	1,113	2,198
647	Trousers, men's and boys'	138,306	112,567	466,183	1,028,342	101	106	969	2,142	101	106	969	2,142
648	Trousers, women's, girls', and infants'	1,529,251	2,064,657	2,925,893	2,726,496	683	1,543	2,755	3,611	683	1,543	2,755	3,611
649	Brassieres	250,761	106,963	267,485	379,665	570	276	809	1,029	570	276	809	1,029
650	Dressing gowns	561	918	9,027	5,202	1	1	22	5	1	1	22	5
651	Nightwear	229,736	85,020	158,132	58,240	148	88	167	54	148	88	167	54
652	Underwear	1,476,384	582,528	338,704	250,752	612	195	116	70	612	195	116	70
659	Other apparel	1,415,334	1,056,736	480,301	667,687	1,257	968	425	658	1,257	968	425	658
666	Other furnishings	0	0	47,759	33,915	0	0	58	27	0	0	58	27
669	Other manufactures	0	7,215	0	0	0	4	0	0	0	4	0	0
	Total	17,356,154	22,168,927	20,646,312	24,799,257	20,894	34,312	34,869	43,594	20,894	34,312	34,869	43,594

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

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

Table V-7.---Textiles and apparel: Limits under the United States-Macau bilateral agreement and shipments charged, by MFA categories, agreement years 1981-83

MFA category	Description	Units	Limitation			Shipments charged			Share filled					
			1981	1982	1983	1981	1982	1983	1981	1982	1983			
			1,000 units									Percent		
Group I	Aggregate	Sq yd	1/ 45,571	48,656	51,697	43,518	43,772	50,820	95.4	89.9	98.3			
	Cotton and manmade-fiber textile and apparel products.	do	44,200	46,963	49,898	42,259	42,603	49,542	95.6	90.7	99.2			
333/334/335 2/.	Cotton coats	Doz	2/ 100	1/ 92	1/ 99	86	87	80	85.7	94.7	81.4			
338 2/	Cotton knit shirts, men's and boys'	do	1/ 115	3/ 146	3/ 140	116	146	140	100.5	99.9	90.9			
339 2/	Cotton knit blouses	do	3/ 567	3/ 571	3/ 627	545	555	570	96.1	97.2	90.9			
340 2/	Cotton woven shirts, men's and boys'	do	3/ 129	3/ 140	3/ 146	118	114	139	92.0	81.3	94.8			
341 2/	Cotton woven blouses	do	3/ 85	3/ 91	3/ 91	85	84	83	99.8	92.4	91.4			
347/348 2/-	Cotton trousers	do	3/ 299	3/ 318	3/ 331	299	304	322	100.0	95.7	97.0			
633/634/635. 2/	Manmade-fiber coats	do	1/ 165	3/ 225	220	163	208	192	98.6	92.6	87.2			
638/639 2/-	Manmade-fiber knit shirts	Sq yd	12,521	13,303	14,135	6,916	5,055	7,187	55.2	38.0	50.8			
640 2/	Manmade-fiber woven shirts, men's and boys'	Doz	42	45	48	15	12	29	34.3	25.6	60.3			
641 2/	Manmade-fiber woven blouses	do	70	74	79	74	47	75	106.1	62.8	94.6			
645/646 2/-	Manmade-fiber sweaters	do	105	112	119	45	35	77	42.9	31.2	64.6			
647/648 2/-	Manmade-fiber trousers	do	213	226	240	129	186	200	60.7	82.1	83.3			
652 4/	Manmade-fiber underwear	do	150	150	150	46	25	3	30.5	16.7	1.7			
659 4/	Other manmade-fiber apparel.	Lb	204	204	204	134	73	91	65.9	35.9	44.6			
Group II	Wool textile and apparel products.	Sq yd	1,516	1,531	1,546	1,260	1,169	1,279	83.1	76.3	82.6			
645/446 2/-	Wool sweaters	Doz	3/ 72	3/ 74	3/ 71	72	71	71	100.0	96.3	100.0			

/ Adjusted downward.  
 / Categories with specific limits.  
 / Adjusted upward.  
 / Designated consultation level.

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

Note.---Table shows only specific limits and designated consultation levels. All other categories of cotton, wool, and manmade fibers subject to minimum consultation levels.



## CHAPTER VI. MALAYSIA

## Introduction

The textile and apparel industry plays an important role in the Malaysian economy. During 1983, the Malaysian textile and apparel industry reported capital investments valued at about \$300 million and export earnings valued at over \$450 million. However, when compared with other leading East Asian competitors, the Malaysian textile and apparel industry is small. During the early 1980's, Malaysia accounted for less than 10 percent of total yarn production and approximately 5 percent of total fabric production by the Association of South East Asian Nations (ASEAN), which also includes the Philippines, Singapore, Indonesia, Thailand, and Brunei.

Malaysia's export trade of textiles and apparel, which accounted for between 3 to 4 percent of total merchandise exports, increased from \$196 million in 1976 to \$477 million in 1981 and then declined to \$453 million in 1983. The significant increase was largely the result of establishing export-oriented firms in the Free Trade Zones, whereas the decline was primarily attributed to export prices plummeting and demand slackening in the major export markets.

Singapore was the leading export market, receiving almost 31 percent of total textile and apparel exports during 1983. Other leading markets included the nations of the EC, most notably West Germany and France, and the United States, which together accounted for more than 45 percent of total textile and apparel exports in 1983.

During 1980-83, apparel increased its share of total textile and apparel exports from 53 percent to almost 66 percent. The bulk of apparel exports were in men's and women's woven outer garments (such as blouses, shirts, and trousers), knit underwear, and rubber apparel and accessories.

Malaysian textile and apparel imports, which accounted for between 2 and 4 percent of total merchandise imports during 1980-83, decreased from \$365 million to \$283 million. Throughout 1980-83, approximately 60 percent or more of total textile and apparel imports was accounted for by textile mill products. The major sources of Malaysia's textile and apparel imports included the United States and Japan.

### The economy

The Malaysian economy, which has shown impressive growth in the last two decades, has been characterized as having one of the most successful economic records in Asia. <sup>1/</sup> Much of the increase began in 1971, when the New Economic Policy (NEP) was implemented and Free Trade Zones (FTZ's) were established. The NEP is a 20-year program that was initiated for the purpose of expanding the equity, employment, and educational opportunities for the "bumiputras," or ethnic Malays, and other indigenous groups. FTZ's established throughout the country allow foreign and domestic firms that export 80 percent or more of

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<sup>1/</sup> U.S. Department of State, Background Notes: Malaysia, October 1983, p. 5.

their manufactured products to be eligible for duty exemption and minimal customs control for the purpose of moving goods expediently. During 1971-81, the economic growth rate in Malaysia was reported to have averaged 8 percent annually. <sup>1/</sup>

Malaysia's gross domestic product (GDP) totaled \$26.7 billion in 1983. <sup>2/</sup> Real GDP declined each year during 1979-82, from 9.3-percent growth in 1979 to 5.6-percent growth in 1982, before increasing slightly to 5.8-percent growth in 1983. Malaysia's annual GDP growth rates for this period are shown in the following tabulation (in percent): <sup>3/</sup>

1979-----	9.3
1980-----	7.8
1981-----	7.1
1982-----	5.6
1983-----	5.8

Currently, agriculture accounts for about 23 percent of the GDP, followed by Government and utilities at 20 percent, manufacturing at 18 percent, trade and tourism at 13 percent, transportation and communications at 8 percent, mining and petroleum at 5 percent, and construction at 5 percent. <sup>4/</sup>

With an average annual growth rate of 2.3 percent, the Malaysian population increased from 13.6 million in 1979 to 15.0 million in 1983. Throughout 1979-83, the labor force accounted for more than one-third of the entire population, ranging between 5.0 and 5.6 million workers. Growing labor shortages have caused the unemployment rate to remain below 6 percent during the period. Per capita income, among the highest in the ASEAN, increased from \$1,411 in 1979 to \$1,870 in 1983, or by nearly 33 percent. <sup>5/</sup> Approximately 80 percent of the population is concentrated in Peninsular Malaysia, the area bordering Thailand to the north where the capital city of Kuala Lumpur is located.

Total revenue received by the Malaysian Government increased from \$4.8 billion in 1979 to \$8.0 billion in 1983. <sup>6/</sup> It is estimated that about 50 percent of total revenue was derived from indirect taxes, such as import and export duties, while some 40 percent was derived from direct taxes, namely income taxes, property taxes, etc. The remaining 10 percent was collected via

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<sup>1/</sup> Ibid.

<sup>2/</sup> This figure was converted from 62,036 million ringgits using the market value average exchange rate for 1983 of 2.32 ringgits/US\$1.

<sup>3/</sup> International Monetary Fund, International Financial Statistics, Washington, DC, January 1985, p. 312.

<sup>4/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : Malaysia, April 1984, p. 3.

<sup>5/</sup> Ibid., p. 2.

<sup>6/</sup> International Monetary Fund, International Financial Statistics, Washington, DC, January 1985, p. 312.

nontax revenues, primarily service fees, interest, and licenses. 1/ Government expenditures also increased from \$5.9 billion in 1979 to \$10.7 billion in 1981, before declining slightly, by about 3 percent, to \$10.4 billion in 1983. 2/ Approximately half of the Government expenditures were allocated to general public administration and economic services. Other major sources of expenses included education and defense. 3/ Since 1979, the Malaysian Government has experienced a budgetary deficit, due largely to mounting Government expenditures in social services to the "bumiputras," as provided for in the NEP.

Malaysia's inflation rate remained low by world standards, averaging between 5 and 6 percent during the 1970's. 4/ During 1980, however, the inflation rate climbed to 6.7 percent and eventually peaked at 9.6 percent in 1981. 5/ In addition to higher interest rates, Malaysia's trade/export-oriented plan was upset by the world recession in 1981 that reduced foreign demand for Malaysian exports, resulting in that nation's first merchandise trade deficit. Reduced commodity prices, labor shortages, and foreign borrowing by the Government to finance industrial expansion further contributed to the decline in real economic growth from 8.2 percent in 1980 to 6.9 percent in 1981. 6/ Even though commodity export prices fell in 1982 and real economic growth was further reduced to 5.2 percent, the Malaysian economy began to rebound in 1983 as the inflation rate dropped to 4 percent, export earnings recovered, and real economic growth increased slightly to 5.6 percent. 7/ Since mid-1982, the Malaysian Government has followed a policy that has kept the budget at the 1981 level, reduced the annual deficit, and decreased annual external borrowing.

Malaysia has developed into a well-diversified economy because it is rich in primary natural resources such as rubber, tin, palm oil, natural gas, lumber, and most important, petroleum, and because it is capable of producing goods for both the domestic and export market. The four most important sectors in the economy are (1) services, (2) agriculture and forestry, (3) industry, and (4) petroleum and mining.

The service industry, currently accounting for just below 50 percent of the GDP and a little over one-fifth of the workforce, encompasses a number of industries, most notably Government and utilities (20 percent of GDP) and wholesale and retail trade and tourism (13 percent of GDP). Other service sectors, including construction, transportation, and communications, together accounted for about 13 percent of the GDP. 8/

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1/ Ibid.

2/ Ibid.

3/ Ibid.

4/ U.S. Department of State, Background Notes: Malaysia, October 1983, p. 5.

5/ Ibid, p. 1., and Metra Consulting, National Development Plans--Malaysia, 1982, p. 198.

6/ U.S. Department of Commerce, Foreign Economic Trends Report: Malaysia, Feb. 25, 1982, p. 2.

7/ U.S. Department of Commerce, Foreign Economic Trends . . . : Malaysia, April 1984, p. 2.

8/ Ibid, p. 3.

Despite the fact that Malaysia has taken great strides in establishing a manufacturing industry in the last two decades, agriculture is still a large contributor to the gross domestic product. In 1982, agriculture accounted for about 23 percent of the GDP and provided employment for approximately 38 percent of the economically active population. 1/ In terms of export earnings, agriculture accounted for nearly 40 percent of the total. Malaysia produces almost 60 percent of the world's palm oil and approximately 40 percent of its natural rubber. Other major products include timber, rice, coconuts, pineapple, pepper, cocoa, tobacco, sugar, sago, and tea. 2/ For many years, increased food production has been one of Malaysia's foremost economic goals, primarily to save foreign exchange and develop the rural economy. 3/

The manufacturing industry, which accounted for 18 percent of Malaysia's GDP in 1982, is the most rapidly growing sector. Recent Government policy has placed more emphasis on capital-intensive heavy industry projects that will maximize the limited labor force and reduce the dependence on imports. Additionally, this sector employs about one-fourth of the entire workforce. Since 1957, the Government of Malaysia has encouraged industrialization for the purpose of providing employment and protecting the economy from being dependent upon exports of primary commodities. 4/ The most significant products manufactured in Malaysia include motor vehicles, metal products, electrical components, and textiles. In 1982, the mining and petroleum sector represented 5 percent of the Malaysian GDP. Tin mining and petroleum account for a little over 90 percent of total drilling and mining output. Malaysia is the world's largest producer of tin and supplies nearly one-third of the world's requirements. Since 1980, petroleum has been Malaysia's single largest export earner, accounting for more than 25 percent of total export earnings in 1982. 5/ PETRONAS, a quasi-Government body, controls all of Malaysia's petroleum operations. 6/ Petroleum revenue, which is collected by means of corporate income taxes, royalties, and export duties, makes up at least one-fifth of total Government revenue. 7/

### Foreign trade

Imports into Malaysia generally have few restrictions. Even though some license and quota restrictions have been established to protect locally produced goods, most imports do not require a specific license and are subject to only moderate tariffs. Because Malaysia is interested in developing heavy industries that utilize domestic resources, almost all imports of industrial machinery are allowed to enter duty free. In terms of exports, Government

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1/ U.S. Department of State, Background Notes: Malaysia, October 1983, p. 6.

2/ U.S. Department of Commerce, A Guide to Doing Business in the ASEAN Region, p. 22.

3/ U.S. Department of Commerce, Foreign Economic Trends . . . : Malaysia, April 1984, p. 7.

4/ U.S. Department of State, Background Notes: Malaysia, October 1983, p. 6.

5/ Ibid.

6/ U.S. Department of Commerce, Foreign Economic Trends . . . : Malaysia, April 1984, p. 5.

7/ Ibid, p. 6.

policy has attempted to direct the bulk of exports away from primary industry products to more sophisticated and technologically advanced products that have higher unit values. Since 1971, petroleum refining, palm oil refining, and electrical components have gradually displaced Malaysia's other traditional export industries of rubber, tin, and timber. 1/

Throughout 1978-83, Malaysia's merchandise imports increased each year, from \$6.0 billion in 1978 to \$13.3 billion in 1983. Although exports stagnated during 1980-82, due primarily to the worldwide recession and slackened demand in major markets, exports increased from \$7.4 billion in 1978 to \$13.8 billion in 1983.

During 1978-80, Malaysia managed to maintain a surplus balance of trade that increased irregularly from \$1.5 billion to \$2.1 billion. However, during 1981 and 1982, Malaysia incurred deficits that increased from \$57 million to \$370 million, respectively. The deficits were primarily attributed to a drop in commodity prices, in addition to slackened demand. A substantial recovery occurred in commodity export prices during 1983 thus allowing a resurgence in export earnings amounting to \$13.8 billion. 2/ The following tabulation shows merchandise exports, imports, and trade balances for 1978-83, based on U.S. Department of Commerce data (in millions of U.S. dollars):

Year	Exports	Imports	Trade Balance
1978-----	7,432	5,952	1,480
1979-----	10,530	7,461	3,069
1980-----	12,476	10,413	2,063
1981-----	12,390	12,447	-57
1982-----	12,118	12,488	-370
1983-----	13,801	13,330	471

During 1982 and 1983, the two leading export items, petroleum products and electrical components, accounted for a little over 40 percent of total exports. Compared with total exports, petroleum exports remained relatively stable at 28 percent. On the other hand, electrical components produced in the FTZ's occupied an increasing share of total exports, increasing from 13.7 percent in 1982 to 15.4 percent in 1983. The major export markets were Singapore and Japan, which together received almost half of Malaysia's total merchandise exports. Other major export markets included the United States and the Netherlands. 3/

In order to develop its industrial sector, Malaysia increasingly relied upon the supplies and investments from the developed nations. In 1982, Japan, the United States, Singapore, and the United Kingdom supplied approximately 60

1/ Ibid, p. 4.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Malaysia, April 1984, p. 3.

3/ U.S. Department of State, Background Notes: Malaysia, October 1983, p. 1.

percent of Malaysia's total imports, which consisted largely of machinery, food, transport equipment, raw materials, and intermediate supplies. 1/

### The Textile and Apparel Industries

The Malaysian textile and apparel industry, which was primarily established during the late 1950's, has currently developed into an important industry in terms of capital investments (valued at about \$300 million), export earnings (valued at over \$400 million), and employment (approximately 60,000 workers). However, compared with those of other major East Asian competitors, the Malaysian textile and apparel industry is small. During 1981, Malaysia accounted for about 8 percent of total yarn production and 5 percent of total fabric production among the members of the ASEAN. 2/ The strength of the textile and apparel industry rests with the larger export-oriented mills located in the FTZ's of Penang and the Kelang Valley, which are well-financed, vertically integrated, technically sophisticated, and closely tied with the Japanese and Hong Kong textile and apparel industries. 3/

#### Structure

There are approximately 900 textile and apparel firms in Malaysia, which operate approximately 450,000 spindles, 9,000 looms, 1,700 knitting machines, and 10,000 sewing machines. 4/ Approximately half manufacture apparel, while the other half produce a wide variety of textile mill products. The smaller textile and apparel firms usually cater to the domestic market, whereas the larger firms are primarily export oriented.

The Malaysian textile and apparel industry can be divided into three categories: (1) chiefly producers of textile mill products, (2) chiefly producers of knit fabrics and garments, and (3) chiefly producers of garments. Manufacturers of textile mill products are usually vertically integrated, although there are some companies that only spin yarn. The industry segment producing knit fabrics and knit apparel is integrated in that it will manufacture the knit fabric from yarn as well as produce a garment from the knitted fabric. However, in most instances, these companies do not produce yarn. Other apparel producers are not usually vertically integrated and generally purchase fabric from unrelated companies. 5/

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1/ Ibid.

2/ International Textile Manufacturers Federation, Textiles in East Asia, 1982, p. 63.

3/ U.S. Department of Agriculture, Foreign Agriculture Circular, October 1983, p. 10.

4/ International Textile Manufacturers Federation, Textiles in East Asia, 1982, p. 62.

5/ Government of Malaysia response to the U.S. Department of Commerce countervailing duty questionnaire on Inv. No. C-557-401, Sept. 28, 1984, p. 1.

In terms of employment, the textiles and apparel industries claim to be the largest employer in the manufacturing sector, with more than 60,000 workers. <sup>1/</sup> However, labor shortages and a growing number of manufacturing industries in the FTZ's, particularly in electrical components, that offer higher wages, skilled training, and better working conditions have adversely affected the textile and apparel industry. During the early part of 1984, textile workers received about 39 cents per hour, or about 5 percent of the amount received by textile and apparel workers in the United States. <sup>2/</sup> Malaysia is currently reviewing wage rates and wages are expected to increase only 7 to 8 percent this year compared with 15 percent increases in past years. <sup>3/</sup>

### Production

Malaysian textile and apparel manufacturers indicated that they were operating at between 85 and 90 percent of capacity <sup>4/</sup> and had production indices that were slightly higher than those for all manufacturing during 1980 and 1981. However, during 1982 the textile and apparel index (1968=100) declined while total manufacturing continued to increase, as shown in the following tabulation: <sup>5/</sup>

Year	Production indices	
	Textile and apparel manufacturing	Total manufacturing
1980-----	375.7	362.6
1981-----	382.1	374.6
1982-----	363.9	390.5

The increased growth rate in the manufacturing sector and the decrease in the textile and apparel sector emphasize the fact that more resources are being directed towards high-technology heavy industries and away from industries such as textiles and apparel.

Even though cotton is not produced on a commercial basis in Malaysia, the bulk of textile mill production is concentrated in cotton. Most cotton for

<sup>1/</sup> "Disturbing Effects", Textile Asia, March 1984, p. 128.

<sup>2/</sup> Werner International Management Consultants, Inc., Spinning and Weaving Labour Cost Comparisons, Spring 1984, New York and Brussels.

<sup>3/</sup> "Business Performance of Japanese Affiliates in Malaysia", Japan Textile News, June 1984, p. 31.

<sup>4/</sup> U.S. Department of Agriculture, Foreign Agriculture Circular, October 1983, p. 10.

<sup>5/</sup> General Agreement on Tariffs and Trade, Malaysia, COM. TEX/33/Add. 2, Dec. 5, 1983, p. 2.

mill consumption is purchased through agents in Singapore and, to a lesser extent, Hong Kong. The Malaysian cotton textile industry, which remains relatively stable, operates about 420,000 spindles and approximately 8,100 looms, or a little over 90 percent of total operational spindles and looms in Malaysia during 1982. Several large firms account for about half of the spindles and 60 percent of the yarn output. 1/

According to the Malaysian Department of Statistics, Malaysian production of yarns and fabric, primarily of cotton, trended downward during 1979-83, as shown in the following tabulation:

Year	Natural fiber yarns (In tons)	Cloth (90 percent or more of cotton) (In yards)
1979-----	17,984	231,706,037
1980-----	17,730	239,226,815
1981-----	16,123	244,082,458
1982-----	15,766	234,977,034
1983-----	12,147	220,631,015

Production of natural fiber yarns decreased from 17,984 tons in 1979 to 16,123 tons in 1981 and further to 12,147 tons in 1983, or by almost one-third during the period. Fabric production, which was 90 percent or more of cotton, fluctuated irregularly from nearly 232 million yards in 1979 to 244 million yards in 1981, before declining to almost 221 million yards in 1983. 2/

Malaysia has one large synthetic fiber plant located in the FTZ in Penang. 3/ Though small, the manmade-fiber industry is gradually approaching self-sufficiency in polyester staple production. In 1981, Malaysia produced approximately 33,435 tons of polyester staple, of which a little over 60 percent was exported. 4/

Apparel production in Malaysia was largely concentrated in undergarments, knitted socks and stockings, men's shirts and trousers, and women's blouses and dresses during 1979-83, as detailed in the following tabulation (based on data from the Malaysian Department of Statistics):

1/ U.S. Department of Agriculture, Foreign Agriculture Circular, October 1983, pp. 10-11.

2/ Malaysian Department of Statistics, Monthly Statistical Bulletin, July 1984, p. 44.

3/ U.S. Department of Agriculture, Malaysia--Annual Cotton Report, Sept. 13, 1983, p. 1.

4/ International Textile Manufacturers Federation, Textiles in East Asia, 1982, p. 62.

Item	: Thousands : of units	: 1979	: 1980	: 1981	: 1982	: 1983
Batik sarongs-----	: No.	: 1,502	: 1,800	: 1,821	: 1,682	: 1,619
Knitted sportshirts-----	: No.	: 2,117	: 2,605	: 2,965	: 2,861	: 4,168
Knitted undergarments-----	: No.	: 1,567	: 1,273	: 1,134	: 887	: 646
Knitted socks and stock- ings.	: Pr.	: 15,577	: 16,646	: 16,526	: 19,725	: 19,100
Men's shirts-----	: No.	: 20,117	: 23,962	: 25,388	: 26,816	: 25,091
Men's trousers-----	: No.	: 4,278	: 5,330	: 7,624	: 8,026	: 9,043
Men's underwear-----	: No.	: 6,335	: 6,119	: 7,055	: 6,198	: 5,029
Women's blouses-----	: No.	: 5,570	: 5,357	: 7,096	: 7,663	: 8,183
Women's dresses-----	: No.	: 2,013	: 2,820	: 2,812	: 3,580	: 3,706
Brassieres-----	: No.	: 3,123	: 2,570	: 2,886	: 2,699	: 3,180

The apparel items reporting the largest increases in production during the 1979-83 period were men's shirts (up 5.0 million units), men's trousers (up 4.8 million units), knitted socks and stockings (up 3.5 million pairs), women's blouses (up 2.6 million units), and knitted sportshirts (up 2.1 million units).

#### Plants and equipment

As there is not a well-developed industry in Malaysia producing textile and apparel machinery, nearly all of the installed textile and apparel equipment is imported. The leading exporters of such machinery to Malaysia include Japan, West Germany, the United Kingdom, Hong Kong, and Taiwan.

Of the estimated 450,000 spindles in operation during 1982, approximately 314,000, or 70 percent, were used in the short-staple system and almost 60 percent or 185,000 of the short-staple spindles were shipped during the 1974-83 period. Open-end rotors remained relatively stable at about 8,000, with most shipments, approximately 7,400, occurring prior to 1974. The number of looms operating in the Malaysian textile industry, most of which, if not all, are of the shuttle type, increased from 7,500 in 1979 to an estimated 9,000 in 1982. Approximately 2,600 of the 9,000 looms, or almost 30 percent, were shipped and installed during 1974-83, thereby indicating that almost a third of the machinery in the Malaysian weaving sector is relatively new. 1/ Furthermore, it was estimated that during 1982 there were some 10,000 sewing machines and approximately 1,700 knitting machines. 2/

1/ International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, 1983, p. 29.

2/ International Textile Manufacturers Federation, Textiles in East Asia, 1982, p. 62.

### Trade in Textiles and Apparel

The Malaysian textile (including fibers) and apparel industry has been subject to major changes since 1971, when the Free Trade Zones were established. As a result of these zones, which contributed to increased production and better quality products, Malaysia has significantly increased its exports of textiles and apparel, as well as other manufactured goods. Exports of fibers, textile mill products, and apparel more than doubled, from \$196 million in 1976 to \$477 million in 1981, before declining 5 percent to \$453 million in 1983, as shown in table 55. During 1978-83, Malaysia's exports of textiles and apparel accounted for between 3 and 4 percent of total merchandise exports.

Imports of fibers, textiles and apparel increased steadily from \$218 million in 1976 to \$365 million in 1980, before declining to \$283 million in 1983. Import trade was mostly concentrated in textile mill products during 1976-83, whereas export trade shifted from textile mill products during the 1970's to apparel during the early 1980's.

From 1977 to 1983, Malaysia experienced a positive textile and apparel trade balance, with the surplus varying from a low of approximately \$18 million to a peak of \$174 million during the period.

Table 55.--Textile fibers, textiles, and apparel: Malaysia's general imports, 1/ exports, 2/  
and trade balances, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
(In thousands of dollars)								
<b>Imports:</b>								
Textile fibers	57,011	70,453	74,400	80,009	80,073	85,607	80,404	53,276
Textiles	139,601	149,138	175,804	229,937	261,122	221,248	192,319	201,095
Apparel	21,597	18,598	20,178	19,049	24,003	24,948	27,687	28,752
Total	218,209	238,189	270,382	328,995	365,198	331,803	300,410	283,123
<b>Exports:</b>								
Textile fibers	23,980	27,520	27,215	34,875	41,510	50,382	45,023	21,735
Textiles	103,434	135,111	158,975	183,473	188,676	191,712	170,694	146,157
Apparel	68,310	93,766	123,944	166,740	211,826	234,638	258,794	285,465
Total	195,724	256,397	310,134	385,088	442,012	476,732	474,511	453,357
Trade balance:								
Textile fibers	-33,031	-42,933	-47,185	-45,134	-38,563	-35,225	-35,381	-31,541
Textiles	-36,167	-14,027	-16,829	-46,464	-72,446	-29,536	-21,625	-54,938
Apparel	46,713	75,168	103,766	147,691	187,823	209,690	231,107	256,713
Grand total	-22,485	18,208	39,752	56,093	76,814	144,929	174,101	170,234
<u>1/</u> C.i.f. Malaysia's import data derived from world's exports to Malaysia.								
<u>2/</u> F.o.b. Malaysia's export data derived from world's imports from Malaysia.								

Source: Compiled from United Nations data.

## Exports

The substantial growth in Malaysian exports of textiles and apparel from \$196 million in 1976 to \$477 million in 1981 was due primarily to Government and industry efforts to encourage foreign companies to invest and establish firms in the Free Trade Zones, primarily in Penang. On the other hand, the decline to \$453 million in 1983 was largely attributed to falling export prices and slackened demand in the major export markets.

The developed nations, particularly the United States and the countries of the EC, were the leading recipients, accounting for more than 45 percent of Malaysia's textile and apparel exports during 1976-83 (table VI-1). The most important export markets in the EC during 1983 included West Germany, France, and the United Kingdom, which together received a little over \$85 million or almost 20 percent of total Malaysian textile and apparel exports. From 1976 to 1983, Singapore was the single largest export market, receiving between 21 and 31 percent of Malaysia's total textile and apparel exports (table VI-2). Other leading export markets included the United States and West Germany which together accounted for over 36 percent, or approximately \$147 million, of Malaysia's total textile and apparel exports in 1983. The following tabulation shows exports to the 10 leading export markets, based on United Nations data, which received almost 90 percent of total textile and apparel exports during 1983 (in thousands of dollars):

Market	1981	1982	1983	Percent of total exports in 1983
Singapore	98,083	105,671	133,051	30.8
United States	65,667	81,439	110,222	25.5
West Germany	52,030	42,589	46,960	10.9
Hong Kong	29,588	26,727	20,943	4.9
France	24,198	23,886	19,197	4.5
United Kingdom	20,736	19,110	18,954	4.4
Canada	14,089	12,291	15,192	3.5
Sweden	14,171	13,935	12,937	3.0
Netherlands	9,664	10,403	9,594	2.2
Australia	21,169	20,824	-	-
Total	349,395	356,875	387,050	89.7

The single largest textile export item during 1979-83, accounting for 40 percent or more, was woven fabric made from synthetic staple fibers, followed by finished cotton woven fabrics, which accounted for between 17 and 19 percent (table VI-3). Other significant export items included manmade-fiber yarns and woven grey cotton fabric. Apparel exports, which increased their share of total textile and apparel exports from nearly 48 percent in 1979 to almost 66 percent in 1983, were largely concentrated in woven outer garments (namely blouses, shirts, skirts, and trousers), knit undergarments, and rubber apparel and accessories. In 1983, the above-mentioned items accounted for approximately one-half of total apparel exports.

U.S. imports of cotton textiles (excluding fibers) and apparel from Malaysia increased from a little over 17 million square yard equivalents (SYE) in 1980 to almost 29 million SYE in 1983 and consisted largely of men's shirts, women's blouses, sweaters, trousers, coats, and a variety of woven fabrics (table VI-4). During 1983, 10 apparel and accessory categories represented about 80 percent of total U.S. imports of cotton textiles and apparel.

U.S. imports of manmade-fiber textile and apparel products from Malaysia increased continuously, from almost 7 million SYE in 1980 to almost 20 million SYE in 1983 (table VI-6). From 1980 to 1983, five items, namely noncontinuous noncellulosic yarn, spun noncellulosic woven fabrics, women's knit shirts, men's woven shirts, and women's woven blouses, have dominated over 80 percent of U.S. imports of manmade-fiber textile and apparel products from Malaysia.

Though small, U.S. imports of wool textiles and apparel from Malaysia fluctuated but increased from 296,118 SYE in 1980 to 436,157 SYE in 1983 (table VI-5). During 1980-83, U.S. imports of wool sweaters from Malaysia increased almost 24 percent and accounted for over 80 percent of total U.S. imports of wool textiles and apparel from Malaysia.

### Imports

During 1978-83, imports of textiles (including fibers) and apparel accounted for between 2 and 5 percent of total merchandise imports. Textile and apparel imports increased from \$218 million in 1976 to \$365 million in 1980, or by about 67 percent, before declining to \$283 million in 1983. Throughout the period, the bulk of textile and apparel imports, approximately 60 percent and more, were accounted for by textile mill products.

Fiber imports, which did not exceed \$100 million during 1976-83, were largely responsible for the decline in total imports in this sector from 1981 to 1983. Malaysian fiber imports increased by about 35 percent, from \$57 million in 1976 to \$86 million in 1981, before decreasing about 38 percent to \$53 million in 1983, as shown in the following tabulation based on U.N. data (in thousands of dollars):

Fiber	1976	1977	1978	1979	1980	1981	1982	1983
Cotton-----	37,556	45,862	46,188	45,322	42,661	37,424	43,169	27,232
Wool-----	9,077	12,677	13,744	17,067	15,361	25,259	13,631	1,427
Manmade								
fiber-----	9,736	10,710	12,814	15,485	18,792	19,305	19,247	19,277
Other-----	642	1,204	1,654	2,135	3,259	3,619	4,357	5,340
Total----	57,011	70,453	74,400	80,009	80,073	85,607	80,404	53,276

Because cotton is not commercially produced in Malaysia, the bulk of fiber imports were of cotton. From 1976 to 1979, cotton accounted for between 56 and 67 percent of Malaysia's total fiber imports. However, from 1980 to

1983, cotton's share of total fiber imports diminished to slightly over 51 percent. Picking up the slack in cotton imports were imports of manmade fibers, which remained relatively stable at about \$19 million during 1981-83.

Malaysian imports of textile mill products were valued at between \$140 million and \$261 million during the period. Over 40 percent of the imports from 1978 to 1983 were composed primarily of manmade-fiber fabrics and cotton fabrics. Other major import items included knit fabrics, yarns, and thread. Even though considerably less than fiber or textile mill product imports, apparel imports increased irregularly from nearly \$22 million in 1976 to almost \$29 million in 1983, or by 32 percent.

The leading sources of Malaysia's imported fibers were the United States and Japan; of textile mill products, Japan, the Republic of Korea, Taiwan, Hong Kong, and the United States; and of apparel, Hong Kong, India, Singapore, and Thailand.

#### MFA constraints

The bilateral textile and apparel agreement between the United States and Malaysia covers a 4-year period, beginning January 1, 1981, and ending December 31, 1984. <sup>1/</sup> According to the agreement, textile and apparel products are classified in three groups, as follows:

<u>Group</u>	<u>Description</u>
Group I	Yarns, fabrics, made-up goods, and miscellaneous textile products of cotton and manmade fibers
Group II	Apparel of cotton and manmade fibers
Group III	Wool textiles and textile products

Although there was not an aggregate or group limit, specific limits were established on individual categories and subcategories. The specific limits covering the individual categories during 1981-83 and the quantity of imports charged against each level are shown in tables VI-7 through VI-9. Except for the quota covering manmade-fiber knit shirts, Malaysia filled more than 70 percent of its quotas during 1982 and 1983.

The categories and subcategories in group I and II having specific limits are allowed to increase 6.5 percent annually, whereas the categories in group III are allowed to increase 1 percent annually, as detailed in table 56.

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<sup>1/</sup> Pending confirmation of the new bilateral agreement, a 6-month extension of the previous agreement became effective and covers the period Jan. 1, 1985, through June 30, 1985. Each category and subcategory will be limited to 50 percent of the 1984 level. Additionally, carryforward is not available during the 6-month extension.

Table 56.--Textiles and apparel: Limits under the United States-Malaysia bilateral agreement, by MFA categories, 1981-84

Group and MFA category	Units	Specific limits			
		1981	1982	1983	1984
Group I:					
604-----	SYE	4,500,000	4,792,500	5,104,019	5,435,773
Group II:					
331-----	Doz.	508,200	541,233	576,413	613,880
333/334/335 <u>1</u> /-----	Doz.	66,418	70,735	75,333	80,230
338/339-----	Doz.	388,281	413,519	440,398	469,024
(339)-----	Doz.	(155,000)	(165,075)	(175,805)	(187,232)
340-----	Doz.	270,635	288,266	306,961	326,913
341-----	Doz.	<u>2</u> /	<u>2</u> /	<u>3</u> / 216,865	<u>4</u> / 157,560
345-----	Doz.	<u>5</u> /	<u>5</u> /	<u>5</u> /	<u>6</u> / 56,248
347/348-----	Doz.	153,000	162,945	173,536	184,816
(348) <u>4</u> /-----	Doz.	(80,000)	(85,200)	(90,738)	(96,636)
638/639-----	Doz.	160,000	170,400	181,476	193,272
Group III:					
445/446-----	Doz.	24,567	24,813	25,061	25,311

1/ An individual category cannot exceed 50 percent of the specific limit set for this merged category.

2/ Specific limit not established until Apr. 27, 1983.

3/ Specific limit covers the period Apr. 27, 1983, thru Apr. 26, 1984.

4/ Specific limit covers the period Apr. 27, 1984, thru Dec. 31, 1984.

5/ Specific limit not established until Feb. 29, 1984.

6/ Specific limit covers the period Feb. 29, 1984, thru Dec. 31, 1984.

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

Shifts between specific limits or sublimits are allowed by not more than 5 percent (swing) if a corresponding reduction is made in one or more of the other specific limits in the same group during the same agreement year. Another type of adjustment referred to as "carryover" allows for a maximum of 11 percent of any limit that was unused in the previous year to be added to the receiving year's limit. Additionally, "carryforward" is an adjustment that allows for up to 6 percent of the succeeding year's limit to be transferred to the current year's limit. A combination of carryover and carryforward cannot exceed 11 percent.

### Government Policy

#### General policies

Compared with other Southeast Asian competitors, such as Hong Kong, Taiwan, and Korea, the Malaysian textile and apparel industry is small. Since

the textile and apparel industry's beginning in the late 1950's, the Malaysian Government has encouraged its development, realizing its potential for supplying employment to unskilled workers. In order to promote the economic development of Malaysia, the Government has kept import controls, such as license and quota restrictions, for needed raw materials and machinery at a minimum. Import duties are relatively low or nonexistent on most raw materials and capital goods, and are moderate on most manufactured goods (unless there is local production). 1/

Currently, the Malaysian Government is not actively promoting the establishment of new textile and apparel companies. 2/ Rather, there is a trend towards modernizing and merging mills in an effort to reduce competition from within, eliminate uneconomically sized textile mills, and to reduce competition among the industrial sectors for the limited workforce. Additionally, as provided in the Fourth Malaysia Plan (1981-85), the Government is supporting heavy industry and resource-based manufacturing with an implied shift away from the traditional labor-intensive industries. 3/

#### Assistance to the industry

Among the most significant Government measures taken to promote export-oriented industries while at the same time expanding industrial development, particularly in the textiles and apparel industry, was the passage of the Free Trade Zone Act of 1972. The act provided for the establishment of zones throughout Malaysia in which foreign and domestic firms were eligible for duty exemptions and a minimum of customs controls in the import of raw materials, parts, machinery, and equipment, and in the export of their finished products. 4/ Free Trade Zone (FTZ) companies are required to export 80 percent or more of their manufactured output. Companies located in the zones are eligible for a number of investment incentives under the "pioneer status" legislation, which include investment tax credits and accelerated depreciation allowances. These investment incentives are granted for a period of 2 to 8 years, depending on the amount of equity invested and other criteria. The FTZ system is administered by the Industries Division of the Ministry of Finance. The Industries Division is responsible for approving all goods to be manufactured and the raw materials, components, and machinery to be used in production. The everyday operation of the FTZ's is controlled at the State-level by the Economic Development Corporation. The Malaysian Industrial Development Authority (MIDA) is in charge of the types and lengths of incentives granted and also provides additional support to firms during the initial analysis and investment stage. 5/

In recognition of the important role played by the textile and apparel industry in the economy, the Government of Malaysia established a Textile Advisory Committee (TAC). The TAC serves the industry by finding ways and

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1/ U.S. Department of Commerce, Marketing in Malaysia, March 1981, p. 13.

2/ General Agreement on Tariffs and Trade, Malaysia, COM. TEX/33/Add. 2, Dec. 5, 1983, p. 5.

3/ U.S. Department of State, Background Notes: Malaysia, October 1983, p. 7.

4/ U.S. Embassy, Kuala Lumpur, Free Trade Zones in Malaysia, Nov. 17, 1981, p. 1.

5/ Ibid, p. 2.

means of ensuring growth and development. 1/ Additionally, the Government of Malaysia has granted depreciation allowances for new equipment and buildings, for the purpose of encouraging new investment; export credit refinancing; and the exemption of import tariffs on certain items of textile machinery spare parts and accessories.

Malaysian textile manufacturers joined other ASEAN textile manufacturers to form the ASEAN Federation of Textile Industries (AFTEX) in 1978. Through this organization, the members hope to be more effective in improving access to Western markets. AFTEX also hopes to be more efficient in bargaining with cotton suppliers, shipping agents, and other trading partners. Two other functions of AFTEX is to explore ways of increasing intra-ASEAN trade in textiles and apparel through preferential arrangements and examine the possibility of coordinating the establishment of textile mills for the purpose of avoiding duplication in the region. 2/

On July 20, 1984, the U.S. Department of Commerce received a petition from the American Textile Manufacturers Institute, the Amalgamated Clothing and Textile Workers Union, and the International Ladies' Garment Workers Union, alleging that manufacturers, producers, and exporters of textiles and apparel in Malaysia received, directly or indirectly, benefits that constitute bounties or grants from the Government of Malaysia. The Commerce Department made a final determination, effective March 12, 1985, that countervailable benefits were being provided to manufacturers, producers, or exporters in Malaysia of textile mill products and apparel through tax incentives for exports and preferential short term financing. However, the estimated benefit was 0.22 percent ad valorem for textile mill products and 0.27 percent ad valorem for apparel, so the benefits were "de minimus"; as a result, Commerce determined that no benefits were being provided to manufacturers, producers, or exporters of certain textile mill products and apparel in Malaysia. Other programs under review which were determined not to confer bounties or grants included Free Trade Zones and reinstatement allowance. 3/

#### Export Potential

The Malaysian textile and apparel industry has the potential for increasing its exports beyond the current level. Export expansion is possible because the Malaysian industry is not yet fully developed nor fully engaged in diversifying its textile and apparel product lines. Despite the fact that the Government of Malaysia is encouraging foreign investors to establish heavy industry, and resource-based operations rather than labor-intensive industries, measures are being taken to merge and modernize existing textile and apparel facilities. Reorganizations and new equipment purchases should improve production capacity as well as product quality. In the clothing sector, exports of which have increased continually from 1976 to 1983 and accounted for almost 66 percent of total textile (excluding fibers) and apparel exports in 1983, manufacturers are gradually moving towards greater

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1/ U.S. Embassy, Kuala Lumpur, Industrial Outlook Report-Textiles, Feb. 4, 1981, p. 3.

2/ Ibid., p. 4.

3/ 50 F.R. 9852-7, Mar. 12, 1985.

value-added and medium- to high-quality products in order to combat stiff competition from other Southeast Asian competitors. 1/

Malaysia's three major export markets are the EC, Singapore, and the United States; their combined share has increased from 67 percent in 1979 to 83 percent in 1983, which indicates that Malaysia has made little progress in diversifying its export markets. Because shipments to the EC have accounted for a diminishing share of Malaysia's textile and apparel exports since 1979, it appears that export expansion lies almost entirely with Singapore and the United States.

Singapore is the single largest export market for Malaysia, increasing its share from 22 percent, valued at \$38 million, in 1976 to almost 31 percent, valued at \$133 million, in 1983. During 1976-80, more than 56 percent of Malaysia's exports of textiles and apparel to Singapore was concentrated in textile mill products; however, from 1981 to 1983, emphasis shifted to apparel exports which accounted for between 53 and 55 percent. The establishment of FTZ's was instrumental in encouraging Malaysian apparel producers to export and has been largely responsible for this transition.

U.S. imports from Malaysia increased from 24.2 million SYE in 1980 to 49.4 million SYE in 1983 and increased 88 percent, to 93 million SYE, in 1984. The bulk of the increase from 1983 to 1984 took place in cotton sheeting, men's cotton shirts, and women's manmade-fiber sweaters and trousers.

U.S. imports from Malaysia in MFA categories subject to specific limits increased from 14 categories having shipments totaling 19.1 million SYE in 1981 to 15 categories having shipments totaling 29.6 million SYE in 1983, or by about 55 percent, as shown in table 57.

Table 57.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Malaysia subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits SYE	Number of MFA categories sub- ject to specific limits	U.S. imports of products not sub- ject to specific limits <sup>1/</sup> SYE	Number of non- quota MFA cate- gories having shipments
1981-----	19,056,256	14	16,527,590	40
1982-----	22,023,502	14	15,324,068	38
1983-----	29,594,564	15	19,458,930	42

<sup>1/</sup> Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraints are not included.

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

<sup>1/</sup> General Agreement on Tariffs and Trade, Malaysia, COM. TEX/33/Add. 2, Dec. 5, 1983, p. 5.

During 1981 and 1982, all 14 categories having specific limits were more than 50 percent filled; during 1983, of the 15 categories having specific limits, only 1 category was less than 80 percent filled.

On the other hand, exports subject to MFA control but not limited by quotas increased by about 18 percent, from 16.5 million SYE in 1981 to 19.5 million SYE in 1983. During 1983, there were 42 categories, or almost three times as many MFA categories having shipments not subject to quota as those restricted by quota, however, the volume of trade for the MFA categories not subject to quota was significantly less than those subject to quota. Therefore, Malaysian textile and apparel export trade with the United States has the potential to increase should Malaysian manufacturers shift production from quota-restricted, sensitive items to unrestricted items.

VI-1.--Textiles and apparel: Malaysian exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
les:								
veloping								
ig Three...	18,008	20,546	22,240	23,983	23,658	29,618	25,362	19,268
ther Asia...	27,141	34,911	42,081	60,701	69,512	65,175	60,628	60,650
ther								
developing.	1,122	842	1,051	2,250	2,227	2,790	388	866
ialist.....	2/	2/	2/	411	222	2/	1,149	2/
veloped								
EC.....	30,988	40,808	42,664	44,069	43,943	41,521	33,557	35,364
outhern								
Europe.....	30	113	7	10	118	66	321	2/
ther Europe:	4,485	6,366	4,579	5,952	8,878	6,000	5,412	3,756
nited								
States.....	5,350	5,666	7,948	7,268	4,315	8,314	6,611	7,822
anada.....	1,614	2,617	4,497	6,234	7,049	9,560	6,516	8,566
apan.....	2,371	6,299	10,443	9,459	5,480	4,449	5,512	2,838
ther.....	12,298	16,943	23,465	23,136	22,204	24,121	25,238	7,027
el:								
veloping								
ig Three...	138	372	454	1,106	1,153	1,421	1,365	1,675
ther Asia...	12,485	17,537	22,853	31,172	43,103	52,733	60,238	73,134
ther								
developing.	286	141	36	579	817	415	449	107
ialist.....	2/	2/	2/	25	480	3,087	4,313	972
veloped								
EC.....	31,725	45,057	53,316	78,359	90,682	85,958	81,247	76,528
outhern								
Europe.....	6	7	86	13	46	89	411	2/
ther Europe:	7,019	10,202	12,305	14,887	22,520	21,587	20,637	18,469
nited								
States.....	8,649	15,700	28,620	29,062	42,625	57,353	74,828	102,400
anada.....	2,323	1,494	1,939	3,962	3,006	4,529	5,775	6,626
apan.....	195	690	1,847	3,279	2,948	2,531	4,635	5,189
ther.....	5,482	2,566	2,488	4,296	4,446	4,935	4,896	365
le &								
pparel:								
veloping								
ig Three...	18,146	20,918	22,694	25,089	24,811	31,039	26,727	20,943
ther Asia...	39,626	52,448	64,934	91,873	112,615	117,908	120,866	133,784
ther								
developing.	1,408	983	1,087	2,829	3,044	3,205	837	973
ialist.....	2/	2/	2/	436	702	3,087	5,462	972

Footnotes at end of table.

Table VI-1.--Textiles and apparel: Malaysian exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textile & Apparel: Developed								
EEC	62,713	85,865	95,980	122,428	134,625	127,479	114,804	111,892
Southern Europe	36	120	93	23	164	155	732	2/
Other Europe: United States	11,504	16,568	16,884	20,839	31,398	27,587	26,049	22,225
Canada	13,999	21,366	36,568	36,330	46,940	65,667	81,439	110,222
Japan	3,937	4,111	6,436	10,196	10,055	14,089	12,291	15,192
Other	2,566	6,989	12,290	12,738	8,428	6,980	10,147	8,027
Total	17,780	19,509	25,953	27,432	26,650	29,056	30,134	7,392
Total	171,744	228,877	282,919	350,213	400,502	426,350	429,488	3/ 431,622

1/ Based on world's imports from Malaysia as reported to the United Nations.

2/ Not available.

3/ Total for 1983 is slightly understated as Australia and some smaller export markets have not yet reported their 1983 data to the United Nations.

Source: Compiled from United Nations data.

Table VI-2.--Textiles and apparel: Malaysian exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
Singapore.....	25,298	30,239	38,259	46,943	51,750	46,438	46,972	59,950
United States.....	5,350	5,666	7,948	7,268	4,315	8,314	6,611	7,822
West Germany.....	12,962	12,411	12,703	14,061	13,951	14,372	9,062	11,076
Hong Kong.....	17,350	19,865	20,866	20,529	21,973	28,209	25,362	19,268
France.....	3,230	3,095	3,024	3,916	6,224	5,420	5,009	4,710
Australia.....	8,051	10,885	15,106	14,257	15,343	16,495	16,217	2/
United Kingdom.....	5,853	5,844	6,564	8,062	7,271	9,931	6,988	7,847
Sweden.....	3,552	5,175	3,729	5,092	7,322	4,666	3,923	3,282
Netherlands.....	1,701	2,633	2,656	1,701	1,900	9,906	2,273	2,238
Canada.....	1,614	2,617	4,497	6,234	7,049	9,560	6,516	8,566
Other.....	18,473	36,681	43,681	55,410	51,578	47,401	41,761	21,398
Total.....	103,434	135,111	158,975	183,473	188,676	191,712	170,694	3/ 146,157
Apparel:								
Singapore.....	12,326	17,271	22,631	30,146	41,585	51,645	58,699	73,101
United States.....	8,649	15,700	28,620	29,062	42,625	57,353	74,828	102,400
West Germany.....	11,898	20,477	29,152	39,646	37,622	37,658	33,527	35,884
Hong Kong.....	138	372	381	799	981	1,379	1,365	1,675
France.....	11,036	11,311	9,567	16,589	22,977	18,778	18,877	14,487
Australia.....	5,479	2,481	2,289	4,056	4,178	4,674	4,607	2/
United Kingdom.....	3,242	3,326	4,968	7,200	9,974	10,805	12,122	11,107
Sweden.....	3,962	6,009	6,203	7,058	11,950	9,505	10,012	9,655
Netherlands.....	2,804	4,220	4,651	5,749	9,157	8,758	8,130	7,356
Canada.....	2,323	1,494	4,651	3,962	3,006	4,529	5,775	6,626
Other.....	6,453	11,105	13,543	22,503	27,771	29,554	30,852	23,174
Total.....	68,310	93,766	123,944	166,740	211,826	234,638	258,794	3/ 285,465
Textile & Apparel								
Singapore.....	37,624	47,510	60,890	77,089	93,335	98,083	105,671	133,051
United States.....	13,999	21,366	36,568	36,330	46,940	65,667	81,439	110,222
West Germany.....	24,860	32,888	41,855	53,707	51,573	52,030	42,589	46,960
Hong Kong.....	17,488	20,237	21,247	21,328	22,954	29,588	26,727	20,943
France.....	14,266	14,406	12,591	20,505	29,201	24,198	23,886	19,197
Australia.....	13,530	13,366	17,395	18,313	19,521	21,169	20,824	2/
United Kingdom.....	9,095	9,170	11,532	15,262	17,245	20,736	19,110	18,954
Sweden.....	7,514	11,184	9,932	12,150	19,272	14,171	13,935	12,937
Netherlands.....	4,505	6,853	7,307	7,420	11,057	9,664	10,403	9,594
Canada.....	3,937	4,111	6,436	10,196	10,055	14,089	12,291	15,192
Other.....	24,926	47,786	57,166	77,913	79,349	76,955	72,613	44,572
Total.....	171,744	228,877	282,919	350,213	400,502	426,350	429,488	3/ 431,622

1/ Based on world's imports from Malaysia as reported to the United Nations.

2/ Not available.

3/ Totals for 1983 are slightly understated as Australia and some smaller export markets have not yet reported their 1983 data to the United Nations.

Source: Compiled from United Nations data.

Table VI-3.--Textiles and apparel: Malaysian exports, 1/ by types, 1979-83

IITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
	<u>1,000 dollars</u>					
Wool yarn.....	2/	2/	2/	2/	2/	2/
Wool yarn.....	114	157	2,119	2,555	3,362	2849.123
Wool yarn.....	5,789	2,853	2,895	2,541	2,421	-58.179
Wool yarn.....	20,445	23,893	25,813	21,681	13,755	-32.722
Wool yarn.....	149	38	16	1	65	-56.376
Wool yarn.....	23,985	19,938	21,319	19,014	14,965	-37.607
Wool yarn.....	29,949	33,171	34,661	32,425	28,279	-5.576
Wool yarn.....	2,815	3,174	1,885	1,108	1,142	-59.432
Wool yarn.....	81,999	82,440	74,966	72,168	67,421	-17.778
Wool yarn.....	84	2	3	61	16	-80.952
Wool yarn.....	2/	2/	2/	2/	2/	2/
Wool yarn.....	5	14	166	79	58	1060.000
Wool yarn.....	3,198	1,324	1,329	1,736	4,879	52.564
Wool yarn.....	6,705	7,794	13,180	6,608	4,771	-28.844
Wool yarn.....	5,717	6,743	7,663	5,610	4,325	-24.348
Wool yarn.....	541	592	587	574	142	-73.752
Wool yarn.....	19,323	18,248	20,609	22,396	25,273	30.792
Wool yarn.....	32,121	33,373	40,209	49,185	54,041	68.242
Wool yarn.....	33,683	40,676	40,901	40,926	36,639	8.776
Wool yarn.....	665	932	886	779	2,052	208.571

2/ footnotes at end of table.

Table VI-3.--Textiles and apparel: Malaysian exports, 1/ by types, 1979-83--Continued

TC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Accessories, not knit.....	8,541	9,911	10,815	10,948	9,416	10.245
Accessories of textile materials.....	6,843	7,896	6,194	6,424	4,639	-32.208
Apparel, knit or woven, excluding trunks, etc., knit.....	2,994	3,581	3,257	5,055	4,953	65.431
Apparel, knit or woven, excluding trunks, etc., knit.....	8,626	8,337	6,263	7,726	8,515	-1.287
Apparel, knit or woven, excluding trunks, etc., knit.....	23,670	34,357	35,265	39,779	49,558	109.371
Apparel, knit or woven, excluding trunks, etc., knit.....	15,527	23,875	32,904	32,704	40,178	158.762
Apparel, knit or woven, excluding trunks, etc., knit.....	47	227	115	123	55	17.021
Apparel, knit or woven, excluding trunks, etc., knit.....	154	111	25	106	212	37.662
Apparel, knit or woven, excluding trunks, etc., knit.....	13,380	27,848	32,798	36,449	48,703	263.999
Apparel, knit or woven, excluding trunks, etc., knit.....	70	30		181	246	251.429

1/ Based on world's imports from Malaysia as reported to the United Nations.  
/ Not available.

Source: Compiled from United Nations data.

Table VI-4.--Cotton textiles: U.S. imports from Malaysia, by MFA categories, 1980-83

Code	Description	Equivalent square yards							1981	1982	1983	1980	1981	1982	1983	1984
		1980	1981	1982	1983	1980	1981	1982								
310	Gingham	0	0	11,601	0	38,949	0	0	0	0	0	0	0	0	0	0
313	Sheeting	7,425	941,367	1,284,514	1,735,342	12	449	704	814	0	0	0	0	0	0	0
314	Poplin and broadcloth	5,072	335,536	0	194,193	9	188	0	0	0	0	0	0	0	0	0
315	Printcloth	0	134,044	42,968	0	0	43	39	0	0	0	0	0	0	0	0
317	Twill and sateen	960,789	804,355	929,795	803,779	893	766	911	755	0	0	0	0	0	0	0
318	Yarn-dyed fabric, n.e.s.	0	0	18,290	0	0	0	0	0	0	0	0	0	0	0	0
319	Duck	22,002	0	0	25,000	27	0	0	0	0	0	0	0	0	0	0
320	Woven fabrics, n.e.s.	1,802,360	5,523,924	2,175,427	1,860,873	1,202	2,612	1,295	1,173	0	0	0	0	0	0	0
330	Handkerchiefs	0	0	1,347	1,231	0	0	0	0	0	0	0	0	0	0	0
331	Gloves	1,386,210	1,191,750	1,705,550	1,786,050	470	394	543	592	0	0	0	0	0	0	0
332	Cotton hosiery	166	37,600	56,359	198,265	1	68	107	317	0	0	0	0	0	0	0
333	Suit-type coats, men's and boys'	0	109	24,399	72,183	0	1	107	265	0	0	0	0	0	0	0
334	Other coats, men's and boys'	470,449	514,350	531,077	1,251,555	915	977	1,278	3,328	0	0	0	0	0	0	0
335	Coats, women's, girls', and infants'	511,956	863,936	1,805,098	1,603,804	2,068	3,087	6,280	5,426	0	0	0	0	0	0	0
336	Dresses	17,214	17,259	42,763	95,220	30	26	68	94	0	0	0	0	0	0	0
337	Play suits	72,625	54,500	38,325	72,350	67	45	33	57	0	0	0	0	0	0	0
338	Knit shirts, men's and boys'	1,376,842	905,191	1,184,220	1,789,403	7,748	5,239	7,538	11,225	0	0	0	0	0	0	0
339	Knit shirts and blouses, women's, girls', and infants'	1,098,741	934,704	1,262,305	1,150,892	3,799	3,507	5,371	5,071	0	0	0	0	0	0	0
340	Shirts, not knit, men's and boys'	6,167,352	6,745,152	6,196,488	6,524,136	7,658	9,544	10,150	10,306	0	0	0	0	0	0	0
341	Blouses, not knit, women's, girls', and infants'	345,492	446,732	2,586,816	3,959,575	799	1,190	6,397	10,239	0	0	0	0	0	0	0
342	Skirts	5,981	7,101	6,016	83,126	18	22	25	233	0	0	0	0	0	0	0
345	Sweaters	1,840	38,934	254,471	2,204,983	1	48	450	5,092	0	0	0	0	0	0	0
347	Trousers, men's and boys'	847,778	1,337,688	1,306,947	1,399,578	2,744	4,785	4,801	5,034	0	0	0	0	0	0	0
348	Trousers, women's, girls', and infants'	960,951	1,510,134	1,224,694	1,548,689	3,701	5,637	4,207	5,348	0	0	0	0	0	0	0
349	Brassieres	0	0	576	13,824	0	0	1	2	0	0	0	0	0	0	0
350	Dressing gowns	278,919	253,317	42,840	17,646	237	207	35	14	0	0	0	0	0	0	0
351	Nightwear	52,104	7,280	0	35,860	39	4	0	23	0	0	0	0	0	0	0
352	Underwear	352	0	0	257,675	1	0	0	134	0	0	0	0	0	0	0
359	Other apparel	34,615	32,977	81,015	176,036	76	58	88	234	0	0	0	0	0	0	0
363	Terry and other pile towels	9,840	26,814	4,200	0	8	146	24	0	0	0	0	0	0	0	0
369	Other manufactures	886,669	1,168,187	756,493	71,396	469	553	381	62	0	0	0	0	0	0	0
	Total	17,323,744	23,832,961	23,573,594	28,971,653	32,991	39,597	50,860	65,996	0	0	0	0	0	0	0

1/ Less than 500 dollars.

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

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

Table VI-5.--Wool textiles: U.S. imports from Malaysia, by MFA categories, 1980-83

Category	Description	1980	1981	1982	1983	1980	1981	1982	1983	1982	1983
				Equivalent square yards					1,000 dollars		
410	Woolens and worsted	0	69,864	0	0	0	240	0	0	0	0
431	Gloves	410	71	0	0	4	1	0	0	0	0
432	Hosiery	963	140	1,797	1,364	5	1	11	0	7	0
433	Suit-type coats, men's and boys'	0	0	0	4,608	0	0	0	0	0	22
435	Coats, women's, girls', and infants'	0	0	2,376	2,970	0	0	2	0	15	17
438	Wool knit shirts and blouses	8,760	0	0	6,765	28	0	0	0	0	30
442	Skirts	0	0	0	6,732	0	0	0	0	0	434
443	Suits, men's and boys'	0	0	0	46,656	0	0	0	0	0	44
444	Suits, women's, girls' and infants'	0	0	0	12,636	0	0	0	0	0	44
445	Sweaters, men's and boys'	77,258	83,209	218,617	233,080	269	355	963	1,418	963	1,418
446	Sweaters, women's, girls', and infants'	208,678	262,543	112,983	121,346	610	1,044	410	496	410	496
465	Floor coverings	49	147	0	0	4	4	0	0	0	0
469	Other manufactures	0	0	118	0	0	0	2	0	2	0
	Total	296,118	415,974	335,891	436,157	920	1,645	1,388	2,484	1,388	2,484

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

Note:--Because of rounding, figures may not add to the total shown.

Table VI-6.--Manmade-fiber textiles: U.S. imports from Malaysia, by MFA categories, 1980-83

Date-- KEY	Description	Equivalent square yards							
		1980	1981	1982	1983	1980	1981	1982	1983
604	Noncellulosic noncollulosic yarn	1,786,764	3,246,905	4,776,311	6,451,338	572	1,130	1,661	2,062
611	Spun cellulosic woven fabrics	0	12,040	0	0	0	9	0	0
612	Continuous noncellulosic woven fabrics	1,685	1,146	63,224	75,858	2	1	47	46
613	Spun noncellulosic woven fabrics	2,032,081	3,389,865	1,584,298	4,315,129	906	1,725	1,174	2,022
614	Woven fabrics, n.e.s.	1,293	42,252	3,319	340,421	1	38	3	207
627	Specialty fabrics	0	4,922	0	0	0	3	0	0
631	Gloves	71,817	20,675	8,712	4,263	133	48	31	28
632	Hosiery	0	133	0	0	0	1	0	0
633	Suit-type coats, men's and boys'	0	5,430	0	0	0	19	0	0
634	Other coats, men's and boys'	0	21,476	52,245	224,672	0	40	67	405
635	Coats, women's, girls', and infants'	743	46,752	137,116	1,199,395	1	97	284	1,816
636	Dresses	4,167	24,417	48,743	8,471	8	31	51	16
637	Play suits	0	6,135	447	703	0	10	2	2
638	Knit shirts, men's and boys'	70,974	175,500	152,928	260,370	107	400	262	321
639	Knit shirts and blouses, women's, girls', and infants'	6 50,970	1,285,065	1,521,885	1,442,565	659	1,253	1,523	1,849
640	Shirts, not knit, men's and boys'	1,052,328	1,418,736	2,292,984	2,566,704	1,484	2,520	4,350	5,268
641	Blouses, not knit, women's, girls', and infants'	339,431	864,447	1,430,528	1,387,710	628	2,114	3,433	3,290
642	Skirts	0	303	16,857	54,789	0	1	34	63
643	Suits, men's and boys'	0	66,582	82,458	21,114	0	265	366	126
645	Sweaters, men's and boys'	165,195	195,518	186,147	291,493	161	233	176	268
646	Sweaters, women's, girls', and infants'	286,806	44,086	2,576	55,936	190	49	3	45
647	Trousers, men's and boys'	5,126	63,618	29,370	82,486	4	68	121	178
648	Trousers, women's, girls', and infants'	13,653	360,361	870,474	648,844	15	237	567	699
651	Nightwear	26,000	0	45,240	0	20	0	53	0
659	Other apparel	63,67	38,547	134,223	213,423	63	38	101	150
	Total	6,574,71	11,334,911	13,438,085	19,645,684	4,954	10,331	14,311	18,862

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

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

Table VI-7.---Textiles and apparel: Limits under the United States-Malaysia bilateral agreement and shipments charged, by MFA categories, agreement year 1981

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				1,000 units	units	Percent
Group I:						
604	Specific	Manmade-fiber noncontinuous non-cellulosic yarn.	Lb	1,098	1,009	92
Group II:						
331	do	Cotton gloves	Doz pr	1/ 361	339	94
333/334/335	do	Cotton coats	Doz	66	37	56
338/339	do	Cotton knit shirts	do	1/ 369	266	72
340	do	Cotton woven shirts, men's and boys'	do	2/ 284	282	99
347/348	do	Cotton trousers, men's and boys'	do	2/ 161	154	96
638/639	do	Manmade-fiber knit shirts and blouses.	do	160	89	56
Group III:						
445/446	do	Wool sweaters	do	1/ 23	23	100

1/ Adjusted downward.  
2/ Adjusted upward.

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

Table VI-8.--Textiles and apparel: Limits under the United States-Malaysia bilateral agreement and shipments charged, by MFA categories, agreement year 1982

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				1,000 units		Percent
Group I:						
604	Specific	Manmade-fiber noncontinuous non-cellulosic yarn.	Lb	1,169	914	78
Group II:						
331	do	Cotton gloves	Doz pr	541	510	94
333/334/335	do	Cotton coats	Doz	71	51	72
338/339	do	Cotton knit shirts	do	414	319	77
340	do	Cotton woven shirts, men's and boys'	do	288	244	85
347/348	do	Cotton trousers, men's and boys'	do	163	125	77
638/639	do	Manmade-fiber knit shirts and blouses.	do	170	86	51
Group III:						
445/446	do	Wool sweaters	Doz	1/23	23	100

1/ Adjusted downward.

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

Table VI-9.---Textiles and apparel: Limits under the United States-Malaysia bilateral agreement and shipments charged, by MFA categories, agreement year 1983

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				---1,000 units---	---	Percent
Group I:	Specific	Manmade-fiber noncontinuous non-cellulosic yarn.	Lb	1/ 1,320	1,232	93
331	do	Cotton gloves	Doz pr	576	529	92
333/334	do	Cotton coats	Doz	75	74	99
338/339	do	Cotton knit shirts	do	1/ 489	414	85
340	do	Cotton woven shirts, men's and boys'	do	1/ 322	281	87
341	do	Cotton woven blouses	do	217	179	82
347/348	do	Cotton trousers, men's and boys'	do	1/ 193	156	81
638/639	do	Manmade-fiber knit shirts and blouses.	do	1/ 201	70	35
Group III:						
445/446	do	Wool sweaters	do	2/ 23	21	91
1/	Adjusted upward.					
2/	Adjusted downward.					

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

## CHAPTER VII. PAKISTAN

## Introduction

The textile industry is the largest industry in Pakistan. It is based predominately on home grown cotton, of which Pakistan is the fifth largest producer in the world. The textile industry represents about two-thirds of Pakistan's export earnings and three-fourths of the exports of manufactured goods, while employing 35 percent of the industrial labor force and accounting for 30 percent of industrial value added.

The textile industry has been very important to the economy of Pakistan because it provides significant employment, particularly to people in rural areas, and contributes greatly to the export earnings. In 1983, textile trade resulted in a \$1.6 billion surplus for Pakistan compared with its overall trade deficit of \$2.9 billion.

The growth of Pakistan's textile industry and its exports since 1980 has been significant despite the global economic recession and industry problems. The number of spindles in the spinning sector increased from 4 million in fiscal year (FY) 1981 <sup>1/</sup> to 4.3 million by May 1984. However, the capacity in the organized weaving sector has been stagnant at 24,000 looms since FY 1983 with only a little over half of the looms working. This has been due to the Government of Pakistan's (GOP) policy of supporting its cottage industry sector, which now represents about 84 percent of total fabric production and accounts for over 60 percent of its fabric exports. The production of yarn increased by 19 percent in FY 1984 to 978 million pounds, from 825 million pounds in FY 1981. However, fabric production in the organized mill sector increased by only 7 percent during the period to 393 million square yards. The growth in overall fabric output, from an estimated 1.6 billion square yards in FY 1978 to 2.4 billion square yards in FY 1983, was accounted for by the cottage industry sector.

Pakistan's manmade-fiber industry, though small, has been increasing in size since 1980. Currently, there are 13 plants engaged in the manufacture of manmade fibers and manmade-fiber yarns, but the output is small, and the bulk of domestic fiber and yarn requirements is imported. Although the production of manmade-fiber fabrics has increased in recent years, these fabrics are not competitive in the world market due to higher production costs and, therefore, are consumed locally.

In the woolen sector, Pakistan's production of fabrics, produced mostly from imported wool, has been declining since FY 1981, from 2 million square yards to an estimated 1.6 million square yards in FY 1984. The production of hand-knotted carpets using domestic wool showed significant gains in exports until FY 1978; it declined to 2.4 million square yards in FY 1983 before recovering to 5.5 million square yards in FY 1984. The production and exports of other textile furnishings have grown rapidly, especially towel manufacturing, where the capacity increased by 350 looms in 3 years since FY 1980, while the output increased by nearly 50 percent to 34 million pounds. In recent years, towels have been major export items, with exported towels accounting for about 80 percent of total towel production.

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<sup>1/</sup> Pakistan's fiscal year runs from July 1 through June 30. Fiscal year 1981 covers the 12-month period ending on June 30, 1981.

Pakistan's apparel industry increased its capacity, production, and exports, despite the recession in the major importing countries, in 1981 and 1982. During 1980-83, Pakistan's apparel exports increased by 120 percent in U.S. dollars, but the increase was significantly greater in national currency which depreciated 25 percent against the U.S. dollar during this period. The growth in exports was boosted by the Government's new policy that emphasized the importance of increased exports of higher value-added products.

### The economy

Pakistan recorded its sixth consecutive year of significant economic growth in FY 1983, when its gross national product (GNP) in current dollars increased by 17 percent to an estimated \$32 billion. 1/ Real GNP growth during FY 1981-83, aided by an 8-percent growth in FY 1983, annually averaged just over 5 percent. Per capita GNP in FY 1983 amounted to \$358, up 13 percent over the previous year in national currency, but down 3 percent in U.S. dollars due to a 17-percent depreciation of the Pakistani rupee against the dollar. Pakistan's population, which consists almost entirely of Muslims and has a life expectancy at birth of 51 years, has been growing at an average annual rate of 2.8 percent in recent years and now totals 91 million persons.

Furthering the ongoing economic growth in FY 1983 was the lowest rate of inflation in over a decade, about 5 percent. However, the monetary supply rose by 26 percent that year, compared with much slower growth in recent years. In addition, the Government of Pakistan continued to operate with a deficit, which totaled about \$2.0 billion in FY 1983 on revenue of \$4.8 billion and expenditures of \$6.8 billion. The FY 1983 deficit as a percentage of the GNP at 6.4 percent was significantly higher than that of the previous year. 2/ The deficit was financed primarily from domestic nonbank borrowing. Three-fourths of the revenue in FY 1983 came from customs and excise duties, with most of the remainder coming from corporate and personal taxes (11 and 6 percent, respectively). 3/

The most important sector in Pakistan's economy continues to be agriculture, consisting mostly of rice, cotton, wheat, and sugarcane. In 1983, the agricultural sector provided nearly 30 percent of the gross domestic product (GDP) and employed 55 percent of the total workforce (which expanded from an estimated 23 million persons in 1980 to 26.8 million in 1983). In addition, it generated 32 percent of Pakistan's total foreign exchange earnings in FY 1983. 4/ Real growth in the sector, after amounting to 3.8 percent in FY 1981 and 3.5 percent in FY 1982, accelerated to 4.8 percent in FY 1983, 5/ due primarily to record wheat production and another bumper cotton crop. In FY 1984, however, agricultural production declined by 4.6 percent,

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1/ Exchange rate: US\$1 = 12.72 rupee.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Pakistan, May 1984, p. 2..

3/ Asia 1984 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1983, p. 9.

4/ Ibid.

5/ U.S. Department of Commerce, Foreign Economic Trends . . . : Pakistan, May 1984, p. 3.

as adverse weather conditions and widespread damage to the cotton crop led to the first decline in agricultural output since at least FY 1980.

The severe infestation of the cotton crop could slow Pakistan's ongoing economic growth, since cotton is not only an important source of export revenue, but also is by far the most important raw material for the textile industry, which has generated two-thirds of the country's exports in recent years. Although cotton production for FY 1984 was targeted at 5.2 million bales harvested from about 5.3 million acres, preliminary reports indicate that the crop will amount to only about 3.0 to 3.2 million bales. <sup>1/</sup> This compares with the FY 1983 crop of 4.8 million bales harvested from about the same amount of acreage yielding 336 pounds per acre. Almost all the cotton grown in Pakistan occurs in the provinces of Punjab (with 3.85 million acres) and Sind (with 1.48 million acres), where all but a small part of cotton textile production takes place.

A major part of Pakistan's economic growth in recent years has been generated by the industrial sector, whose real growth annually averaged about 10 percent during FY 1981-83. As a result, the sector's share of the GDP increased to 17.5 percent in FY 1983 <sup>2/</sup> from 16.2 percent in FY 1981. This sector comprises a fairly diversified base of both labor- and capital-intensive manufactures, including textiles, sugar refining, fertilizer, chemicals, cement, transportation equipment, pharmaceuticals, iron and steel products, and a wide variety of machinery. The textile industry remains Pakistan's largest single industry, virtually all of which is under private sector control, and it ranks along with agriculture as the major sources of export revenue. During 1980-84, it employed 35 percent of the industrial labor force and accounted for about three-fourths of the exports of manufactured goods.

Despite the economic growth taking place in Pakistan since the late 1970's, the expansion of investment overall has not kept pace. As a percentage of the GNP, total investment declined from 16.3 percent in FY 1978 to 15.8 percent in FY 1983, <sup>3/</sup> as public investment increased in real terms by only 2.4 percent and private investment by 7 percent. Slightly more than one-third of total domestic investment was financed by domestic savings, which represents about 13 percent of the GNP and has shown little or no growth since FY 1978. Consequently, new policies have been introduced by the Government of Pakistan to stimulate investment by providing financial incentives to the private sector and by encouraging private foreign investment, particularly in industries that are capital intensive, require sophisticated technology, or are in export-oriented or import substitution industries. The Government has also been encouraging joint ventures in agro-industrial and light engineering projects.

### Foreign trade

Pakistan's foreign trade continues to be marked by deficits, which have fluctuated widely in recent years, as shown in table 58. After rising

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<sup>1/</sup> U.S. Consulate Report in Karachi, Anxiety in Karachi as Major Shortfall in Pakistan's Cotton Crop Is Predicted, December 1983.

<sup>2/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : Pakistan, May 1984, p. 3.

<sup>3/</sup> Asia: 1984 Yearbook, published by Far Eastern Economic Review, Ltd., Hong Kong, December 1983, p. 241.

steadily for several years to a then record \$3.2 billion in FY 1980, Pakistan's trade deficit fell to slightly less than \$2.8 billion in FY 1981 before climbing to a record \$3.5 billion in FY 1982 with the onset of the global recession. However, the trade deficit improved significantly in FY 1983, decreasing to \$2.9 billion, as exports increased by 13 percent to \$2.9 billion and imports declined by 4 percent to \$5.5 billion. For exports, this was the first increase since FY 1980, but despite the gain, they remained somewhat below the 1981 level. Imports, which reached their highest level of almost \$6.0 billion in 1980, fluctuated thereafter in a fairly narrow range, annually averaging \$5.6 billion during FY 1981-83.

Table 58.--Pakistan's balance of payments, fiscal years 1981-83

(In millions of dollars)

Item	1981	1982	1983
Trade balance-----	-2,765	-3,450	-2,906
Exports (f.o.b.)-----	2,798	2,319	2,628
To the United States-----	179	167	158
Imports (f.o.b.)-----	-5,563	-5,769	-5,534
From the United States-----	591	508	559
Net invisibles-----	1,774	1,840	2,471
Remittances-----	2,097	2,224	2,885
Current account balance-----	-991	-1,610	-435

Source: State Bank of Pakistan, Annual Report 1982-83, Pakistan Economic Survey, 1982-83, and estimates of U.S. Embassy in Islamabad.

An additional important source of foreign exchange for Pakistan continues to be the remittances from Pakistani citizens who have migrated (primarily to the Middle East) to countries where jobs have been more plentiful and paid higher wages than in Pakistan. In fact, these remittances exceeded Pakistan's total merchandise exports by 10 percent in FY 1983, totaling nearly \$2.9 billion. In addition, they surpassed the preceding year's level by 30 percent, which, coupled with the significant decline in the trade deficit that year, resulted in a considerable improvement in Pakistan's current account balance to its lowest deficit level since at least FY 1978.

The export increase in FY 1983 was due mainly to increased shipments of manufactured goods, whereas exports of rice and cotton, traditionally Pakistan's major sources of export revenue, showed no growth in value because of weak world prices. The major export markets for Pakistani goods were other Asian countries and Western Europe up to FY 1983. During that year, the Middle East countries accounted for over 30 percent of Pakistan's total exports, versus 25 percent for other Asian countries and 24 percent for Western Europe. The United States received only 6 percent of Pakistan's exports in FY 1983.

The decrease in imports during FY 1983 was due to lower international crude oil prices, continued import substitution in wheat, sugar, cement, fertilizer, and steel, and a minor shortfall from projected foreign aid

disbursements. About one-fourth of the imports that year consisted of petroleum shipments, which, after doubling from \$611 million in FY 1978 to \$1.2 billion in FY 1979, rose at a slower rate to an estimated \$1.5 billion in FY 1983. Other major imports were non-electrical machinery, edible oil, electrical goods, transport equipment, iron and steel, and tea. The major foreign suppliers continued to be the Middle East countries, particularly Saudi Arabia and Kuwait, which supplied mainly crude oil. Major non-petroleum suppliers were Japan and the United States.

## The Textile and Apparel Industries

### Structure

The textile industry is the most important industrial subsector of Pakistan. It is based predominately on cotton. Approximately 60 percent of the cotton produced in the country is consumed by the mill sector. It represents about two-thirds of the value of Pakistan's annual exports and about 75 percent of the exports of manufactured goods, while employing 35 percent of industrial labor force and accounting for 30 percent of industrial value added. <sup>1/</sup>

Pakistan's textile industry, especially the spinning sector, has grown significantly over the years. It grew from 79,000 spindles (in West Pakistan) in 1947 to over 4 million in 1983 and emerged as the largest exporter of cotton textiles in the world during the late 1960's and early 1970's. <sup>2/</sup> Since then, its share of world exports has declined with the growth of other textile exporting countries such as Korea, China, Taiwan, and other Far East countries. In terms of export sales, Pakistan currently ranks 14th among the textile exporting countries in the world.

The textile industry in Pakistan consists of an organized mill sector and a decentralized cottage industry sector. <sup>3/</sup> The mill sector consists of about 160 textile units with an installed capacity of 4.3 million spindles. <sup>4/</sup> Weaving is done by some 69 integrated mills in the mill sector with an installed capacity of 24,000 looms, mostly automatic types. The decentralized sector is a labor-intensive sector consisting of over 20,000 small weaving units, which operate between 50,000 to 70,000 power looms and 50,000 hand looms. There are also some 165 finishing plants, with a total capacity of 1.38 billion square yards, which handle about one-half of the cotton fabric produced in the country. Most of these are small commission finishing units and only about 30 are integrated with spinning and weaving plants. The jute sector, which spins and weaves imported jute fibers, consists of 9 mills with

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<sup>1/</sup> World Bank, Pakistan Textile Industry Study, August 1983, p. 1.

<sup>2/</sup> Textile Commissioner's Office, Karachi, Study of the Cotton Textile Industry in Pakistan, June 1979, p. 4.

<sup>3/</sup> Units that operate 4 looms or less and employ 10 workers or less--often members of a single family; they are exempted from labor laws and some Government taxation.

<sup>4/</sup> Federal Bureau of Statistics, Karachi, Monthly Statistical Bulletin, June 1984, p. 11.

a total capacity of 31,500 spindles and 1,835 looms. 1/ An additional six plants are expected to be commissioned in the sixth plan period (FY 1983-FY 1987), which would add 315 looms to the present installed capacity. 2/ The industry is oriented to the domestic market and is highly dependent on imported raw jute, the bulk of which comes from Bangladesh. At present, this sector meets only about 60 percent of the domestic demand for jute goods.

Before 1981, Pakistan did not have significant manufacturing capacity in manmade fibers or manmade-fiber yarn. Currently, there are 13 plants engaged in the manufacture of these products, 3/ but their output is small and the bulk of domestic fiber and yarn requirements is imported.

The weaving sector of the manmade-fiber industry is composed mostly of smaller units with less than 10 looms, having a total capacity of 4,300 power looms. 4/ This sector is engaged in weaving the imported and locally produced filament yarn. Filament yarn is subject to quantitative import restrictions and relatively high duties and taxes. Manmade-fiber fabrics are produced almost entirely for the domestic market; exports constitute only 3 percent of output.

There are 109 mills engaged in wool spinning, with about 135,000 spindles producing worsted and woolen yarn. The output of this sector has annually averaged about 66 million pounds for the past 5 years and is used mainly by the carpet sector and other cottage industry units producing blankets, bags, and other woolen and wool-blend goods. The carpet sector is made up mainly of small hand-knotting operations; it is estimated to have about 13,000 units with 110,000 looms and to employ about 330,000 workers. 5/ Although most of the firms are small and located in rural areas, this sector is dominated by a few large manufacturers. The shortage of skilled labor has forced some small manufacturers to close their businesses, and, during the last few years, production, employment, and exports have declined.

Towel manufacturing is a major manufacturing activity in the textile furnishing 6/ sector and has grown rapidly in recent years. There are about 159 firms engaged in towel manufacturing with an installed capacity of 2,450 looms and a production capacity of about 33 million pounds. Most of the firms are small with 5 to 15 looms. About 80 percent of the output is exported. Other major products in this sector are cotton bags and canvas tents, exports of which have grown significantly in recent years.

The apparel industry of Pakistan is still in its infancy and consists of three distinct groups: hosiery, apparel manufactured from locally produced fabric, and apparel manufactured from imported fabric for re-export. Most of the firms engaged in apparel manufacturing are small, and the organized sector includes only 20 firms engaged in knitting operations and another 30 firms in

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1/ Ibid., p. 14.

2/ "Regional Notes," Textile Asia, October 1983, p. 68.

3/ Textile Economics Bureau, Inc., Textile Organon, June 1984, p. 115.

4/ "Regional Notes," Textile Asia, May 1983, p. 78.

5/ World Bank, Pakistan Textile Industry Study, August 1983, p. 2.

6/ Includes blankets, tapestries, linens, floor coverings, and other furnishings.

apparel manufacturing. The industry is likely to be dominated by small firms as long as the Government extends certain exemptions from taxes and labor laws to the cottage industry.

### Production and capacity

The cotton textile industry in Pakistan has an installed spinning capacity of 4.3 million spindles 1/ and the working capacity in FY 1984 was approximately 73 percent of the installed capacity. 2/ The installed capacity increased by nearly 700,000 spindles during FY 1978-83, but has been stagnant since then at the 4.3 million level.

The weaving sector has a high degree of unused capacity because of poorly maintained looms of foreign origin that are old and require importation of spare parts at prohibitive duty rates. Out of the 24,000 looms (including 470 shuttleless looms) installed in the mill sector, nearly half were idle throughout fiscal years 1981-1983. The installed capacity has been stagnant at around 24,000 looms since FY 1983, which is significantly lower than the 29,000-loom capacity during most of the period in the mid-1970's. Pakistan's cotton textile industry's installed and working capacities are provided in table 59.

Table 59.--Pakistan's cotton textile industry's installed and working capacity, FY 1977 through FY 1984

Fiscal year <u>1/</u>	Number of reporting units	Installed capacity		Working capacity	
		Spindles	Looms	Spindles	Looms
		-----1,000 units-----			
1977-----	135	3,544	29	2,650	19
1978-----	140	3,560	26	2,680	15
1979-----	152	3,704	27	2,722	14
1980-----	149	3,731	26	2,841	16
1981-----	158	3,983	25	3,176	13
1982-----	155	4,180	25	2,944	13
1983-----	158	4,265	24	3,062	14
1984-----	<u>2/</u> 160	4,264	24	3,130	12

1/ Fiscal year covers July through June.

2/ As of May 1984.

Source: Federal Bureau of Statistics, Karachi, Monthly Statistical Bulletin, June 1984, and U.S. Embassy report from Islamabad, October 1984.

The production of cotton and manmade-fiber yarn increased rapidly during FY 1978-84, from 655 million pounds to nearly a billion pounds. Most of the

1/ Including about 26,000 open-end rotors.

2/ Federal Bureau of Statistics, Karachi, Monthly Statistical Bulletin, June 1984, p. 11.

production is in the coarse to medium count. The production of fine and superfine counts has increased, but they accounted for only 7 percent of the total in FY 1983, compared with 84 percent for coarse and medium count categories. Therefore, most of Pakistan's yarn exports are in the coarse to medium count range. Production of manmade-fiber yarn showed rapid increases, from 32 million pounds in FY 1977 to 82 million pounds in FY 1981, before declining to 72 million pounds in FY 1982 and FY 1983. The bulk of manmade-fiber yarn is consumed locally. The percentage of production of cotton and manmade-fiber yarn by category is given in table 60.

Table 60.--Cotton and manmade-fiber yarn: Pakistan's production, by categories, FY 1977 through FY 1983

Category	1977	1978	1979	1980	1981	1982	1983
	-----Percent of total-----						
Cotton:							
Coarse count-----	57.3	57.8	52.6	51.6	44.2	43.2	42.8
Medium count---	33.0	30.7	33.7	32.8	38.7	38.6	40.7
Fine count----	3.3	3.5	3.3	3.2	3.3	4.2	4.5
Superfine count-----	1.1	1.0	0.8	1.0	1.2	1.9	2.5
Mixed & hard waste----	0.2	0.3	0.8	2.2	2.2	4.5	2.2
Manmade-----	5.1	6.7	8.8	9.2	10.4	7.6	7.3
Total							
(mil-							
lion							
pounds)---	621.8	655.4	721.2	798.3	824.8	946.3	986.5

Source: All Pakistan Textile Mills Association, Pakistan Textile 1983.

The production in the organized weaving sector has been declining since the early 1970's, when it totaled over 700 million square yards. Since FY 1979, the decline in production has slowed, dropping by only 1 percent from 406 to 401 million square yards, in FY 1983. However, the FY 1984 production is estimated to have declined to 393 million square yards, due largely to a shortage of raw materials and power. In contrast to the spinning sector, the recovery in the weaving sector has been inhibited by unfavorable Government policies and the growth of the cottage industry. The growth of the cottage industry is the most important trend, due largely to Government support in the form of tax and labor-law exemptions. With this growth, Pakistan's decentralized sector accounted for 2 billion yards or 84 percent of the total production of cloth in FY 1983 compared with 75 percent in 1978.

In FY 1984, about 52 percent of cloth production in the organized mill sector was cotton grey goods made of coarse count yarn and generally of poor quality. As a result, prices of Pakistani fabric exports have been among the lowest in the world. However, the production of grey cloth has dropped by more than 100 million square yards since FY 1977. At the same time, Pakistan

has sharply increased its production of blended fabrics using manmade fibers, which totaled 44 million square yards in FY 1984 and accounted for 11 percent of the total output, compared with only 4 million square yards or 1 percent in FY 1977. Table 61 shows production of cloth by categories for FY 1977 through FY 1984.

Table 61.--Cloth: Pakistan's production, by categories, FY 1977 through FY 1984

FY	Grey	Bleached	Dyed and printed	Blended	Total
(Quantity in million square yards)					
1977	334.8	68.2	81.2	4.1	488.3
1978	301.7	72.3	88.7	5.3	468.0
1979	295.0	46.3	51.9	12.6	405.8
1980	276.3	52.8	58.6	21.7	409.4
1981	232.4	42.2	59.8	33.8	368.2
1982	234.9	41.3	63.6	48.9	388.7
1983	210.2	64.1	81.0	45.9	401.2
1984	205.4	71.8	72.5	43.6	393.3
(Percent of total)					
1977	68.6	14.0	16.6	0.8	100
1978	64.4	15.5	19.0	1.1	100
1979	72.7	11.4	12.8	3.1	100
1980	67.5	12.9	14.3	5.3	100
1981	63.1	11.5	16.2	9.2	100
1982	60.4	10.6	16.4	12.6	100
1983	52.4	16.0	20.2	11.4	100
1984	52.2	18.3	18.4	11.1	100

Source: All Pakistan Textile Mills Association, Pakistan Textile, 1983, and Federal Bureau of Statistics, Karachi, Monthly Statistical Bulletin, June 1984.

Pakistan contains some of the subcontinent's major wool-producing regions. In early years, raw wool was exported, but in more recent years, the manufacture of woolen fabrics and woolen carpets has absorbed all the wool produced.

Output of the wool-spinning sector has been at about 66 million pounds during the last 5 years. The installed capacity of spindles in the wool-spinning sector increased between 1979 and 1981, as can be seen in the following tabulation: <sup>1/</sup>

<sup>1/</sup> U.S. Consulate, Lahore, Pakistan, Industrial Outlook Report-Textiles, September 1982, p. 14.

FY	Total spindles	Woolen	Semi-worsted	Worsted
1979-----	74,336	19,678	10,874	43,784
1980-----	81,640	21,046	17,122	43,472
1981-----	131,506	17,046	39,354	75,106

In woolen fabric production, no new weaving units have been set up in the past few years, and the looms used in weaving woolen fabrics have remained at 726 since 1978, with 16 operating units functioning as of February 1984. 1/ Production fluctuated between 1.7 and 2.1 million square yards during FY 1978-82, dropped sharply in FY 1983 to 1.4 million square yards, and is expected to recover somewhat to total 1.6 million square yards in FY 1984. 2/ Woolen fabric produced is mostly made from imported wool and acrylic and does not compete in the world market.

There are about 110,000 looms installed in the hand-knotted carpet sector, which employs 330,000 workers. Production of hand-knotted carpet is mostly exported. Exports of carpets increased rapidly in the mid-1970's to total 2.8 million square yards in FY 1979, declined thereafter to 2.4 million square yards in FY 1983, and rose again to 5.5 million square yards in FY 1984. The production of manufactured carpets averaged nearly 750,000 square yards per year during FY 1979-81, but has been declining since then, totaling only 444,000 square yards in FY 1983. 3/ The decline is believed to be due to structural problems within the industry and the global recession of 1981-83. The production is expected to show some recovery in FY 1984.

The total installed capacity of polyester filament yarn is estimated at 25 million pounds. Assuming 70 percent efficiency in the plants producing this yarn, local production is estimated at 17 to 18 million pounds per year. Imports of polyester filament yarn total more than 110 million pounds and have been increasing rapidly. The countrywide production capacity of polyester fiber is believed to total a little over 50 million pounds; nearly half the domestic demand, estimated at around 100 million pounds, is imported. Manmade fibers and yarn are used in the production of manmade and blended fabrics mostly for local consumption. Since the cost of production of manmade fabrics is high due to higher tariffs on imported yarn and fibers, they are not competitive in the world market.

The apparel industry is not well-developed in Pakistan. The ready-made garment sector is primarily oriented to the domestic market. However, this sector has shown significant growth in its exports, which increased from \$46 million in 1976 to \$227 million in 1983. Garment manufacturing is carried out mostly by the decentralized sector and only 30 firms are registered in the organized sector. This sector has a capacity of 7,000 sewing machines. A substantial quantity of capacity is unregistered.

1/ Federal Bureau of Statistics, Karachi, Monthly Statistical Bulletin, June 1984, p. 13.

2/ Ibid.

3/ Ibid.

Knitwear and hosiery is a relatively new sector, which consists of 20 firms in the organized sector producing knitted outer garments, undergarments, gloves, socks, stockings, and knitted fabrics. This sector has an installed capacity of 9,500 machines, including 3,200 circular knitting machines, 800 flat machines, 550 automatic sock machines, 4,890 hand-operated sock machines, and 60 wrap-knitting frames. 1/ Some 50 percent of the capacity is believed to be unregistered. 2/ The production output in FY 1983 totaled over 72.9 million pieces, with exports accounting for 29.1 million pieces, valued at \$17 million. 3/ The growth in the production of hosiery goods since FY 1980 has been less than 3 percent per year, mostly due to slackness in domestic demand. Hosiery production is estimated to increase by 8.3 percent in FY 1985, with domestic consumption rising 5 percent, and exports, 10 percent. 4/

Towel manufacturing has grown rapidly since FY 1980. There are about 2,450 looms, which produced an estimated 34 million pounds in FY 1984. About 80 percent of the production was exported in FY 1984, compared with 42 percent in FY 1978. Capacity and production have increased from 2,100 looms and 18.7 million pounds in FY 1980 to 2,450 looms and 34 million pounds in FY 1984, as shown in the tabulation below:

FY	Number of looms	Production (In million pounds)
1978-----	2,108	22.0
1979-----	2,108	19.4
1980-----	2,100	18.7
1981-----	2,100	31.0
1982-----	2,450	27.6
1983-----	2,450	27.0
1984-----	<u>1/</u> 2,450	<u>1/</u> 34.0

1/ Estimated.

The jute industry has an installed capacity of 33,500 spindles and 1,835 looms, 5/ with a production capacity of 192 million pounds per year. 6/ Over the past 5 years, spindle utilization has averaged between 66 percent and 74 percent of installed capacity, loom utilization has ranged between 50 percent and 60 percent of the capacity, and demand has risen by about 6 percent per year. The domestic output of 133,000 million pounds in FY 1983 accounted for only 60 percent of the domestic demand. The commissioning of an additional 6 plants in the sixth plan period (with an installed capacity of 54 million

1/ "Regional Notes, Pakistan", Textile Asia, April 1984, p. 96.

2/ Ibid.

3/ Textile Industry Research and Development Centre, Karachi, Pakistan Textile Statistics 1984, Table 16.

4/ Industrie Textile, November 1982, p. 951.

5/ Federal Bureau of Statistics, Karachi, Monthly Statistical Bulletin, June 1984, p. 14.

6/ "Regional Notes," Textile Asia, October 1983, p. 68.

pounds) and the sanctioning of 48 million pounds of additional capacity from pending applications should help to meet most of the domestic demand (estimated at 304 million pounds) by FY 1988. 1/

### Plants and equipment

Most textile mills in Pakistan were constructed after World War II. They are modern, single story, masonry buildings for the most part, but many are reported to be poorly maintained and to have inadequate lighting. Many of the floors, which are usually of concrete, are reported to be in need of repair. 2/

Pakistan's textile industry has been heavily dependent on imported machinery. However, the GOP is now encouraging production of domestic textile machinery. Textile Machinery Corporation, an independent GOP entity, is manufacturing textile machinery and parts that were previously almost entirely imported. It has two units: one at Karachi, the Textile Winding Machinery Company, and the other at Lahore, the Spinning Machinery Company. The Karachi unit produces winding machines and partially manufactures and assembles automatic winding machinery in collaboration with a West German firm. The Lahore unit has a manufacturing capacity of 150,000 spindles, again under the license of the West German company.

Pakistan's average output per spindle year in FY 1983 was 322 pounds, which exceeded the 5-year plan target output of 312 pounds. Since only 72 percent of capacity was operating, output was 74 percent of installed capacity at target productivity. This cannot be attributed to the age of equipment. The age distribution of spindles appears favorable and compares well even with advanced countries. The problem with Pakistan's industry is that most of the older ring spindles are not maintained well or rebuilt and converted due to the high cost of spare parts and accessories. The age distribution of spindles in Pakistan as reported by the Textile Machinery Corporation of Pakistan is shown in the following tabulation:

	<u>Age of spindles by year installed</u>			
	<u>Total</u>	<u>1980-70</u>	<u>1970-60</u>	<u>Before 1960</u>
Spindles (million)-----	4.3	1.7	1.2	1.4
Years-----		1-10	11-20	20 or More
Distribution (percent)---	100	40	28	32

About one-half of all installed spindles were made in Japan. The United Kingdom provided 17 percent; Italy, 13 percent; and the United States, 6 percent. Sind and Punjab provinces account for 91 percent of the installed capacity. The city of Karachi has the largest concentration (30 percent) of the installed spindles.

1/ Ibid.

2/ Textile Commissioner's Office, Karachi, Study of the Cotton Textile Industry in Pakistan, June 1979, pp. 267-8.

In the weaving sector, productivity is below the international level, i.e., 65 percent loom efficiency compared to 85-90 percent in Europe and 92-95 percent in the United States. 1/ This is partly due to the age of the looms in the mills, where over 75 percent are more than 28 years old. 2/ In addition, about 90 percent of the looms are of foreign origin; these are poorly maintained on account of high duties and taxes on spare parts. The financial position of the mills has aggravated the poor condition of equipment, as the mills have had a shortage of internally generated funds to finance capital expenditures.

The GOP's textile policy of FY 1978, which provided incentives in the form of duty-free imports of machinery for modernization, resulted in greater investment in modern equipment and machinery. Between 1974 and 1983, the spinning sector added nearly 716,772 short-staple spindles and 26,984 open-end rotors, 3/ most of which were imported. By the end of 1983, the weaving sector had nearly 500 shuttleless looms, all of which were installed after 1974. This sector has also installed a total of 2,750 shuttle looms since 1974. 4/

A number of textile projects involving substantial investments have been undertaken during the past few years. A joint venture wool-combing plant has been set up at Lahore with an Australian company. The plant will provide wool tops for the Pakistan spinning industry and will later develop export markets. 5/ A West German firm has been contracted to complete a 17,000-pounds-per-day polyester spinning plant at Karachi which is reported to start producing a large range of fine yarns in 1983. 6/ Another \$39-million textile plant has been jointly set up with Iran. This plant has over 50,000 spindles and 1,100 looms for cotton and cotton-blend fabrics. Turnover is expected to be \$25 million per year, with nearly half concentrated in exports, shipped mainly to Iran, the Near East, Africa, and Western Europe. 7/ Pakistan is also planning to build a 13-million-pounds-per-year draw-textured polyester yarn plant in Sind province, with technical assistance from a U.S. firm. The plant is expected to start production by the end of 1985 and will produce yarn in the 40-70 denier range for lightweight fabrics. 8/

According to a recent GOP study on future strategy to effectively compete in the international market, the textile industry needs to invest \$1.28 billion through 1988 in order to purchase 1 million cotton spindles, as well as to modernize existing textile technology. Pakistan's decision to purchase new spindles depends upon the extent it wants to modernize its spinning sector in order to improve the quality of yarn production and increase productivity to effectively compete in the international market. 9/

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1/ Ibid., p. 19.

2/ World Bank, Pakistan Textile Industry Study, August 1983, p. 29.

3/ International Textile Manufacturers Federation, International Textile Machinery Shipments Statistics, 1983, Zurich, Switzerland, vol. 6, August 1984, p. 17.

4/ Ibid., p. 29.

5/ Wool Record and Textile World, November 1982, p. 11.

6/ Industries Textile, December 1982, p. 1,023.

7/ Chemiefasen Textile Industries, January 1983, p. 14.

8/ European Chemical News, Apr. 1, 1984, p. 18.

9/ Daily News Record, May 20, 1983, p. 5.

Employment and wages

The total work force in the textile industry comprises nearly 400,000 people and is divided among various subsectors as shown in the following tabulation:

<u>Sector</u>	<u>Estimated number of workers</u>
Spinning-----	95,000
Weaving:	
Organized-----	55,000
Decentralized-----	175,000
Finishing-----	17,000
Ready-made garments-----	25,000
Towels-----	7,000
Knitting-----	<u>21,000</u>
Total-----	395,000

In addition, an estimated 330,000 workers are engaged in carpet manufacturing, and a significant number of people are engaged in apparel production at home. A study of about one-fourth of the workers in the spinning sector indicated that the workers worked an average of 283 days or 2,264 hours per year and produced an average of 4.5 pounds per hour, compared with almost 26 pounds per hour in some of the better mills of Western Europe. 1/ The weaving sector employs about 55,000 people in the organized sector and another 175,000 people in the decentralized sector. The workers in the organized sector averaged 279 work days or 2,232 hours per year and their comparative production output was only about 13 percent of that reported for some of the better Western European mills. 2/ Similarly, the finishing sector, which employs about 17,000 workers, registered an output level of 27 yards per hour, compared to 175 yards per hour for Western Europe. 3/

Pakistan has one of the lowest wage levels among the more important textile producing countries of the world. The hourly labor cost of textile workers averaged 49 cents in 1984, approximately one-third of that paid in Hong Kong, Taiwan and the Republic of Korea (Korea), and only about 6 percent of that paid in the United States. 4/ From 1979 to 1984, wages for Pakistani workers increased about 40 percent. In recent years, labor laws have required employers to pay various fringe benefits to workers, which in the textile industry is estimated to go as high as 80 percent of the base earnings. Current labor policy prevents payment of wages on the basis of productivity, and mills usually have surplus labor since it is difficult to terminate employment. Thus inefficiency is common among workers in the textile industry, resulting in low labor productivity. Based on data

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1/ Textile Commissioner's office, Karachi, Study of the Cotton Textile Industry in Pakistan, June 1979. p. 24.

2/ Ibid.

3/ Ibid., p. 26.

4/ Werner International Management Consultants, Inc., Spinning and Weaving Labour Cost Comparisons, Spring 1984, New York and Brussels.

available from the Gherzi Textile Organization in Zurich, the unit labor cost, in terms of cost per one pound of yarn, computed for the spinning sector in several countries reflect that Pakistan's unit labor cost in 1981 was substantially higher than that of Korea, India, Brazil, and even Japan, as seen in the following tabulation (1981 U.S. cents):

<u>Country</u>	<u>Cost</u>
Korea-----	2.90
India-----	5.31
Brazil-----	7.26
Japan-----	8.16
Pakistan-----	9.89
United States-----	11.16
West Germany-----	16.69

Approximately 55 percent of the industry employees are skilled production workers. Twenty-two percent of the employees are unskilled, 9 percent work in maintenance, 1.3 percent are employed as management staff, and the remaining 13 percent are supervisory and administrative employees. <sup>1/</sup> An increasing problem in Pakistan is the shortage of skilled manpower. To a large extent, this problem has been created by the outflow of labor to the Middle East. Estimates of the number of Pakistanis employed in the Middle East range from 500,000 to over 1 million persons. About 84 percent of them are production workers, divided evenly between skilled and unskilled. Professional, clerical, and service personnel account for the remainder. Should a decline occur in the commercial and industrial activities in the Middle East due to a decline in oil revenues, the outflow of workers is expected to ease, and the labor situation should improve.

#### Trade in Textiles and Apparel

Pakistan depends heavily on its textile and apparel exports, which contribute over two-thirds of its total export earnings. In 1983, fiber, textile, and apparel trade resulted in a \$1.6 billion surplus compared with an overall trade deficit of \$2.9 billion. Pakistan's trade surplus from textiles and clothing has more than doubled during 1979-83 as shown in table 62.

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<sup>1/</sup> Textile Industry Research and Development Centre, Karachi, Pakistan  
Textiles Statistics, 1982, p. 46.

Table 62.--Textile fibers, textiles, and apparel: Pakistan's imports, 1/ exports, 1/ and trade balances, 1976 and 1979-83

(In millions of dollars)

Item	1976	1979	1980	1981	1982	1983
Imports:						
Textile						
fibers---	47.4	110.9	121.8	166.8	131.0	144.4
Textiles---	65.3	181.1	201.5	177.0	176.4	157.2
Apparel----	0.3	0.3	0.3	0.3	0.4	0.7
Total----	113.0	292.3	323.6	344.1	307.8	302.3
Exports:						
Textile						
fibers---	63.6	93.5	482.3	330.5	289.0	353.7
Textiles---	433.8	730.6	876.4	975.7	927.1	1,311.7
Apparel----	46.1	78.5	103.3	135.7	143.7	226.9
Total----	543.5	902.6	1,462.0	1,441.9	1,359.8	1,892.3
Trade						
balance:						
Textile						
fibers---	16.2	-17.4	360.5	163.7	158.0	209.3
Textiles---	368.5	549.5	674.9	798.7	750.7	1,154.5
Apparel----	45.8	78.2	103.0	135.4	143.4	226.2
Grand						
total---	430.5	610.3	1,138.4	1,097.8	1,052.0	1,590.0

1/ F.o.b.

Source: Compiled from United Nations data.

### Export Trends

Pakistan's exports of textile and apparel products grew rapidly from \$480 million in 1976 to \$1,111 million in 1981, dropped to \$1,071 million in 1982, and rose again by 44 percent to \$1.5 billion in 1983 (table VII-1 and VII-2). Textiles (excluding apparel), which represent 85 percent of Pakistan's total textile and apparel exports, increased 27 percent between 1979 and 1982 and then grew 42 percent to \$1.3 billion in 1983 due to rapid increases in exports of cotton yarn, cotton fabrics, and textile furnishings. Although apparel represents only about 15 percent of Pakistan's textile and apparel exports, it showed significant export growth from 1979 to 1983, increasing from \$78 million to \$227 million.

Between FY 1977 and FY 1983, cotton yarn exports from Pakistan increased 117 percent in quantity and 128 percent in dollar value, reflecting only a 5 percent increase in the unit value over a period of 6 years. 1/ In fact, during the last 2 years, the unit dollar value of yarn exports declined by 15 percent. Cotton fabric exports rose 21 percent in quantity with a 4 percent

1/ All Pakistan Textile Mills Association, Pakistan Textile, 1983, p. 49.

drop in the unit value during the last 2 years. <sup>1/</sup> The decline in the unit value of yarn and fabric combined with the increase in export volume in recent years is believed to be due largely to depreciation of Pakistan currency against the U.S. dollar and continued demand for cheaper Pakistan yarn and fabric despite increased competition from China. The unit values of Pakistan's yarn and fabric exports are given in the following tabulation:

<u>Fiscal year</u>	<u>Cotton yarn (dollars per pound)</u>	<u>Cotton fabric (dollars per square yard)</u>
1977-----	.80	.32
1978-----	.81	.32
1979-----	.92	.34
1980-----	.94	.37
1981-----	.99	.40
1982-----	.91	.39
1983-----	.84	.38

#### Major markets

The EC had been the largest export market for Pakistan's textiles until 1980, but Asian countries (except the Big Three) became the largest export markets (representing 48 percent of its export volume) in 1983, with rapid increases to the Middle East, particularly Iran, Saudi Arabia, and the United Arab Emirates. Exports to the EC doubled to \$219 million between 1976 and 1979, increased again by 17 percent in 1980 to \$257 million, but declined rapidly in 1981 and 1982, and rose again to \$212 million in 1983 as shown in table 63. As a result, the EC share of Pakistan's textile exports dropped from 30 to 16 percent between 1979 and 1983. West Germany, the United Kingdom, and France were the major markets in the EC, absorbing 12 percent of Pakistan's textiles in 1983. Exports to Japan have increased almost every year and reached \$122 million in 1983, for a 131 percent gain since 1979. Hong Kong is another major export market for Pakistan's textiles, but exports to Hong Kong have declined every year (to \$67 million in 1983) following record shipments for \$120 million in 1979. Exports to the United States fluctuated during 1979-83, but nevertheless increased from \$70 million to \$92 million.

In apparel, the EC and the United States were the major markets for Pakistan until 1981, but other Asian countries (except the Big Three) emerged as the leading markets for Pakistan in 1982 and 1983, with significant growth in exports to the Middle East, particularly Saudi Arabia and the United Arab Emirates. Exports to the EC rose 80 percent (from \$32 million to \$58 million) during 1979-83, despite stagnation in the EC market; exports to the United States doubled (to \$38 million) in the same period as shown in table 63.

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<sup>1/</sup> Ibid., p. 50.

Table 63.--Textiles and apparel: Exports from Pakistan by principal world markets and countries, 1979-83

(In millions of dollars)

	1979	1980	1981	1982	1983
Textiles:					
United States-----	70.1	77.3	102.4	72.3	92.3
European Community-----	219.2	257.3	214.4	187.0	211.5
Asia (exc. Big Three and Japan)-----	117.2	218.8	288.4	298.7	631.6
Iran-----	18.8	79.0	73.5	63.3	314.6
Saudi Arabia-----	33.1	42.6	75.4	86.5	123.2
United Arab Emirates--	5.5	11.9	24.4	38.0	103.7
Hong Kong-----	119.7	108.4	76.0	90.0	66.5
Japan-----	52.8	31.2	68.9	96.8	121.8
All other-----	151.6	183.4	225.6	182.3	188.0
Total-----	730.6	876.4	975.7	927.1	1,311.7
Apparel:					
United States-----	19.3	15.7	31.0	27.3	37.6
European Community-----	32.2	45.8	45.3	48.2	57.9
Asia (exc. Big Three)---	6.2	11.4	21.6	31.9	92.2
Saudi Arabia-----	4.2	4.7	6.6	11.7	27.2
United Arab Emirates--	0.7	1.4	6.8	12.8	57.6
All other-----	20.8	30.4	37.8	36.3	39.2
Total-----	78.5	103.3	135.7	143.7	226.9

Source: Compiled from United Nations data.

#### Principal exported products and export markets

Pakistan ranked first in the world in cotton yarn exports and seventh in cotton fabric exports with shares of 12 percent and 9 percent respectively. <sup>1/</sup> About 94 percent of its yarn exports were of cotton (table VII-3). The bulk of yarn exports (94 percent) went to countries that do not have bilateral textile trade agreements with Pakistan. <sup>2/</sup> Hong Kong and Japan were the two major markets, absorbing an average of more than 70 percent of Pakistan's cotton yarn exports. <sup>3/</sup> About 29 percent of Pakistan's yarn exports went to Hong Kong in FY 1983, compared with 57 percent in FY 1980. These are primarily coarse and medium yarns. Pakistan's major competitors in the Hong Kong market were China and Korea. In contrast to Hong Kong, the Japanese market imported a higher portion of medium count yarns. Pakistan increased its share of Japan's imports from 21 percent to 56 percent between 1980 and 1983 <sup>4/</sup> supplying yarn primarily in the coarse-medium count range (in which Korea is again the major competitor). The EC market share held by Pakistani cotton yarn dropped to 7 percent in FY 1983 from 11 percent in FY 1980. <sup>5/</sup>

<sup>1/</sup> All Pakistan Textile Mill Association, Pakistan Textile 1983, p. 46..

<sup>2/</sup> U.S. Embassy, Islamabad, March 1982.

<sup>3/</sup> All Pakistan Textile Mill Association, Pakistan Textile, 1983, p. 51.

<sup>4/</sup> Ibid p. 69.

<sup>5/</sup> Ibid p. 51.

The decline is attributed to increased competition from Turkey, Brazil, and Greece. The United States has not been a market for Pakistani yarn.

A substantial amount of Pakistan cotton fabric exports also goes to those countries that do not have bilateral trade agreements with Pakistan. <sup>1/</sup> The major export category has been woven cotton grey fabric, which remained during 1979-83 at \$157 million (table VII-3). Pakistan is one of the world's major suppliers of inexpensive, relatively low-quality grey fabrics, which are further processed in the importing country. Pakistan, in recent years, has increased exports of woven, finished cotton fabrics; these grew nearly twofold, from \$75 million to \$205 million, during 1979-83. The major export markets for Pakistan's cotton fabrics are the EC and the United States, which combined accounted for 42 percent in quantity and 34 percent in value of total fabric exports in FY 1983. <sup>2/</sup> Exports to Saudi Arabia and Iran more than doubled in value during FY 1980-83. Iran took 22 percent of Pakistan's cotton fabric exports in FY 1983 as shown in table 64. <sup>3/</sup>

Table 64.--Cotton yarn and cotton fabric: Pakistan's exports, by principal markets, FY 1980-FY 1983

(In millions of dollars)				
	1980	1981	1982	1983
Cotton yarn:				
Japan-----	27.5	46.5	86.8	99.9
Hong Kong-----	116.9	78.8	78.5	68.8
European Community-----	23.4	12.8	5.3	17.9
Iran-----	-	0.1	0.4	27.7
All other-----	38.1	68.8	19.9	25.2
Total-----	205.9	207.0	190.9	239.5
Cotton fabric:				
European Community-----	72.3	55.8	70.6	71.2
Iran-----	37.1	29.6	22.5	62.3
United States-----	26.0	32.9	30.8	24.4
USSR-----	13.6	18.8	21.6	18.0
Saudi Arabia-----	7.0	10.1	11.8	13.2
Hong Kong-----	10.7	6.2	6.6	11.3
All other-----	96.6	88.0	106.6	80.7
Total-----	263.3	241.4	270.5	281.1

Source: All Pakistan Textile Mills Association, Pakistan Textile, 1983, p. 51.

In the EC and the United States, Pakistan has an average quantitative share of about 9 percent and 7 percent respectively of total cotton fabric

<sup>1/</sup> U.S. Embassy, Islamabad, March 1982.

<sup>2/</sup> All Pakistan Textile Mills Association, Pakistan Textile, 1983, p. 51.

<sup>3/</sup> Ibid.

imports. <sup>1/</sup> In terms of value, Pakistan accounted for 6 percent of EC imports, and 5 percent of U.S. imports of cotton fabrics. The biggest export items to the EC market are unfinished sheeting, lawns, and gingham, for which it has a market share of 13 to 18 percent. Pakistan's exports to the EC are approximately twice as much as the volume of exports shipped to the United States. Pakistan's major export items to the United States are cotton sheeting and printcloth, which in combination accounted for 41 percent of its total exports of cotton textiles to the United States (table VII-4). Though the Hong Kong import market for cotton fabrics is about the size of the U.S. market, only 4 percent of Pakistan's fabric exports went to Hong Kong in fiscal year 1983. Australia has become another growing export market for Pakistan's cotton fabrics, and Pakistan's exports doubled to \$9 million during FY 1979-83.

Pakistan is exporting more woven fabrics of continuous manmade fibers, which increased rapidly to \$113 million in 1983. Pakistan has also increased exports of woven fabrics of other fibers, which totaled \$134 million in 1983.

Tents, canvas, towels, and other textile furnishings, except floor coverings, showed the greatest growth in exports, increasing from \$62 million in FY 1979 to \$220 million in FY 1983, as seen in table 65. Floor coverings, however, dropped 14 percent in FY 1981 and 32 percent in FY 1982 before increasing by 22 percent to \$167 million in FY 1983. The major markets for made-up articles besides the EC and the United States are the Soviet Union, Dubai, and Saudi Arabia. Towel exports go mainly to the United States (54 percent) and the EC (12 percent). Saudi Arabia is the fastest growing market for furnishings in the Middle East.

Table 65.--Textile furnishings and made-up articles: Pakistan's exports, FY 1979-83

(In millions of dollars)						
	1979	1980	1981	1982	1983	
Made-up articles of textiles (exc. towels)-----	13.3	15.9	31.7	44.2	87.1	
Towels-----	21.2	26.5	47.9	41.6	39.1	
Tents and canvas-----	27.7	31.7	65.3	62.4	93.9	
Floor coverings-----	1/ 195.8	1/ 234.3	1/ 201.6	1/ 136.4	1/ 166.7	
Total-----	258.0	308.4	346.5	286.4	386.8	

<sup>1/</sup> Calendar years.

Source: Compiled from United Nations data and all Pakistan Textile Mills Association, Pakistan Textile 1983.

Pakistan's apparel exports almost tripled between 1979 and 1983 reaching \$227 million in 1983. Despite this growth, Pakistan is not a major exporter of apparel, accounting for only 0.5 percent of world apparel exports in 1983.

<sup>1/</sup> General Agreement on Tariffs and Trade, Textile and Clothing Statistics, COM. TRX/w/143, Dec. 9, 1983, pp. 45 and 49.

The major export markets for Pakistan's apparel are the EC and the United States which took 25 percent and 17 percent, respectively, of Pakistan's exports (table VII-1). Pakistan's share of U.S. apparel imports, however, is small; only 0.35 percent in 1983, compared with 0.31 percent in 1979. In the EC, Pakistan's share was 0.5 percent in 1982 compared with 0.3 percent in 1979. Although the gains in market shares are small, it is evident that Pakistan has been attempting to export more apparel products in recent years in accordance with the Government policy. Recently, Pakistan has diversified its export markets for apparel and entered into the Asian market, mainly the Middle East. Approximately 48 percent of its world exports are woven outer garments for men and women (table VII-3). Cotton knit shirts for men and boys is the largest single export item to the United States, followed by dresses and blouses (table VII-4). Dresses, trousers, shirts and blouses are major export items to the EC market. 1/

Pakistan's exports of apparel made of fabrics of manmade fibers or blends of manmade fibers and cotton to the United States and the rest of the world is almost nil. This is due to the high cost of domestically produced manmade-fiber fabrics resulting in part from the GOP's high tariffs on imported polyester to protect its domestic manufacturers.

#### MFA constraints

There is currently a bilateral agreement between the United States and Pakistan under the terms of the Multifiber Arrangement (MFA), which controls Pakistani exports of cotton textiles into the United States. The most recent agreement, which went into effect on January 1, 1982, is for 5 years, and is effective through December 31, 1986. This agreement amended and replaced the prior agreement, which was in force since January 1, 1978. The amended agreement set the aggregate export limit for Pakistan cotton textiles during the 12 month period from January 1, 1982, through December 31, 1982, at 201 million square yards equivalents (SYE). The aggregate quotas for the 5 years and the percent filled for 1982, 1983, and through November 31, 1984, are given in the following tabulation:

Year	Limit (Million SYE)	Percent filled
1982	201.2	77
1983	215.3	90
1984	230.4	<u>1/</u> 94
1985	246.5	-
1986	263.7	-

1/ As of November 31, 1984.

Textile and textile products covered by the agreement are classified in two groups. Group I includes yarn, fabric, furnishings, and miscellaneous

1/ World Bank, Pakistan Textile Industry Study, August 1983, p. 15.

textile products of cotton (MFA categories 300-320 and 360-369). Group II includes apparel of cotton (MFA categories 330-359). However, unlike the previous agreement, the current agreement contains aggregate limits and specific category limits but not group limits (table VII-8).

Exports of handloomed fabrics of the cottage industry, handmade cottage industry products made of such fabrics, and traditional folklore handicraft textile products (also known as "Pakistan items") are not within the purview of this agreement.

Pakistan also has quota limitations imposed on its textile exports to the EC, Canada, Australia, and Sweden. Pakistan trades with a number of Communist countries under various types of barter arrangements.

During 1981-83, Pakistan not only utilized its quotas efficiently to maximize exports, but also increased its exports of non-quota MFA textile and apparel categories in wool and manmade fibers to the United States as shown in the following tabulation (in thousands of SYE):

<u>Year</u>	<u>Wool</u>	<u>Manmade fiber</u>
1981-----	291	207
1982-----	248	518
1983-----	312	891

Pakistan's trade-weighted quota utilization rate with the EC was generally over 80 percent during 1979-82. The EC has specific quota limits on Pakistan's exports covered by 8 MFA categories. Only 1 or 2 of these categories during 1979-82 were over 90 percent filled.

Pakistan's exports to the United States and the EC also include significant quantities of textiles not covered by quotas. In 1982, nearly half of Pakistan's dollar exports to the United States were not covered by quotas, while such exports represented about 63 percent of Pakistan's export volume to the EC. 1/

#### The Domestic Market

The per capita consumption of textile products was estimated at 19.7 square yards in 1983, a decline from 31.1 square yards in 1978. One of the reasons given for the decline is the increasing volume of imports of textile products for which no records are kept. Second, there has been increasing use of locally made blended fabrics, which are more durable than all cotton fabrics. Third, the home market also absorbs used clothing, both woven and knitted. 2/

The population is growing rapidly and, at the current rate of growth, it would reach 98 million by 1987. At the present level of consumption, the

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1/ General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84) 24, May 1984, pp. 95 and 97.

2/ World Bank, Pakistan Textile Industry Study, August 1983, p. 32.

increase of 8 million persons in 3 years would require an additional output of 158 million square yards or 7 percent of the current production of cloth.

Nearly three-fourths of the population lives in the rural areas where the wardrobe consists of a single multipurpose garment. Demand for finished cloth is therefore dependent upon the needs of individuals to replace this garment. Generally, a variety of apparel products are available only in the urban market of Karachi. The increased exposure to western television programs, films, and magazines, in urban areas is creating increased demand for western style dress.

### Government Policy

#### Economic and political importance of the industry

The textile industry is the single most important industry of Pakistan. Combined with apparel, it employs about 250,000 workers in the organized mill sector and another 150,000 to 175,000 workers in the cottage-industry sector. Textile products represent about two-thirds of the value of Pakistan's annual exports and about three-fourths of the exports of manufactured goods. It also accounts for 30 percent of industrial value added while employing about 35 percent of the industrial labor force.

#### Assistance to the industry

The GOP has formulated a wide-ranging program to assist the textile industry to recover from its early- to mid-1970's slump. The plan focused on improvement in the quality as well as the quantity of raw cotton and cotton lint, training of managerial personnel, modernization of industrial equipment, upgrading of the industry's products, export marketing, labor-management relations, and overall emphasis on the importance of the private sector to attract domestic as well as foreign investment.

During the early- and mid-1970's, the GOP pursued a policy of extensive nationalization, restrictions on the private sector, and rapid expansion of the public sector. <sup>1/</sup> These policies discouraged private investment. In FY 1978, the GOP adopted a policy that was supportive of the private sector. Consequently, several industrial units were denationalized. A large number of incentives were introduced to stimulate the private sector, such as excise and import duty concessions, easier access to imported raw materials, cash rebates, and procedural streamlining in setting up new plants and equipment.

In view of the great importance of raw cotton in the economy of the country and the growth of the textile industry, the GOP is giving more attention to increasing cotton production through increases in per acre yield. To achieve this, attempts are being made to supply better seed, adequate amounts of fertilizer, more and better irrigation facilities, higher plant protection coverage, and improved and expanded agricultural extension

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<sup>1/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : India, May 1984, pp. 8-9.

services. The Pakistan Central Cotton Committee, a central organization established in 1947, provides guidelines for research on cotton with respect to production, marketing and utilization of modern research results. The main objective of the research efforts is to evolve new varieties of cotton that ensure dwarf plants, early maturity, high-yield potential, pest and disease resistance, climatic adaptability, higher ginning out-turn and other desired fiber characteristics.

With a view to reduce production costs and increase productivity in the textile industry, the subsidy on cotton purchases by the mills was withdrawn in FY 1979 and replaced by three new measures. First, a system of compensatory rebates ranging from 7.5 to 12.5 percent of net f.o.b. value of exports was introduced. Second, the excise duty on cotton yarn and cloth was withdrawn. And third, imports of machinery for replacement, modernization, and balancing of existing textile units and the garment industry were exempted from import duty. In addition to these measures, projects involving investments of less than \$500,000 were exempted from Government approval and the average period for approving larger investments was reduced from 12 months to 3 months. Moreover, under an overall investment policy, and to encourage foreign investment, the Government provided legal protection against possible nationalization.

Pakistan's commercial policies for FY 1983 continued to emphasize export promotion and import substitution. Incentives available to exporters included the following: 1/ (1) compensatory rebates ranging from 7.5 to 12.5 percent of net f.o.b. value on the export of cotton yarn, textiles, and a number of other domestic manufactures to offset higher costs of raw material; (2) exemptions from payments of import duties on machinery used in manufacturing garments, towels, and hosiery, subject to the condition that the machinery is not being locally manufactured, (3) permission for all manufacturing units that export to import raw materials under the Raw Material Replenishment (RMR) program, (4) reduction in the cost of export financing and expansion of scope of the export financing scheme, (5) standard rebates of duties, and (6) simplification of import licensing procedures to provide easier access to raw materials and industrial machinery for exporters.

The import policy of Pakistan for FY 1983 expanded the scope of imported articles and allowed importers to import their requirements, mainly industrial raw materials and capital goods, without maximum limits. Imports of machinery up to \$1.25 million on a cash basis were allowed for new projects with investment of up to \$2.5 million, without formal approval by any Government agency. The Government also lifted the ban imposed in 1982 on the import of ring-spinning frames. Only new units are required to buy the ring frames from domestic sources.

Pakistan's sixth 5-year plan (FY 1984-88) was launched on July 1, 1983. The plan prioritized further revival of private industry investment through a package of incentives and emphasized major investment in the development of the nation's infrastructure. The plan continues the emphasis on export promotion, import substitution, and broadening the base of industrial production. Although export rebates on cotton and woolen yarn were eliminated in August 1983, all other export incentives for textiles and apparel

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1/ U.S. Department of Commerce, Business America, Apr. 13, 1983, p. 22.

continued. The new import policies are oriented to ease imports for industrial development. The ceiling for exemption of new investment from all approvals and its related capital goods import ceiling has been doubled to approximately \$5.0 million and \$2.5 million, respectively (US\$1=12 rupees). 1/ Import bans on a wide range of industrial machinery not produced in Pakistan have been eliminated. A number of measures are planned especially to reactivate the textile industry, including higher productivity through modernization and improved maintenance of plant and equipment and encouraging a shift in production from low-value-added to high-value-added goods. The GOP made provision for \$200 million in central bank foreign exchange to finance private sector capital goods imports. 2/

### Export Potential

Pakistan's textile industry is currently faced with a number of problems, including a need to improve product quality, production methods, capacity, profitability, and power supply. Despite these problems, production and exports of cotton textiles have increased and are likely to continue to do so. In terms of U.S. dollars, exports increased from \$480 million in 1976 to \$1.1 billion in 1981, declined 4 percent in 1982, and increased rapidly again by 44 percent to \$1.5 billion in 1983. This indicated an increase of 221 percent during the 1976-83 period and, more significantly, an increase of 39 percent during 1981-83, when Pakistan's currency relative to the U.S. dollar depreciated by 25 percent. In 1984, Pakistan's exports of textiles and apparel to the United States covered by MFA categories increased further by 41 percent over the previous year, with exports totaling 305 million SYE in 1984 compared with 217 million SYE in 1983. 3/ Although much is said about the poor quality of Pakistani cotton textiles, it is obvious that the price-value relationship of their product assures it a place in the world market. This is demonstrated by the fact that they are the world's largest exporter of cotton yarn and the seventh largest exporter of cotton fabric. The United States and other developed countries are deemphasizing production of many types of low cost, coarse yarns and fabrics, which assures a market for countries like Pakistan that produce and export such products.

The major factors that will determine Pakistan's export growth, other than macroeconomic factors such as worldwide demand levels and exchange rates, are (1) Government policies, (2) industry structure, (3) competition from other less developed countries, and (4) MFA restraints.

The Government of Pakistan is committed to providing support to the Pakistani textile industry to increase its production and exports. However, some of the programs that implement this policy favor certain parts of the textile industry at the expense of others. For example, the Government has many programs to improve the quantity and quality of the cotton crop and to encourage its consumption in textiles, but the manmade-fiber industry does not receive comparable benefits and imports of manmade fibers are restricted by high tariffs. Similarly, the Government policies exempt the small production

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1/ U.S. Consulate, Foreign Commercial Service, Pakistan Trade Outlook for 1984, January 1984, p. 4.

2/ Ibid.

3/ Compiled from statistics of the U.S. Department of Commerce.

units in the cottage-industry sector from certain taxes and labor laws while mills in the organized sector do not get these benefits. Nonetheless, the net effect of the Government policies is beneficial to the textile industry.

The GOP has been trying to revitalize the industry by offering attractive export incentives and import concessions. Several new Government policies are aimed to solve the industry problems and make it a better competitor in the export market. However, there appears to be no comprehensive restructuring program, although there are a number of working papers on an action plan, which can be divided into three phases:

- (1) Improvement of raw material supplies, promotion of textile sales abroad, improvement of labor-management relations, and development of training programs;
- (2) Implementation of new production and export incentives; and
- (3) Development of financing for industry modernization, replacement of equipment, and new investment needs.

The GOP has made significant progress in the first and second phases. However, much remains to be done in implementing the third phase. Studies were undertaken with regard to phase three, and all those studies have recommended that the textile industry needs a substantial financial boost through FY 1988 to effectively compete in international markets. A study by Werner International Consultants placed investment needs for the cotton ginning and textile industries for the 1978-83 period at \$674 million. 1/ Furthermore, the study recommended another \$1.1 billion for 1983-85. A Government study recommended the need for \$1.28 billion investment in the textile industry to bring it to a competitive level in the world market. 2/ This report recommended that such funds are needed to purchase 1 million cotton spindles, as well as to modernize the existing textile facilities. The GOP has yet to commit on this investment and any assistance by the Pakistani Government would mean a sharp turnaround in policy, since a moratorium on new equipment for the spinning sector was instituted during 1982. The report also stated that in spite of growing protectionism from major western markets, Pakistan's industry could achieve 3-percent growth in yarn exports, a 5-percent increase in fabrics, 15-percent growth in furnishings, 20-percent growth in garments, and 20-percent growth in hosiery.

Pakistan supplies about 12 percent of the world's cotton yarn exports, but the value added to raw cotton by spinning is put at 20 percent for 20's count yarn, as against 116 percent for greycloth, 385 percent for finished fabric, and 533 percent for clothing. 3/ In view of this, the GOP's export policies for the sixth plan period emphasize the need for increased exports of higher-value-added products.

With respect to industry structure, many problems appear to exist. The mill sector competes directly with the cottage-industry sector, producing the

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1/ Emerging Textile-Exporting Countries No. 332-126 . . ., USITC Publication 1273, August 1982, p. A-232.

2/ Daily News Record, May 20, 1983 p. 5.

3/ "Pakistan: Plan of Revival," Textile Asia, September 1981, p. 148.

same product mix and selling to the same market segments, domestic as well as export. The cottage-industry sector has advantages in competing with the mill sector mainly because it falls outside the scope of excise tax and labor legislation, and hence is cost effective compared to the mill sector. As a result, this sector continued to displace weaving activity in the organized mill sector.

Pakistan's yarn manufacturing cost is the lowest among its major competitors except India and Korea. However, Pakistan's competitive edge is based mainly on cheaper cotton prices and depreciated equipment rather than efficiency and higher productivity. The following index of yarn manufacturing costs in 1981 shows that except for the cheaper prices and the depreciated equipment, Pakistan's conversion cost is the highest, except for West Germany, as seen in the following tabulation: 1/

<u>Country</u>	<u>With capital cost</u>	<u>Without capital cost</u>
Pakistan-----	1.00	1.00
Brazil-----	1.72	0.62
West Germany-----	1.60	1.20
India-----	0.99	0.59
Japan-----	1.53	0.95
Korea-----	0.97	0.56
United States-----	1.60	0.79

Pakistan's fabric conversion cost by the mill sector is also the highest except for West Germany, but when the cost of the yarn is included, Pakistan's fabric manufacturing cost becomes the lowest among its major competitors except for India and Korea (China was not included in the study). 2/ However, Pakistan's cottage-industry sector conversion cost of fabric amounts to only one-half to one-third of the fabric conversion cost of other countries except India, due primarily to Government support including exemptions from various taxes and labor laws. On the other hand, the mill sector suffers from high production costs due to plant inefficiency caused by poor maintenance of machinery and high costs of spare parts and accessories.

While Pakistan's exports are sold at lower prices than its competitors, it has higher operating costs. As a result, the mills suffer from cash flow problems and low profitability, and in many cases have substantial losses. In addition, management and structural problems of the industry coupled with insufficient infrastructure (shortage of power and water, etc.) has further compounded those industry problems due to the heavy geographic concentration of capacity. Over 90 percent of spinning and weaving is concentrated in the Punjab and Sind provinces, of which 30 percent is in the Karachi area. The Government is providing incentives for dispersion of the industry to less-developed areas, but those areas have even poorer facilities.

The major markets for Pakistan's yarn are Hong Kong and Japan, which absorb 70 percent of Pakistan's yarn exports. In these markets, Pakistan has

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1/ All Pakistan Textile Mills Association, Karachi, and International Textile Mills Federation, Zurich.

2/ Ibid.

been facing increased competition from other low-cost suppliers, especially China. The potential for yarn exports to the EC is limited in view of major competition from Turkey, Brazil, and Greece, which not only have advantages in quality, but in the case of Greece and Turkey, also have geographic and political advantages. Pakistan's fabric export market, however, is more diversified. A substantial volume of Pakistani cotton fabric exports go to those countries that do not have bilateral trade agreements with Pakistan, but 42 percent of its exports are still shipped to the United States and the EC. In these markets, Pakistan, which supplies primarily low-cost fabrics, faces competition from a number of developing countries, particularly China and India.

Pakistan has increased its exports of textile and apparel in recent years to developing Asian countries (excluding the Big Three), particularly the Middle East. These countries received 48 percent and 41 percent respectively of Pakistan's world exports of textiles and apparel in 1983. Iran, Saudi Arabia, and the United Arab Emirates were the major recipients of Pakistan's exports in 1983, however Pakistan's growth prospects in these markets are limited due to reduced economic activity in those countries brought about by the decline in world demand for oil.

The constraints imposed by the new agreements under the MFA, particularly with the United States and the EC, will play a major role in the growth of Pakistan's exports. Pakistan's yarn exports to Hong Kong, its second largest market have been declining, and are expected to decline further because Hong Kong's exports to its major markets, the United States and the EC, are subject to tight restrictions under the MFA. Further, Hong Kong's efforts to trade-up to higher-value-added goods and increased competition from China, could act adversely against Pakistan's exports of coarser yarns. However, export prospects look brighter with respect to Japan, its largest market, which absorbs 40 percent of Pakistan's total yarn exports. This is mainly due to Pakistan's strong foothold in this market and voluntary restraints placed on its competitors, mainly Korea.

Pakistan now has greater opportunity to increase its exports of noncotton fabrics, which are not subject to specific limits under the terms of new bilateral agreements with the United States and the EC. This offers Pakistan an opportunity to increase exports of manmade-fiber and wool textiles in all product categories to the United States and the EC markets.

The prospects appear bright for Pakistan's export of textile furnishings due to expanding markets, considerable increases in quota for towels in the EC, and an absence of specific limits on textile furnishings shipped to the United States.

Growth in garment exports is expected to continue with better quota treatment in the United States, where the overall group quota for garments was lifted. In the EC, expansion is very much possible within the specific limits on three garment categories for which relatively large increases were provided (T-shirts, shirts, and knitted jersey). Other garment categories are still free of quotas.

About 10 percent of Pakistan's exports of MFA-controlled textile and apparel items into the United States, involving 50 categories, were not subject to specific limits in 1983. Also 63 percent of its exports to the EC

were not covered by specific limits in 1982. <sup>1/</sup> Thus, Pakistan has unrestricted growth opportunity in non-quota textiles which represent a significant portion of its export trade with the EC.

In sum, Pakistan's exports are expected to grow for the rest of this decade. In yarn exports, the prospects for diversifying into new markets with higher quality and higher count requirements are not promising in the near future due to limited domestic availability of this type of cotton. The GOP's policy to seek export markets for higher-value-added products may also slow down the growth of yarn exports. Pakistan's yarn is highly suited for towel manufacturing and any slowdown in yarn exports could be profitably diverted to towel manufacturing.

Pakistan may improve the quality of its cotton-fabric exports and increase its production of blended fabrics for the export market. To achieve these goals, Pakistan may revive the mill sector, set up additional finishing plants, increase the capacity for manmade-fiber products, lower the duty on imports of manmade fiber, and overall extend policy and financial support to the industry. The GOP is attempting to improve procedures for exporting by streamlining the procedure for setting up plants and obtaining import licenses. Consequently, increased exports are anticipated during the rest of this decade.

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<sup>1/</sup> General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84) 24, May 4, 1984, p. 97.

Table VII-1.--Textiles and apparel: Pakistan's exports, l/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
Developing								
Big Three...	88,313	48,601	103,749	121,662	114,746	80,292	98,750	82,902
Other Asia..	84,720	151,153	122,589	117,195	218,775	288,434	298,671	631,594
Other								
developing:	22,304	39,482	32,547	43,249	31,465	69,073	51,435	34,233
Socialist.....	28,572	38,008	38,113	47,378	61,351	77,478	56,536	63,958
Developed								
EEC.....	112,609	111,490	153,676	219,200	257,257	214,374	186,995	211,512
Southern								
Europe.....	935	692	605	764	3,794	3,614	1,222	1,841
Other Europe:	21,135	19,209	29,381	42,159	54,010	44,547	42,031	40,492
United								
States.....	37,100	29,073	56,622	70,070	77,313	102,359	72,346	92,329
Canada.....	5,551	2,632	6,597	7,555	9,698	9,774	7,155	9,400
Japan.....	27,619	13,198	39,557	52,759	31,229	68,884	96,779	121,778
Other.....	4,282	3,508	5,146	8,516	11,988	15,407	15,013	21,641
Apparel:								
Developing								
Big Three...	47	142	254	153	296	308	687	205
Other Asia..	4,844	6,866	7,462	6,246	11,438	21,565	31,867	92,169
Other								
developing:	519	1,348	1,894	915	960	1,014	876	735
Socialist.....	5,068	9,716	7,624	11,396	18,164	23,774	23,121	24,061
Developed								
EEC.....	18,364	21,756	19,547	32,151	45,837	45,312	48,231	57,886
Southern								
Europe.....	108	206	241	340	422	287	443	414
Other Europe:	3,106	2,351	2,354	3,629	6,148	5,980	5,773	6,129
United								
States.....	10,329	8,812	11,480	19,252	15,723	31,035	27,278	37,619
Canada.....	1,810	1,248	864	1,631	2,255	3,494	3,669	4,407
Japan.....	869	444	426	397	317	1,192	987	2,194
Other.....	1,053	917	1,695	2,372	1,700	1,762	724	1,030
Textile &								
Apparel:								
Developing								
Big Three...	88,360	48,743	104,003	121,815	115,042	80,600	99,437	83,107
Other Asia..	89,564	158,019	130,051	123,441	230,213	309,999	330,538	723,763
Other								
developing:	22,823	40,830	34,441	44,164	32,425	70,087	52,311	34,968
Socialist.....	33,640	47,724	45,737	58,774	79,515	101,252	79,657	88,019

See footnotes at end of table.

Table VII-1.--Textiles and apparel: Pakistan's exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
Textile & Apparel: Developed								
EEC.....	130,973	133,246	173,223	251,351	303,094	259,686	235,226	269,398
Southern Europe.....	1,043	898	846	1,104	4,216	3,901	1,665	2,255
Other Europe:								
United States.....	24,241	21,560	31,735	45,788	60,158	50,527	47,804	46,621
Canada.....	47,429	37,885	68,102	89,322	93,036	133,394	99,624	129,948
Japan.....	7,361	3,880	7,461	9,186	11,953	13,268	10,824	13,807
Other.....	28,488	13,642	39,983	53,156	31,546	70,076	97,766	123,972
Total.....	5,335	4,425	6,841	10,888	13,688	17,169	15,737	22,671
Total.....	479,934	510,985	642,665	809,044	979,672	1,111,434	1,070,739	1,538,530

1/ Based on Pakistan's exports as reported to the United Nations.

Source: Compiled from United Nations data.

Table VII-2.--Textiles and apparel: Pakistan's exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
Textiles:								
United States	37,100	29,073	56,622	70,070	77,313	102,359	72,346	92,329
Saudi Arabia	19,208	26,579	30,117	33,052	42,562	75,421	86,507	123,196
Japan	27,619	13,198	39,557	52,759	31,229	68,884	96,779	121,778
Hong Kong	85,957	48,531	102,323	119,688	108,428	76,045	90,005	66,535
West Germany	41,121	49,011	59,313	81,828	96,909	69,624	57,544	78,594
Iran	9,196	43,517	21,076	18,763	79,003	73,482	63,615	314,578
United Kingdom	35,071	35,594	46,805	54,095	51,165	52,518	51,698	54,165
United Arab Emirates	4,412	4,363	5,760	5,458	11,868	24,368	38,046	103,739
U.S.S.R.	9,965	22,093	16,491	29,862	22,538	27,158	31,859	41,291
France	9,555	9,668	15,869	25,838	35,246	33,732	24,731	28,889
Other	154,613	175,652	194,877	239,149	320,148	372,120	313,953	286,586
Total	433,817	457,179	588,810	730,562	876,409	975,711	927,083	1,311,680
Apparel:								
United States	10,329	8,812	11,480	19,252	15,723	31,035	27,278	37,619
Saudi Arabia	2,532	3,994	5,125	4,180	4,658	6,625	11,692	27,155
Japan	869	444	426	397	317	1,192	987	2,194
Hong Kong	44	108	229	121	255	92	604	182
West Germany	5,579	8,866	9,090	15,236	21,406	15,319	14,744	24,055
Iran	76	217	143	234	1,103	227	503	1,034
United Kingdom	5,101	5,810	3,089	5,521	8,844	10,265	11,715	11,017
United Arab Emirates	258	401	387	668	1,417	6,767	12,764	57,609
U.S.S.R.	4,266	6,666	4,725	8,961	14,315	18,121	18,312	20,463
France	2,257	1,386	2,258	4,805	5,941	6,969	8,172	9,310
Other	14,806	17,102	16,903	19,107	29,284	39,111	36,885	36,212
Total	46,117	53,806	53,855	78,482	103,263	135,723	143,656	226,850
Textile & Apparel								
United States	47,429	37,885	68,102	89,322	93,036	133,394	99,624	129,948
Saudi Arabia	21,740	30,573	35,242	37,232	47,220	82,046	98,199	150,351
Japan	28,488	13,642	39,983	53,156	31,546	70,076	97,766	123,972
Hong Kong	86,001	48,639	102,552	119,809	108,683	76,137	90,609	66,717
West Germany	46,700	52,383	68,403	97,064	118,315	84,943	72,288	102,649
Iran	9,272	49,228	21,219	18,997	80,106	73,709	64,118	315,612
United Kingdom	40,172	41,304	49,894	59,616	60,009	62,783	63,413	65,182
United Arab Emirates	4,670	4,764	6,147	6,126	13,285	31,135	50,810	161,348
U.S.S.R.	14,231	28,759	21,216	38,823	36,853	45,279	50,171	61,754
France	11,812	11,054	18,127	30,643	41,187	40,701	32,903	38,199
Other	169,419	192,754	211,780	258,256	349,432	411,231	350,838	322,798
Total	479,934	510,985	642,665	809,044	979,672	1,111,434	1,070,739	1,538,530

/ Based on Pakistan's exports as reported to the United Nations.

Source: Compiled from United Nations data.

Table VII-3.--Textiles and apparel: Pakistan's exports, 1/ by types, 1979-83

SITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Silk yarn.....	2/ 1,200	2/ 793	2/ 1,445	1,354	2,200	2/ -940.000
Cotton yarn.....	207,647	211,122	196,601	1,449	12,480	35.176
Wool of manmade fibers.....	154	883	623	1,156	4,770	2997.403
Woolen grey cotton fabrics.....	157,478	143,147	141,577	126,554	157,063	2/ -264
Woolen finished cotton fabrics.....	75,154	94,926	134,768	142,150	205,168	172.997
Woolen fabric of continuous manmade fibers.....	2/	2/	2/	1,669	112,817	2/
Woolen fabric of discontinuous manmade fibers.....	2/	2/	2/	4,206	2,352	2/
Woolen fabric of manmade fibers.....	2/	2/	2/	7	2/	2/
Woolen fabrics of wool.....	29	58	159	116	159	448.276
Woolen fabrics of other fibers.....	362	1,418	21,587	68,235	134,019	36921.823
Woolen fabrics of manmade fibers.....	155	1,023	706	706	86	-44.516
Woolen fabrics of manmade fibers, tapestries, linens, and other furnishings.....	981	180	2,010	96,260	117,532	11880.836
Other textile products.....	43,741	68,415	116,032	121,099	112,879	158.062
Other coverings.....	195,844	234,260	201,605	136,364	166,722	-14.870
Outer garments, not knit.....	2/	2/	2/	19,556	25,599	2/
Outer garments, not knit.....	2/	2/	2/	41,227	82,392	2/
Under garments, not knit.....	2/	2/	2/	25,836	31,762	2/
Under garments, not knit.....	2/	2/	2/	2,186	1,540	2/

See footnotes at end of table.

Table VII-3.--Textiles and apparel: Pakistan's exports, 1/ by types, 1979-83--Continued

IIC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Accessories, not knit.....	2/	2/	2/	5,588	11,434	2/
Accessories of textile materials.....	2/	2/	2/	5,304	7,751	2/
Apparel and accessories.....	121	211	440	198	163	2/ 34.711
Knit.....	2/	2/	2/	3	2/	2/
Knit garments, knit garments, knit stic fab. & art., nit.....	2/	2/	2/	19,509	2/ 29,955	2/
Other apparel and accessories.....	2/	2/	2/	6,123	10,421	2/
Other apparel and accessories.....	2/	2/	2/	1	2	2/
Other apparel and accessories.....	17,569	21,747	18,057	17,983	25,774	46.702
Other apparel and accessories.....	68	4	19	31	60	-11.765
Other apparel and accessories.....	43	10	294	112	2/	2/

1/ Based on Pakistan's exports as reported to the United Nations.  
2/ Not available.

Source: Compiled from United Nations data.

Table VII-4.--Cotton textiles: U.S. imports from Pakistan, by MFA categories, 1980-83

Category	Description	Equivalent square yards							1,000 dollars						
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983		
300	Carded yarn	25,029	25,351	72,059	220,800	6	6	6	6	20	20	52	52		
312	Corduroy	0	61,142	0	0	0	0	0	104	0	0	0	0		
313	Sheeting	61,613,002	59,838,474	46,209,573	54,357,875	15,699	15,912	11,391	15,912	11,391	11,391	12,443	12,443		
314	Poplin and broadcloth	0	0	36,944	66,667	0	0	0	0	10	0	16	16		
315	Printcloth	6,316,622	42,572,603	15,537,156	33,526,504	1,660	11,825	4,276	11,825	4,276	4,276	7,290	7,290		
317	Twill and sateen	6,275,202	5,659,993	3,659,359	2,859,520	2,824	2,635	1,898	2,635	1,898	1,898	1,250	1,250		
319	Duck	5,663,634	8,869,081	4,244,241	2,821,554	2,588	4,043	1,963	4,043	1,963	1,963	1,199	1,199		
320	Woven fabrics, n.e.s.	4,516,258	6,777,636	6,938,662	2,226,433	1,237	1,910	2,468	1,910	2,468	2,468	1,227	1,227		
330	Handkerchiefs	25,500	56,950	31,450	38,352	21	50	28	50	28	28	26	26		
331	Gloves	880,479	1,351,900	1,579,655	2,113,007	567	812	982	812	982	982	0	0		
382	Hosiery	0	0	0	460	0	0	0	0	0	0	2	2		
333	Suit-type coats, men's and boys'	181	0	1,520	0	1/	0	4	0	0	0	0	0		
334	Other coats, men's and boys'	123,074	66,823	661,254	1,183,987	114	53	809	114	53	809	1,473	1,473		
335	Coats, women's, girls', and infants'	26,474	134,308	254,077	967,370	37	181	305	181	305	305	984	984		
336	Dresses	1,522,624	2,574,582	2,541,512	3,654,895	1,179	2,013	2,158	2,013	2,158	2,158	3,140	3,140		
337	Playuits	73,475	30,425	302,000	43,475	46	36	320	36	320	320	22	22		
338	Knit shirts, men's and boys'	5,471,050	7,231,802	10,278,496	14,962,392	5,052	7,066	9,581	7,066	9,581	9,581	13,202	13,202		
339	Knit shirts and blouses, women's, girls', and infants'	1,896,140	2,847,398	2,081,743	1,541,678	1,605	2,394	1,874	2,394	1,874	1,874	1,053	1,053		
340	Shirts, not knit, men's and boys'	1,168,128	988,536	715,176	405,576	1,081	933	831	933	831	831	303	303		
341	Blouses, not knit, women's, girls', and infants'	1,561,725	1,601,988	1,256,441	947,649	2,234	2,811	1,832	2,811	1,832	1,832	1,502	1,502		
342	Skirts	1,095,929	3,582,660	2,903,447	816,344	1,382	4,113	3,052	4,113	3,052	3,052	813	813		
347	Trousers, men's and boys'	43,450	307,121	826,222	324,138	56	187	506	187	506	506	241	241		
348	Trousers, women's, girls', and infants'	718,924	1,179,625	1,863,980	1,573,734	289	834	1,359	834	1,359	1,359	1,038	1,038		
350	Dressing gowns	104,346	689,520	503,880	822,477	176	700	570	700	570	570	1,185	1,185		
351	Nightwear	249,964	1,486,732	109,876	122,304	201	965	39	965	39	39	81	81		
352	Underwear	104,940	31,196	201,102	78,100	40	15	93	15	93	93	38	38		
359	Other apparel	2,087,623	3,080,756	3,227,686	5,400,438	1,039	1,377	1,326	1,377	1,326	1,326	1,992	1,992		
360	Pillowcases	114,190	400,180	362,582	484,031	60	217	189	217	189	189	237	237		
361	Sheets	121,309	125,693	155,595	554,987	33	31	51	31	51	51	148	148		
362	Bedspreads and quilts	149,448	174,529	223,063	120,895	111	131	164	131	164	164	83	83		
363	Terry and other pile towels	8,827,057	12,946,713	12,402,234	12,235,477	8,829	14,867	18,830	14,867	18,830	18,830	16,210	16,210		
369	Other manufactures	25,232,372	53,443,742	51,506,441	71,049,080	8,148	17,770	18,002	17,770	18,002	18,002	22,296	22,296		
	Total	136,008,659	218,337,439	170,657,426	215,520,199	56,315	93,993	84,932	93,993	84,932	84,932	91,154	91,154		

1/ Less than 500 dollars.

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

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

Table VII-5.--Wool textiles: U.S. imports from Pakistan, by MFA categories, 1980-83

Cate- gory	Description	Equivalent square yards						1983	1980	1981	1982	1983	1982	1981	1982	1983
		1980	1981	1982	1983	1980	1981									
400	Wool tops and yarn	0	640	0	0	0	0	0	2	0	0	0	0	0	0	0
411	Tapestries and upholstery	226	0	0	0	0	0	6	0	0	0	0	0	0	0	0
431	Gloves	0	0	174	0	0	0	0	0	0	0	7	0	0	0	0
432	Hosiery	0	0	0	246	0	0	0	0	0	0	0	0	0	1	0
434	Other coats, men's and boys'	0	0	756	0	0	0	0	0	0	0	1	0	0	0	0
435	Coats, women's, girls', and infants'	0	0	0	1,026	0	0	0	0	0	0	0	0	0	2	0
436	Dresses	0	0	28,044	0	0	0	0	0	0	0	27	0	0	0	0
442	Skirts	0	0	450	180	0	0	0	0	0	0	2	0	0	2	0
443	Suits, men's and boys'	5,832	0	0	0	0	0	6	0	0	0	0	0	0	0	0
444	Suits, women's, girls, and infants'	0	0	0	972	0	0	0	0	0	0	0	0	0	8	0
445	Sweaters, men's and boys'	0	0	0	10,416	0	0	0	0	0	0	0	0	0	69	0
446	Sweaters, women's, girls' and infants'	0	0	0	193	0	0	0	0	0	0	0	0	0	2	0
448	Trousers, women's girls' and infants'	0	0	0	90	0	0	0	0	0	0	0	0	0	1	0
459	Other apparel	2,924	268	418	578	3	3	1	1	2	2	2	2	2	3	3
465	Floor coverings	310,793	290,550	217,506	293,818	29,881	29,881	28,465	28,465	18,209	18,209	18,209	18,209	18,209	25,260	25,260
469	Other manufactures	318	22	278	4,576	2	2	1	1	6	6	6	6	6	18	18
	Total	320,093	291,480	247,626	312,095	29,898	29,898	28,469	28,469	18,254	18,254	18,254	18,254	18,254	25,366	25,366

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

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

Table VII-6.--Manmade-fiber textiles: U.S. imports from Pakistan, by MFA categories, 1980-83

Code	Description	Equivalent square yards								
		1980	1981	1982	1983	1980	1981	1982	1983	
600	Textured yarn	0	5,912	1,218	0	0	0	22	5	0
605	Other yarns	0	4,001	0	0	0	0	4	0	0
610	Continuous cellulosic woven fabrics	0	0	0	4,621	0	0	0	0	4
612	Continuous noncellulosic woven fabrics	0	30,692	10,000	49,444	0	0	13	5	14
613	Spun noncellulosic woven fabrics	0	4,316	0	0	0	0	1	0	0
614	Manmade woven fabric, n.e.s.	45,854	0	0	0	30	0	0	0	0
627	Specialty fabrics	998	1,334	125	609	8	7	3	3	2
630	Handkerchiefs	0	48	0	0	0	0	1/	0	0
631	Gloves	0	0	0	202,272	0	0	0	0	81
632	Hosiery	0	0	0	1,523	0	0	0	0	5
634	Other coats, men's and boys'	0	2,643	15,695	201,834	0	0	10	73	247
635	Coats, women's, girls', and infants'	0	1,529	0	15,033	0	0	3	0	27
636	Dresses	154,610	43,714	75,877	63,556	100	0	49	67	57
637	Playsuits	11,289	0	0	0	10	0	0	0	0
638	Knit shirts, men's and boys'	0	288	56,646	288	0	0	1	18	1
639	Knit shirts and blouses, women's, girls', and infants'	3,990	1,920	3,630	375	10	0	4	8	1
640	Shirts, not knit, men's and boys'	0	1,704	0	696	0	0	2	0	2
641	Blouses, not knit, women's, girls', and infants'	247,401	35,411	225,215	149,235	455	0	85	452	247
642	Skirts	6,764	6,016	10,341	12,567	17	0	15	29	32
643	Suits, men's and boys'	0	6,750	1,836	3,348	0	0	10	3	6
644	Suits, women's, girls', and infants'	0	4,482	4,212	24,894	2	0	5	9	31
646	Sweaters, women's, girls' and infants'	6,882	2,502	18,400	36,800	7	0	6	5	17
647	Trousers, men's and boys'	1,350	285	0	0	4	0	1	0	0
648	Trousers, women's, girls', and infants'	1,798	6,853	7,263	8,899	9	0	23	21	21
650	Dressing gowns	9,559	0	6,681	20,655	0	0	0	4	17
651	Nightwear	780	6,396	23,312	0	1	0	4	11	0
659	Other apparel	180,008	40,389	46,754	87,180	139	0	28	47	65
665	Floor coverings	188	0	16	41	2	0	0	1	1
666	Other furnishings	0	0	991	7,231	0	0	0	1/	4
669	Other manufactures	86	125	6,735	296	1/	0	1	4	1
	Total	671,557	207,310	517,967	891,397	796	0	293	766	883

1/ Less than 500 Dollars.

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

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

Table VII-7.--Textiles and apparel: Limits under the United States-Pakistan bilateral agreement and shipments charged, by MFA categories, agreement year 1981

MFA category	Description	Units	Limitation	Shipments charged	Share filled	
					1,000 units	Percent
Group I 1/	Aggregate	Sq yd	3/ 208,723	204,334		97.8
	Cotton yarn, fabric, furnishings, and miscellaneous textile products.	do	3/ 179,429	179,455		100.0
313 1/	Cotton sheeting	do	67,212	57,245		85.1
315 1/	Cotton printcloth	do	3/ 43,565	41,625		95.5
319 1/	Cotton duck	do	13,184	7,717		58.5
363 1/	Cotton terry towels	No	4/ 19,368	19,368		100.0
317 2/	Cotton twill and sateen.	Sq yd	5/ 6,246	4,692		75.1
320 2/	Miscellaneous cotton fabric.	do	6/ 7,200	7,200		100.0
369 (pt.). 2/	Other cotton manufactures except bar mops.	Lb	5,217	5,217		100.0
Group II 1/	Cotton apparel	Sq yd	27,579	24,880		90.2
338 1/	Cotton knit shirts, men's and boys'.	Doz	2,002	1,135		56.6
339 1/	Cotton knit blouses	do	7/ 440	440		100.0
341 1/	Cotton woven blouses	Doz	162	56		34.5
331 2/	Cotton gloves	Doz pr	6/ 364	364		100.0
336 2/	Cotton dresses	Doz	6/ 28	28		100.0
340 2/	Cotton woven shirts, men's and boys'.	do	6/ 47	37		77.6
342 2/	Cotton skirts	do	6/ 67	67		100.0
348 2/	Cotton trousers, women's, girls', and infants'.	do	6/ 84	84		100.0
350 2/	Cotton dressing gowns	do	6/ 18	7		39.9
351 2/	Cotton nightwear	Doz	6/ 35	35		100.0
352 2/	Cotton underwear	Doz	245	12		4.7
359 2/	Other cotton apparel	Lb	6/ 702	702		100.0

1/ Categories with specific quota limits.

2/ Categories with designated consultation levels.

3/ Carryover granted.

4/ Swing granted.

5/ Adjusted for overshipment.

6/ Increases granted through consultation.

7/ Carryover and swing granted.

Table VII-8.--Textiles and apparel: Limits under the United States-Pakistan bilateral agreement and shipments charged, by MFA categories, agreement years 1982 and 1983

MFA category	Description	Units	Limitation		Shipments charged		Share filled	
			1982	1983	1982	1983	1982	1983
			1,000 units				Percent	
Group I:	Aggregate	Sq yd	201,201	215,285	167,702	194,368	83.3	90.2
313 1/	Cotton sheeting	do	71,916	76,950	43,554	60,667	60.5	78.8
315 1/	Cotton printcloth	do	41,995	44,935	13,120	44,090	31.2	98.1
319 1/	Cotton duck	do	14,107	15,095	4,002	2,376	28.3	15.7
363 1/	Cotton terry towels	Number	3/ 21,855	6/ 22,254	26,442	22,254	120.9	100.0
369 1/ (pt.)	Other cotton manufatures, specific-ally towels.	Lb	-	1,770	-	1,718	-	97.0
317 2/	Cotton twill and sateen.	Sq yd	6,512	6,512	3,209	3,229	49.2	49.5
320 2/	Miscellaneous cotton fabric.	do	8,000	8,000	4,751	2,229	59.3	27.8
369 2/ (pt.)	Other cotton manufatures, including bar mops.	Lb	5,870	6,274	7,029	6,274	119.7	100.0
Group II:								
331 1/	Cotton gloves	Doz pr	4/ 533	7/ 581	515	581	96.5	100.0
336 1/	Cotton dresses	Doz	-	50	-	36	-	72.5
338 1/	Cotton knit shirts, men's and boys'	do	2,142	-	1,446	-	67.5	-
339 1/	Cotton knit blouses.	do	466	-	256	-	54.9	-
340 1/	Cotton woven shirts, men's and boys'	do	100	107	30	19	29.5	17.4
341 1/	Cotton woven blouses	do	173	185	71	61	41.0	33.1
347/ 348. 1/	Cotton trousers	do	5/ 219	241	100	210	45.6	87.2

1/ Categories with specific limits.

2/ Categories with designated consultation levels.

3/ Includes increases of approximately 3.0 million dozen granted under the swing and carryforward provisions.

4/ Includes increases of 44,000 dozen granted under the swing and carryforward provisions.

5/ Adjusted for 9,000 dozen in overshipments.

6/ Adjusted for swing, carryforward used, and carryforward granted (2.1 million dozen).

7/ Adjusted for carryforward used and carryforward granted (58,000 dozen).

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



## CHAPTER VIII. PHILIPPINES

## Introduction

The Philippine textile (including fibers) and apparel industry maintained a surplus trade balance that increased irregularly from \$171 million in 1979 to \$326 million in 1983. The surplus was entirely attributed to the apparel sector, which produced sufficient exports to offset deficits in both the fiber and textile mill product sectors.

Exports of textiles and apparel from the Philippines increased from \$541 million in 1979 to \$660 million in 1981 before declining to \$595 million in 1983. During 1979-83, more than three-fourths of total textile and apparel exports and between 8 and 11 percent of total merchandise exports from the Philippines were of apparel. During the same period, apparel was the second largest export earner. The most significant apparel export item, accounting for over one-fourth of the total, was women's, girls', and infants' outer garments, namely trousers, skirts, blouses, and dresses. Throughout 1979-83, approximately one-half or more of total apparel exports from the Philippines were destined for the United States. Other leading export markets included West Germany and the United Kingdom.

Exports of textile mill products accounted for less than 15 percent of total textile and apparel exports during 1979-83. A large portion of these exports were concentrated in blankets, linens, and furnishings, in addition to manmade-fiber yarns and knit fabrics. Together, the United States and Hong Kong received more than half of the Philippine's exports of such products.

Fiber exports, which did not exceed \$40 million, accounted for less than 7 percent of total textile and apparel exports during 1979-83. Over 95 percent of fiber exports took place in vegetable fibers, primarily ramie and hemp.

Imports of textiles and apparel decreased irregularly from \$370 million in 1979 to \$269 million in 1983, or by about 27 percent. The major sources of such imports were the United States and Japan. More than two-thirds of total textile and apparel imports were in textile mill products, which increased from \$249 million in 1979 to \$273 million in 1981, before declining to \$188 million in 1983. Over 50 percent of the textile mill product imports consisted of cotton and manmade-fiber woven fabrics, which were largely consumed by the Philippine apparel industry.

Fiber imports accounted for at least 25 percent of total textile and apparel imports and decreased from \$109 million in 1979 to \$69 million in 1983. Almost all fiber imports were of cotton and manmade fibers. Throughout 1979-83, apparel imports did not exceed \$13 million and represented less than 5 percent of total Philippine textile and apparel imports.

The economy

The gross national product (GNP) of the Philippines totaled \$29.9 billion in 1983. 1/ Real GNP growth declined each year during 1979-83, from 7.5 percent growth in 1979 to 1.3-percent growth in 1983. The Philippines' GNP annual growth rates for this period are shown in the following tabulation (in percent): 2/

1979-----	7.5
1980-----	4.4
1981-----	3.7
1982-----	1.6
1983-----	1.3

The 1983 decline in GNP growth was due to a 2-percent drop in agricultural production, which was partially offset by 2.2-percent growth in the manufacturing sector. The Philippines has been experiencing political and economic problems that intensified in the second half of 1983. There has been a significant withdrawal of foreign investment and capital from the Philippines, contributing to a critical foreign exchange problem that was worsened by an increasing merchandise trade deficit. During 1983, as a result of these events, the Philippines became the first Asian state to seek relief on debt payments to international banks. 3/

The service sector comprised the largest share of the GDP during 1982 and 1983, 4/ accounting for about 39 percent of the total and employing some 14 percent of the labor force. 5/ Commerce accounted for approximately 54 percent of the service industry, followed by transportation at 32 percent, and other services, such as tourism and banking, at 14 percent. 6/

The industrial sector is the second largest contributor to the GDP. It is divided into four primary groups, namely (1) manufacturing, (2) construction, (3) mining and petroleum, and (4) utilities, which includes electricity, gas, and water. Together, these four groups composed about 36 percent of the GDP in 1982 and 1983 7/ and provided employment to approximately one-fifth of the workforce. 8/

Since World War II, industrial production has expanded and diversified steadily. Manufacturing is largely centered on processing and assembly line operations involving textiles, clothing, pharmaceuticals, chemicals, wood

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1/ International Monetary Fund, International Financial Statistics, Washington, DC, January 1985, p. 378.

2/ Ibid.

3/ "Philippines: For 50 Years a U.S. Colony," Washington Post, May 15, 1984, p. A-10.

4/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 5.

5/ U.S. Department of Commerce, Market Profiles for East Asia: Philippines, April 1983, p. 13.

6/ U.S. Department of Commerce, Marketing in the Philippines, May 1983, p. 9.

7/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 5.

8/ U.S. Department of Commerce, Market Profiles for East Asia: Philippines, April 1983, p. 13.

products, food processing, electrical components, small appliances, and automobiles. 1/

In order to improve the industrial development of the Philippines, the World Bank provided a series of loans for reconstructing existing industries and for new industrial projects. Consequently, the construction sector is expected to grow above and beyond the current level, which accounts for approximately 8 percent of the GDP. 2/

The mining and petroleum sector accounted for about 2 percent of the GDP, while the utilities sector accounted for 1 percent of the GDP during 1982-83. 3/ The Philippines possesses vast amounts of minerals, extraction of which for the most part has recently begun. 4/ The most valuable metallic minerals available include gold, silver, copper, and nickel, whereas the nonmetallic minerals include cement and coal. 5/ Since the 1970's, oil exploration programs have been underway. Total domestic production of petroleum was estimated at 3.8 million barrels in 1980 before declining to 2.5 million barrels in 1981. 6/ Exploration continues despite the fact that significant oil bearing sites have yet to be discovered. Alternative energy programs have been developed in hydroelectric, geothermal, coal, and nuclear power in order to alleviate the Philippines' dependence on imported petroleum. Through these alternative energy sources, it is estimated that dependence on imported oil could decrease from 77 percent in 1981 to 41 percent in 1985. 7/

During 1982-83, the agriculture and forestry sector accounted for approximately 25 percent of the GDP 8/ and 47 percent of the total labor force. 9/ Philippine farms are capable of producing food for domestic consumption as well as cash crops for exports. Among the primary food crops are rice and corn. 10/ Accounting for almost 29 percent of the total value of exports during 1982 and 1983 were coconuts, sugar, timber, pineapples, and bananas. 11/

During 1981-83, the Philippine population increased 2.4 percent annually, from 49.5 million to an estimated 52.1 million. 12/ Approximately 70 percent

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1/ U.S. Department of State, Background Notes: Philippines, August 1981, p. 6.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 5.

3/ Ibid.

4/ U.S. Department of Commerce, Marketing in the Philippines, May 1983, p. 8.

5/ Ibid.

6/ Ibid., p. 9.

7/ U.S. Department of State, Background Notes: Philippines, August 1981, p. 7.

8/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 5.

9/ U.S. Department of Commerce, Market Profiles for East Asia: Philippines, April 1983, p. 13.

10/ U.S. Department of State, Background Notes: Philippines, August 1981, p. 6.

11/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 10.

12/ International Monetary Fund, International Financial Statistics, Washington, DC, January 1985, p. 378.

of the population lives in rural areas. Of the total population, nearly 40 percent belonged to the labor force, which increased continuously from 19.0 million in 1981 to 20.5 million in 1983. 1/

The average unemployment rate remained relatively low, 5.2 percent and below, during 1981-83. 2/ Per capita income, expressed in U.S. dollars, decreased from \$776 in 1981 to \$647 in 1983, or by about 17 percent. 3/ However, the apparent decline was a result of the devaluation of the peso against the dollar, which went from 7.9 pesos per dollar in 1981 to 11.2 pesos per dollar in 1983. 4/ In terms of pesos, per capita income increased by 19 percent during 1981-83.

Total revenue received by the Philippine Government fluctuated during 1977-80 between \$3.4 billion and \$4.5 billion before declining each year thereafter to \$4.1 billion in 1983. 5/ Approximately 85 percent of total revenue is derived through taxes, such as income tax and import and export taxes. The remaining 15 percent was collected through nontax revenues, namely interest, service fees, and licenses. Government expenditures fluctuated but increased from \$3.7 billion in 1977 to \$4.9 billion in 1981, before declining continuously to \$3.9 billion in 1983. 6/ Approximately 70 percent or more of Government expenditures were allocated to transportation and communications projects, national defense, and economic services. 7/

The Philippines' rate of inflation dropped to 11.8 percent in 1981 from 18.9 percent in 1979. Inflation rose slightly in 1982 and 1983 to about 12.0 percent. 8/

Because of adverse economic conditions, the Government's current 5-year development plan, effective from 1983 to 1987, which encouraged export growth and development of technical, heavy industries, has been somewhat modified. The current plan emphasizes the importance and continued development of agriculture and other labor-intensive industries as well as expanding exports in order to obtain foreign capital to alleviate the current foreign exchange problem. 9/ The postponement of major projects, namely the construction of a petrochemical complex, pulp and paper plants, an aluminum smelter, and a diesel engine plant, in addition to others, is expected to set back the Philippines industrial development a number of years. 10/

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 2.

2/ Ibid.

3/ Ibid.

4/ Ibid.

5/ International Monetary Fund, International Financial Statistics, Washington, DC, January 1985, p. 378.

6/ Ibid.

7/ Europa Publications, Ltd., The Europa Yearbook 1982: A World Survey, London, vol. II, 1982, p. 1,243.

8/ IL&T Philippines, Philippines, February 1984, p. 2.

9/ Ibid.

10/ Ibid.

Foreign trade

In years prior to 1970, the Government of the Philippines had an established trade policy that encouraged import-substitution industries, which catered primarily to the domestic market. However, a major change occurred in 1970 with the passage of the Export Incentives Act and in 1980 when the World Bank engaged in a structural loan program with the Philippines that was designed to encourage labor-intensive, export-oriented industries. <sup>1/</sup>

Exports, most of which consisted of coconuts, sugar, timber, electrical equipment, and garments, increased from \$3.4 billion in 1978 to almost \$5.8 billion in 1980, before declining continuously to \$5.0 billion in 1983, as shown in the following tabulation (based on U.S. Department of Commerce data, shown in millions of dollars):

Year	Exports	Imports	Trade balance
1978-----	3,429	4,732	-1,303
1979-----	4,604	6,141	-1,537
1980-----	5,784	7,726	-1,942
1981-----	5,722	7,946	-2,224
1982-----	5,021	7,667	-2,646
1983-----	5,005	7,487	-2,482

Most of the decline was a result of the worldwide recession and the decreased value of major traditional export items, such as coconut oil, copper, and sugar, on the world market. During 1983, the United States was the leading export market, receiving about 36 percent of the Philippines' total exports. Other major markets included Japan, the European Community (EC), and the Association of South East Asian Nations (ASEAN), which together accounted for almost 44 percent of the total value of exports during 1983. <sup>2/</sup>

Imports also increased, from \$4.7 billion in 1978 to \$7.9 billion in 1981, before gradually declining to almost \$7.5 billion in 1983. The value of imports continued to increase from 1978 to 1981 as a result of increased prices for major import commodities, such as petroleum and equipment, which were essential for economic development. However, the decrease from \$7.9 billion in 1981 to \$7.5 billion in 1983 was partially the result of Government policies aimed at reducing imports. In early 1983, the Philippine Government imposed a 3-percent tax on all imports and required advance fee and tariff payments. During November 1983, the Government increased this tax to 5 percent in an effort to further discourage imports. <sup>3/</sup>

<sup>1/</sup> U.S. Department of State, Background Notes: Philippines, August 1981, p. 7.

<sup>2/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, p. 9.

<sup>3/</sup> IL&T Philippines, Philippines, February 1984, p. 23.

The most significant import items during 1982-83 included mineral fuels and petroleum products (which accounted for nearly 30 percent of the total value of imports during both years), machinery, and materials needed to manufacture electrical equipment. The leading import source was the United States, followed by the Middle Eastern countries, and Japan. 1/

The Philippines has experienced a deficit every year since 1973, 2/ and from 1978 to 1982, the merchandise trade deficit more than doubled from \$1.3 billion to a little over \$2.6 billion, before decreasing almost 4 percent to \$2.5 billion in 1983.

### The Textile and Apparel Industries

#### Structure

The textile mill industry is composed of some 3,000 mostly small, privately owned establishments. Less than 10 percent of these mills are large and relatively modern. 3/ During 1980-82, the Philippine textile industry was largely dominated by a handful of domestic producers located in or near Manila. 4/

The average annual employment rate in the textile industry has decreased from almost 86,000 workers in the mid-1970's 5/ to approximately 70,000 workers during 1983. 6/ However, because of severe raw-material shortages and several plant closures during 1984, it is estimated that as many as 30,000 jobs in the textile industry were lost. 7/ During 1983, employment in the textile mill product sector accounted for less than 1 percent of the entire workforce. According to industry sources, it was estimated that Filipino textile mill employees, who are described as literate and quick to acquire technical and mechanical skills 8/, earned \$1.65 per hour in early 1984, approximately 22 percent of the amount received by textile mill employees in the United States.

The Philippine textile industry has and is experiencing structural problems with respect to quality and efficiency, and a considerable amount of its equipment is outdated. 9/ In order to revive this industry, a program referred to as the Textile Industry Modernization Program was initiated in 1981. The program provides for training workers and managers in new

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Philippines, July 1984, pp. 9 and 11.

2/ U.S. Department of State, Background Notes: Philippines, August 1981, p. 7.

3/ Emerging Textile-Exporting Countries: Report on Investigation No. 332-126 . . ., USITC Publication 1273, August 1982, p. A-249.

4/ "South-East Asian Textiles; Threadbare," The Economist, Aug. 20, 1983, p. 65.

5/ U.S. Department of State telegram, Philippines, 34835, Dec. 20, 1984, p. 2.

6/ "South-East Asian Textiles; Threadbare," The Economist, Aug. 20, 1983, p. 65.

7/ "Material Shortage Causes Serious Damage to Philippine Industries", Japan Textile News, July 1984, p. 81.

8/ U.S. Department of Commerce, Marketing in the Philippines, May 1983, p. 26.

9/ U.S. Department of State telegram, Philippines, 12116, May 18, 1982, p. 1.

technologies, purchasing new equipment, and reorganizing firms to achieve greater specialization. 1/ The program calls for replacing two-thirds of the current 1.1 million spindles and almost all of the 21,000 looms. The World Bank agreed to supply \$150 million of the \$450 million program. Even though the project began in 1981, no funds have been drawn by the 31 textile companies covered by the program as of 1984. However, approximately \$10 million of the World Bank loan was used to purchase raw materials in early 1984. 2/ The primary purpose of this program is to make the Philippine textile industry more competitive in world markets and better able to supply the needs of domestic apparel producers.

The Philippine apparel industry has long been a major producer of embroidered products and children's garments; however, it was not until the 1960's that a group of small firms expanded production and began manufacturing larger-sized garments for export to the United States. 3/ Of the 29,600 garment firms currently operating, almost 1,500 employ more than 10 people 4/ and the remaining 28,100 establishments, or 95 percent, are cottage-size firms. The apparel sector is presently estimated to employ 504,000 workers and, of the total, approximately 58 percent are employed in the larger factories in the Manila area. 5/ The garment sector represents almost 13 percent of total employment in manufacturing and pays approximately 60 cents per hour, or about 12 percent of the amount earned by apparel workers in the United States during early 1984. Within the last 5 years, the apparel sector has grown into a major foreign currency earner. During 1978-83, apparel exports represented between 9 and 11 percent of total Philippine merchandise exports. Since 1979, the apparel sector has been the second largest export commodity, surpassed only by electrical components and equipment. 6/ During 1982-83, it was estimated that approximately half of the Philippines apparel exports were concentrated in children's clothing and women's intimate wear. 7/

### Production

The Philippines produces manmade fiber, cotton, and small amounts of ramie and wool. During 1981-83, cotton fiber production fluctuated between 4,974 and 7,106 tons. 8/ Domestic cotton production supplies less than one-fifth of the nation's cotton requirement and, since the Philippines continues to limit imports of raw materials, increasing emphasis has been placed on the domestic production and use of manmade fibers. In 1981, the

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1/ U.S. Department of State telegram, Philippines, 34835, Dec. 20, 1984, p. 1.

2/ Ibid.

3/ "Bidding for the World Garment Market," Philippine Finance and ASEAN Perspectives, July 1983, p. 26.

4/ U.S. Department of State telegram, Philippines, 34835, Dec. 20, 1984, p. 2.

5/ "Bidding for the World Garment Market," Philippine Finance and ASEAN Perspectives, July 1983, p. 26.

6/ U.S. Agency for International Development, Country Development Strategy Statement: Philippines, February 1984, Table 4.

7/ "Bidding for the World Garment Market," Philippine Finance and ASEAN Perspectives, July 1983, p. 26.

8/ U.S. Department of Agriculture, Cotton Annual Report: Philippines, Sept. 20, 1983, p. 2.

Philippines produced approximately 45,000 tons of manmade fibers, of which 80 percent was polyester staple and the remaining 20 percent was nylon filament. 1/ During this same year, domestic production of manmade fibers accounted for approximately 44 percent of total apparent consumption of manmade fibers in the Philippines. Furthermore, Philippine manmade-fiber production increased by almost 30 percent, to a little over 58,000 tons, in 1983. 2/

Total production of fabrics in the Philippines increased irregularly, from 810 million square yards in 1976 to almost 920 million square yards in 1979, before declining over 37 percent to 576 million square yards in 1981. 3/ Following the recovery from the worldwide recession during 1981-82, the textile industry rebounded and increased production to 789 million square yards in 1983. 4/ Following similar trends, domestic consumption of textile mill products grew at an annual rate of 7.3 percent between 1970 and 1979. From 1979 to 1981, however, domestic consumption decreased from almost \$382 million to a little over \$260 million. 5/

#### Plants and equipment

There were approximately 1.1 million spindles on the short-staple system and almost 21,000 looms installed in some 3,000 textile mills in the Philippines during 1982. 6/ During this same year, approximately three-fourths of this equipment was over 10 years old. Additionally, a little over 1 percent of the spinning capacity was generated from open-end rotors, which totaled 11,500 in 1982. Over 95 percent of the installed open-end rotors were shipped during 1974-82. 7/ Because a significant portion of the Philippine knitting industry is concentrated in small home-based operations, the number of knitting machines are largely estimated. During 1981, the International Textile Manufacturers Federation (ITMF) reported that there were approximately 8,600 knitting machines in the Philippines. 8/

In terms of apparel, there were about 20,000 sewing machines 9/ operating in nearly 30,000 facilities during 1981. While it is likely that the number of sewing machines is considerably understated, the small number of machines indicates that there is a large amount of hand sewing and embroidery taking place in homes and in the Philippine cottage-industry operations.

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1/ International Textile Manufacturers Federation, Textiles in Asia-Developments and Perspectives, 1982, p. 62.

2/ Textile Economics Bureau, Inc., "World Man-Made Fiber Survey," Textile Organon, June 1984, p. 87.

3/ U.S. Department of State telegram, Philippines, 12116, May 18, 1982, p. 3.

4/ U.S. Department of State telegram, Philippines, 34835, Dec. 20, 1984, p. 2.

5/ U.S. Department of State telegram, Philippines, 12116, May 18, 1982, pp. 2-3.

6/ International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, 1983, pp. 17 and 29.

7/ Ibid, p. 17.

8/ International Textile Manufacturers Federation, Textiles in East Asia-Developments and Perspectives, 1982, p. 62.

9/ Ibid.

Compared with four other ASEAN nations, the Philippines ranked third in terms of the number of spinning, weaving, knitting, and sewing machines installed. Surpassing the Philippines were Indonesia and Thailand. <sup>1/</sup>

### Trade in Textiles and Apparel

The Government of the Philippines currently restricts the importation of textiles, used clothing, remnants, and wearing apparel, except for textile items used to manufacture apparel for export. <sup>2/</sup> The main objective of this policy is to alleviate the foreign exchange shortage as well as to protect local textile and apparel producers from foreign competition and utilize domestic raw materials. <sup>3/</sup>

Despite Government efforts to control the level of imports, the Philippines remains dependent upon the importation of raw fibers, yarns, and fabrics in order to supply the needs of the domestic textile and apparel industries. However, since apparel exports, currently the second largest export item, exceed the level of fiber, yarn, and fabric imports, the textile and apparel sector has maintained a positive trade balance.

Exports of fibers, textile mill products, and apparel increased, from \$228 million in 1976 to \$660 million in 1981, before declining nearly 10 percent to \$595 million in 1983, while imports ranged between \$224 million and \$397 million, as shown in table 66.

The balance of trade for the fiber, textile mill product, and apparel sectors increased substantially, from \$3.6 million in 1976 to \$328 million in 1982, before declining less than 1 percent to \$326 million in 1983.

#### Exports

During 1978-83, Philippine exports of fibers, textile mill products, and apparel accounted for between 11 and 12 percent of total merchandise exports. Exports of textile mill products and apparel more than tripled, from \$205 million in 1976 to \$629 million in 1981, before declining to \$567 million in 1983. Throughout 1976-83, apparel accounted for more than 80 percent of total textile mill product and apparel exports. The significant growth in exports from 1976 to 1981 was largely the result of increased shipments of apparel to the developed countries (table VIII-1). However, exports declined by about 10 percent during 1981-83, largely as a result of reduced demand in the EC.

Philippine exports of textile fibers accounted for a diminishing share of total textile and apparel exports, decreasing from almost 10 percent in 1976 to almost 5 percent by 1983. Even though the fibers' share of total exports for this sector decreased, the value of fiber exports increased but fluctuated between \$22 million and \$40 million. Over 95 percent of fiber exports took place in vegetable fibers, primarily ramie and hemp.

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<sup>1/</sup> Ibid.

<sup>2/</sup> U.S. Department of Commerce, Foreign Regulations Affecting U.S. Textile/Apparel Exports, January 1985, p. 167.

<sup>3/</sup> U.S. Department of State telegram, Philippines, 10950, May 3, 1982, p. 1.

Table 66.---Textile fibers, textiles, and apparel: The Philippines' general imports, 1/ exports, 2/ and trade balance, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
(In thousands of dollars)								
<b>Imports:</b>								
Textile fibers-----	71,918	79,711	106,061	109,227	118,128	92,801	75,013	69,200
Textiles-----	144,808	171,190	207,924	248,815	269,704	273,146	205,766	187,977
Apparel-----	7,335	9,943	11,506	11,662	8,990	10,038	11,793	12,304
Total-----	224,061	260,844	325,491	369,704	396,822	375,985	292,572	269,481
<b>Exports:</b>								
Textile fibers-----	22,441	22,659	23,630	36,257	39,907	31,757	32,689	27,990
Textiles-----	34,529	33,823	44,724	80,293	85,981	75,654	63,061	47,152
Apparel-----	170,702	236,774	317,888	424,518	489,213	553,068	525,252	519,868
Total-----	227,672	293,256	386,242	541,068	615,101	660,479	621,002	595,010
<b>Trade balance:</b>								
Textile fibers-----	-49,477	-57,052	-82,431	-72,970	-78,221	-61,044	-42,324	-41,210
Textiles-----	-110,279	-137,367	-163,200	-168,522	-183,723	-197,492	-142,705	-140,825
Apparel-----	163,367	226,831	306,382	412,856	480,223	543,030	513,459	507,564
Grand total-----	3,611	32,412	60,751	171,364	218,279	284,494	328,430	325,529

1/ C.i.f. Philippine's import data derived from world's exports shipped to the Philippines.  
2/ F.o.b. Philippine's export data derived from world's imports shipped from the Philippines.

Source: Compiled from United Nations data.

The United States was the leading textile and apparel export market during 1976-83. Following the United States were West Germany, the United Kingdom, and Canada. During 1983, combined exports to these four markets accounted for \$477 million or a little over 84 percent of the total value of Philippine textile and apparel exports (table VIII-2). The following tabulation shows exports to the 8 major export markets (based on United Nations data), which together accounted for over 80 percent of total textile and apparel exports during 1981-1983 (in thousands of dollars):

Market	1981	1982	1983	Percentage of total exports in 1983
United States-----	328,599	318,058	367,334	64.8
West Germany-----	89,664	73,898	62,024	10.9
United Kingdom-----	33,685	35,408	26,272	4.6
Canada-----	21,796	20,732	21,508	3.8
Japan-----	18,791	18,068	17,690	3.1
France-----	22,808	18,884	16,980	3.0
Hong Kong-----	28,763	19,615	14,739	2.6
Netherlands-----	9,152	11,530	10,000	1.8
Total-----	553,258	516,193	536,547	94.6

The single largest apparel export item, accounting for over one-fourth of total apparel exports, was women's, girls', and infants' outer garments (such as trousers, skirts, blouses, and dresses). Other important apparel export categories included men's and boys' outer garments and knitted underwear (table VIII-3). Exports of textile mill products, which accounted for less than 13 percent of total textile and apparel exports during 1976-83, were largely concentrated in blankets, linens, and furnishings, manmade-fiber yarns, and knit fabrics.

Under the TSUS item 807.00 tariff provision, which allows for reduced import duties on apparel parts exported from the United States to other nations for assembly and then subsequent return to the United States as finished apparel, the United States imported between \$27 million and \$31 million from the Philippines during 1980-83, as shown in table 67.

Table 67.--Apparel: U.S. imports from the Philippines under TSUS item 807.00, by type, 1980-83

(In thousands of dollars)

Item	1980	1981	1982	1983
Body-supporting garments-----	18,237	18,517	18,903	19,251
Gloves-----	6,015	5,567	7,171	7,982
Women's, girls', and infants' trousers, slacks and shorts-----	102	331	1,099	259
Women's, girls', and infants' coats jackets-----	176	106	106	153
Other-----	2,026	2,281	2,500	3,085
<b>Total-----</b>	<b>26,556</b>	<b>26,802</b>	<b>29,779</b>	<b>30,730</b>

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

Compared with total Philippine apparel shipments destined for the United States, apparel shipments under TSUS item 807.00 accounted for about 10 percent during the period. Over 60 percent of TSUS item 807.00 apparel exports to the United States consisted of body-supporting garments. Other major items included gloves and women's, girls', and infants' trousers, slacks, and shorts.

U.S. imports of manmade-fiber textiles and apparel from the Philippines increased steadily from 115 million square yard equivalents (SYE) in 1980 to 130 million SYE in 1983, or by about 13 percent (table VIII-6). Throughout 1980-83, the two leading export items were dresses and brassieres, which accounted for between 23 and 29 percent of total manmade-fiber product exports. In terms of value, the two leading export items during 1980-83 were gloves and brassieres, which together accounted for more than 30 percent of the total value of exports. Other important apparel items included sweaters, coats, gloves, and playsuits. The single most significant manmade-fiber textile export was spun polyester yarn, which ranged between 4.9 million SYE and 10.2 million SYE.

U.S. cotton textile (excluding fibers) and apparel imports from the Philippines increased irregularly from 47 million SYE in 1980 to a little over 59 million SYE during 1983 (table VIII-4). The largest export item during 1983 was trousers, which accounted for about 20 percent of the total quantity and 28 percent of the total value of cotton textile and apparel exports in 1983. Other notable export items included playsuits and woven cotton shirts for men and boys. Exports of cotton textile mill products decreased irregularly from approximately 3.3 million SYE in 1980 to almost 2.9 million SYE in 1983.

Small when compared with U.S. imports of cotton and manmade-fiber textiles and apparel from the Philippines, the wool sector fluctuated but increased from 603,000 SYE in 1980 to a little over 1.0 million SYE in 1983 (table VIII-5). Sweaters, suits, and gloves were the dominant wool export items in quantity and value during the 1980-83 period. As in the case of cotton, exports of wool textile and apparel products from the Philippines to the United States were concentrated in apparel.

## Imports

Philippine imports of textiles (including fibers) and apparel increased from \$224 million in 1976 to almost \$397 million in 1980, before declining by almost one-third to \$269 million in 1983 (table 66). Compared with total merchandise imports, the textile and apparel sector accounted for a decreasing share of the total, which went from 6.5 percent in 1978 to 3.6 percent in 1983.

Fiber imports, which were almost all manmade fibers and cotton, increased from \$72 million in 1976 to \$118 million in 1980 and accounted for 30 percent and more of total textile and apparel imports during the period. However, from 1981 to 1983, fiber imports declined from \$93 million to \$69 million and represented a smaller portion, about 25 percent, of textile and apparel imports. Most of the decline during 1981-83 was attributed to stricter import controls imposed by the Philippine Government as well as a mounting foreign exchange problem.

Philippine imports of textile mill products, valued at between \$144 million and \$273 million during 1976-83, accounted for approximately two-thirds and more of total textile and apparel imports. Among the most significant textile mill products imported were cotton and manmade-fiber woven fabrics, which together accounted for well over 50 percent of total textile mill product imports from 1981 to 1983. Other important import items included knit fabrics and lace, ribbons, and trimmings.

Throughout 1976-83, apparel imports, which fluctuated between \$7 million and \$12 million, represented less than 5 percent of total textile and apparel imports to the Philippines. The major import sources for textile and apparel products were the United States and Japan.

## MFA constraints

The most recent bilateral textile and apparel agreement between the United States and the Philippines is in effect for a 4-year period beginning January 1, 1983, and ending December 31, 1986. The bilateral agreement covers all exports of textile and apparel products from the Philippines to the United States of cotton, wool, and manmade fibers, except for certified exports of handloomed fabrics of the cottage industry, handmade cottage industry products made from such fabrics, and folklore handicraft textile products traditional to the Philippines (such as batik, handloomed, and banaue cloth). Additionally, the agreement is not applicable to hand-plied or -braided and hand-tied macrame handicraft articles that are not combined with woven or knit materials.

During the 1983-86 agreement period, 48 categories of textile and apparel products are subject to specific limits and sub-limits. The aggregate limit of the 48 categories is allowed to increase 7 percent annually, from 307,180,013 SYE in 1983 to 376,308,725 SYE by 1986. The specific limits for individual categories during 1981-83 are provided in tables VIII-7 through VIII-9 with the quantity of imports charged against each level.

Exports from the Philippines that exceed authorized limits in any agreement year, if allowed entry into the United States, are charged to the applicable limit in the succeeding agreement year. Traditional categories, defined as categories that include infants' garments up to, and including, size 6X, are allowed to exceed established specific limits by not more than 7 percent, whereas wool and all other categories are allowed to exceed their specific limit levels by not more than 5 percent and 6 percent, respectively, provided that an equivalent decrease is made in one or more of the other specific limits for that year.

An adjustment referred to as "carryover" allows for a maximum of 10 percent of any limit that was unused in the previous year to be added to the receiving year's limit, while an adjustment called "carryforward" allows for up to 5 percent of the succeeding year's quota to be transferred to the current year's limit. Carryover and carryforward combined cannot exceed 10 percent.

Categories not subject to specific limits are subject to consultation levels. In order for the Philippines to export an amount exceeding the consultation level during any agreement year, the Philippines is required to request consultations with the United States. Until agreement on a new export level is reached, the Philippines are required to limit shipments to the consultation level.

#### Government Policy

##### Assistance to the industry

The Government of the Philippines has taken an active role in encouraging domestic apparel manufacturers to export. The single most notable export incentive extended by the Government was the development of export processing zones. The zones, located in Bataan, Mactan, and Baguio City, were designed to generate employment, broaden industrial production, and earn foreign exchange. 1/ For example, in order to be eligible to produce in the Bataan Export Processing Zone (BEPZ) in 1983, an export industry must employ at least 250 workers, invest a minimum of \$26,680, and have the potential to export \$1 million worth of goods annually. Many of the manufacturing firms located in the export processing zones are joint ventures between Filipinos and foreign investors from the United States, Australia, Austria, Canada, Germany, Japan, Norway, and the United Kingdom. A number of wholly-owned foreign firms are also set up in the export processing zones. 2/

Some of the financial benefits granted to firms at the BEPZ include accelerated depreciation rates, as well as tax-free and duty-free importation of machinery, equipment, raw materials, and miscellaneous supplies. In addition, operating losses incurred during the first 5 years of operation may be carried over as deductions from taxable income during the following 5 years. 3/

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1/ U.S. Department of Commerce, Marketing in the Philippines, May 1983, p. 23.

2/ IL&T Philippines, Philippines, February 1984, p. 24.

3/ Ibid.

## Export promotion

In order to promote exports of textiles and apparel, the Government of the Philippines initiated a program through the Center for International Trade Expositions and Missions, the Government body charged with the responsibility of working with the private sector in organizing trade shows and exhibits, both in the Philippines and abroad. 1/ Other Government agencies actively participating in the exportation of textiles and apparel include the Board of Investment, which monitors the eligibility and performance of foreign investments, and the Garment and Textile Export Board, which controls quota allocations and regulates export policy for the textile and apparel industries. In the international arena, the Philippines is a member of the ASEAN. Through ASEAN, the textile manufacturers formed the ASEAN Federation of Textile Industries (AFTEX). Since 1978, AFTEX has tackled a variety of problems facing the industry, such as availability of raw materials, productivity, and access to major export markets.

A number of industry associations have been instrumental in promoting the textile and apparel industry. Among the most influential is the Furnishings and Apparel Manufacturers Exchange (FAME). The primary responsibility of FAME is coordinating the Manila Apparel Mart Week, which is an annual event designed to stimulate sales of Philippine apparel on world markets. 2/ During the last "Manila Week," some 75 Philippine garment makers participated and had orders booked for delivery to the United States, the United Kingdom, West Germany, Norway, Canada, Japan, and Hong Kong. Another important industry association is the Confederation of Garment Exporters of the Philippines, which is an umbrella organization encompassing most garment associations.

On August 2, 1984, the U.S. Department of Commerce received a petition from the American Textile Manufacturers Institute, the Amalgamated Clothing and Textile Workers Union, and the International Ladies' Garment Workers Union, alleging that the Government of the Philippines was providing bounties or grants to manufacturers, producers, and exporters of textile mill products and apparel in the Philippines. 3/ On January 11, 1985, the U.S. Department of Commerce preliminarily determined that the Government of the Philippines was providing net bounties or grants estimated at 1.49 percent ad valorem for textile mill products, and 1.33 percent ad valorem for apparel. 4/ Commerce preliminarily determined the following programs to confer bounties or grants: (1) preferential export credit at below-market rates through the rediscounting program run by the Central Bank of the Philippines, (2) preferential tax benefits, such as exemption from duties on imported capital equipment, tax deductions for direct labor costs and local raw material, and tax credit on net local content, and (3) equity infusions provided to domestic producers by the Development Bank of the Philippines that were inconsistent with commercial considerations. On March 15, 1985, the Philippines became a "country under the agreement" of the GATT subsidies code. Subsequently, the petition was withdrawn on April 8, 1985, and the Commerce Department terminated its investigation on April 17, 1985. 5/

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1/ "Bidding for the World Garment Market," Philippine Finance and ASEAN Perspectives, July 1983, pp. 25-26.

2/ "Orders Flow In," Textile Asia, July 1984, p. 93.

3/ 49 F.R. 34381-3, Aug. 30, 1984.

4/ 50 F.R. 1607-8, Jan. 11, 1985.

5/ 50 F.R. 15208, Apr. 17, 1985.

## Export Potential

The Philippines has two major export markets, the United States and the EC, whose combined share has increased from 75 percent in 1979 to 87 percent in 1983. The Philippines has made little progress in diversifying its markets, and, since shipments to the EC have been declining since 1980, short-term prospects for export expansion lie almost entirely with increased apparel shipments to the United States. The U.S. share of Philippine exports, in terms of value, has increased from \$239 million or 47 percent of total exports in 1979 to \$367 million or 65 percent of the total in 1983. In terms of quantity, U.S. imports from the Philippines increased steadily from 163 million SYE in 1980 to 191 million SYE in 1983, but increased sharply to approximately 241 million SYE in 1984.

Prior to 1983, all U.S. imports of textiles and apparel from the Philippines were in categories that had specific quotas. There were 104 such quotas, of which only 19 were filled by over 75 percent during 1981 and 1982. In 1983, the new United States-Philippine bilateral agreement reduced the number of quota categories to 48, of which only 21 were filled over 75 percent. As shown in table 68, U.S. imports from the Philippines of nonquota-restricted textile and apparel products began to appear in 1983.

Table 68.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from the Philippines subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories subject to specific limits	U.S imports of products not subject to specific limits <sup>1/</sup>	Number of non-quota MFA categories having U.S. imports
	SYE		SYE	
1981-----	176,552,609	104	0	0
1982-----	177,872,308	104	0	0
1983-----	169,271,878	48	21,566,214	26

<sup>1/</sup> Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraints are not included.

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

Thus, continued export growth to the United States is possible both in the non-filled quota categories as well as in categories for which quotas are not established. Although the Philippines greatest strength has been in its exports of traditional garments and childrens' apparel up to size 6X, their 1984 shipments to the United States of nontraditional apparel have increased rapidly.

In sum, the future of Philippine apparel exports is very closely linked with demand in the U.S. market and consequently should experience moderate

growth in the near future. While lacking some of the competitive strengths of China, Hong Kong, Korea, and Taiwan, the Philippines' low wage rates, long-standing relations in U.S. market, and relatively favorable quota status should allow growth to occur.

Table VIII-1. Textiles and apparel: Philippine exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textiles:								
developing								
Big Three...	2,376	4,464	11,595	22,618	25,598	18,375	10,931	6,466
Other Asia...	4,827	4,555	3,996	17,331	11,122	6,862	7,946	2,151
Other								
developing	353	506	66	642	769	249	218	87
socialist.....	2/	2/	2/	2/	2/	2/	2/	2/
developed								
EEC.....	4,851	3,292	4,088	5,897	11,471	8,752	5,725	4,078
Southern								
Europe.....	496	865	525	203	246	357	277	2/
Other Europe	630	554	653	888	1,092	1,282	1,020	2/
United								
States.....	16,716	15,335	18,902	23,310	27,786	31,522	25,071	28,169
Canada.....	1,671	1,587	1,210	1,843	2,164	2,236	2,385	2,625
Japan.....	787	1,587	1,568	4,576	2,468	2,236	4,574	2,415
Other.....	1,819	1,857	2,121	2,985	3,265	3,783	4,914	161
apparel:								
developing								
Big Three...	4,374	4,371	6,176	7,761	11,789	12,220	8,684	8,273
Other Asia...	5,074	5,365	3,552	8,321	11,216	14,921	13,423	3,704
Other								
developing	308	684	48	3,685	6,257	2,104	923	321
socialist.....	2/	2/	2/	2/	2/	2,262	2,166	918
developed								
EEC.....	35,099	68,735	71,269	135,950	157,276	158,092	144,928	120,703
Southern								
Europe.....	125	162	399	477	615	689	885	2/
Other Europe	3,630	6,707	9,468	12,725	18,020	16,079	15,445	11,571
United								
States.....	98,072	130,855	206,764	215,420	241,754	297,077	292,987	339,165
Canada.....	6,957	5,692	5,687	10,519	11,696	19,560	18,347	18,883
Japan.....	9,533	4,928	5,931	17,863	17,872	16,555	13,494	15,275
Other.....	7,459	9,275	8,594	11,797	12,718	15,509	13,970	1,055
textile &								
Apparel:								
developing								
Big Three...	6,750	8,835	17,771	30,379	37,387	30,595	19,615	14,739
Other Asia...	9,901	9,920	7,548	25,652	22,338	21,783	21,369	5,855
Other								
developing	661	1,190	114	4,327	7,026	2,353	1,141	408
socialist.....	2/	2/	2/	2/	2/	2,262	2,166	918

1/ footnotes at end of table.

le VIII-1.---Textiles and apparel: Philippine exports, 1/ by specified world markets, 1976-83---Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	-----1,000 dollars-----							
ile &								
pparel:								
veloped								
EEC.....	39,950	72,027	75,357	141,847	168,747	166,844	150,653	124,781
Southern								
Europe.....	621	1,027	924	680	861	1,046	1,162	2/
Other Europe:	4,260	7,261	10,121	13,613	19,112	17,361	16,465	12,571
United								
States.....	114,788	146,190	225,666	238,730	269,540	328,599	318,058	367,334
Canada.....	8,628	7,279	6,897	12,362	13,860	21,796	20,732	21,508
Japan.....	10,320	5,712	7,499	22,439	20,340	18,791	18,068	17,690
Other.....	9,278	11,132	10,715	14,782	15,983	19,292	18,884	1,216
l.....	205,231	270,597	362,612	504,811	575,194	628,722	588,313	3/ 567,020

/ Based on world's imports from the Philippines as reported to the United Nations.

/ Not available.

/ Total in 1983 is understated because Australia and Saudi Arabia and some smaller export markets have not yet reported in 1983 data to the United Nations.

ource: Compiled from United Nations data.

Table VIII-2.--Textiles and apparel: Philippine exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
United States	16,716	15,335	18,902	23,310	27,786	31,522	25,071	28,169
West Germany	1,461	1,199	1,406	1,789	1,856	4,468	2,521	1,580
United Kingdom	93	200	363	702	548	801	829	572
Canada	1,671	1,587	1,210	1,843	2,164	2,236	2,385	2,625
Hong Kong	1,916	3,727	11,152	22,305	25,300	16,590	10,931	6,466
Taiwan	433	951	1,673	1,328	1,956	1,767	722	479
Japan	787	784	1,568	4,576	2,468	2,236	4,574	2,415
Australia	1,591	1,659	1,940	2,871	3,091	3,580	4,532	2/ 72
Netherlands	1,457	361	274	688	395	99	145	2/ 72
Saudi Arabia	3	39	2/ 7,236	83	139	343	543	2/ 4,774
Other	8,401	7,981	44,724	20,798	20,278	12,012	10,808	3/ 47,152
Total	34,529	33,823	80,293	85,981	85,981	75,654	63,061	
United States	98,072	130,855	206,764	215,420	241,754	297,077	292,987	339,165
West Germany	13,962	38,366	36,066	71,030	80,287	85,196	71,377	60,444
United Kingdom	11,376	13,443	17,174	30,239	32,078	32,884	34,579	25,700
Canada	6,957	5,692	5,687	10,519	11,696	19,560	18,347	18,883
Hong Kong	4,374	4,369	6,167	7,756	11,767	12,173	8,684	8,273
Taiwan	5,768	5,120	5,765	11,335	17,842	21,041	18,162	16,501
Australia	9,533	4,928	5,931	17,863	17,872	16,555	13,494	15,275
Netherlands	7,377	9,155	8,439	11,504	12,235	14,654	12,542	2/ 9,928
Other	1,881	6,239	7,037	11,854	10,756	9,053	11,385	2/ 25,699
Saudi Arabia	1,317	50	2/ 18,858	1,752	3,796	5,152	5,396	2/ 519,868
Total	170,702	236,774	317,888	424,518	489,213	39,723	38,299	3/ 519,868
United States	114,788	146,190	225,666	238,730	269,540	328,599	318,058	367,334
West Germany	15,423	39,565	37,472	72,819	82,143	89,664	73,898	62,024
United Kingdom	11,469	13,643	17,537	30,941	32,626	33,685	35,408	26,272
Canada	8,628	7,279	6,897	12,362	13,860	21,796	20,732	21,508
Hong Kong	6,290	8,096	17,319	30,061	37,067	28,763	19,615	14,739
Taiwan	6,201	6,071	6,438	12,663	19,798	22,808	18,884	16,980
Australia	10,320	5,712	7,499	22,439	20,340	18,791	18,068	17,690
Netherlands	8,968	10,814	10,379	14,375	15,326	18,234	17,074	2/ 10,000
Saudi Arabia	3,338	6,600	7,311	12,542	11,151	9,152	11,530	2/ 30,473
Other	1,320	89	2/ 26,094	1,835	3,935	5,495	5,939	3/ 567,020
Total	205,231	270,597	362,612	504,811	575,194	628,722	588,313	

Based on world's imports from the Philippines as reported to the United Nations. Not available.

Total in 1983 is understated because Australia and Saudi Arabia and some smaller export markets have not yet reported 1983 data to the United Nations data.

Source: Compiled from United Nations data.

Table VIII-3.--Textiles and apparel: Philippine exports, 1/ by types, 1979-83

IIC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
knit yarn.....	1,336	1	2/	2/	2/	2/
wool yarn.....	512	325	349	686	536	4.688
woolen yarn.....	288	337	1,227	435	206	-28.472
knit of manmade fibers.....	18,000	15,505	12,444	9,343	5,512	-69.378
woolen yarn.....	2,017	3,471	2,834	2,843	1,934	-4.115
knit of grey cotton fibers.....	268	1,416	67	28	1	-99.627
woolen fabric finished	988	1,284	504	442	588	-40.486
woolen fabric of continuous manmade fibers.....	1,988	1,002	2,515	560	701	-64.738
woolen fabric of continuous manmade fibers.....	1,317	910	644	470	600	-54.442
woolen fabric of continuous manmade fibers.....	24	48	83	2/	1	-95.833
woolen fabric of continuous manmade fibers.....	34	2/	4	38	5	-85.294
woolen fabric of continuous manmade fibers.....	87	428	717	686	791	809.195
woolen fabric of continuous manmade fibers.....	14,032	16,626	6,930	4,411	951	-93.223
knit of wool.....	5,821	10,394	10,145	9,201	10,234	75.812
knit of woolen fabrics.....	26,411	26,736	29,441	26,649	18,093	-31.494
knit of woolen fabrics.....	1,024	776	1,082	1,071	1,158	13.086
knit of woolen fabrics.....	74,147	79,259	68,986	56,863	41,311	-44.285
knit of woolen fabrics.....	71,783	78,773	75,338	71,282	77,380	7.797
knit of woolen fabrics.....	114,466	124,617	159,820	153,375	149,031	30.197
knit of woolen fabrics.....	26,755	26,410	19,644	18,106	15,198	-43.196
knit of woolen fabrics.....	5,921	6,581	6,975	6,699	5,410	-8.630

See footnotes at end of table.



Table VIII-4.--Cotton textiles: U.S. imports from the Philippines, by MFA categories, 1980-83

SY	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983	1980	
01	Combed yarn	62,082	0	0	0	1/	1/	0	0	0	
11	Cotton velveteen	80	205	0	0	1/	1/	0	0	0	
12	Corduroy	6,725	896	870	0	1/	2	1	0	0	
18	Yarn-dyed fabric, n.e.s.	0	0	186	0	0	0	5	0	0	
19	Duck	130,556	0	0	88	76	0	0	3	1	
20	Woven fabrics, n.e.s.	335	983	3,946	375	4	4	8	1	1	
30	Handkerchiefs	970,588	1,201,286	730,410	471,344	1,696	2,229	1,408	937	1,755	
31	Gloves	1,990,195	2,345,845	2,080,307	2,224,888	1,318	1,488	1,657	1,755	1,545	
32	Hosiery	0	33,088	44,744	67,211	0	81	95	127	127	
33	Suit-type coats, men's and boys'	461,116	513,678	522,257	451,957	2,079	2,208	2,246	1,545	1,545	
34	Other coats, men's and boys'	1,621,644	1,631,186	2,419,438	3,350,877	3,454	3,898	6,457	10,154	10,154	
35	Coats, women's, girls', and infants'	3,147,679	2,511,910	3,058,887	2,863,412	5,402	6,003	7,345	6,937	6,937	
36	Dresses	3,468,167	3,518,589	3,304,184	2,850,278	1,918	1,980	1,887	2,500	2,500	
37	Playsuits	4,586,000	6,255,775	6,785,800	6,042,275	3,084	5,611	6,348	5,383	5,383	
38	Knit shirts, men's and boys'	1,813,501	2,822,263	2,375,323	3,137,875	8,215	15,396	12,724	20,613	20,613	
39	Knit shirts and blouses, women's, girls', and infants'	1,555,718	1,737,596	1,556,553	2,578,111	4,359	5,901	5,105	10,987	10,987	
40	Shirts, not knit, men's and boys'	5,082,408	5,004,768	6,116,208	5,241,720	6,291	6,650	7,409	6,906	6,906	
41	Blouses, not knit, women's, girls', and infants'	1,024,136	2,195,895	1,830,368	1,997,232	1,788	3,912	3,265	4,247	4,247	
42	Skirts	387,453	303,650	237,345	246,494	857	1,012	677	635	635	
45	Sweaters	54,721	237,213	113,822	205,454	62	412	211	378	378	
47	Trousers, men's and boys'	3,206,919	5,446,106	2,756,116	4,537,400	11,268	19,814	10,012	16,824	16,824	
48	Trousers, women's, girls', and infants'	4,997,740	9,283,356	6,736,322	7,620,821	11,135	23,204	16,230	18,698	18,698	
49	Brasieres	396,600	250,080	440,079	623,304	820	495	929	1,528	1,528	
50	Dressing gowns	61,098	115,617	29,835	68,544	58	53	56	82	82	
51	Nightwear	527,540	924,664	1,114,100	1,352,260	408	631	967	713	713	
52	Underwear	1,441	2,409	28,138	1,115,708	1	6	79	406	406	
59	Other apparel	8,735,595	9,420,289	9,617,591	9,438,376	10,815	11,823	12,048	11,122	11,122	
60	Pillowcases	297	0	79	402	1	0	1/	1	1	
62	Bedspreads and quilts	380	1,698	800	394	2	6	3	1	1	
63	Terry and other pile towels	0	120	17,480	0	0	1/	29	0	0	
69	Other manufactures	3,108,206	4,213,958	2,722,242	2,893,178	3,393	4,425	3,077	3,214	3,214	
	Total	47,398,920	59,973,123	54,643,430	59,379,978	78,516	117,246	100,280	125,698	125,698	

/ Less than 500 dollars.

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

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

Table VIII-5.--Wool textiles: U.S. imports from the Philippines, by MFA categories, 1980-83

Category	Description	Equivalent square yards						1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983				
400	Wool tops and yarn	0	4,970	200	20,224	0	0	27	1	39			
410	Woolens and worsteds	0	0	440	0	0	0	0	4	0			
411	Tapestries and upholstery	10	0	1,118	89	1	1	0	7	1			
431	Gloves	55,615	120,492	121,823	126,162	660	660	1,419	2,042	1,728			
432	Hosiery	0	0	0	2,974	0	0	0	0	10			
433	Suit-type coats, men's and boys'	62,928	26,172	39,420	120,168	369	369	167	266	689			
434	Other coats, men's and boys'	0	0	0	22,734	0	0	0	0	54			
435	Coats, women's, girls', and infants'	28,080	5,076	86,616	45,144	47	47	21	225	76			
436	Dresses	0	0	0	16,089	0	0	0	0	57			
438	Knit shirts and blouses	0	3,750	0	0	0	0	8	0	0			
440	Shirts and blouses, not knit	0	0	2,448	0	0	0	0	9	0			
442	Skirts	0	0	1,962	19,890	0	0	0	9	105			
443	Suits, men's and boys'	102,492	138,132	100,386	133,434	858	858	1,183	752	1,058			
444	Suits, women's, girls', and infants'	3,078	0	0	23,436	2	2	0	0	102			
445	Sweaters, men's and boys'	159,826	185,137	111,154	221,430	580	580	776	574	1,018			
446	Sweaters, women's, girls', and infants'	111,986	131,138	93,327	110,648	343	343	630	345	453			
447	Trousers, men's and boys'	11,376	0	13,608	26,622	62	62	0	100	183			
448	Trousers, women's, girls', and infants'	234	23,238	0	1,998	1	1	148	0	9			
459	Other apparel	66,012	61,982	87,606	152,438	543	543	660	664	1,060			
464	Blankets	499	0	0	0	5	5	0	0	0			
465	Floor coverings	1,321	3,076	3,126	5,223	76	76	189	263	404			
469	Other manufactures	0	6,718	774	84	0	0	113	16	1			
	Total	603,457	709,881	664,008	1,048,787	3,547	3,547	5,341	5,276	7,046			

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

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

Table VIII-6.--Manmade-fiber textiles: U.S. imports from the Philippines, by MFA categories, 1980-83

Category	Description	Equivalent square yards					1,000 dollars						
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
600	Textured yarn	308	2,863	0	0	1	4	0	0	0	0	0	0
604	Noncontinuous noncellulosic yarn	10,135,397	10,202,288	4,913,403	8,187,938	3,433	3,596	1,731	2,648				
605	Other yarns	90,447	7,700	388,672	533,033	41	4	111	195				
610	Continuous cellulosic woven fabrics	0	694	0	0	0	2	0	0				
612	Continuous noncellulosic woven fabrics	17,563	4,918	625	0	12	23	1	0				
613	Spun non-cellulosic woven fabrics	640	0	13,504	0	1	0	19	0				
614	Woven fabrics, a.e.s.	180	235	60	0				0				
627	Specialty fabrics	192,550	430,561	806,434	757,676	129	443	17	699				
630	Handkerchiefs	9,146	30,818	35,535	0	27	88	64	0				
631	Gloves	4,119,054	3,419,351	3,958,260	5,829,958	14,977	15,089	17,503	20,709				
632	Woolery	85,478	172,588	175,499	124,453	95	205	238	187				
633	Suit-type coats, men's and boys'	63,097	476,066	249,273	107,731	255	2,256	1,107	464				
634	Other coats, men's and boys'	1,486,593	1,599,342	4,210,741	5,140,239	2,215	2,445	7,096	8,296				
635	Coats, women's, girls', and infants'	7,566,739	8,998,733	9,547,900	9,692,906	7,331	7,957	11,788	9,749				
636	Dresses	17,798,235	18,409,196	16,006,621	17,373,501	7,009	8,184	7,335	9,715				
637	Play suits	5,132,044	5,090,529	5,483,642	6,567,431	3,184	3,496	4,004	4,471				
638	Knit shirts, men's and boys'	613,800	536,076	855,576	1,342,368	794	681	1,171	1,960				
639	Knit shirts and blouses, women's, girls' and infants'	2,420,235	3,021,405	2,060,790	2,361,330	2,811	3,618	2,575	3,119				
640	Shirts, not knit, men's and boys'	2,058,240	422,040	865,416	802,536	3,673	881	1,438	1,261				
641	Blouses, not knit, women's, girls' and infants'	2,111,493	2,765,790	3,291,502	3,533,622	6,004	8,765	9,495	11,211				
642	Skirts	286,028	634,375	506,410	613,833	494	1,065	810	1,335				
643	Suits, men's and boys'	256,716	677,754	262,116	902,016	1,187	2,726	1,100	3,876				
644	Suits, women's, girls', and infants'	1,080	5,940	16,092	168,912	5	13	19	186				
645	Sweaters, men's and boys'	539,746	873,448	1,134,875	431,812	424	601	1,053	389				
646	Sweaters, women's, girls', and infants'	4,669,773	6,159,915	9,219,210	6,618,702	2,806	4,544	7,732	4,869				
647	Trousers, men's and boys'	29,014	139,160	639,678	759,704	79	324	1,287	1,791				
648	Trousers, women's, girls', and infants'	1,477,523	1,408,817	2,260,333	1,998,139	1,281	984	2,259	1,820				
649	Brassieres	15,497,818	15,086,880	12,265,191	12,618,687	26,853	26,873	23,996	27,034				
650	Dressing gowns	503,370	432,786	209,559	365,772	710	664	430	658				

See footnotes at end of table.

Table VIII-6.--Manmade-fiber textiles: U.S. imports from the Philippines, by MFA categories, 1980-83--Continued

Code	Description	1980	1981	1982	1983	1980	1981	1982	1983
		Equivalent square yards				1,000 dollars			
651	Mightwear	1,982,708	2,261,688	1,823,900	2,944,656	1,279	1,573	1,526	2,148
652	Underwear	2,977,104	3,854,352	4,846,640	8,121,904	1,079	1,585	1,775	2,502
654	Down-filled coats, women's, girls' and infants' 2/	-	702	0	0	-	1	0	0
659	Other apparel	31,590,188	28,027,942	28,528,334	31,398,613	25,879	25,837	25,945	27,379
665	Floor coverings	8,519	3,554	211	5,229	126	75	8	98
666	Other furnishings	935,126	589,906	679,505	901,759	800	516	526	774
669	Other manufactures	206,911	121,193	7,329,363	204,867	63	87	165	104
	Total	114,862,863	115,869,605	122,564,870	130,409,327	115,056	125,405	135,006	150,276

1/ Less than 500 dollars.

2/ New category effective April 1, 1981.

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

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

Table VIII-7.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1981

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				1,000 units	units	Percent
Group I:						
300	Specific	Carded cotton yarn	Lb	801		
301	do	Combed cotton yarn	do	801		
310	do	Cotton gingham	Sq yd	3,683		
311	do	Cotton velveteen	do	3,683	1/	2/
312	do	Cotton corduroy	do	3,683		2/
313	do	Cotton sheeting	do	3,683		
314	do	Cotton poplin and broadcloth	do	3,683		
315	do	Cotton printcloth	do	3,683		
316	do	Cotton shirting	do	3,683		
317	do	Cotton twill and sateen	do	3,683		
318	do	Cotton yarn-dyed fabric, n.e.s.	do	3,683	1/	2/
319	do	Cotton duck	do	3,683		
320	do	Other cotton woven fabric	do	3,683		
600	do	Manmade-fiber textured yarn	Lb	1,052	1	2/
601	do	Manmade filament yarn (cellulosic)	do	708	1	2/
602	do	Manmade filament yarn (noncellulosic)	do	317		
603	do	Manmade-fiber spun yarn (cellulosic)	do	1,083		
604	do	Manmade-fiber spun yarn (noncellulosic)	do	2,394	3/ 2,394	100
605	do	Other manmade-fiber yarn	do	1,052	40	4
610	do	Woven fabric of manmade filament	Sq yd	3,683	1	2/
611	do	Woven fabric of manmade-fiber spun yarn (cellulosic)	do	3,683		
612	do	Woven fabric of manmade filament (noncellulosic)	do	3,683	1/	2/
613	do	Woven fabric of manmade-fiber spun yarn (noncellulosic)	do	3,683		
614	do	Other woven manmade-fiber fabric	do	3,683	1/	2/
625	do	Manmade-fiber knit fabric	Lb	472		
626	do	Manmade-fiber pile fabric	Sq yd	3,683		
627	do	Manmade-fiber specialty fabric	Lb	472	66	14
Group II:						
360	do	Cotton pillowcases	Number	1,219		
361	do	Cotton sheets	do	216		
362	do	Cotton bedspreads and quilts	do	194	1/	2/
363	do	Cotton terry towels	do	2,683	1/	2/
369	do	Other cotton manufactures	Lb	1,311	225	17
665	do	Manmade-fiber floor coverings	Sq ft	13,414	36	2/
666	do	Other manmade-fiber furnishings	Lb	172	60	35
669	do	Other manmade-fiber manufactures	do	172	27	16
Group III:						
400	do	Wool tops and yarn	do	59	3	5
410	do	Woolen and worsted fabric	Sq yd	117		

See footnotes at end of table.

Table VIII-7.---Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by NFA categories, agreement year 1981-Continued

NFA category	Type of limit	Description	Units	Limitations : -----1,000 units-----	Shipments : charged	Share filled Percent
411	Specific	Wool tapestry and upholstery	Sq yd	117	-	-
425	do	Wool knit fabric	Lb	58	-	-
429	do	Other wool fabric	Sq yd	117	-	-
431	do	Wool gloves	Doz pr	56	58	104
432	do	Wool hosiery	do	42	-	-
433	do	Wool suit-type coats, men's and boys'	Doz	3	2	66
434	do	Other wool coats, men's and boys'	do	2	-	-
435	do	Wool coats, women's, girls', and infants'	do	2	1/	2/
436	do	Wool dresses	do	2	-	-
438	do	Wool knit shirts and blouses	do	8	1/	2/
440	do	Wool woven shirts and blouses	do	5	-	-
442	do	Wool skirts	do	7	-	-
443	do	Wool suits, men's and boys'	do	2	2	100
444	do	Wool suits, women's, girls', and infants'	do	2	-	-
445/446	do	Wool sweaters	do	18	17	95
447	do	Wool trousers, men's and boys'	do	7	1	14
448	do	Wool trousers, women's, girls', and infants'	do	7	1	14
459	do	Other wool apparel	Lb	117	34	29
464	do	Wool blankets	do	90	-	-
465	do	Wool floor coverings	Sq ft	1,173	29	2
469	do	Other wool manufactures	Lb	59	3	5
Group IV:						
335 (pt.)	do	Infants' cotton coats	Doz	32	32	100
336 (pt.)	do	Infants' cotton dresses	do	4/ 337	46	14
337 (pt.)	do	Infants' cotton playsuits	do	304	199	65
341 (pt.)	do	Infants' cotton woven blouses	do	65	85	131
342 (pt.)	do	Infants' cotton skirts	do	53	3	6
348 (pt.)	do	Infants' cotton trousers	do	189	189	100
352 (pt.)	do	Infants' underwear	do	85	1	1
359 (pt.)	do	Other infants' cotton apparel	do	1,181	354	30
635 (pt.)	do	Infants' manmade-fiber coats	do	32	1	3
636 (pt.)	do	Infants' manmade-fiber dresses	do	1,061	384	36
637 (pt.)	do	Infants' manmade-fiber playsuits	do	637	217	34
641 (pt.)	do	Infants' manmade-fiber woven blouses	do	65	29	45
642 (pt.)	do	Infants' manmade-fiber skirts	do	53	29	55
646 (pt.)	do	Infants' manmade-fiber sweaters	do	219	68	31
648 (pt.)	do	Infants' manmade-fiber trousers	do	175	61	35
652 (pt.)	do	Infants' manmade-fiber underwear	do	59	8	14
659 (pt.)	do	Other infants' manmade-fiber apparel	do	3,515	1,250	36

See footnotes at end of table.

Table VIII-7.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1981--Continued

MFA category	Type of limit	Description	Units	Limitations -----1,000 units-----	Shipments : charged	Share filled	Percent
Group V:							
330	Specific	Cotton handkerchiefs		1,073	659		61
331	do	Cotton gloves	Doz	603	546		91
332	do	Cotton hosiery	Doz pr	204	7		3
333/334	do	Cotton coats, men's and boys'	Doz	76	43		57
335 (pt.)	do	Cotton coats, women's, girls', and infants'	Doz	34	34		100
336 (pt.)	do	Cotton dresses, women's and girls'	do	25	25		100
337 (pt.)	do	Cotton playsuits, women's and girls'	do	38	38		100
338/339	do	Cotton knit shirts	do	739	519		70
340	do	Cotton woven shirts, men's and boys'	do	227	201		89
341 (pt.)	do	Cotton woven blouses, women's and girls'	do	83	67		81
342 (pt.)	do	Cotton skirts, women's and girls'	do	53	9		17
345	do	Cotton sweaters	do	30	5		17
347	do	Cotton trousers, men's and boys'	do	3/ 248	248		100
348 (pt.)	do	Cotton trousers, women's and girls'	do	4/ 225	225		100
349	do	Cotton brassieres	do	516	48		9
350	do	Cotton dressing gowns	do	18	1		6
351	do	Cotton nightwear	do	67	18		27
352 (pt.)	do	Cotton underwear, except infants'	do	85	2		2
359 (pt.)	do	Other cotton apparel, except infants'	Lb	1,106	694		63
630	do	Manmade-fiber handkerchiefs	Doz	552	24		4
631	do	Manmade-fiber gloves	Doz pr	1,557	898		58
632	do	Manmade-fiber hosiery	do	204	36		18
633	do	Manmade-fiber suit-type coats, men's and boys'	Doz	17	13		76
634	do	Other manmade-fiber coats, men's and boys'	Doz	183	45		25
635 (pt.)	do	Manmade-fiber coats, women's and girls'	do	202	202		100
636 (pt.)	do	Manmade-fiber dresses, except infants'	do	41	10		24
637 (pt.)	do	Manmade-fiber playsuits, except infants'	do	44	11		25
638/639	do	Manmade-fiber knit shirts and blouses	do	-	232		-
640	do	Manmade-fiber woven shirts, men's and boys'	do	96	16		17
641 (pt.)	do	Manmade-fiber woven blouses, women's and girls'	do	168	162		96
642 (pt.)	do	Manmade-fiber skirts, except infants'	do	53	9		17
643	do	Manmade-fiber suits, men's and boys'	do	44	10		23
644	do	Manmade-fiber suits, women's and girls'	do	17	1/		1

See footnotes at end of table.

Table VIII-7.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1981--Continued

MFA category	Type of limit	Description	Units	Limitations : -----1,000 units-----	Shipments : charged	Share filled Percent
645/646 (pt.)	Specific	Manmade-fiber sweaters, except infants'	do	4/ 87	86	99
647	do	Manmade-fiber trousers, men's and boys'	do	80	11	14
648 (pt.)	do	Manmade-fiber trousers, women's and girls'	do	53	42	79
649	do	Manmade-fiber brassieres	do	3,716	3,154	85
650	do	Manmade-fiber dressing gowns	do	18	8	44
651	do	Manmade-fiber nightwear	do	94	41	44
652 (pt.)	do	Manmade-fiber underwear, except infants'	do	519	232	45
659 (pt.)	do	Other manmade-fiber apparel, except infants'	Lb	1,311	789	60

- 1/ Less than 500 units.
- 2/ Less than 0.5 percent.
- 3/ Adjusted upward.
- 4/ Adjusted downward.

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

Table VIII-8.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1982

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled
				-----1,000 units-----	-----	Percent
<b>Group I:</b>						
300	Specific	Carded cotton yarn	Lb	801	-	-
301	do	Combed cotton yarn	do	801	-	-
310	do	Cotton gingham	Sq yd	3,683	-	-
311	do	Cotton velveteen	do	3,683	-	-
312	do	Cotton corduroy	do	3,683	1	1/
313	do	Cotton sheeting	do	3,683	-	-
314	do	Cotton poplin and broadcloth	do	3,683	-	-
315	do	Cotton printcloth	do	3,683	-	-
316	do	Cotton shirting	do	3,683	-	-
317	do	Cotton twill and sateen	do	3,683	-	-
318	do	Cotton yarn-dyed fabric, n.e.s.	do	3,683	-	-
319	do	Cotton duck	do	3,683	-	-
320	do	Other cotton woven fabric	do	3,683	3	1/
600	do	Manmade-fiber textured yarn	Lb	1,052	-	-
601	do	Manmade-fiber filament yarn (cellulosic)	do	708	-	-
602	do	Manmade filament yarn (non-cellulosic)	do	317	-	-
603	do	Manmade-fiber spun yarn (cellulosic)	do	1,083	-	-
604	do	Manmade-fiber spun yarn (noncellulosic)	do	2/ 1,857	1,422	77
605	do	Other manmade-fiber yarn	do	1,052	77	7
610	do	Woven fabric of manmade-fiber filament	Sq yd	3,683	-	-
611	do	Woven fabric of spun manmade-fiber yarn (cellulosic)	do	3,683	-	-
612	do	Woven fabric of manmade-fiber filament (noncellulosic)	do	3,683	1	1/
613	do	Woven fabric of spun manmade-fiber yarn (noncellulosic)	do	3,683	14	1/
614	do	Other manmade-fiber woven fabric	do	3,683	3/	1/
625	do	Manmade-fiber knit fabric	Lb	472	-	-
626	do	Manmade-fiber pile fabric	Sq yd	3,683	-	-
627	do	Manmade-fiber specialty fabric	Lb	472	125	26
<b>Group II:</b>						
360	do	Cotton pillowcases	Number	1,256	3/	1/
361	do	Cotton sheets	do	223	-	-
362	do	Cotton bedspreads and quilts	do	200	3/	1/
363	do	Cotton terry towels	do	2,763	35	1
369	do	Other cotton manufactures	Lb	1,351	478	35
665	do	Manmade-fiber floor coverings	Sq ft	13,817	2	1/
666	do	Other manmade-fiber furnishings	Lb	177	98	55
669	do	Other manmade-fiber manufactures	do	177	43	24
<b>Group III:</b>						
400	do	Wool tops and yarn	do	59	-	-
410	do	Woolen and worsted fabric	Sq yd	118	3/	1/
411	do	Wool tapestry and upholstery	do	118	1	1

See footnotes at end of table.

Table VIII-8.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1982--Continued

MFA category	Type of limit	Description	Units	Limitations		Shipments charged	Share filled
				1,000 units	Percent		
425	Specific	Wool knit fabric	Lb	59	-	-	-
429	do	Other wool fabric	Sq yd	118	-	-	-
431	do	Wool gloves	Doz pr	2/ 54	49	91	
432	do	Wool hosiery	do	42	-	-	-
433	do	Wool suit-type coats, men's and boys'	Doz	3	3/	1	
434	do	Other wool coats, men's and boys'	do	2	-	-	-
435	do	Wool coats, women's, girls', and infants'	do	2	2	100	
436	do	Wool dresses	do	2	-	-	-
438	do	Wool knit shirts and blouses	do	8	-	-	-
440	do	Wool woven shirts and blouses	do	5	3/	1/	
442	do	Wool skirts	do	7	3/	1/	
443	do	Wool suits, men's and boys'	do	2	2	100	
444	do	Wool suits, women's, girls', and infants'	do	2	-	-	-
445/446	do	Wool sweaters	do	18	17	94	
447	do	Wool trousers, men's and boys'	do	7	3/	1/	
448	do	Wool trousers, women's, girls', and infants'	do	7	-	-	-
459	do	Other wool apparel	Lb	118	66	56	
464	do	Wool blankets	do	91	-	-	-
465	do	Wool floor coverings	Sq ft	1,185	35	3	
469	do	Other wool manufactures	Lb	59	3/	1/	
Group IV:							
335 (pt.)	do	Infants' cotton coats	Doz	33	33	100	
336 (pt.)	do	Infants' cotton dresses	do	355	48	14	
337 (pt.)	do	Infants' cotton playsuits	do	200	3/	1/	
341 (pt.)	do	Infants' cotton woven blouses	do	2/ 50	50	100	
342 (pt.)	do	Infants' cotton skirts	do	54	2	4	
348 (pt.)	do	Infants' cotton trousers	do	194	158	81	
352 (pt.)	do	Infants' cotton underwear	do	88	1	1	
359 (pt.)	do	Other infants' cotton apparel	do	1,217	415	34	
635 (pt.)	do	Infants' manmade-fiber coats	do	33	1	3	
636 (pt.)	do	Infants' manmade-fiber dresses	do	1,093	341	31	
637 (pt.)	do	Infants' manmade-fiber playsuits	do	656	240	37	
641 (pt.)	do	Infants' manmade-fiber woven blouses	do	67	56	84	
642 (pt.)	do	Infants' manmade-fiber skirts	do	54	18	33	
646 (pt.)	do	Infants' manmade-fiber sweaters	do	225	155	69	
648 (pt.)	do	Infants' manmade-fiber trousers	do	180	25	14	
652 (pt.)	do	Infants' manmade-fiber underwear	do	60	-	-	-
659 (pt.)	do	Other infants' manmade-fiber apparel	do	3,620	1,191	33	

See footnotes at end of table.

Table VIII-8.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1982--Continued

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled	
						1,000 units	Percent
Group V:							
330	Specific	Cotton handkerchiefs	Doz	1,105	400	36	
331	do	Cotton gloves	Doz pr	621	614	99	
332	do	Cotton hosiery	do	210	12	6	
333/334	do	Cotton coats, men's and boys'	Doz	78	89	114	
335 (pt.)	do	Cotton coats, women's, girls', and infants'	do	34	34	100	
336 (pt.)	do	Cotton dresses, women's and girls'	do	26	19	73	
337 (pt.)	do	Cotton playsuits, women's and girls'	do	4/ 41	41	100	
338/339	do	Cotton knit shirts	do	761	518	68	
340	do	Cotton woven shirts, men's and boys'	do	234	222	95	
341 (pt.)	do	Cotton woven blouses, women's and girls'	do	86	36	42	
342 (pt.)	do	Cotton skirts, women's and girls'	do	54	11	20	
345	do	Cotton sweaters	do	31	2	6	
347	do	Cotton trousers, men's and boys'	do	2/ 231	161	70	
348 (pt.)	do	Cotton trousers, women's and girls'	do	2/ 231	231	100	
349	do	Cotton brassieres	do	532	99	19	
350	do	Cotton dressing gowns	do	19	1	5	
351	do	Cotton nightwear	do	69	21	30	
352 (pt.)	do	Cotton underwear, except infants'	do	88	-	-	
359 (pt.)	do	Other cotton apparel, except infants'	Lb	1,139	481	42	
630	do	Manmade-fiber handkerchiefs	Doz	569	13	2	
631	do	Manmade-fiber gloves	Doz pr	1,604	1,419	88	
632	do	Manmade-fiber hosiery	do	210	43	20	
633	do	Manmade-fiber suit-type coats, men's and boys'	Doz	18	7	39	
634	do	Other manmade-fiber coats, men's and boys'	do	189	113	60	
635 (pt.)	do	Manmade-fiber coats, women's and girls'	do	208	208	100	
636 (pt.)	do	Manmade-fiber dresses, except infants'	do	43	22	51	
637 (pt.)	do	Manmade-fiber playsuits, except infants'	do	45	4	9	
638/639	do	Manmade-fiber knit shirts and blouses	do	861	169	20	
640	do	Manmade-fiber woven shirts, men's and boys'	do	99	40	40	
641 (pt.)	do	Manmade-fiber woven blouses, women's and girls'	do	173	150	87	
642 (pt.)	do	Manmade-fiber skirts, except infants'	do	54	9	17	
643	do	Manmade-fiber suits, men's and boys'	do	45	5	11	
644	do	Manmade-fiber suits, women's and girls'	do	18	1	6	

See footnotes at end of table.

Table VIII 8.---Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1982--Continued

MFA cate- gory	Type of limit	Description	Units	Limitations	Shipments : charged	Share filled Percent
				-----1,000 units-----		
645/646 (pt.)	Specific	Manmade-fiber sweaters, except infants'	Doz	2/ 94	94	100
647	do	Manmade-fiber trousers, men's and boys'	do	83	36	43
648 (pt.)	do	Manmade-fiber trousers, women's and girls'	do	54	54	100
649	do	Manmade-fiber brassieres	do	3,827	2,538	66
650	do	Manmade-fiber dressing gowns	do	19	5	26
651	do	Manmade-fiber nightwear	do	97	42	43
652 (pt.)	do	Manmade-fiber underwear, except infants'	do	535	302	56
659 (pt.)	do	Other manmade-fiber apparel, except infants'	Lb	1,351	1,207	89

1/ Less than 0.5 percent.

2/ Adjusted downward.

3/ Less than 500 units.

4/ Adjusted upward.

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

Table VIII-9.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1983

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled	
						units	Percent
Group I:				-----1,000 units-----			
330	Specific	Cotton handkerchiefs	Doz	1/ 839	266		32
331	do	Cotton gloves	Doz pr	639	573		90
333/334	do	Cotton coats, men's and boys'	Doz	1/ 82	82		100
335 (pt.)	do	Cotton coats, women's, girls', and infants', (traditional)	do	2/ 40	33		83
335 (pt.)	do	Cotton coats, women's, girls', and infants', (nontraditional)	do	2/ 41	41		100
336 (pt.)	do	Cotton dresses, (traditional)	do	1/ 354	39		11
336 (pt.)	do	Cotton dresses, (nontraditional)	do	1/ 22	17		77
337 (pt.)	do	Cotton playsuits, women's and girls', (traditional)	do	335	190		57
337 (pt.)	do	Cotton playsuits, women's and girls', (nontraditional)	do	1/ 39	12		31
338/339	do	Cotton knit shirts	do	2/ 944	739		78
340	do	Cotton woven shirts, men's and boys'	do	2/ 278	238		86
341 (pt.)	do	Cotton woven blouses, women's, girls', and infants', (traditional)	do	2/ 76	70		92
341 (pt.)	do	Cotton woven blouses, women's, girls', and infants', (nontraditional)	do	2/ 105	72		69
342 (pt.)	do	Cotton skirts, (nontraditional)	do	1/ 45	1		2
345	do	Cotton sweaters	do	1/ 28	5		18
347	do	Cotton trousers, men's and boys'	do	2/ 302	266		88
348 (pt.)	do	Cotton trousers, women's, girls', and infants', (traditional)	do	206	168		82
348 (pt.)	do	Cotton trousers, women's, girls', and infants', (nontraditional)	do	2/ 256	256		100
351	do	Cotton nightwear	do	1/ 62	26		42
352 (pt.)	do	Cotton underwear, except infants', (nontraditional)	do	99	85		86
431	do	Wool gloves	Doz pr	2/ 66	55		83
433	do	Wool suit-type coats, men's and boys'	Doz	3	3		100
435	do	Wool coats, women's, girls', and infants'	do	2	1		50
443	do	Wool suits, men's and boys'	do	2/ 3	3		100
445/446	do	Wool sweaters	do	2/ 20	20		100
447	do	Wool trousers, men's and boys'	do	1/ 6	1		17
459	do	Other wool apparel	Lb	1/ 117	50		43
604	do	Manmade-fiber spun yarn, (noncellulosic)	do	2,222	1,562		70

See footnotes at end of table.

Table VIII-9.--Textiles and apparel: Limits under the United States-Philippines bilateral agreement and shipments charged, by MFA categories, agreement year 1983--Continued

MFA category	Type of limit	Description	Units	Limitations 1,000 units	Shipments charged	Share filled Percent
631 (pt.)	Specific	Manmade-fiber gloves, except work gloves	Doz pr	1,700	740	44
633	do	Manmade-fiber suit-type coats, men's and boys'	Doz	1/ 13	3	23
634	do	Other manmade-fiber coats, men's and boys'	do	198	79	44
635 (pt.)	do	Manmade-fiber coats, women's, girls', and infants', (traditional)	do	2/ 40	3/	1
635 (pt.)	do	Manmade-fiber coats, women's, girls', and infants', (nontraditional)	do	2/ 245	245	100
636 (pt.)	do	Manmade-fiber dresses, (non-traditional)	do	2/ 50	45	90
638/639	do	Manmade-fiber knit shirts and blouses	do	1/ 851	182	21
640	do	Manmade-fiber woven shirts, men's and boys'	do	1/ 93	35	38
641 (pt.)	do	Manmade-fiber woven blouses, women's, girls', and infants', (traditional)	do	2/ 79	2	3
641 (pt.)	do	Manmade-fiber woven blouses, women's, girls', and infants', (non-traditional)	do	2/ 215	203	94
642 (pt.)	do	Manmade-fiber skirts, (nontraditional)	do	1/ 53	19	36
643	do	Manmade-fiber suits, men's and boys'	do	45	15	33
645/646 (pt.)	do	Manmade-fiber sweaters, except infants', (nontraditional)	do	2/ 99	93	94
646 (pt.)	do	Manmade-fiber sweaters, except infants', (traditional)	do	239	102	43
647	do	Manmade-fiber trousers, men's and boys'	do	1/ 85	30	35
648 (pt.)	do	Manmade-fiber trousers, women's, girls', and infants', (traditional)	do	1/ 165	3	2
648 (pt.)	do	Manmade-fiber trousers, women's, girls', and infants', (nontraditional)	do	2/ 63	63	100
649	do	Manmade-fiber brassieres	do	3,900	2,773	71
650	do	Manmade-fiber dressing gowns	do	1/ 19	6	32
651	do	Manmade-fiber nightwear	do	1/ 99	48	48
652 (pt.)	do	Manmade-fiber underwear, (nontraditional)	do	2/ 668	401	60
659 (pt.)	do	Manmade-fiber apparel, n.e.s., (traditional)	do	3,620	2,228	62
659 (pt.)	do	Manmade-fiber apparel, n.e.s., (nontraditional)	Lb	1,418	1,129	80
666	do	Other manmade-fiber furnishings	do	177	75	42

1/ Adjusted downward.

2/ Adjusted upward.

3/ Less than 500 units.

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

## CHAPTER IX. SINGAPORE

## Introduction

Singapore's textile and apparel industries employ 12 percent of the manufacturing workforce, contributing 3 percent of the country's total value of industrial output, 4 percent of the value added by manufacture, and 4 percent of total exports. These industries also depend heavily on imports and contribute to Singapore's trade deficit.

In 1983, employment and production in the textile sector were one-half of the 1980 levels. The industry is contracting because it does not provide enough variety for the domestic apparel producers, is not a major source of exports, and has difficulty competing for Singapore's limited labor supply and resources. The apparel industry, however, was able to increase its output by 11 percent during the period and maintained steady employment.

Singapore's major export markets are the United States, the European Community (EC), and Malaysia, with recent growth in shipments to the Middle East. Singapore's textile and apparel exports (including textile fibers) increased by 7 percent during 1980-83, reaching over \$884 million. The quantity of exports to the United States was slightly lower in 1983 than in 1980 but increased by 37 percent in 1984.

The economy

Singapore's gross national product (GNP) during 1983, in current U.S. dollars, was estimated at \$16.3 billion. This represented an increase of 12.5 percent over that in 1982 and 24.5 percent over that in 1981. Per capita GNP in Singapore, which is the third highest in Asia after Japan and Brunei, increased by 11.1 percent, to \$6,521, in 1983. 1/

Real economic growth has also been strong in Singapore. Gross domestic product (GDP) at 1968 factor prices grew at an average annual rate of 9.8 percent during 1979-81, then fell to a growth rate of 6.3 percent in 1982, but increased to 7.9 percent in 1983 to \$7.3 billion. GDP during January-June 1984 increased by 8.8 percent compared with that in January-June 1983. The services sector, including commerce, accounted for 72 percent of total GDP in 1983; and the goods sector, including manufacturing and construction, 28 percent. Agriculture, fishing, and mining are a small part of the Singapore economy. 2/

Total revenue received by the Government increased by 16 percent, to \$4.2 billion, in fiscal year (FY) 3/ 1983. 4/ Most of the revenue came from

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Singapore, June 1984, pp. 2 and 4.

2/ Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, p.16.

3/ Fiscal year runs from Apr. 1 to Mar. 31 of the following year. FY 1983 includes the 12-month period beginning on Apr. 1, 1983.

4/ Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, p. 101.

income taxes (35 percent), taxes on production and consumption (33 percent), and sales of goods and services including lands (22 percent). More than three-fourths of the income tax revenue was from the corporate income tax, and 54 percent of the taxes on production and consumption was on property and motor vehicles. Government spending including development expenditures increased an average of 20 percent during fiscal years 1982 and 1983, to \$6.9 billion, and was projected to increase by another 13 percent in FY 1984. 1/ The deficit was financed from the Government's development fund and foreign reserves and by domestic borrowing. 2/

The Government has encouraged automation and computerization in all economic sectors by providing significant investment incentives for firms committed to introducing state-of-the-art production processes and production of high-value-added goods. Comprehensive tax and other incentives are offered by the Governments' Economic Development Board to industries in priority sectors, including computers, industrial electronics, precision engineering, aviation components and servicing, medical equipment, and petrochemicals. The Government also has encouraged establishment of foreign computer software firms. To boost productivity, rapid depreciation and other benefits are being offered to firms to invest in production automation, robotics, and computers. 3/

The annual rate of increase in Singapore's population has slowed during the last decade. The rate was 2.8 percent in 1970, about 1.2 percent in 1980, and 1.1 percent in 1983. Singapore's population totaled 2.1 million in 1970, approximately 2.4 million in 1980, and 2.5 million in 1984. 4/

Total employment in Singapore was estimated at 1.2 million as of June 1983, of which about 10 percent are foreigners with temporary work permits. Of this total, 63 percent were employed in trade, transportation, communication, and services; and 35 percent were employed in manufacturing and construction. 5/ Textile and apparel sectors accounted for 12 percent of the manufacturing work force. 6/ The number of unemployed people seeking employment in Singapore numbered only 6,100 in 1983.

Commerce, the principal contributor to Singapore's GDP, involves three major activities: (1) processing, packaging, and worldwide marketing of raw materials of the region including rubber, timber, coffee, spices, copra, and rattan; (2) distributing within the region the manufactured products of industrialized countries; and (3) conducting activities related to trade, such as banking, shipping, insurance, and storage. Singapore is the world center of the rubber and tin markets. Entrepot trade 7/ (chiefly in crude rubber, timber, and pepper) and processing and distribution of petroleum products plays a substantial role in Singapore's total trade.

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1/ Ibid., pp. 104-115.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Singapore, June 1984, p. 8.

3/ Singapore Economic Development Board, Annual Report, 1983-84.

4/ Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, p. 3.

5/ Ibid., p. 11.

6/ Ibid., pp. 19-20.

7/ Singapore is considered an intermediary center of trade where goods are stored and subsequently reexported.

Manufacturing contributed nearly 24 percent of Singapore's total GDP during 1980 and 1981, but only 20 percent in 1983. The principal industries and their share of total value added in manufacturing in 1983 are as follows: electronic products and components (19 percent); petroleum refineries and petroleum products (15 percent); machinery, including electrical machinery, apparatus, appliances, and supplies (15 percent); transport equipment (9 percent); and fabricated metal products, except machinery and equipment (6 percent). The combined value added in textiles, wearing apparel, and other textile manufactures except footwear accounted for 4 percent of total value added in manufacturing during 1983. <sup>1/</sup> The agriculture and fishing sector in 1983 accounted for less than 1 percent of the GDP and employed only 1.0 percent of the labor force.

### Foreign trade

Singapore has been a trade center since the second century A.D., primarily as a result of its location on the trade route between China and India. The modern development of the nation began in 1819 when the British established a trading post. Trade has continued to be important to Singapore and contributed 24 percent of the GDP in 1983. For many years, Singapore has been important as an entrepot and international financial center.

Singapore's total trade increased steadily from almost \$16 billion in 1976 to \$50 billion in 1983. A further increase of 6 percent occurred between January-June 1983 and January-June 1984. Approximately 8 billion dollars' worth of total exports in 1983 were reexports. Singapore had an annual trade deficit throughout this period. The value of imports, exports, and deficit are shown in table 69.

Table 69.--Singapore's total trade, 1976-83, January-June 1983, and January-June 1984

(In millions of U.S. dollars)				
Period	Imports	Exports	Deficit	
1976	9,068	6,583	2,485	
1977	10,462	8,236	2,226	
1978	13,017	10,108	2,909	
1979	17,628	14,228	3,400	
1980	23,979	19,359	4,620	
1981	27,570	20,964	6,606	
1982	28,152	20,782	7,370	
1983	28,153	21,837	6,316	
January-June				
1983	14,172	10,702	3,470	
1984	14,412	12,003	2,409	

Source: Department of Statistics, Singapore, Monthly Digest of Statistics.

<sup>1/</sup> Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, pp. 19-20.

Petroleum accounts for the largest portion of Singapore's imports--24 percent in 1983. Other leading imports and their share of the total value in 1983 include office machines and other electrical machinery (8 percent), refined petroleum products (7 percent), other machinery and equipment (4 percent), and crude rubber (3 percent). Leading exports and their share of the total for 1983 include refined petroleum products (27 percent), office machines and other electrical equipment (11 percent), telecommunications apparatus (5 percent), crude rubber (5 percent), and ships and boats (3 percent). The value of Singapore trade for these commodities is shown in table 70.

Table 70.--Singapore's foreign trade, by major commodities, 1979-83

(In thousands of U.S. dollars)

Item	1979	1980	1981	1982	1983
<b>Imports:</b>					
Crude petroleum-----	3,822	5,676	8,271	7,566	6,767
Office machines and other electrical equipment-----	1,352	1,653	1,841	1,937	2,309
Industrial machinery-----	556	755	796	755	716
Other machinery and equipment----	705	1,048	1,340	1,413	1,180
Crude rubber-----	922	1,005	781	590	762
Petroleum products-----	624	1,273	1,110	2,000	2,033
Textile fabrics-----	512	574	605	614	706
All other-----	9,135	11,995	12,826	13,277	13,680
<b>Total-----</b>	<b>17,628</b>	<b>23,979</b>	<b>27,570</b>	<b>28,152</b>	<b>28,153</b>
<b>Exports:</b>					
Petroleum products-----	3,358	5,516	6,604	6,677	5,941
Office machines and other electrical equipment-----	1,380	1,535	1,471	1,637	2,370
Industrial machinery-----	262	374	435	420	388
Other machinery and equipment----	318	444	532	572	621
Crude rubber-----	1,411	1,537	1,161	814	996
Ships and boats-----	332	435	539	407	638
Clothing except fur-----	373	426	469	458	474
All other-----	6,794	9,092	9,753	9,797	10,409
<b>Total-----</b>	<b>14,228</b>	<b>19,359</b>	<b>20,964</b>	<b>20,782</b>	<b>21,837</b>

Source: Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, pp. 34-37.

Singapore's leading trading partners in 1983 were the United States, Japan, and Malaysia, which together accounted for 47 percent of total trade. These three markets together accounted for \$9.8 billion, or 45 percent, of Singapore's total exports in 1983, including \$3.7 billion in reexports, as shown in table 71. Singapore's exports to Japan were primarily of petroleum and petroleum products. Iron and steel dominated Singapore's imports from

Japan. Petroleum and petroleum products dominated Singapore's imports to and exports from Malaysia. Singapore's exports to the United States included both the domestic exports and reexports of petroleum and rubber products from Malaysia. Of the \$2.8 billion in domestic exports to the United States, nearly one-half were electronic components, computer equipment, and related products returning to U.S. parent companies. <sup>1/</sup> Electronic products constituted a major import item from the United States. Textile and apparel items, including reexports, have been major export items from Singapore, accounting for 6 percent of total exports in 1983.

Table 71.--Singapore's foreign trade, by major trading partners, 1983

Partner	Share of world trade	Total trade <sup>1/</sup>	Imports	Exports	
				Total	Domestic
	Percent	Billion U.S. dollars			
United States-----	16.4	8.2	4.3	4.0	2.8
Malaysia-----	15.9	7.9	4.1	3.8	1.7
Japan-----	14.2	7.1	5.1	2.0	1.6
EC-----	9.8	4.9	2.9	2.0	1.4
Saudi Arabia-----	7.1	3.5	3.1	0.5	0.3

<sup>1/</sup> Because of rounding, figures may not add to the totals shown.

Source: U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States, Singapore, June 1984, p. 14.

In 1983, the United States became Singapore's leading trade partner, increasing its share of Singapore's external trade to 16.4 from 12.8 percent in 1982. As shown in table 72, exports to and imports from the United States totaled \$4.0 billion and \$4.3 billion, respectively, reducing Singapore's negative trade balance with the United States to \$0.3 billion, the lowest level since at least 1979, and significantly below the \$1.0 billion level in 1982.

<sup>1/</sup> U.S. Department of Commerce, Foreign Economic Trends . . . : Singapore, June 1984, p. 12.

Table 72.--Singapore trade with the United States, 1979-83

(In millions of U.S. dollars)

Year	Imports	Exports	Deficit
1979-----	2,524	1,962	562
1980-----	3,380	2,462	918
1981-----	3,482	2,768	714
1982-----	3,633	2,614	1,019
1983-----	4,261	3,962	299

Source: U.S. Department of Commerce, Foreign Economic Trends and Their Implications for the United States, Singapore, June 1984, p. 2, and Singapore Department of Statistics, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, p. 31.

### The Textile and Apparel Industries

#### Structure

The number of establishments engaged in producing textiles and textile products, including wearing apparel, in Singapore increased steadily from 330 in 1976 to 473 in 1980; it declined to 468 in 1981, but then increased to 517 in 1983. Most of the increase occurred in the apparel sector, where the number of establishments rose from 258 in 1976 to 426 in 1983. The number of establishments producing textile products except apparel increased from 70 in 1977 to 99 in 1980, but declined to 91 in 1983, as shown in table 73.

Table 73.--Textiles and apparel: Number of Singapore production establishments and workers, 1976-83

Year	:Textiles and textile manu-:		Wearing apparel, :		Total	
	: factures, except apparel :		: except footwear :			
	: Establish-	: Workers	: Establish-	: Workers	: Establish-	: Workers
	: ments		: ments		: ments	
1976-----	72	11,620	258	20,690	330	32,310
1977-----	70	10,537	300	23,276	370	33,813
1978-----	80	9,808	345	28,994	425	38,802
1979-----	93	10,087	365	29,274	458	39,361
1980-----	99	9,710	374	27,188	473	36,898
1981-----	94	7,906	374	27,870	468	35,776
1982-----	95	6,360	406	28,608	501	34,968
1983-----	91	4,955	426	27,862	517	32,817

Source: Department of Statistics, Singapore, Monthly Digest of Statistics.

The textile industry is small in Singapore, accounting for 1.8 percent of industrial employment, 0.6 percent of industrial output, 0.8 percent of value added by the industrial sector, and 1.7 percent of exports. 1/ The establishments are mostly small, with only 55 of the establishments employing more than 10 workers. 2/ The mills produce primarily knit fabric and printcloth of cotton or cotton blended with polyester, with some of the knit fabric producers vertically integrated with apparel production. Despite efforts to automate and increase the efficiency of the textile mill industry, it is likely to continue to diminish in size, as it cannot provide enough variety for the domestic apparel manufacturers and it is not as strong internationally as many of its Asian competitors.

In 1983, the apparel industry employed approximately 28,000 persons, about 10.2 percent of the total industrial labor force, accounting for only 2.6 percent of industrial output, 3.6 percent of value added by the industrial sector, and 2.2 percent of exports. 3/ Most of the companies are small, with 290 of them employing less than 50 persons and only 60 companies each employing over 100 persons. The companies are generally owned by Singaporeans, and only 50 companies are owned by foreign firms; 10 are from Malaysia, 10 are from Hong Kong, 5 companies are joint ventures with Malaysian firms, 5 are joint ventures with Hong Kong firms, and 20 are owned by firms from other countries. 4/

### Production

The volume of production of textile products except apparel, has declined at an average annual rate of 23 percent during 1980-83, following a 22-percent average annual growth during 1978-80. The value of production peaked at \$228 million in 1980 but declined rapidly thereafter to a total of \$103 million in 1983, as seen in the following tabulation (in millions of U.S. dollars): 5/

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1/ Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, pp. 19-20.

2/ U.S. Department of Commerce, Market Research Survey on Textiles in Singapore, January 1984, p. 17.

3/ Department of Statistics, Singapore, Monthly Digest of Statistics, October 1984, vol. 23, No. 10, pp. 19-20.

4/ U.S. Department of Commerce, Market Research Survey on Apparel in Singapore, January 1984, p. 40.

5/ Department of Statistics, Singapore, Singapore Census of Industrial Production, 1978-83 editions.

Year	Production of textiles
1978-----	155.2
1979-----	196.7
1980-----	228.3
1981-----	199.8
1982-----	151.3
1983-----	103.1

In 1981, Singapore's production of yarn totaled about 40 million pounds. This accounted for 2.6 percent of total production in the Association of South East Asian Nations (ASEAN), which includes Indonesia, Thailand, the Philippines, Malaysia, Singapore, and Brunei. Production of fabric in Singapore during 1981 totaled 48 million square yards, representing 0.8 percent of total ASEAN production. <sup>1/</sup>

Spinning, weaving, and finishing of textiles represented 53 percent of domestic textile output, but most of the 37 establishments in this segment primarily dye and finish grey cloth imported from other countries. Textiles manufactured in Singapore are mainly knitted fabrics used for producing casual T-shirts or sports shirts by the domestic apparel manufacturers. The domestic output of textiles, by types, is given in table 74.

Table 74.--Textiles: Singapore's production, by types, 1978-82

(In millions of U.S. dollars)				
Year	Spinning, weaving, and finishing	Knitted fabrics and laces	Socks, briefs and other knitted wear	Other textiles and madeup goods
1978-----	85.9	37.1	21.9	10.2
1979-----	115.0	42.2	26.0	13.4
1980-----	129.3	52.2	29.6	16.7
1981-----	110.2	53.5	18.7	17.4
1982-----	80.3	42.9	12.4	15.7

Source: Department of Statistics, Singapore, Singapore Census of Industrial Production, 1978-82 editions.

<sup>1/</sup> International Textile Manufacturers Federation, International Textile Manufacturing, vol. 5, 1982.

Production of apparel in Singapore totaled \$439 million in 1983. Apparel production showed rapid increases between 1978 and 1981, increasing by 57 percent, from \$279 million to \$438 million, but showed no change since then, as shown in the following tabulation (in millions of U.S. dollars): <sup>1/</sup>

Year	Apparel production
1978-----	278.6
1979-----	338.3
1980-----	396.2
1981-----	437.7
1982-----	434.1
1983-----	438.9

Shirts and other outer garments are the major items of Singapore's apparel production, accounting for \$413 million, or 95 percent, of the total apparel output in 1982, as shown in table 75.

Table 75.--Apparel: Singapore's production, by types, 1978-82

(In millions of U.S. dollars)						
Year	Shirts and other outer garments	Brassieres	Undergarments excluding brassieres	Tailoring and dressmaking	Other	
1978-----	266.1	2.1	2.5	4.9	2.9	
1979-----	322.8	2.2	3.6	5.7	4.0	
1980-----	377.8	2.3	4.3	6.5	5.5	
1981-----	417.4	3.1	5.3	6.4	5.5	
1982-----	412.8	3.1	4.5	8.1	5.5	

Source: Department of Statistics, Singapore, Singapore Census of Industrial Production, 1978-82 editions.

#### Plants and equipment

In 1981, Singapore's textile industry had 142,156 spindles in place, representing 2.5 percent of the 5.7 million in the ASEAN region. The number of looms in Singapore in 1982 totaled 1,620, including 210 shuttleless looms, according to the International Textile Manufacturers Federation, and almost all of them were automatic. All of the shuttleless looms and about 44 percent of the shuttle looms were installed since 1974. Knitting machines numbered 330,

<sup>1/</sup> Department of Statistics, Singapore, Singapore Census of Industrial Production, 1978-83 editions.

which accounted for less than 1 percent of total ASEAN capacity. There were 15,000 sewing machines in Singapore's production facilities during 1981, accounting for 12 percent of the total number in the ASEAN region, as shown in table 76.

Table 76.--Textile and apparel production equipment: Number of machines in production facilities in Singapore and other ASEAN countries, 1981

Item	Singapore	Other countries	Total ASEAN
Spindles-----	142,156	5,578,034	5,720,190
Looms-----	1,400	189,617	191,017
Knitting machines--	330	51,293	51,623
Sewing machines----	15,000	106,681	121,681

Source: International Textile Manufacturers Federation, International Textile Manufacturing, vol. 5, 1982.

Apparel producers have continued to modernize their operations with new and more efficient machinery as well as production management techniques, and according to a spokesman of the Singapore Trade Development Board, Singapore has the most modern apparel industry in Asia.

### Employment

Employment in the production of textile products except wearing apparel trended downward from nearly 12,000 persons in 1976 to about 5,000 in 1983, but employment in apparel manufacturing increased from about 21,000 in 1976 to 29,000 in 1979 and has fluctuated since then between 27,000 and 29,000.

A major factor affecting employment in the textile and apparel industries is that skilled workers have sought employment in more capital-intensive industries that pay higher wages. In 1983, the hourly compensation of textile workers averaged \$1.81, and apparel workers averaged \$1.55 compared with the average hourly compensation of \$2.17 paid in the manufacturing sector. <sup>1/</sup>

The textiles and apparel labor costs in Singapore are relatively high compared with such costs in other ASEAN countries, although they represent only about one-fourth of comparable U.S. wages. Singapore's textile and apparel wages are at least comparable with the wages paid in Taiwan, Hong Kong, and Macau. About 25 percent of workers' basic wages each month is contributed to the Central Provident Fund, which provides individual retirement accounts and takes the place of social security.

<sup>1/</sup> U.S. Department of Labor, Bureau of Labor Statistics, Hourly Compensation Costs for Production Workers in Apparel and Other Textile Product Manufacturing, April 1984, unpublished data.

The labor force in Singapore is productive and skilled. Labor management relations are good and work stoppages are rare. Only 20 percent of total wage earners as of the end of 1983 belonged to unions, the membership of which has been declining for several years.

Recognizing the need to match up-to-date production facilities with a skilled and flexible workforce, the industry through its association, the Singapore Textile & Garment Manufacturers Association (STGMA), established a textile and garment training center in June 1982. The training imparted in this center is tailored to the specific needs of the industry. Up to 800 workers a year are trained. 1/

Labor productivity, measured in terms of indexes of value added per employee in constant dollars, showed significant increases in the textile sector during 1978-81, but has not shown much improvement since then. However, productivity in the apparel sector increased consistently during 1978-83. In all, labor productivity increased by 37 percent in the textile sector and by 71 percent in the apparel sector during 1978-83. The index of value added per employee in constant dollars in the textile and apparel sectors for 1978-83 is provided in the following tabulation (1978=100): 2/

Year	Textile	Apparel
1978-----	100.0	100.0
1979-----	114.6	111.5
1980-----	132.1	131.9
1981-----	138.5	148.6
1982-----	139.5	157.9
1983-----	136.7	170.7

#### The Domestic Market

The net apparent market demand for textiles fell by only 15 percent during 1980-83, from \$540 million to \$460 million, despite domestic output falling by more than 50 percent. 3/ This was due to an increase in net imports, as the domestic share of the textile market dropped from 35 to 20 percent during the period.

Private industry sources estimate that of the \$500 million net apparent textile market, approximately 30 percent is consumed at retail and 50 percent

1/ General Agreement on Tariffs and Trade, Textile Sub-Committee Report on Adjustment, Singapore, COM. TEX/32/Add. 29, Dec. 20, 1983.

2/ Computed by the staff of the U.S. International Trade Commission on the basis of data published by Singapore's Department of Statistics, Monthly Digest of Statistics, October 1984, vol. 23, No. 10.

3/ U.S. Department of Commerce, Market Research Survey on Textiles in Singapore, January 1984, p. 6.

goes to apparel manufacturers. 1/ Apparel fabrics represent 80 percent of the market, furnishings and made-up fabrics represent 17 percent, and synthetic yarn, the remaining 3 percent. 2/

Although the rate of the growth of textile consumption is projected to drop by 6 percent between 1983 and 1986, textile consumption by garment manufacturers producing for overseas markets is expected to gain 52 percent during the period as a result of excellent growth rates in 1984 and 1985. 3/ Approximately 35 percent of total textile consumption goes to apparel production targeted for export markets.

The size of the apparel market in Singapore is estimated at a retail value of \$445 million in 1983. With a population of 2.47 million, the per capita consumption of apparel is estimated at \$180 per year. 4/ Apparel consumption has shown rapid growth rates, increasing by 141 percent, or by an average annual rate of 25 percent during 1979-83. Locally manufactured apparel accounts for 60 percent of the market, and the remaining 40 percent is imported. 5/ Almost all locally manufactured apparel and approximately 30 percent of imported apparel are in the low- to moderate-price-range category. Of total spending on apparel, about 30 percent is spent on men's, 50 percent is spent on women's, and the remaining 20 percent is spent on children's. 6/ Approximately 65 percent of the apparel is sold in 8 major department stores with more than 50 branches, and the rest, through 2,000 independent boutiques. 7/

#### Government Policy

Singapore pursues a free-trade policy. There is no restriction on imports and exports of textiles and apparel, and there are no specific Government plans or programs for the reorganization or modernization of the textile and apparel industry. However, the Government of Singapore, through its 3-year wage correction policy (1979-81), has increased the pace of modernization. Companies are encouraged to rationalize, automate, and reequip wherever possible to increase productivity. Vocational training aimed at improving the skills of both existing and new recruits is also encouraged through establishment of a skills development fund, financed jointly by the industry and the Government. The textile and apparel industry is one of several industries that have made significant efforts to increase productivity and to move steadily towards the production of high-quality and higher priced-products.

As trade and commerce are major factors in Singapore's economy, the Government of Singapore has policies to encourage and facilitate trade. The

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1/ Ibid., p. 8.

2/ Ibid., p. 15.

3/ Ibid., p. 11.

4/ U.S. Department of Commerce, Market Research Survey on Apparel in Singapore, January 1984, p. 2.

5/ Ibid.

6/ Ibid.

7/ Ibid.

Government promotes participation in trade fairs and missions and also has established overseas trade offices for overseas market development programs by providing double tax deductions for the expenses incurred. Capital expenditures on robots, computers, and other automated equipment are eligible for 100-percent writeoffs in the first year; expenditures on other plants and machinery are eligible for an accelerated depreciation of 33-1/3 percent per year.

On July 19, 1984, the U.S. Department of Commerce received a petition filed by the American Textile Manufacturers Institute, the Amalgamated Clothing and Textile Workers Union, and the International Ladies' Garment Workers Union, on behalf of the U.S. textile and apparel industry, alleging that the producers and exporters of textiles and apparel in Singapore receive benefits that constitute bounties or grants within the meaning of the countervailing duty law. <sup>1/</sup> The Department of Commerce initiated an investigation on August 8, 1984, and on December 21, 1984, preliminarily determined that only two programs of the Government of Singapore, preferential financing to exporters and double deduction for export promotion expenses, provide countervailable benefits to Singapore's textile and apparel producers and exporters. The Commerce Department estimated that the countervailable benefits of preferential financing were 0.02 percent ad valorem for textiles and 0.07 percent ad valorem for apparel, and that of double deduction for export promotion expenses was 0.001 percent ad valorem for apparel. On the basis of the de minimis nature of these benefits, the Commerce Department made a final negative determination in March 1985.

The Government of Singapore has no restrictions on foreign-exchange transactions and international capital movements and places no restrictions on reinvestment or repatriation of earnings or capital. The risk of expropriation or nationalization is nil as a consequence of the Singapore Government's stability and commitment to economic growth linked to foreign investment. Tariffs have been eliminated on most imported goods with the exception of furniture, automobiles, and certain luxury goods. Foreign firms are taxed on the same basis as local companies. The corporate tax rate is a flat 40 percent.

#### Trade in Fibers, Textiles, and Apparel

##### Imports, exports, and trade balance

Because of Singapore's limited resources, almost all fiber used by the Singapore textile industry must be imported. Imports of fiber are augmented with yarn and fabric used in Singapore's textile and apparel industries, and consequently Singapore's trade deficit occurs mainly in textiles. At the same time Singapore enjoys a surplus in apparel trade, as shown in table 77.

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<sup>1/</sup> 49 F.R. 49683-7, Dec. 21, 1984.

Table 77.--Textile fibers, textiles, and apparel: Singapore's imports, 1/ exports, 2/ and trade balances, 1977-83

(In millions of dollars)

Item	1977	1978	1979	1980	1981	1982	1983
Imports:							
Textile fibers--	50.3	50.0	60.0	80.5	64.7	50.1	43.3
Textiles-----	460.3	616.5	759.7	844.4	882.1	880.3	960.9
Apparel-----	90.8	113.1	111.3	146.7	205.8	265.8	297.7
Total-----	601.4	779.6	931.0	1,071.6	1,152.6	1,196.2	1,301.9
Exports:							
Textile fibers--	26.8	25.7	29.2	34.8	31.2	24.5	25.1
Textiles-----	191.3	266.8	360.3	366.6	339.4	343.3	382.4
Apparel-----	210.9	296.4	372.9	426.3	469.2	459.3	477.1
Total-----	429.0	588.9	762.4	827.7	839.8	827.1	884.6
Trade balance:							
Textile fibers--	-23.5	-24.3	-30.8	-45.7	-33.5	-25.6	-18.2
Textiles-----	-269.0	-349.7	-399.4	-477.8	-542.7	-537.0	-578.5
Apparel-----	120.1	183.3	261.6	279.6	263.4	193.5	179.4
Grand total---	-172.4	-190.7	-168.6	-243.9	-312.8	-369.1	-417.3

1/ C.i.f.

2/ F.o.b.

Source: Compiled from United Nations data.

Singapore's fiber imports are primarily of cotton and manmade fibers; the share of cotton fiber imports, however, has been declining. Though some of this change can be attributed to fluctuations in the relative prices of the different fibers, it also reflects the worldwide trend toward increased use of manmade fibers.

In 1983, Singapore imported woven fabrics valued at \$626 million, knitted fabrics valued at \$80 million, yarn and thread valued at \$67 million, and other textile mill products with a value of \$188 million. Total imports of textiles more than doubled between 1977 and 1983, from \$460 million to \$961 million. A portion of this increased textile demand was the result of the domestic textile industry's inability to fill the needs of the apparel industry. However, approximately 30 percent of the imported textiles is also reexported directly, and reexports represented 79 percent of Singapore's total textile exports in 1983.

Singapore's exports of textiles doubled from \$191 million in 1977 to \$382 million in 1983, but the growth has been limited to only 6 percent since 1979. However, imports of these products increased more rapidly, and the trade deficit increased from \$269 million in 1977 to \$579 million in 1983. In contrast with the textile mill sector, Singapore's apparel industry showed a growing positive trade balance until 1980; the trade balance has been declining since then (owing largely to rapid import growth) to \$179 million in

1983 from \$280 million in 1980. As in textile trade, though to a lesser extent, apparel exports included reexported articles, which in 1983 shared 24 percent of total exports.

Domestic exports and reexports <sup>1/</sup>

Singapore's reexports account for a significant portion of its trade. In 1983, Singapore's reexports of textiles and apparel totaled \$438 million, about one-third of its total imports of textile and apparel for the year, and nearly one-half of Singapore's total exports of textiles and apparel, as shown in table 78.

Table 78.--Fibers, textiles, and apparel: Singapore's domestic exports and reexports, 1979-83

(In millions of U.S. dollars)

Description	1979	1980	1981	1982	1983
Exports, including reexports:					
Fibers-----	27.9	31.5	23.9	21.5	24.9
Textiles-----	362.3	361.4	348.8	348.4	383.3
Apparel-----	372.9	426.3	467.7	457.8	474.1
Total-----	763.1	819.2	840.4	827.7	882.3
Exports of domestic merchandise:					
Fibers-----	1.2	1.8	1.0	1.0	0.7
Textiles-----	146.0	145.8	120.1	96.7	81.7
Apparel-----	308.2	353.6	378.8	351.8	362.0
Total-----	455.4	501.2	499.9	449.5	444.4
Reexports:					
Fibers-----	26.7	29.7	22.9	20.5	24.2
Textiles-----	216.3	215.6	228.7	251.7	301.6
Apparel-----	64.7	72.7	88.9	106.0	112.1
Total-----	307.7	318.0	340.5	378.2	437.9

Source: Department of Statistics, Singapore, Singapore Trade Statistics.

Principal exported products

In 1983, the value of Singapore's textile exports (including reexports) totaled \$383 million, as shown in table 79. Woven fabric of manmade fiber represented the greatest value of exports at \$192 million, increasing by 71 percent over the 1979 level of \$112 million. However, cotton fabrics, both grey and finished, accounted for \$56 million, decreasing by 30 percent from the value in 1979. Exports of textile yarn and thread declined by almost

<sup>1/</sup> According to the Government of Singapore, determination of whether an exported product is a domestic export or a reexport is done by the importing countries on the basis of their rules of origin.

one-half, to \$53 million, in 1983. Exported in small quantities are other woven and knit fabrics, floor coverings, and textile furnishings, all of which showed modest to significant growth during 1979-83 (table IX-3).

Table 79.--Textiles: Singapore's exports, by major types, 1979-83

(In millions of U.S. dollars)

Item	1979	1980	1981	1982	1983
Woven fabric of manmade fiber-----	112.4	119.0	127.8	153.4	192.1
Woven cotton fabrics, grey and finished-----	80.2	79.2	76.6	71.5	56.4
Yarn of cotton, wool, and manmade fiber-----	95.9	88.1	60.3	49.1	53.0
Knit fabric-----	11.0	14.0	11.7	13.6	17.6
Floor coverings-----	5.9	7.6	7.8	6.9	9.1
Textile furnishings and madeups-----	39.0	47.0	42.3	37.2	43.5
All other-----	15.9	11.7	12.9	11.6	10.7
Total-----	360.3	366.6	339.4	343.3	382.4

Source: Compiled from United Nations data.

Woven outer garments for ladies was the single largest apparel item exported in 1983, at \$140 million, or 29 percent of the total value. These exports increased by 70 percent over the 1979 level, as shown in table 80. Exports of outer garments of knitted fabrics totaled \$119 million, or 25 percent of total apparel exports, increasing by 44 percent over their 1979 level. Exports of knitted undergarments totaled \$75 million, or 16 percent of total exports, increasing by 21 percent over such exports in 1979. Exports of men's woven outer garments totaled \$74 million in 1983, reflecting a modest 4-percent decline from the 1979 level. Exports of woven undergarments dropped by 2 percent between 1979 and 1983, from \$54 million to \$53 million.

Table 80.--Apparel: Singapore's exports, by major types, 1979-83

(In millions of U.S. dollars)

Item	1979	1980	1981	1982	1983
Woven outer garments for ladies-----	82.2	99.6	131.4	127.6	139.5
Woven outer garments for men-----	76.8	82.9	75.4	72.0	74.1
Knit outer garments-----	82.1	109.3	106.4	111.2	118.5
Knit undergarments-----	62.1	67.2	84.9	73.5	75.3
Woven undergarments-----	54.1	52.7	55.6	56.2	53.2
All other-----	15.6	14.6	15.5	18.8	16.5
Total-----	372.9	426.3	469.2	459.3	477.1

Source: Compiled from United Nations data.

Major markets

The United States is Singapore's leading customer for textiles and apparel, accounting for \$240 million, or 28 percent of the total in 1983 as shown in table IX-1 and table 81. When textile and apparel exports are considered separately, however, the United States is much more important as an apparel market (taking 48 percent of total exports in 1983) than as a textile market (taking only 3 percent of the total that year). In 1983, the largest market for Singapore's textiles was Malaysia, which accounted for \$101 million, or 26 percent of the total, including reexports estimated at \$80 million to \$90 million. Other significant markets for Singapore's exports of textiles and their share of the total in 1983 were the United Arab Emirates (10 percent), Sri Lanka (7 percent), and Hong Kong (7 percent). In addition to the United States, important markets for Singapore's apparel exports and their share for 1983 were West Germany (10 percent); France (6 percent); the United Kingdom (4 percent); and Sweden, United Arab Emirates, and Netherlands at 3 percent each (table IX-2).

Table 81.--Textiles and apparel: Singapore's exports,  
by principal markets, 1979-83

(In millions of U.S. dollars)

Item	1979	1980	1981	1982	1983
<b>Textiles:</b>					
United States-----	19.2	20.4	20.3	21.0	11.6
European Community-----	24.3	23.1	14.3	10.7	12.1
Developing countries, except					
Big Three-----	218.3	219.9	205.6	200.9	253.3
Malaysia-----	87.5	93.7	85.1	79.7	101.4
United Arab Emirates-----	18.4	14.7	17.3	10.9	39.0
Sri Lanka-----	19.2	21.3	24.3	29.5	28.0
Hong Kong-----	11.4	12.7	15.1	23.7	27.5
All other-----	87.1	90.5	84.1	87.0	77.9
<b>Total-----</b>	<b>360.3</b>	<b>366.6</b>	<b>339.4</b>	<b>343.3</b>	<b>382.4</b>
<b>Apparel:</b>					
United States-----	125.8	143.1	161.3	183.5	228.8
European Community-----	142.4	158.5	169.4	133.0	117.1
Developing countries, except					
Big Three-----	41.9	52.0	57.8	62.6	69.5
United Arab Emirates-----	7.3	8.5	8.4	13.2	13.6
Saudi Arabia-----	1/	14.8	19.9	20.4	24.5
Canada-----	3.6	3.5	7.5	8.2	12.5
All other-----	59.2	69.2	73.2	72.0	49.2
<b>Total-----</b>	<b>372.9</b>	<b>426.3</b>	<b>469.2</b>	<b>459.3</b>	<b>477.1</b>

1/ Not available.

Source: Compiled from United Nations data.

There has been a growing shift in trade since 1979. Singapore's textile exports to the United States dropped from \$19 million in 1979 to \$12 million in 1983, representing a drop in the share of such exports to the U.S. market from 5 to 3 percent. The export growth occurred mainly in the developing nations. However, in apparel trade, Singapore's export growth of just over \$100 million between 1979 and 1983 was fully absorbed by the United States as the U.S. share of Singapore's apparel exports rose significantly from 34 percent in 1979 to 48 percent in 1983. One of the major reasons for the decline of apparel exports to the EC, especially since 1981, has been the appreciation of Singapore's dollar against the currencies of the EC members, which made Singapore's apparel relatively more expensive in the EC market compared with prices of other exports.

### MFA constraints

Exports of articles of cotton, wool, and manmade fibers from Singapore to the United States and to the EC are controlled under the provisions of the MFA. The current 4-year bilateral agreement with the United States that went into effect on January 1, 1982, provided for an overall aggregate limit of 295.6 million square yard equivalents (SYE) in 1982 increasing to 354.6 million SYE in 1985. Within the overall aggregate, the group limits from 1982 to 1985, based on official documents of the U.S. Department of State, are shown in the following tabulation (in millions of SYE):

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Group I-----Nonapparel items of cotton and manmade fibers.	66.3	70.5	74.9	79.6
Group II-----Apparel of cotton and manmade fibers.	226.8	241.1	256.3	272.4
Group III---Wool products-----	<u>3.6</u>	<u>3.6</u>	<u>3.7</u>	<u>3.7</u>
Aggregate-----	295.6	314.1	333.8	354.6

Certain products in groups I, II, and III have specific limits, and all three groups contain products which have designated consultation levels. These aggregate and subgroups are allowed annual increases of about 6.25 percent, except for wool categories, which are allowed an increase of 1 percent. Any product category that does not have a specific or designated consultation level is subject to consultations before exports can exceed 1.0 million SYE if in group I, 700,000 SYE if in group II, and 100,000 SYE if in group III.

Provided that the aggregate total is not exceeded, exports in any year under group I may exceed the group limitation by up to 15 percent, group II exports may exceed the limitation by up to 7 percent, and group III exports, by up to 1 percent. In addition, within the aggregate and subgroup limits, exports of individual categories may exceed specific limitations by up to

10 percent if in group I, up to 7 percent if in group II, and up to 5 percent if in group III. Aggregate, subgroup, and category limits may also be further exceeded by up to 11 percent through carryover and carryforward.

Limitations under this agreement do not apply to exports of handloomed fabrics of the cottage industry, or handmade cottage-industry products made of such handloomed fabrics, or to folklore handicraft textile products traditional to Singapore.

The United States-Singapore agreement established specific quota limits on 20 categories of cotton, manmade-fiber, and wool textile and apparel products. Of these limits, two were in textile products, and the balance, in apparel. The EC-Singapore agreement provided for 14 specific quotas on Singapore's textile and apparel imports.

In 1983, Singapore filled over 90 percent of its quota in only three of the categories subject to specific limits <sup>1/</sup> compared with 4 categories filled by over 90 percent in 1982 and 5 categories filled by over 90 percent in 1981 (table IX-7). Singapore failed to fill over 90 percent of any of its 14 EC quotas in 1981 and 1982.

Singapore's utilization rate of its U.S. quotas has been declining. At the aggregate level, the utilization rate as compiled from data from the U.S. Department of Commerce dropped from 43 percent in 1979 to 34 percent in 1983, with most of the drop occurring in group I, as shown in the following tabulation:

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Aggregate-----	43.4	39.9	39.5	34.5	34.3
Group I-----	52.4	54.4	50.5	31.2	17.6
Group II-----	41.2	35.8	36.5	35.8	39.4
Group III-----	7.0	14.8	12.9	14.0	14.3

#### Export Potential

Singapore has the potential to increase its textile and apparel exports, but the growth is strongly linked to the strength of its major markets, the United States, Malaysia, and the EC. Singapore's textile and apparel exports grew at an average annual rate of 27 percent during 1976-79, but the growth rate dropped to about 4 percent per year between 1979 and 1983. Nevertheless, Singapore continued to provide about 1 percent of the world textile and apparel exports and was ranked 18th among the world exporters in 1983. The decline in the growth was due largely to stagnation of textile exports. Apparel exports showed an average annual growth rate of 6 percent.

The major problem faced by Singapore's textile and apparel industry is the competition for workers and other resources from industries such as base

<sup>1/</sup> Category 604, spun manmade-fiber yarn, 100 percent; category 333/334/335, cotton coats, 96.1 percent; and category 338/339, knit cotton shirts and blouses, 100 percent.

metals, electronics, and petroleum, which pay 2 to 4 times greater than the wages paid by the textile and apparel industry. <sup>1/</sup> The special incentives provided by the Government of Singapore to modernize and improve efficiency appear to have paid significant dividends, as labor productivity in the textile and apparel industry increased rapidly in recent years. However, value added per employee per year averaged only \$5,578 in the apparel industry and \$7,391 in the textile industry compared with \$16,035 in all manufacturing in 1983. <sup>2/</sup> Compounding this problem is Singapore's import dependency for its fibers and textiles and the growing competition from the ASEAN and other developing nations.

The United States is Singapore's primary market for textiles and apparel, particularly apparel. However, Singapore accounts for just over 2 percent of total U.S. apparel imports and 0.5 percent of U.S. textile imports and, therefore, cannot be considered as a primary source for U.S. imports of textile and apparel. The growth potential for Singapore in textile exports is minimal in view of strong competition from a number of low-cost suppliers and the decline in domestic output of textiles. However, Singapore's growth potential in apparel exports to the United States is good, because the United States has been the largest export market for Singapore, where it maintained its export share of just over 2 percent during 1979-83 despite China's emergence as a major supplier to the U.S. market and the growing competition from a number of developing countries. In addition, restraints under the MFA are less of a problem for Singapore than for many of its Asian competitors, as most of its U.S. quotas were not filled through 1983. Most of Singapore's shipments to the United States has been in categories subject to quota restraint, as shown in the following tabulation, based on data provided by the U.S. Department of Commerce, (in millions of SYE):

Item	1981	1982	1983
MFA categories under specific limits-----	84.9	88.7	90.3
Other MFA categories-----	28.6	15.7	12.8
Total-----	113.5	104.4	103.1

Consequently, another area for potential growth is in products not currently restricted by quota. Although the quantity of Singapore's exports to the United States trended downward during 1981-83 (tables IX-4 through IX-6), its 1984 shipments increased by about 37 percent over those in 1983 in response to increased demand.

<sup>1/</sup> "Regional Notes," Textile Asia, November 1983, p. 75. Average annual wages for 1982 in Singapore dollars were \$6800 in clothing, \$9300 in textiles, \$18,400 in base metals, and \$36,700 in petroleum.

<sup>2/</sup> Computed by the staff of the U.S. International Trade Commission on the basis of data in Singapore's Department of Statistics, Monthly Digest of Statistics, October 1984, vol. 23, No. 10.

The EC is the second largest market for Singapore's textile and apparel exports, with apparel constituting the larger share. However, Singapore is a minor source for the EC, and any growth that it may achieve is not expected to create any real impact on the current leading suppliers. Singapore's exports to the EC market have been stagnant in recent years, with a modest drop in apparel exports' share from 1.6 percent in 1978 to 1.5 percent in 1982. Singapore's textile exports, which represented only 0.5 percent of EC imports in 1978, dropped rapidly to a share of 0.1 percent in 1982. The fall of Singapore's exports to the EC can be attributed to the economic recession in the EC during 1980-83, appreciation of Singapore's currency against all major EC importers, and keen competition from a large number of developed and developing nations including those from Southern Europe and the Mediterranean regions.

Singapore's poor performance in the EC resulted in low quota utilization rates even on items where it had been traditionally strong. Singapore filled over 90 percent of its quota in 4 of the 14 EC quota categories in 1979, but none of these categories were filled over 90 percent in 1982. Moreover, the trade-weighted quota utilization rate of those 14 categories dropped to 62 percent in 1982 from 95 percent in 1979. <sup>1/</sup> The bright spot for Singapore in the EC market has been the increase of nonquota textile and apparel exports, which grew from 17 million European Currency Units (ECU's) in 1979 to 31 million ECU's in 1982. Singapore's future export growth in apparel in the EC market will be based on its ability to utilize its quotas effectively and growth in nonquota apparel items.

Malaysia is Singapore's third largest market. About 85 to 90 percent of Singapore's textile exports to Malaysia, amounting to \$101 million in 1983, have been reexports, primarily of fabrics dyed and finished in Singapore.

Singapore has diversified its exports markets to include the Middle East, particularly the United Arab Emirates and Saudi Arabia. Textile exports to the United Arab Emirates increased from \$2 million in 1977 to \$18 million in 1979 and to \$39 million in 1983. Apparel exports rose from \$7 million to \$14 million during 1979-83. Exports to Saudi Arabia are mostly apparel items, which grew from \$15 million in 1980 to \$25 million in 1983. However, the Middle East market is limited in size, and Singapore is not expected to continue to show greater than normal growth in that region.

In sum, Singapore's export potential is good, particularly in apparel to the United States. Although faced with a labor shortage, Singapore is modernizing its textile and apparel plants and has significantly increased labor productivity. Singapore's cost structure is higher than that of China but is generally competitive with Hong Kong. Singapore's prospects in the United States and other markets are enhanced by (1) tight quota restrictions on its major competitors, (2) significant amounts of underfilled quota and product categories not under quota, and (3) upgrading of their product through improvements in quality, packaging, and channels of distribution.

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<sup>1/</sup> General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec. (84)24, Add. 1, May 4, 1984, p. 97.

Table IX-1.---Textiles and apparel: Singapore's exports, 1/ by specified world markets, 1976-83.

Market	1976	1977	1978	1979	1980	1981	1982	1983
---1,000 dollars---								
extiles:								
Developing								
Big Three...	20,904	15,904	19,571	21,624	21,596	27,562	33,946	36,772
Other Asia...	81,526	94,662	147,647	218,350	219,862	205,577	200,929	253,287
Other								
developing.	8,836	13,468	17,307	17,950	26,977	20,076	31,175	18,427
Socialist.....	4,476	2,971	1,300	2,680	3,529	3,486	4,095	2,408
Developed								
EEC.....	18,782	17,626	17,332	24,303	23,087	14,271	10,685	12,050
Southern								
Europe.....	8	250	66	38	157	362	128	1,492
Other Europe:	1,391	2,925	1,940	2,151	3,544	2,917	2,475	2,560
United								
States.....	11,969	10,956	17,295	19,153	20,357	20,275	20,978	11,642
Canada.....	2,820	4,031	6,435	6,819	7,392	7,674	4,693	7,668
Japan.....	8,397	3,489	11,714	15,421	8,680	9,300	5,872	7,597
Other.....	13,868	15,038	20,149	21,413	21,383	15,814	14,918	13,609
apparel:								
Developing								
Big Three...	1,972	2,159	8,731	8,472	13,187	17,389	20,760	11,563
Other Asia...	17,117	23,985	29,868	41,934	51,990	57,765	62,566	69,475
Other								
developing.	3,397	5,316	6,286	7,362	7,934	8,388	8,284	5,986
Socialist.....	212	747	950	3,325	4,273	3,768	4,758	5,997
Developed								
EEC.....	82,665	89,960	94,015	142,399	158,476	169,372	133,048	117,122
Southern								
Europe.....	34	57	133	21	379	98	297	158
Other Europe:	12,788	15,928	18,587	26,437	31,384	31,747	26,985	21,024
United								
States.....	55,941	65,699	126,911	125,755	143,113	161,264	183,490	228,823
Canada.....	1,006	807	1,538	3,599	3,517	7,513	8,163	12,519
Japan.....	554	1,238	3,057	4,183	2,457	2,090	2,555	2,231
Other.....	2,767	1,492	2,013	3,549	4,219	3,954	3,219	2,633
extile &								
Apparel:								
Developing								
Big Three...	22,876	18,063	28,302	30,096	34,783	44,951	54,706	48,335
Other Asia...	98,643	118,647	177,515	260,264	271,852	263,342	263,495	322,762
Other								
developing.	12,233	18,784	23,593	25,312	34,911	28,464	39,459	24,413
Socialist.....	4,688	3,718	2,250	6,005	7,802	7,254	8,853	3,405

see footnotes at end of table.

Table IX-1.--Textiles and apparel: Singapore's exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textile & Apparel:								
Developed								
EEC.....	101,447	107,586	111,347	166,702	181,563	183,643	143,733	129,172
Southern Europe.....	42	307	199	59	536	460	425	1,650
Other Europe:	14,179	18,853	20,527	28,588	34,928	34,664	29,460	23,584
United States.....	67,910	76,655	144,206	144,908	163,470	181,539	204,468	240,465
Canada.....	3,826	4,838	7,973	10,418	10,909	15,187	12,856	20,187
Japan.....	8,951	4,727	14,771	19,604	11,137	11,390	8,427	9,828
Other.....	16,635	16,530	22,162	24,962	25,602	19,768	18,137	16,242
Total.....	361,235	402,565	563,693	733,168	792,911	808,661	802,568	859,448

1/ Based on Singapore's exports as reported to the United Nations.

Source: Compiled from United Nations data.

Table IX-2.--Textiles and apparel: Singapore's exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
United States.....	11,969	10,956	17,295	19,153	20,357	20,275	20,978	11,642
Malaysia.....	53,702	56,313	70,944	87,453	93,734	85,126	79,743	101,394
West Germany.....	4,727	6,489	5,531	7,870	6,345	2,784	1,599	3,417
Hong Kong.....	17,589	11,103	11,827	11,439	12,714	15,094	23,710	27,523
United Kingdom.....	5,269	6,471	7,674	8,709	7,810	7,500	6,261	6,251
France.....	1,092	1,364	1,305	1,868	2,341	1,285	1,020	808
Sri Lanka.....	3,429	11,766	12,600	19,216	21,328	24,274	29,538	27,958
United Arab Emirates:	3,113	1,642	11,119	18,428	14,696	17,348	10,868	38,958
Weden.....	972	2,570	1,730	1,169	2,431	1,912	1,705	1,379
Netherlands.....	1,555	1,296	1,430	1,356	1,442	820	640	294
Other.....	76,161	81,712	125,880	183,599	183,450	163,017	167,200	162,746
Total.....	179,578	191,682	267,335	360,260	366,648	339,435	343,262	382,370
United States.....	55,941	65,699	126,911	125,755	143,113	161,264	183,490	228,823
Malaysia.....	6,699	7,410	6,545	9,069	10,090	10,637	12,653	14,162
West Germany.....	33,743	38,354	41,980	58,883	60,167	63,348	45,543	46,843
Hong Kong.....	1,108	1,132	4,601	2,386	4,901	5,387	13,059	5,535
United Kingdom.....	11,315	14,684	20,124	25,863	29,849	36,695	28,157	19,630
France.....	21,767	18,461	14,960	27,811	34,732	36,338	33,085	26,882
Sri Lanka.....	4	4	47	68	130	276	1,358	1,187
United Arab Emirates:	3,666	4,477	5,956	7,320	8,451	8,410	13,193	13,627
Weden.....	7,824	9,984	10,532	14,379	17,128	17,433	15,040	12,730
Netherlands.....	8,396	10,236	9,697	17,742	16,461	18,920	13,897	14,459
Other.....	31,194	40,442	55,005	83,632	101,241	110,518	99,831	93,200
Total.....	181,657	210,883	296,358	372,908	426,263	469,226	459,306	477,078
United States.....	67,910	76,655	144,206	144,908	163,470	181,539	204,468	240,465
Malaysia.....	60,401	63,723	77,489	96,522	103,824	95,763	92,396	115,556
West Germany.....	38,470	44,843	47,511	66,753	66,512	66,132	47,142	50,260
Hong Kong.....	18,697	12,235	16,428	13,825	17,615	20,481	36,769	33,058
United Kingdom.....	16,584	21,155	27,798	34,572	37,659	44,195	34,418	25,881
France.....	22,859	19,825	16,265	29,679	37,073	37,623	34,105	27,690
Sri Lanka.....	3,433	11,770	12,647	19,284	21,458	24,550	30,896	29,145
United Arab Emirates:	6,779	6,119	17,075	25,748	23,147	25,758	24,061	52,585
Weden.....	8,796	12,554	12,262	15,548	19,559	19,345	16,745	14,109
Netherlands.....	9,951	11,532	11,127	19,098	17,903	19,740	14,537	14,753
Other.....	107,355	122,154	180,885	267,231	284,691	273,535	267,031	255,946
Total.....	361,235	402,565	563,693	733,168	792,911	808,661	802,568	859,448

1/ Based on Singapore's exports as reported to the United Nations.

Source: Compiled from United Nations data.

Table IX-3.--Textiles and apparel: Singapore's exports, 1/ by types, 1979-83

ITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Wool yarn.....	3,031	1,575	280	358	340	-88.783
Cotton yarn.....	550	604	732	922	801	45.636
Wool of manmade fibers.....	11,822	14,742	12,536	17,304	14,073	19.041
Wool yarn.....	83,271	72,425	46,648	30,539	37,872	-54.520
Wool of manmade fibers.....	251	339	386	379	281	11.952
Wool of manmade fibers.....	24,671	25,395	26,121	28,426	11,291	-54.234
Wool of manmade fibers.....	55,501	53,798	50,451	43,100	45,163	-18.627
Wool of manmade fibers.....	58,858	63,133	72,481	90,236	121,662	106.704
Wool of manmade fibers.....	53,583	55,864	55,312	63,181	70,404	31.392
Wool of manmade fibers.....	798	1,012	1,302	1,258	563	-29.449
Wool of manmade fibers.....	874	616	947	520	581	-33.524
Wool of manmade fibers.....	4,348	4,259	6,904	6,320	6,339	45.791
Wool of manmade fibers.....	11,001	13,966	11,716	13,604	17,577	59.776
Wool of manmade fibers.....	11,597	14,531	12,004	11,151	13,515	16.539
Wool of manmade fibers.....	27,429	32,480	30,313	26,023	30,026	9.468
Wool of manmade fibers.....	5,881	7,626	7,770	6,890	9,099	54.719
Outer garments, knit.....	76,794	82,869	75,402	72,030	74,086	-3.526
Outer garments, knit.....	82,150	99,555	131,436	127,592	139,509	69.822
Under garments, knit.....	49,360	50,200	52,937	53,748	51,091	3.507
Under garments, knit.....	4,717	2,489	2,653	2,474	2,086	-55.777

See footnotes at end of table.

Table IX-3.--Textiles and apparel: Singapore's exports, 1/ by types, 1979-83--Continued

TC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Accessories, not included in textile materials	6,578	7,458	9,697	12,756	7,755	17.893
Wear	1,087	1,093	932	1,281	1,511	39.006
Knitwear	654	881	1,194	1,811	1,752	167.890
Accessories, etc.	1,933	1,375	1,391	1,636	1,714	-11.330
Garments, knit	60,185	65,855	83,515	71,814	73,610	22.306
Garments, knit (textile fabric & art.)	82,056	109,310	106,423	111,186	118,530	44.450
Accessories, not included in textile materials	3,323	1,339	727	469	1,473	-55.673
Wear	795	884	865	693	926	16.478
Knitwear	3,246	2,886	2,004	1,744	2,968	-8.564
Accessories, etc.	22	48	51	61	59	168.182

Based on Singapore's exports as reported to the United Nations.

Source: Compiled from United Nations data.

Table IX-4.--Cotton textiles: U.S. imports from Singapore, by MFA categories, 1980-83

Category	Description	Equivalent square yards						1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
301	Combed yarn	0	0	0	1,287,540	0	0	0	0	0	0	0	387
310	Gingham	0	6,043	0	0	0	0	0	0	7	0	0	0
313	Sheeting	2,077,053	4,853,431	2,465,322	568,318	827	2,282	1,112	218				
314	Poplin and broadcloth	272,870	393,061	5,394	35,905	86	124	2	31				
315	Printcloth	266,666	266,814	0	22,222	74	75	0	12				
317	Twill and sateen	14,828,913	8,941,411	2,297,015	660,727	7,474	4,649	1,246	358				
318	Yarn-dyed fabric, n.e.s.	0	133,333	0	0	0	45	0	0				
319	Duck	2,413,460	4,324,587	3,440,542	914,588	2,516	4,027	2,771	476				
320	Woven fabrics, n.e.s.	5,912,226	10,719,009	7,253,065	3,957,923	2,773	4,730	3,665	2,045				
331	Gloves	353,553	372,750	268,996	580,321	134	138	97	252				
333	Suit-type coats, men's and boys'	229,798	126,700	296,515	179,299	946	537	1,376	743				
334	Other coats, men's and boys'	1,271,793	1,200,013	1,271,586	994,835	2,110	1,714	2,491	2,791				
335	Coats, women's, girls, and infants'	3,762,883	6,771,218	6,553,568	6,376,514	10,957	21,597	22,445	19,814				
336	Dresses	297,213	282,901	165,527	439,138	409	466	300	833				
337	Playsuits	51,700	202,125	218,950	192,275	64	244	398	235				
338	Knit shirts, men's and boys'	1,521,380	1,460,030	1,863,174	2,636,072	9,950	10,225	13,014	18,944				
339	Knit shirts and blouses, women's, girls', and infants'	2,346,084	2,068,120	2,687,762	2,507,421	8,744	7,694	12,356	12,948				
340	Shirts, not knit, men's and boys'	9,789,168	10,523,304	10,848,624	8,152,128	13,544	16,835	19,842	15,387				
341	Blouses, not knit, women's, girls', and infants'	435,291	589,658	1,141,312	1,412,520	987	1,361	3,424	4,782				
342	Skirts	223,675	295,677	210,093	187,041	590	743	684	574				
345	Sweaters	177,560	61,457	80,849	361,303	246	38	126	904				
347	Trousers, men's and boys'	6,639,364	4,608,439	2,918,756	5,175,546	20,789	15,968	10,003	15,503				
348	Trousers, women's, girls', and infants'	4,398,220	3,511,086	3,824,260	5,274,460	13,265	12,604	13,059	16,168				
350	Dressing gowns	243,015	43,248	278,409	0	226	43	193	0				
351	Nightwear	353,964	654,992	843,960	312	285	495	745	1				
352	Underwear	0	0	0	4,400	0	0	0	2				
353	Down-filled coats, men's and boys', 1/ and infants', 1/	-	31,099	41,961	52,740	0	343	537	635				
354	Down-filled coats, women's, girls', and infants', 1/	-	18,089	9,127	28,415	0	153	102	303				
359	Other apparel	195,564	350,399	155,645	309,027	291	513	268	612				
362	Bedspreeds and quilts	725,128	224,816	21,280	244,805	1,464	471	33	421				
363	Terry and other pile towels	0	3,000	3,042	28,104	0	5	2	31				
369	Other manufactures	3,801,569	123,169	28,185	13,460	874	42	27	14				
	Total	62,588,110	63,159,979	49,192,919	42,597,359	99,627	108,169	110,317	115,426				

1/ New category effective April 1, 1981.

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

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

Table IX-5.--Wool textiles: U.S. imports from Singapore, by MFA categories, 1980-83

Cate- gory	Description	Equivalent square yards					1,000 dollars						
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
410	Woolens and worsteds	15	59	0	0	379	1/	0	1/	0	0	0	2
431	Gloves	580	0	0	0	0	0	0	0	7	0	0	0
433	Suit-type coats, men's and boys'	0	0	46,152	0	0	0	0	0	0	0	301	0
434	Other coats, men's and boys'	0	0	0	0	1,998	0	0	0	0	0	0	12
435	Coats, women's, girls', and infants'	0	39,312	54,486	65,610	0	0	153	0	0	195	54	
436	Dresses	0	344	77,933	7,331	0	0	2	0	0	73	17	
438	Knit shirts and blouses	0	0	44,490	0	0	0	0	0	0	90	0	
440	Shirts and blouses, not knit	3,144	144	0	0	0	12	1	0	0	0	0	
442	Skirts	0	180	36	1,908	0	0	1	1/	0	0	9	
443	Suits, men's, and boys'	0	0	2,538	0	0	0	0	0	0	10	1	
444	Suits, women's, girls', and infants'	0	0	0	162	0	0	0	0	0	0	1/	
445	Sweaters, men's and boys'	123,906	117,611	246,814	194,972	532	490	1,145	1,099	0	0	0	
446	Sweaters, women's, girls', and infants'	360,230	89,354	71,826	176,923	1,201	387	233	650	0	0	0	
447	Trousers, men's and boys'	22,500	31,968	25,272	36,324	306	504	404	555	0	0	0	
448	Trousers, women's, girls', and infants'	15,246	25,452	19,224	44,190	195	363	271	310	0	0	0	
459	Other apparel	0	0	26,578	48,792	0	0	0	341	0	167	341	
465	Floor coverings	2,133	8,217	3,885	3,616	139	137	172	248	0	0	0	
469	Other manufactures	0	0	212	400	0	0	2	5	0	0	0	
	Total	527,756	312,641	619,446	582,605	2,393	2,038	3,064	3,305	0	0	0	

1/ Less than 500 dollars.

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

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

Table IX-6.--Manmade-fiber textiles: U.S. imports from Singapore, by MFA categories, 1980-83

Code	Description	Equivalent square yards							1981	1980	1982	1983	1981	1982	1983
		1980	1981	1982	1983	1980	1981	1982							
600	Textured yarn	0	169,901	0	0	0	0	0	0	0	0	0	15	0	0
601	Continuous cellulosic yarn	0	0	0	0	484	0	0	0	0	0	0	0	0	1
604	Noncontinuous noncellulosic yarn	3,913,823	4,940,873	5,681,813	5,969,194	1,191	1,191	1,625	1,944	2,005	2,005	2,005	1,944	1,944	2,005
605	Other yarns	0	0	0	0	80,829	0	0	0	0	0	0	0	0	68
612	Continuous noncellulosic woven fabrics	30,629	59,794	76,280	73,933	34	34	70	92	90	90	90	70	92	90
613	Spun noncellulosic woven fabrics	654,995	2,816,359	710,889	6,208	203	203	940	288	7	7	7	940	288	7
614	Woven fabrics, n.o.s.	65,278	197,857	0	0	18	18	68	0	0	0	0	68	0	0
625	Knit fabric	0	1,334	0	0	0	0	1	0	0	0	0	1	0	0
627	Specialty fabrics	0	0	0	6,185	0	0	0	0	0	0	0	0	0	5
631	Gloves	21,000	150,413	146,370	389,568	31	31	118	94	240	240	240	118	94	240
632	Hosiery	0	0	0	8,280	0	0	0	0	0	0	0	0	0	1
633	Suit-type coats, men's and boys'	0	0	21,611	0	0	0	0	0	0	0	0	0	0	0
634	Other coats, men's and boys'	1,595,006	1,083,216	2,025,187	1,527,893	1,720	1,720	1,375	2,875	2,164	2,164	2,164	1,375	2,875	2,164
635	Coats, women's, girls', and infants'	304,010	1,162,720	4,367,021	4,554,112	654	654	1,946	7,814	6,997	6,997	6,997	1,946	7,814	6,997
636	Dresses	59,615	73,204	39,637	309,716	125	125	160	130	679	679	679	160	130	679
637	Playsets	248,933	104,797	135,063	176,045	272	272	81	171	205	205	205	81	171	205
638	Knit shirts, men's and boys'	3,716,640	2,008,710	1,890,810	3,685,320	6,273	6,273	3,227	3,254	6,883	6,883	6,883	3,227	3,254	6,883
639	Knit shirts	27,473,550	28,613,535	27,378,510	30,221,640	32,565	32,565	38,049	36,019	42,290	42,290	42,290	38,049	36,019	42,290
640	Shirts, not knit, men's and boys'	283,272	303,856	822,266	156,192	1,023	1,023	1,043	1,901	357	357	357	1,043	1,901	357
641	Blouses, not knit, women's, girls', and infants'	630,360	1,192,061	1,016,611	1,342,703	1,651	1,651	3,403	3,105	4,831	4,831	4,831	3,403	3,105	4,831
642	Skirts	32,235	22,802	17,550	188,466	54	54	57	43	242	242	242	57	43	242
643	Suits, men's and boys'	0	54	0	0	0	0	1	0	0	0	0	1	0	0
644	Suits, women's, girls', and infants'	157,680	75,870	416,988	244,620	238	238	118	368	479	479	479	118	368	479
645	Sweaters, men's, and boys'	76,838	0	7,360	332,193	57	57	0	13	399	399	399	0	13	399
646	Sweaters, women's, girls', and infants'	303,429	365,792	145,249	1,058,772	239	239	134	73	1,034	1,034	1,034	134	73	1,034
647	Trousers, men's and boys'	297,046	232,859	633,100	905,701	285	285	416	1,283	1,854	1,854	1,854	416	1,283	1,854
648	Trousers, women's, girls', and infants'	2,631,071	5,801,732	8,753,238	7,923,815	1,963	1,963	4,177	7,874	8,462	8,462	8,462	4,177	7,874	8,462
649	Brassieres	7,118	0	0	0	15	15	0	0	0	0	0	0	0	0
650	Dressing gowns	70,329	138,516	39,321	65,127	70	70	85	25	49	49	49	85	25	49

See footnotes at end of table.

Table IX-6.--Manmade-fiber textiles: U.S. imports from Singapore, by MFA categories, 1980-83--Continued

Category	Description	Equivalent square yards						1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
651	Wightwear	12,740	20,592	20,800	202,852	10	17	17	186				
652	Underwear	0	24,000	6,912	0	0	5	8	0				
653	Down-filled coats, men's and boys' 2/	-	62,404	10,201	18,627	-	416	117	158				
654	Down-filled coats, women's, girls' and infants' 2/	-	86,730	79,337	148,886	-	919	1,070	1,700				
659	Other apparel	496,548	229,266	169,337	267,946	527	245	274	272				
665	Floor coverings	0	0	17	0	0	0	2	0				
666	Other furnishings	53,718	0	0	0	35	0	0	0				
669	Other manufactures	8,230	2,510	1,412	47	6	3	1	1/				
	Total	43,234,693	50,022,757	54,632,890	59,865,354	49,256	58,815	68,914	81,659				

1/ Less than 500 dollars.

2/ New categories effective April 1, 1981.

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

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

Table IX-7.--Textiles and apparel: Limits under the United States-Singapore bilateral agreement and shipments charged, by MFA categories, agreement years 1981-83

MFA category	Description	Units	1981			1982			1983		
			Limitation 1,000 units	Shipments charged	Share filled Percent	Limitation 1,000 units	Shipments charged	Share filled Percent	Limitation 1,000 units	Shipments charged	Share filled Percent
320 1/	Other cotton woven fabric.	Sq yd	2/ 6,000	6,136	102.2	9,144	7,944	86.8	8,400	3,432	40.8
504 1/	Manmade-fiber spun yarn, noncellulosic.	do	1,210	1,208	99.8	5,493	5,431	98.8	5,546	5,546	100.0
313 2/	Cotton sheeting	do	10,000	5,366	53.6	10,000	1,687	16.8	10,000	497	4.9
314 2/	Cotton poplin and broadcloth.	do	5,000	393	7.8	5,000	10	0.2	5,000	32	0.6
317 2/	Cotton twill and sateen.	do	12,000	8,044	67.0	8,000	1,701	21.2	8,000	408	5.1
319 2/	Cotton duck	do	3,500	3,500	100.0	3,900	3,645	93.4	3,000	728	24.2
369 2/	Other cotton manufactures.	do	14,000	3	0.0	14,000	26	0.2	14,000	3	0.0
600 2/	Manmade-fiber textured yarn.	do	3,000	170	5.6	3,000	-	0.0	3,000	-	9.0
625 2/	Manmade-fiber knit fabric.	do	7,800	1	0.0	7,800	-	0.0	7,800	13	0.1
333/334/335. 1/	Group II: Cotton coats	Doz	205	187	91.4	206	194	94.3	191	184	96.1
338/339 1/	Cotton knit shirts and blouses.	do	579	537	92.7	644	641	99.4	638	638	100.0
340 1/	Cotton woven shirts, men's and boys'.	do	434	434	100.0	481	481	100.0	447	348	78.0
347/348 1/	Cotton trousers	do	507	490	96.7	608	360	59.2	638	559	87.5
633/634/635. 1/	Manmade-fiber coats.	do	463	65	14.1	486	158	32.4	511	160	31.4
638/639 1/	Manmade-fiber knit shirts.	do	2,972	2,060	69.3	3,061	1,938	63.2	3,153	2,538	80.4
643/644 1/	Manmade-fiber suits.	do	275	3	0.9	289	7	2.4	303	3	1.1
647/648 1/	Manmade-fiber trousers.	do	1,563	414	26.5	1,641	482	29.3	1,723	596	34.5
351 2/	Cotton night-wear.	do	281	13	4.6	281	16	5.5	281	4/	0.0
346 2/	Cotton sweaters, women's, girls', and infants'.	do	100	10	9.9	100	5	4.9	100	30	29.6
659 2/	Other manmade-fiber apparel.	Sq yd	9,360	178	1.8	9,350	156	1.6	9,360	284	3.0
434 1/	Group III: Other wool coats, men's and boys'.	do	31	-	0.0	31	-	0.0	32	4/	0.1
445/446 2/	Wool sweaters	do	26	24	93.0	20	19	93.0	21	21	100.0

1/ Category subject to specific limits.

2/ Category subject to designated consultation levels.

3/ Category subject to a designated consultation level in 1981, and was brought under specific limits in 1982.

4/ Less than 500.

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



## CHAPTER X. SRI LANKA

## Introduction

Sri Lanka's textile and apparel sector continues to grow and occupies an important position in the economy, accounting for an estimated 18 percent of total industrial production and 19 percent of total exports in 1983, and employs 4 percent of the country's workforce. The main impetus for growth is the apparel industry, which exports most of its production. The industry increased its export-oriented firms from approximately 100 to 140 during 1981-83, and apparel exports increased from just over \$157 million to \$212 million during the same period. However, the Government has been discouraging the establishment of new apparel enterprises in the free-trade zone, where only one new firm was added in 1983. The Government has been attempting to reduce its dependency on the export-oriented apparel industry because of increasing restrictions placed on Sri Lanka's apparel shipments by the EC and the United States, its two major markets, and the high import content in apparel production.

Unlike the Government's efforts to curtail the rapid expansion of the apparel industry, they have been actively pursuing efforts to improve the productivity of the textile industry by investing in the operation, modernization, and expansion of Government-owned mills, and by establishing textile training centers. The industry's installed capacity increased from 255,000 spindles in 1979 to 300,000 spindles in 1983 and from 4,870 looms to 12,000 looms during the same period. The Government claims that the industry is self-sufficient in supplying the local market with fabrics; however, most of the raw materials used by the export-oriented apparel industry are imported, as the domestic textile industry still cannot compete with the variety and quality of the imported fabrics.

Growth in the production of textiles and apparel decreased from 71 percent during 1979-80 to 33 percent in 1983 over the 1982 level. Export growth has also slowed. Exports, most of which are apparel, rose by 229 percent, from \$40.1 million in 1978 to \$131.8 million in 1980, and then increased by 65 percent to \$217.7 million in 1983. Worldwide recession, the inhibiting effect of quotas, and reduction in Government support contributed to the reduced growth rates. In addition, communal violence, stemming from the long-standing Sinhalese-Tamil ethnic conflict, in the summer of 1983 damaged 5 textile-manufacturing and finishing factories and 20 apparel factories, and also hindered growth in 1983 production and exports. However, in 1984, exports increased rapidly again, at least to the U.S. market, where they rose by 72 percent from the 1983 level.

The economy

Sri Lanka's population, which grew at an annual rate of 2.2 percent during 1976-83, totaled 16.1 million persons in 1984. 1/ The literacy rate is high, 87 percent, 2/ and education is compulsory to age 16. The workforce

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1/ "Regional Performance Figures," Asia 1985 Yearbook, published by Far Eastern Economic Review Ltd., Hong Kong, December 1984, p. 7.

2/ U.S. Department of Commerce, Overseas Business Report: Marketing in Sri Lanka, November 1982, p. 3.

totaled 6.1 million persons in 1983, with more than one-half employed in agriculture and about one-fourth in industry and commerce. 1/ The country's unemployment level has increased in recent years, from 14.7 percent in 1981 to 17.0 percent in 1983. 2/

Since the Government adopted its free-market policy in 1977 as a means to rebuild the economy, Sri Lanka has had to cope with inflation, an expanding budget deficit fueled by capital development projects; 3/ and a rising external debt. Large increases in Government spending in 1980 resulted in a doubling of the budget deficit from 1979 levels. 4/ The Government made significant cuts in spending in 1981, and the deficit declined by 13 percent from 1980 levels. 5/ In 1982, the deficit increased sharply again, by 36 percent. 6/ In 1983, the deficit continued to rise, but not at such a rapid rate (7 percent), reaching \$912.9 million. 7/ Total revenue received by the Government increased 34 percent from 1980 to 1982. In 1983, total revenue increased 42 percent from the 1982 level, and totaled almost \$1.1 billion as the Government actively sought to increase budget revenues by raising taxes and import duties, cutting back on price subsidies for certain consumer products, and placing a 2-year halt on most new capital development projects. 8/

Overall economic growth and recovery was slowed during the summer of 1983 by serious Sinhalese-Tamil ethnic strife. Trade was disrupted as approximately 150 factories were damaged, along with numerous wholesale and retail establishments. According to the current Minister of Textile Industries, those textile and garment establishments located outside the free-trade zone suffered the most damage. 9/ The tourist trade was also hard hit, and it had not recovered a year later. Long-term effects of the violence also included a decrease in foreign investment. In 1983, the gross domestic product (GDP), at current prices, valued at \$4.7 billion, experienced a real growth rate of 4.9 percent over that in 1982. 10/ Real GDP growth slowed in the 1980's from the growth of 6 percent or more experienced during the late

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1/ U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, pp. 2 and 5.

2/ Ibid., p. 2.

3/ The country's major capital development project is the Mahaweli program, which consists of the construction of several dams in the mountainous interior of the country and a network of downstream irrigation canals, and will provide much-needed hydroelectric power.

4/ Europa Publications, Ltd., The Europa Year Book 1983: A World Survey, London, England, vol. II, 1983, p. 2,427.

5/ U.S. Department of Commerce, Overseas Business Report: Marketing in Sri Lanka, November 1982, p. 2.

6/ U.S. Department of Commerce, Foreign Economic Trends . . . : Sri Lanka, November 1983, p. 2.

7/ U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, p. 2. In rupee terms, the deficit totaled Rs21,562 million and was converted to dollars, using the exchange rate US\$1=Rs23.62.

8/ Ibid.

9/ "Sri Lanka: Hard Hit Sectors," Textile Asia, April 1984, p. 90.

10/ U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, p. 4.

1970's. In 1981, the real GDP growth rate was 5.8 percent, and in 1982, the growth rate declined to 5.1 percent. The 1982 decline resulted largely from a severe drought affecting agricultural production and a generally slow market, which usually occurs in Sri Lanka before a national election. 1/ The 1983 decline reflected the continuation of the drought along with the disruptive effects of the communal violence.

In 1983, agriculture accounted for 24 percent of the real GDP; manufacturing accounted for 13 percent; services, for 55 percent; and construction and mining, for the remainder. Real 1983 GDP growth in agriculture was 5 percent, resulting mostly from increased rice production. The real GDP growth rate in the manufacturing sector in 1983 was less than 1 percent after having grown by an average of 5.3 percent annually during 1978-82 following the economic reforms of 1977. 2/ The poor 1983 performance in manufacturing can be largely attributed to a decline in the processing of tea and coconut, which was reflected in a negative growth rate of 4.6 percent for all tree crop processing. The factory and small industry segment of the manufacturing sector showed a 2.2-percent increase in the growth rate compared with a 9-percent growth rate for the previous year. 3/ The garment industry located in Sri Lanka's free-trade zone contributed to the 2.2-percent growth, as it experienced a 34-percent increase in production.

The Katunayake Investment Processing Zone (KIPZ), the first free-trade zone established in the late 1970's as part of the Government's efforts to encourage export-oriented foreign investments, has been doing well. In 1983, the zone held 66 factories, employing 29,000 workers and yielding \$96 million in gross export earnings. 4/ Garment factories accounted for one-half of total factories located in the zone, 67 percent of employed workers, and 80 percent of the export earnings that year. In 1983, work began on a second industrial zone at Biyagama. The first stage of the zone covers 112 acres, providing for 20 industrial plots.

Several institutions in Sri Lanka are responsible for promoting exports. The Greater Colombo Economic Commission (GCEC), which administers the KIPZ, offers certain incentives to foreign investors who accept 100-percent export obligations and agree to locate in the free-trade zone or another area specified by the GCEC. 5/ These incentives include a tax holiday period covering the imposition, payment, and recovery of income tax assessed on the profits and income of the companies approved by the GCEC and on the income of foreign employees of these companies. Other tax exemptions offered include exemptions from payment of withholding taxes on dividends, on royalties paid to nonresidents or companies, and on import duties assessed on machinery,

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Sri Lanka, November 1983, p. 4.

2/ U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, p. 5. Government of Sri Lanka's response to U.S. Department of Commerce questionnaire on countervailing duty investigation, No. C-542-401, prehearing brief, 1984.

3/ Central Bank of Ceylon, Annual Report, 1983, p.iii.

4/ U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, p. 7.

5/ Government of Sri Lanka's response to U.S. Department of Commerce questionnaire on countervailing duty investigation No. C-542-401, prehearing brief, 1984.

equipment, and materials. Factory sites are available on a commercial basis, and all investors must build their own factories. Investors may be from Sri Lanka or foreigners.

The Foreign Investment Advisory Committee (FIAC) evaluates all applications for foreign investment outside the jurisdiction of the GCEC that do not involve the Government as a local partner. Foreign investment approved by the FIAC must take the form of joint ventures with at least 51-percent Sri Lankan equity participation. No export obligations are placed on firms receiving approval, and no export incentives are offered other than, in certain cases, tax-free treatment for 5 years on export profits.

The Export Development Board (EDB) was established by the Export Development Act No. 40 of May 1979 with the purpose of making exporting more attractive than producing for the local market. <sup>1/</sup> The Board's latest activities were established in an Export Development Grant Scheme in 1983. The scheme allows for companies to apply for grants that will be used in such export-oriented activities as direct investment in increasing production for export, market promotion abroad, and development and training of employees involved in production for export. The EDB administers the Export Development Fund, which was established to finance its operations and programs. The fund received an initial grant from the Government and a supplemental grant in 1983. Otherwise, the fund is financed with a 10-percent tax on imports, where the duty is 50 percent or more, and a 2-percent assessment on traditional exports.

The Local Investment Advisory Committee (LIAC), associated with the Ministry of Textiles, <sup>2/</sup> evaluates investment applications for local firms where foreign investment is not involved but where a firm needs approved status to qualify for Government support or to obtain permission to exceed the limit on imports of machinery. No export incentives are offered other than the ability of the LIAC to classify firms as export oriented with the Ministry of Finance and Planning for tax holiday purposes.

Some of these export programs that apply specifically to producers and exporters of textile mill products and apparel were the subject of a countervailing duty investigation carried out by the U.S. Department of Commerce. On July 20, 1984, the Department of Commerce received a petition from the American Textile Manufacturers Institute, the Amalgamated Clothing and Textile Workers Union, and the International Ladies' Garment Workers Union, alleging that producers and exporters of Sri Lanka's textile mill products and apparel receive benefits that constitute bounties or grants. After the Department of Commerce found the petition contained sufficient grounds, it initiated a countervailing duty investigation on August 9, 1984. On March 12, 1985, Commerce made a final affirmative determination, finding that certain benefits that constitute bounties or grants within the meaning of the countervailing duty law were being provided to Sri Lanka's producers and exporters of textile mill products and apparel. <sup>3/</sup> Commerce determined the estimated net bounty or grant at 5.0 percent ad valorem for certain textile

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<sup>1/</sup> Ibid.

<sup>2/</sup> There are two other LIAC's,--one associated with the Ministry of Industries and Scientific Affairs and the other with the Ministry of Fisheries.

<sup>3/</sup> See 50 Federal Register 9826-9832, Mar. 12, 1984, for more detailed discussion on the history of the investigation and on the programs providing the benefits.

mill products and 3.06 percent ad valorem for apparel. The following programs were found to be providing these benefits: (1) the investment promotion zone, administered by the GCEC; (2) the Export Development Board (this program as well as the investment promotion zone are discussed in more detail in the previous section of this report); (3) the preshipment export refinancing program, which provides exporting firms with short-term working capital loans; (4) two Government programs that rebate import duties and indirect taxes; one applies to textile mill products and one applies to apparel; and (5) export-related corporate tax exemptions for nonzone companies that produce apparel for export not under quota.

### Foreign trade

The trade liberalization policy introduced by the Government of Sri Lanka in 1977 provided the underlying basis for the rapid growth that followed in imports through 1980 and in exports through 1981. Imports rose by more than 190 percent from the 1977 level to just over \$2.0 billion in 1980 before leveling off to an annual average of approximately \$1.9 billion during 1981-83. Exports also increased, however at a slower rate, 44 percent, from \$760 million in 1977 to almost \$1.1 billion in 1981, and remained close to this level in 1982 and 1983. Because of the slower growth in exports, Sri Lanka incurred trade deficits since 1978, as shown in table 82.

Table 82.--Sri Lanka's general imports, exports, and trade balance, 1977-83

(In millions of dollars)							
Item	1977	1978	1979	1980	1981	1982	1983
Trade balance-----	59	-96	-475	-989	-807	-983	-866
Imports <u>1</u> /-----	701	941	1,476	2,053	1,900	2,012	1,928
Exports <u>2</u> /-----	760	845	1,001	1,064	1,093	1,029	1,062

1/ C.i.f.

2/ F.o.b.

Source: External trade statistics, Sri Lanka Customs, compiled from data in Central Bank of Ceylon, Review of the Economy, 1982 and 1983.

Increased imports of petroleum and petroleum products coupled with little or no growth in exports of tea, Sri Lanka's major exported item, continued through 1983. Production of tea, rubber, and coconuts, Sri Lanka's major plantation crops, decreased in recent years owing primarily to low producer margins, insufficient use of fertilizer, and poor management since the nationalization measures of 1972. 1/ In 1981, because of an austerity budget, imports decreased somewhat, and this combined with the slow, but steady, rise

1/ U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, p. 5.

in exports caused a decline in the deficit. <sup>1/</sup> However, the recovery was short lived, and the deficit grew again to over \$980 million in 1982. In 1983, trade showed some improvement because of better prices for tea and the other plantation sector exports, rubber and coconut, and a decline in imports of petroleum and investment goods, mainly ships and aircraft. <sup>2/</sup>

Tea represented slightly over one-third of total exports during 1979-83, and rubber and coconut, approximately 20 percent. The industrial exports, largely petroleum products and apparel, contributed most of the growth that occurred in total exports during the period, as shown in table 83.

Table 83.--Sri Lanka's exports, by items, 1978-83

(In millions of dollars)							
Item	1978	1979	1980	1981	1982	1983	
Agricultural exports:							
Tea-----	410	375	373	335	304	351	
Rubber-----	129	163	157	150	111	121	
Coconut-----	81	111	75	75	72	81	
All other-----	46	58	53	73	72	63	
Subtotal-----	666	707	658	633	559	616	
Industrial exports:							
Petroleum products-----	60	126	189	175	157	114	
Textiles and apparel-----	31	73	110	157	168	201	
All other-----	30	43	52	47	72	59	
Subtotal-----	121	242	351	379	397	374	
All other <sup>1/</sup> -----	57	51	55	81	73	2/ 72	
Grand total-----	844	1,000	1,064	1,093	1,029	1,062	

<sup>1/</sup> Includes minerals, including gems.

<sup>2/</sup> In 1983, gems and jewelry accounted for over 50 percent of this category.

Source: Compiled from data in Central Bank of Ceylon, Review of the Economy, 1982 and 1983.

Exports of processed petroleum products, consisting largely of aviation and bunker fuels and naphtha, increased by over 200 percent from 1978 to 1980 before decreasing by 40 percent to \$114 million, in 1983. Exports of textiles and apparel increased by 548 percent, from the 1978 level of \$31 million to \$201 million in 1983, making it the second largest exported item beginning in 1982, and representing 19 percent of total exports in 1983. Although apparel is a major export product as are petroleum products, nearly 70 to 80 percent of its value has been estimated to be of imported content. <sup>3/</sup>

<sup>1/</sup> U.S. Department of Commerce, Overseas Business Report: Marketing in Sri Lanka, November 1982, p. 4.

<sup>2/</sup> U.S. Department of State, Economic Trends Report-Sri Lanka, June 8, 1984, p. 12.

<sup>3/</sup> "Unprecedented Imports and Deteriorating Terms of Trade," Economic Review, (Colombo, Sri Lanka), May 1981, p. 18.

The principal foreign market for Sri Lanka's exports has been the United States since 1978, when the United Kingdom was the major market. In 1982, apparel accounted for almost three-fourths of Sri Lanka's exports to the United States, and tea was the second major exported product.

Petroleum and petroleum products are the major items imported, accounting for over 23 percent of total imports since 1980. One-time purchases of ships and aircraft are reflected in the increased imports of transport equipment in 1982. Boilers, machinery, appliances, motor vehicles, and basic foods (such as sugar, wheat, and rice) along with textiles are also significant imports. Imports of textiles and textile products accounted for 6 percent of total imports in 1983. Sri Lanka's imports, by product categories, are shown in table 84.

Table 84.--Sri Lanka's imports, by major categories, 1978-83

(In millions of dollars)						
Item	1978	1979	1980	1981	1982	1983
Petroleum-----	154	256	489	517	589	467
Transport equipment---	63	106	146	116	265	162
Machinery and equip- ment-----	118	190	255	201	190	223
Textiles and textile materials-----	34	101	104	121	104	115
All Other <sup>1/</sup> -----	572	823	1,059	945	864	961
Total-----	941	1,476	2,053	1,900	2,012	1,928

<sup>1/</sup> Major items included in this category are sugar, wheat, rice, chemicals, and fertilizer.

Source: Compiled from data in Central Bank of Ceylon, Review of the Economy, 1982 and 1983.

Japan was the major supplier of Sri Lanka's imports during 1978-80 and again in 1982, providing investment and intermediate goods, such as machinery, equipment, fertilizer, electrical goods, and appliances. Saudi Arabia was the second largest supplier in 1982 and the major supplier in 1981 with its exports of petroleum. Iran became the third largest supplier in 1982 because of its increased shipments of oil. The United Kingdom was the fourth largest supplier in 1982, and the United States was fifth, each providing 6 percent of the total. Major U.S. exports to Sri Lanka include wheat, aircraft parts, and construction equipment.

#### The Textile and Apparel Industries

The textile and apparel industries continue to occupy an important position in Sri Lanka's economy, providing an estimated 18 percent of the country's total value of industrial production in 1983 and employing between 200,000 and 220,000 persons, approximately 3.5 to 4.0 percent of Sri Lanka's

total work force. 1/ In 1983, textile and apparel exports, mostly apparel, were the second largest exported products, accounting for 19 percent of total exports.

### Structure

Sri Lanka's textile industry remains divided into the Government or public sector mills, which produce mainly cotton yarn and fabrics, and the private sector mills, which also produce some cotton textiles and most of the country's synthetic textiles. The public sector consists of two spinning mills and four integrated spinning and weaving mills, with five of these mills being managed by outside contractors. 2/ The public sector is currently equipped with 84 percent of the industry's total number of spindles and approximately 37 percent of the total number of looms. 3/ The private sector consists of 2 cotton spinning mills, 98 cotton and synthetic weaving and finishing mills, and 14 knitting mills. The industry is fairly concentrated, with 30 of the fabric manufacturers accounting for more than 80 percent of domestic capacity. 4/

A productive hand-loom industry, supported by the Government's Department of Small Industries, also exists and has grown from 2 production centers in the early 1960's to 72 design and production centers, equipped with over 2,000 looms and employing 3,000 persons. 5/ The Department emphasizes high-quality production, and its primary goal is to provide employment and to generate expertise and artistic creativity, rather than obtaining profit. The Department also supervises many small, cottage enterprises. Including the looms located in the cottage industry, the country is equipped with approximately 110,000 handlooms. The largest purchasers of these handloomed products are tourist hotels. Some handloomed products are being exported. One of the major markets is Norway, where handloomed products shipped from Sri Lanka totaled \$112,000 in 1982-83. 6/

Although Sri Lanka's textile industry is improving its capabilities, its output is used primarily in apparel for domestic consumption. Fabric used in apparel for export is almost entirely imported to satisfy the need for higher quality and greater diversity. The Government, through its Department of Textile Industries, has been actively promoting improvements primarily because backward integration of the textile/garment industry would benefit the economy. According to the Central Bank of Ceylon, in 1981, the value added in the KIPZ (the free-trade zone) garment industry was estimated as low as 10 percent, because virtually all the raw materials had to be imported. The value added in the garment industry outside the zone was estimated at

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1/ U.S. Department of State, Textile and Garment Industry in Sri Lanka, Feb. 7, 1983, p. 1.

2/ Government of Sri Lanka's response to U.S. Department of Commerce questionnaire on countervailing duty investigation No. C-542-401, prehearing brief, 1984.

3/ Ibid.

4/ U.S. Embassy, Colombo, Textile and Garment Industry in Sri Lanka, February 1983, p. 2.

5/ "Art Reborn," Textile Asia, June 1984, p. 110.

6/ "Sri Lanka, Against the Odds," Textile Asia, June 1984, p. 107.

20 percent compared with 26 percent for all industrial production. 1/ The Government has been developing technical and managerial expertise by establishing a textile training and service center and adding textile technology programs to the curriculum at some of the major universities. The industry has also brought in foreign managing partners from time to time to help improve productivity and quality. 2/ According to the Government, the textile industry has reached self-sufficiency for local consumption, and the Government placed a ban on textile imports for home consumption in early 1983. 3/

Sri Lanka has one of the lowest wage rates for spinning and weaving employees in the world. In the spring of 1984, the total hourly compensation for operators in this industry totaled \$0.28. This compares with \$1.89 per hour paid in Korea, \$1.65 per hour paid in Hong Kong, and \$1.64 per hour paid in Taiwan. 4/

Sri Lanka's apparel industry produced largely for the domestic market from the mid-1950's through the 1960's. The rapid growth of the industry began in 1972, when the Government adopted an export-oriented approach to restructure the country's pattern of industrial growth. The Government's trade liberalization policy in 1977 further aided the industry by relaxing restrictions on imported fabrics.

The apparel industry was the fastest growing industry in Sri Lanka between 1978 and 1980. 5/ The industry has continued to grow, from approximately 100 export-oriented firms in 1981 to approximately 140 firms in 1983. 6/ The number of garment manufacturers in the KIPZ increased from 26 in 1982 to over 30 in 1983, and the number of employees engaged in apparel production in the zone increased from approximately 18,850 in 1982 to approximately 22,400 in 1983. 7/ Although new garment manufacturers in the zone continue to be approved, the GCEC has been encouraging diversification into other product areas, such as rubber products, tea packaging, and electrical appliances. 8/ In 1982, 3 out of 15 investment approvals by the GCEC were for apparel and leather factories. In 1983, only one out of 13 approvals was for apparel manufacturing. 9/ This slowdown in investment approvals, however, is not apparent in investment approvals by the FIAC and the LIAC. In 1983, 16 approvals were granted for apparel and leather product

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1/ U.S. Department of State, "Textile and Garment Industry in Sri Lanka," Feb. 7, 1982, p. 5.

2/ "Centre for Development," Textile Asia, March 1984, p. 15.

3/ "Indefinite Import Ban Imposed by Sri Lanka," Textile Month, Manchester, United Kingdom, March 1983, p. 13. This ban does not apply to fabrics used in apparel made for export.

4/ Werner International Management Consultants, Inc., Spinning and Weaving Labour Cost Comparisons, Spring 1984, New York and Brussels.

5/ "Ready-made Garments Development Beyond Control," Economic Review, (Colombo, Sri Lanka), vol. 6, No. 5, August 1980, p. 18.

6/ Government of Sri Lanka's response to U.S. Department of Commerce questionnaire on countervailing duty investigation No. C-542-401, prehearing brief 1984.

7/ Central Bank of Ceylon, Review of the Economy, 1983, p. 63.

8/ Central Bank of Ceylon, Annual Report, 1983, p. 41.

9/ Ibid., table 13.

factories by the FIAC compared with 12 approvals in 1982. 1/ The LIAC granted 47 approvals for apparel manufacturing in 1983 compared with 43 approvals in 1982. 2/

Apparel firms in the KIPZ tend to be large, with some employing about 2,000 workers, 3/ and export mainly to the U.S. market, but those outside the zone export mainly to the EC market. 4/ However, about 40 percent of the shipments exported by firms located outside the KIPZ also go to the United States. These firms obtained most of the quotas for the EC before the inception of the KIPZ. Consequently, KIPZ firms were given first choice for the U.S. quotas.

The quality of Sri Lankan apparel exports has improved, 5/ and currently, many apparel manufacturers, especially those in the free-trade zone, are producing high-quality, branded apparel. 6/ The quality and styling of these garments is comparable with those produced in the Republic of Korea (Korea) and Hong Kong. 7/

Sri Lanka's apparel wage rates are extremely low, \$0.13-0.27 per hour, 8/ plus social security, 9/ compared with hourly compensation rates in Korea of \$1.79 and in Hong Kong of \$1.46. 10/ Consequently, Sri Lanka's apparel manufacturers can afford to utilize more hand labor and basic machinery and invest less in automation. 11/

Foreign investment and ownership is prevalent in the industry. Foreign investors, many from Hong Kong, and also Korea, Taiwan, India, the United States, the United Kingdom, West Germany, and other European countries, are offered more privileges inside the KIPZ than outside. Many of the newer foreign investors include Asian firms, some of which moved their manufacturing operations to Sri Lanka after their quotas were filled on their exports to the United States and the EC. 12/

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1/ Ibid., table 14.

2/ Ibid.

3/ "Island of Hope," Textile Asia, June 1984, p. 22

4/ U.S. Department of State, Textile and Garment Industry in Sri Lanka, Feb. 7, 1983, p. 3.

5/ "Island of Hope," Textile Asia, June 1984, p. 22

6/ U.S. Department of State, Textile and Garment Industry in Sri Lanka, Feb. 7, 1983, p. 2.

7/ "No Admittance," Textile Asia, July 1983, p. 77.

8/ This figure includes overtime.

9/ U.S. Department of State, Textile and Garment Industry in Sri Lanka, Feb. 7, 1983, p. 3.

10/ U.S. Department of Labor, Bureau of Labor Statistics, Hourly Compensation Costs for Production Workers in Apparel and Other Textile Products Manufacturing, April 1984, unpublished data.

11/ "Island of Hope," Textiles Asia, June 1984, p. 22.

12/ "Ill fitting Quotas," Textile Asia, January 1983, p. 62.

Production and capacity

Overall production of textiles, wearing apparel, and leather production increased by 638 percent from 1977 to 1983, as shown in the following tabulation: 1/

<u>Year</u>	<u>Production index</u> (1975=100)
1977-----	78
1978-----	113
1979-----	126
1980-----	216
1981-----	341
1982-----	433
1983-----	576

The value of production of textiles and apparel increased from almost 10 percent of Sri Lanka's total industrial production in 1977 to 18 percent in 1983. 2/ Most of the increase reflected the growth in production of apparel for export. The value of apparel exports grew from \$14.4 million in 1977 to \$211.8 million in 1983 (table X-2).

The annual production growth rates for these products are shown in the following tabulation: 3/

<u>Year</u>	<u>Annual growth rate</u> (percent)
1978-----	45
1979-----	12
1980-----	71
1981-----	58
1982-----	27
1983-----	33

The decrease in the growth rate in 1981 and 1982 is attributed to increased restrictions placed on Sri Lanka's apparel exports to the United States, the recessions in the EC and the United States, and the Sri Lankan Government's decrease in approvals for new apparel firms in the KIPZ.

The increased production in 1983 occurred in spite of the ethnic disturbances of July and August. The textile and apparel industry experienced more damage than any of the other industrial sectors, with 5 textile-manufacturing and finishing plants and 16 apparel factories being destroyed

1/ The production index was developed from the overall value of production of textiles, wearing apparel, and leather products as reported by the Central Bank of Ceylon in terms of rupees. All of the following years were converted to an index by dividing the 1975 value into the value of each year.

2/ Central Bank of Ceylon, Annual Report, 1983, table 12.

3/ The annual percentage growth rates are based on the above production index.

and 4 other apparel factories being damaged. 1/ The apparel industry was able to meet the increased demand occurring in its major markets as the worldwide recession subsided in 1983 by making use of underutilized capacity existing in the undamaged factories. 2/

Most of Sri Lanka's apparel firms manufacture shirts, blouses, and coats, and many have diversified and are also producing sweaters, jackets, dresses, skirts, and trousers. 3/ The industry is aware that in order for firms to increase their sales, they need to continue to diversify into nonquota items, invest in new equipment suitable to changing product lines, upgrade management techniques, and continue to upgrade their product mix away from the basic goods. 4/

Textile production contributed only a small part in the overall increase in the production index for textiles, apparel, and leather products. Production of cotton and synthetic fabrics increased from 76.6 million yards in 1981 to 97.3 million yards in 1982. 5/

Performance in 1983 by the textile industry was estimated to be above 1981 levels but slightly below 1982 levels. 6/ Production of yarn was estimated at approximately 19 million pounds in 1983, and of cotton cloth, at 125 million yards. 7/ The 1983 target for cotton yarn production was approximately 29 million pounds, and for cotton cloth, production totaled 187 million yards. Production of synthetic textiles declined to 28 million yards in 1983 from 31 million yards in 1982. 8/ The ethnic violence was cited as a factor in the decreased production levels.

Data on production by the National Textile Corporation which produces mostly cotton textiles, for 1979-82 show a decline in production in 1980 followed by a substantial increase in 1982. These production levels are shown in table 85. 9/

Table 85.--Production by the National Textiles Corporation, 1979-83

Item	1979	1980	1981	1982	1983 <u>1/</u>
Yarn-----tons----	6,886	4,015	6,866	8,365	7,680
Cloth-----thousand yards--	19,520	13,783	22,434	33,005	22,854
Finishing-----do-----	20,061	12,684	20,910	23,360	29,325

1/ Provisional.

Source: Compiled from data in Central Bank of Ceylon, Review of the Economy, 1983.

1/ "Sri Lanka: Against the Odds," Textile Asia, June 1984, p. 107.

2/ Central Bank of Ceylon, Annual Report, 1983, pp. 34 and 35.

3/ U.S. Department of State, Textile and Apparel Industry in Sri Lanka, Feb. 7, 1983, p. 3.

4/ Ibid., p. 4.

5/ "Capacity Is There," Textile Asia, July 1983, p. 86.

6/ "Sri Lanka, Against the Odds," Textile Asia, June 1984, p. 107.

7/ Ibid.

8/ Ibid.

9/ Central Bank of Ceylon, Review of the Economy, 1982, table 28. These products are included in the production levels stated previously.

Production in 1983 by all of Sri Lanka's public sector textile and apparel mills, including the National Textile Corporation, is estimated to have declined in 1983, as shown in the following Public Sector Major Industry Output Index, published by the Central Bank of Ceylon (1977=100): 1/

Category	1981	1982	1983 <u>1/</u>
Textiles, wearing apparel, and leather products.	118.3	135.7	127.0

1/ Provisional.

The domestic industry has the capacity to meet local demand. In 1983, the textile industry had a capacity of 214 million yards, and local demand totaled almost 182 million yards. With decreased production levels, the industry is, reportedly, supplying local demand with a combination of production and unsold stock, which totaled 49 million yards at the end of 1982. 2/

The private sector yarn-spinning segment of the textile industry showed significant improvements in productivity and reportedly has met the demands of the handloom industry. 3/ The 1982 projected production level for cotton and blended yarn was 32.9 million pounds. 4/ Both domestic raw cotton and manmade-fiber production is small, and most of the cotton and manmade fiber needed by the industry is imported. Production of manmade fibers, consisting only of noncellulosic fibers, totaled 2.2 million pounds in 1982, 5/ and imports of manmade fibers totaled 9.6 million pounds.

Capacity utilization in the textiles, apparel, and leather products industries has been steadily increasing, from a low of 55 percent in 1977 to an estimated 98 percent in 1983. 6/

### Plants and equipment

Sri Lanka's textile industry has one of the lowest spinning and weaving capacities of the major Southeast Asian textile and apparel producing

1/ Central Bank of Ceylon, Annual Report, 1983, p. 40.

2/ "Capacity Is There," Textile Asia, July 1983, p. 86.

3/ "Yarn Output Up," Textile Asia, vol. 14, No. 8, August 1983, p. 147.

4/ U.S. Department of State, Textile and Apparel Industry in Sri Lanka, Feb. 7, 1983, p. 7.

5/ Textile Economics Bureau, Inc, Textile Organon, vol. 55, No. 1, January 1984, p. 11.

6/ Central Bank of Ceylon, Review of Economy, 1983, table 25. This figure excludes those firms manufacturing these products in the KIPZ. A trade source reported that apparel production in the KIPZ was running at approximately 70 percent of capacity.

countries. 1/ In 1981, Sri Lanka's textile industry had an installed spinning capacity of 275,000 spindles, which was considerably less than Hong Kong's 1981 spinning capacity of 649,200 spindles and Korea's 5.0 million spindles. 2/ Since 1981, Sri Lanka increased its spinning capacity to approximately 300,000 spindles. 3/ Sri Lanka's weaving capacity in 1981 was 8,700 looms, of which 125 were shuttleless. This was also considerably less than Hong Kong's 1981 installed weaving capacity of 23,000 looms, 3,900 of which were shuttleless, and Korea's weaving capacity of almost 191,000 looms, of which 1,500 were shuttleless. 4/ Sri Lanka has increased its weaving capacity to 12,000 looms since 1981. 5/ The Government is continuing its modernization plan for the industry with the Wellawatte Spinning & Weaving Mills, the first in Sri Lanka and dating back to 1888, to be replaced with a new plant equipped with modern machinery. High-quality textiles, especially synthetics, will be produced in the new mill. 6/

### Trade in Textiles and Apparel

#### Imports, exports, and the trade balance

The trade liberalization policy of 1977 combined with the Government's priority to establish the export-oriented apparel industry provided the impetus for the rapid growth that occurred in both imports and exports of textiles and apparel, as shown in table 86. Exports of textile fibers, textiles, and apparel grew rapidly from \$24.9 million in 1976 to \$236.8 million in 1983, with virtually all the growth generated by apparel shipments. Imports of textile fibers, textiles, and apparel, consisting largely of textile fabrics, increased from \$34.1 million in 1976 to \$149.5 million in 1979 before declining to \$140.5 million in 1980. Imports rose again in 1981 to \$165.5 million and then declined to \$153.0 million in 1983. Part of this growth reflected increased demand for textile fibers as Sri Lanka's yarn industry expanded and improved productivity; however, most of the growth reflected increased fabrics imported by the export-oriented apparel industry.

Sri Lanka experienced trade deficits from 1976 to 1979 resulting from the export-oriented apparel industry's dependency on imported fabrics and, to a lesser extent, the domestic textile industry's inability to meet local demand. In 1980, when imports declined and exports of apparel continued to grow rapidly, Sri Lanka enjoyed a favorable balance of trade and continued to have positive trade balances through 1983 as the increase in apparel exports surpassed the increase in imports.

Because of the export-oriented apparel industry's dependency on imported fabrics, the trend in fabric imports closely followed the trend in apparel

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1/ These countries include Singapore, Hong Kong, Thailand, the Philippines, Indonesia, Korea, and Taiwan.

2/ International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, vol. 3, 1982, p. 22.

3/ "Centre for Development," Textile Asia, March 1984, p. 15.

4/ International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, vol. 3, 1982, p. 22.

5/ "Centre for Development," Textile Asia, March 1984, p. 15.

6/ "New Mill for Old," Textile Asia, vol. 14, No. 1, January 1983, p. 62.

Table 86.--Textile fibers, textiles, and apparel: 1/ Sri Lanka's imports, 2/ exports, 3/  
and trade balances, 1976-82

Item	1976	1977	1978	1979	1980	1981	1982	1983
(In thousands of dollars)								
<b>Imports:</b>								
Textile fibers	9,504	10,153	20,660	19,259	10,679	13,272	17,324	12,127
Textiles	24,262	43,483	57,254	129,572	128,537	149,285	138,909	137,487
Apparel	375	132	173	715	1,318	2,988	3,484	3,402
Total	34,141	53,768	78,087	149,546	140,534	165,545	159,717	153,016
<b>Exports:</b>								
Textile fibers	16,143	20,844	21,628	25,735	31,577	24,689	24,870	19,192
Textiles	1,966	1,753	13,069	4,852	5,243	6,712	6,589	5,869
Apparel	6,794	14,415	27,075	74,725	126,572	157,440	174,950	211,787
Total	24,903	37,012	61,772	105,312	163,392	188,841	206,409	236,848
<b>Trade balance:</b>								
Textile fibers	6,639	10,691	968	6,476	20,898	11,417	7,546	7,065
Textiles	-22,296	-41,730	-44,185	-124,720	-123,294	-142,573	-132,320	-131,618
Apparel	6,419	14,283	26,902	74,010	125,254	154,452	171,466	208,385
Grand total	-9,238	-16,756	-16,315	-44,234	22,858	23,296	46,692	83,832

1/ Includes textile fibers classified under Standard International Trade Classification (SITC) 26; textiles, SITC 65; and apparel, SITC 84.

2/ C.i.f. imports for 1976-82 are compiled from Sri Lanka's reported imports to the United Nations. Imports for 1983 are estimated by the staff of the United States International Trade Commission based on the world's exports to Sri Lanka as reported to the United Nations. The 1983 import data may be slightly understated as not all suppliers of Sri Lanka imports have reported their 1983 data to the United Nations.

3/ Because Sri Lanka has not reported its 1983 trade data to the United Nations, Sri Lanka's export data for 1976-83 are compiled using world's imports from Sri Lanka. Because virtually all of Sri Lanka's major markets reported their trade data to the United Nations during 1976-83, these figures are very close to Sri Lanka's reported exports.

Source: Compiled from United Nations data.

exports; as apparel exports grew rapidly from 1976 to 1980 and 1981, so did fabric imports, and when the growth in apparel exports began to slow in 1982, fabric imports declined, as shown in table 87. Some of the decline in fabric imports in 1982 and 1983 also reflected reduced imports of fabrics destined for local consumption.

Cotton and synthetic woven fabrics accounted for 81 percent of all imported fabrics during 1976-82. Imports of woven cotton fabrics grew steadily from \$2.4 million in 1976 to \$47.5 million in 1981 before declining to \$38.3 million in 1982. Imports of synthetic woven fabrics grew slowly from \$4.1 million in 1976 to \$16.9 million in 1979 and then increased sharply in 1980 to \$53.2 million and \$59.5 million in 1981, before declining to \$52.2 million in 1982. This increase reflected diversification by apparel producers into woven manmade-fiber apparel products. Imports of knitted fabrics also increased in 1980-82, however, from a much smaller base, reflecting further product diversification by the apparel industry.

Textiles for local consumption were imported only by Salu Sala, (the Sri Lanka State Trading Corporation run under the Ministry of Trade), which has the role of purchasing, storing, and distributing textiles. Textiles imported by Salu Sala have declined over the years from the high level in 1979, when the effects of the 1977 trade liberalization policy were evident. Salu Sala's imports are shown in the following tabulation: 1/

<u>Year</u>	<u>Imports</u> <u>(millions yards)</u>
1979-----	85.3
1980-----	27.3
1981-----	5.8
1982-----	<u>1/</u> 14.2

1/ Data for 1982 include balances unshipped in earlier years, as well as imports.

The rapid increase in imports in 1979 left Salu Sala with an excess of certain types of piece goods and threatened the domestic industry. Consequently, in July 1979, the Government increased the import duty on piecegoods from approximately (\$0.02) a yard to 35 percent ad valorem and allowed public sector mills to sell directly to consumers rather than going through Salu Sala. From then until 1983, with the improvements made in the domestic textile industry, Salu Sala was authorized to import only enough fabrics to fill the gap between local production and consumer demand. In 1983, a ban was placed on imported fabrics destined for local consumption. 2/

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1/ "Sri Lanka: Salutory Sales," Textile Asia, vol. 14, No. 7, July 1983 p. 86.

2/ "Indefinite Import Ban Imposed by Sri Lanka," Textile Month, Manchester, United Kingdom, March 1983, p. 13.

Table 87.---Textile fabrics: Sri Lankan imports, by fiber types, 1976-82.

Item	(In thousands of dollars)									
	1976	1977	1978	1979	1980	1981	1982			
Woven cotton fabrics	2,441	14,448	21,346	35,248	43,560	47,488	38,253			
Woven synthetic fabrics	4,064	3,318	7,288	16,870	53,153	59,483	52,196			
Woven wool fabrics	4	8	38	787	206	652	76			
Woven silk fabrics	-	2	229	1,644	11	30	145			
Woven linen, ramie, or hemp fabrics.	-	5	65	-	24	-	10			
Woven jute fabrics	14	39	57	151	50	93	61			
Woven fabrics of re- generated fibers. 1/	78	571	7,746	45,848	565	870	587			
Woven fabrics of glass fibers.	6	14	-	-	77	40	24			
Woven fabrics, n.e.s.	2	3	-	-	88	206	467			
Knit fabrics	130	108	163	1,187	3,955	9,862	7,495			
Total	6,739	18,516	36,932	101,735	101,689	118,724	99,314			

1/ Includes fibers such as rayon and acetate.

Source: Compiled from United Nations data.

Imports of manmade fibers increased by 14 percent, from 8.4 million pounds in 1981 to 9.6 million pounds in 1982. 1/ Raw-cotton imports declined from 50,000 bales in the crop year 1978/79 to an estimated 35,000 bales in 1983/84. 2/

Japan, Hong Kong, Korea, China, and Taiwan are the leading suppliers of cotton and synthetic fabrics. Pakistan, Turkey, Korea, and Japan are the leading suppliers of textile fibers.

### Principal exported products

Total exports of textiles and apparel, excluding textile fibers, increased from \$8.8 million in 1976 to \$79.6 million in 1979 and then increased to \$217.7 million in 1983 (see tables X-1 and X-2). The rate of growth in these exports declined each year since 1978, and by 1982, the increase slowed to 11 percent. In 1983, the rate of growth picked up again to 20 percent. The slower growth rates in 1981 and especially 1982 are attributed largely to the recession in the U.S. and EC markets. 3/ In 1984, growth accelerated again, at least to the U.S. market.

Apparel shipments generated virtually all of the increased exports, accounting for 98 percent of the growth during 1976-83. Women's woven outer garments were the largest product group exported, and men's woven outer garments were the second largest (table X-3). Specific apparel items exported included shirts, blouses, jackets, dresses, skirts, and trousers.

### Major markets

Virtually all of Sri Lanka's exports of textiles and apparel are shipped to developed countries, with the United States being its principal market and the EC second (table X-1). In 1978, Sri Lanka's shipments to the United States totaled \$12.7 million and accounted for 32 percent of total exports. By 1983, the value of exports shipped to the United States increased to \$141.0 million and accounted for 65 percent of the total. Sri Lanka's shipments to the EC totaled almost \$62.8 million in 1983 and accounted for 29 percent of the total. West Germany was the EC's largest major market, with exports valued at almost \$33.0 million in 1983 (table X-2). Textile and apparel exports to developing countries were valued at \$2.3 million in 1983, 1 percent of the total.

### MFA constraints

The restrictions placed on Sri Lanka's apparel exports to the United States and the EC, where approximately 90 percent of the value of Sri Lanka's apparel exports was shipped in 1983, along with the economic recession in

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1/ Textiles Economics Bureau, Inc., Textile Organon, vol. 55, No. 1, January 1984, p. 11.

2/ International Cotton Advisory Council, Cotton-World Statistics, vol. 37, No. 12 (part III), July 1984, p. 28.

3/ U.S. Department of State, Textile and Garment Industry in Sri Lanka, Feb. 7, 1983, p. 3.

these markets contributed to the decrease in the overall rapid growth that occurred prior to 1980. During the second year of the first United States-Sri Lanka textile agreement negotiated under the Multifiber Arrangement (MFA), which was effective from May 1, 1980, through April 30, 1983, quotas were placed on eight apparel categories. Quotas on these items were from 86 to 100 percent filled (table X-7). During the third agreement year, May 1, 1982-April 30, 1983, specific limits were added on wool sweaters (table X-8). During this agreement year, the quotas on cotton gloves, women's cotton coats and trousers, wool sweaters, and cotton woven shirts were filled or nearly filled. The quotas appeared to have encouraged diversification in the industry, and in 1982 and 1983, Sri Lankan apparel firms increased their shipments of nonquota products, mostly of manmade fibers. Subsequently, the United States placed specific limits on six additional categories (all made from manmade fibers)--gloves, men's coats, woven shirts, trousers, women's coats, and men's and women's sweaters (table X-9).

During the first agreement year, May 1, 1983-April 30, 1984, of the most recently negotiated agreement with Sri Lanka, 10 of the quotas were over 90 percent filled, with 2 being 100 percent filled (table X-9). The categories that filled their quotas were women's woven cotton blouses and wool sweaters. In addition, the quota on women's cotton trousers was 99.8 percent filled. The quotas on the remaining seven restricted categories ranged from 48.7 percent filled for men's manmade-fiber woven shirts to 83 percent filled for manmade-fiber sweaters.

The most recent agreement negotiated between Sri Lanka and the United States, is effective from May 1, 1983, through May 31, 1988. The specific limits negotiated for the 5 agreement years are shown in table 88. Flexibility provisions of the agreement provide that specific limits may be exceeded each year by not more than 6 percent (5 percent for wool categories) as long as the increase is compensated for by an equivalent decrease in one or more of the specific limits. In addition, any limit could be exceeded by up to 11 percent through carryover and carryforward, with a 6-percent limit on carryforward.

The agreement also provides that in the event the United States believes that exports from Sri Lanka, not covered by specific limits, increase to the extent that they threaten or cause market disruption or impede orderly trade between the two countries, consultations may be requested. If no agreement can be reached, the United States may establish specific limits for the duration of the agreement.

U.S. textile and apparel imports from Sri Lanka covered by MFA categories increased by 58 percent, in terms of quantity, from 42.5 million square yard equivalents (SYE) in 1980 to 67.3 million SYE in 1983, and then accelerated in 1984 by 72 percent, to 115.7 million SYE (table X-4-X-6). A large part of the growth in 1984 occurred in product categories subject to quotas, particularly cotton dresses (category 336), 1/ manmade-fiber sweaters (category 646), cotton men's shirts (category 340), and cotton trousers and pants (categories 347 and 348). 2/ Sri Lanka utilized the flexibility provisions provided for in the United States-Sri Lanka textile agreement.

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1/ This category was placed under quota as of Apr. 30, 1984.

2/ U.S. Department of Commerce, Textile and Apparel Import Analysis, January-November 1984, Jan. 7, 1985, p. 4.

Table 88.--Specific limits negotiated in the United States-Sri Lanka agreement under the MFA, May 1983-May 1988

MFA category	Description	Units	Limits					
			May 1, 1983- May 31, 1984 1/	June 1, 1984-May 31, 1985	June 1, 1985-May 31, 1986	June 1, 1986-May 31, 1987	June 1, 1987-May 31, 1988	
331	Cotton gloves-----	Doz. pr.	928,991	908,982	963,521	1,021,332	1,082,612	
334	Cotton coats, men's and boys' (except suit-type).	-----do-----	181,085	177,184	187,815	199,084	211,029	
335	Cotton coats, women's, girls', and infants'.	-----do-----	132,713	129,854	137,645	145,904	154,658	
340	Cotton not knit shirts, men's and boys'.	-----do-----	477,519	467,234	495,268	524,984	556,483	
341	Cotton not knit blouses, women's, girls', and infants.	-----do-----	477,766	467,476	495,524	525,256	556,771	
347	Cotton trousers, men's and boys'-----	-----do-----	357,971	350,261	371,277	393,553	417,167	
348	Cotton trousers, women's, girls', and infants'.	-----do-----	265,426	259,710	275,292	291,810	309,318	
445/446	Wool sweaters-----	-----do-----	97,863	91,238	92,151	93,072	94,003	
631	Manmade-fiber gloves-----	Doz. prs.	281,667	275,600	292,136	309,664	328,244	
634	Manmade-fiber coats, (except suit-type), men's and boys'.	-----do-----	108,333	106,000	112,360	119,102	126,248	
635	Manmade-fiber coats, women's, girls', and infants'.	-----do-----	178,750	174,900	185,394	196,518	208,309	
640	Manmade-fiber not knit shirts, men's and boys'.	-----do-----	93,147	91,141	96,609	102,406	108,550	
641	Manmade-fiber not knit blouses, women's, girls', and infants'.	-----do-----	477,766	467,476	495,524	525,256	556,771	
645/646	Manmade-fiber sweaters-----	-----do-----	97,500	95,400	101,124	107,191	113,623	
648	Manmade-fiber trousers, women's, girls', and infants'.	-----do-----	162,500	159,000	168,540	178,652	189,372	

1/ These limits cover a 13-month period. Therefore, the limits for the first agreement year are larger than those for the succeeding years. The succeeding agreement years are for 12-month periods.

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

In addition to increases in quota items, imports of certain Sri Lankan apparel, not covered by specific limits, showed increases of over 50 percent, in terms of SYEs, from 1982 to 1983. Cotton imports showing increases during this period were dresses and knit blouses, which became subject to quotas as of April 30, 1984, and cotton sweaters and terry and other pile towels (table X-4). Imports of wool skirts and women's wool suits, not covered by specific limits, increased over 50 percent from 1982 to 1983, although from small bases (table X-5). Manmade-fiber textile product categories, not subject to specific limits, with increases during this period were dresses, knit blouses, skirts, and women's suits (table X-6).

The EC had limits on six apparel categories during 1979-82, covering Sri Lankan shipments of men's woven shirts, women's blouses, trousers, jerseys, pullovers and T-shirts. 1/ Only one quota was filled over 90 percent each year during 1979, 1980, and 1982, and in 1981, quotas on two categories were over 90 percent filled. The following tabulation shows the percentage of the EC's total apparel trade with Sri Lanka which was covered by quotas: 2/

<u>Year</u>	<u>Share (percent)</u>
1979-----	43.8
1980-----	41.9
1981-----	77.9
1982-----	49.4

#### Export Potential

Sri Lanka will most likely continue to expand its apparel exports during the next 5 years. Growth in Sri Lanka's textile and apparel exports moderated during 1980-83 since the rapid growth that occurred during 1976-80. However, growth is estimated to have accelerated in 1984, at least to the U.S. market. Sri Lanka's exports increased more than 14 times, from \$8.8 million in 1976 to \$131.8 million in 1980, and then increased by 65 percent to \$217.7 million in 1983.

The United States is Sri Lanka's major market for apparel and accounted for 60 percent of total Sri Lankan exports during 1980-83. Approximately three-quarters of total exports shipped to the United States during this period were covered by quotas. The number of quotas on imports from Sri Lanka grew from 8 in 1981 to 17 in 1983, as shown in table 89.

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1/ "Hopes vs. Quotas," Textile Asia, pp. 105-106.

2/ General Agreement on Tariffs and Trade, Textiles and Clothing in the World Economy, Spec (84) 24, May 4, 1984.

Table 89.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Sri Lanka subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories subject to specific limits	U.S. imports not subject to specific limits <sup>1/</sup>	Number of non quota MFA categories having U.S. imports
	<u>SYE</u>		<u>SYE</u>	
1981-----	34,407,138	8	12,823,583	32
1982-----	40,313,708	11	18,332,064	36
1983-----	57,747,474	17	9,560,446	32

<sup>1/</sup> Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraint are not included.

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

In spite of these limitations, Sri Lanka has steadily increased its exports to the U.S. market. Its apparel industry has shown its ability to diversify into nonquota categories as it did in 1982, when it increased shipments of manmade-fiber apparel to the United States. In addition, the quotas have increased each year by 6 percent, and further expansion has been made possible through the use of flexibility provisions provided for in the textile agreement with the United States. U.S. imports covered under MFA categories increased by 58 percent, in terms of SYE, from 1980-83 and then rose rapidly in 1984, by 72 percent, to 115.7 million SYE. Sri Lanka used flexibility provisions to achieve this high growth rate in 1984, as a large part of the 1984 increase occurred in product categories covered by quotas.

Opportunity for growth also exists in the EC market, where six apparel categories were restricted in 1983; less than 50 percent of Sri Lanka's shipments to the EC were covered by quotas in 1982.

Because of the high import content in Sri Lanka's exported apparel, the Government has been attempting to reduce the country's dependence on apparel production by discouraging the establishment of new firms in the free-trade zone, where 80 percent of total export earnings in 1983 consisted of apparel. However, the Government, well aware of the benefits to the country if its textile industry were able to provide the export-oriented apparel industry with quality fabrics, has been actively promoting its further development. It has been building new mills, modernizing existing mills, and developing technical and managerial expertise to improve product quality and increase productivity.

Thus, the textile and apparel sector will remain an important segment in Sri Lanka's economy and will play a vital role in the Government's efforts to control the country's unemployment, which reached 17 percent in 1983, and provide stability to its free-trade zone. Moreover, with labor costs among the lowest of the apparel-producing countries, Sri Lanka continues to have a significant cost advantage in the world marketplace.

Table X-1.--Textiles and apparel: Sri Lankan exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
iles:								
veloping								
Big Three...	3		7	95	367	1,415	484	707
Other Asia...	744	622	271	1,102	784	1,310	1,597	1,033
Other								
developing:	2	2/	2/	2/	180	30	34	2/
cialist.....	2/	2/	2/		2/	510	677	2/
veloped								
EEC.....	680	603	747	1,548	2,066	2,158	1,947	2,110
Southern								
Europe.....	2	20	2	2	52	1	31	
Other Europe:	402	227	181	327	225	314	490	2/
United								
States.....	18	132	295	197	539	701	1,060	1,469
Canada.....		2	4		8		88	59
Japan.....	57	90	11,523	1,449	975	6	142	12
Other.....	58	53	39	29	30	267	39	1
rel:								
veloping	2/			2/				
Big Three....		1	2		2	205	29	55 <sup>3</sup>
Other Asia...	1,186	1,965	10	4,546	2,295	2,414	2,055	427
Other								
developing:	519	620	1	11	189	87	115	33
cialist.....	273	270	2/	2/	497	789	177	153
veloped								
EEC.....	1,582	4,102	10,070	23,738	43,010	47,833	48,019	60,734
Southern								
Europe.....	2/	2/	2/	23	167	38	70	2/
Other Europe:	2,549	4,501	4,503	4,987	7,918	7,757	8,507	7,306
United								
States.....	665	2,814	12,413	40,651	71,448	94,783	112,732	139,558
Canada.....		104	43	597	523	2,054	1,934	3,175
Japan.....	1	10	21	162	419	1,117	917	337
Other.....	19	28	12	10	104	363	395	9
ile &								
pparel:								
veloping								
Big Three....	3	5	9	95	369	1,620	513	762
Other Asia...	1,930	2,587	281	5,648	3,079	3,724	3,652	1,460
Other								
developing:	521	620	1	114	369	117	149	33
cialist.....	273	270	2/	2/	497	1,299	854	153

footnotes at end of table.

Table X-1.--Textiles and apparel: Sri Lankan exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	-----1,000 dollars-----							
World	2,262	4,705	10,817	25,286	45,076	49,991	49,966	62,844
Developed								
EEC.....								
Southern								
Europe.....	2	20	2	25	219	39	101	
Other Europe:	2,951	4,728	4,684	5,314	8,143	8,071	8,997	2/ 7,784
United								
States.....	2/ 683	2,946	12,708	40,848	71,987	95,484	113,792	141,027
Canada.....		106	47	597	531	2,054	2,022	3,234
Japan.....	58	100	11,544	1,611	1,394	1,123	1,059	349
Other.....	77	81	51	39	134	630	434	10
1.....	8,760	16,168	40,144	79,577	131,815	164,152	181,539	217,656

Based on world's imports from Sri Lanka as reported to the United Nations.  
Not available.

Source: Compiled from United Nations data.

Table X-2.--Textiles and apparel: Sri Lankan exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
United States	18	132	295	197	539	701	1,060	1,469
West Germany	200	164	137	345	494	429	357	365
Netherlands	8	11	91	215	470	505	300	223
France	12	13	29	76	126	194	100	148
United Kingdom	307	348	471	764	672	881	951	873
Italy	139	22	7	128	93	45	104	272
Sweden	351	157	73	83	65	66	66	50
Canada	2/	2	4	2/	8	2/	88	59
Singapore	2/	5	8	28	57	57	522	428
Denmark	4	18	11	5	40	58	91	133
Japan	57	90	11,523	1,449	975	6	142	12
Other	870	791	420	1,562	1,704	3,770	2,808	1,837
Total	1,966	1,753	13,069	4,852	5,243	6,712	6,589	5,869
Apparel:								
United States	665	2,814	12,413	40,651	71,448	94,783	112,732	139,558
West Germany	179	970	3,781	13,119	24,222	26,086	24,349	32,589
Netherlands	643	1,653	2,330	2,473	3,121	5,009	5,116	8,165
France	104	551	902	1,471	3,057	6,379	5,876	5,035
United Kingdom	467	437	1,691	4,298	7,618	4,679	6,743	8,087
Italy	10	51	116	1,156	3,092	4,262	4,004	4,186
Sweden	2,315	3,882	3,897	3,455	5,295	4,066	4,881	3,410
Canada	2/	104	43	597	523	2,054	1,934	3,175
Singapore	114	25	1	51	170	49	131	426
Denmark	178	424	846	996	1,477	854	1,177	1,581
Japan	1	10	21	162	419	1,117	917	337
Other	2,118	3,494	1,034	6,296	6,130	8,102	7,090	5,238
Total	6,794	14,415	27,075	74,725	126,572	157,440	174,950	211,787
Textile & Apparel								
United States	683	2,946	12,708	40,848	71,987	95,484	113,792	141,027
West Germany	379	1,134	3,918	13,464	24,716	26,515	24,706	32,954
Netherlands	651	1,664	2,421	2,688	3,591	5,514	5,416	8,388
France	116	564	931	1,547	3,183	6,573	5,976	5,185
United Kingdom	774	785	2,162	5,062	8,290	5,560	7,694	8,960
Italy	149	73	123	1,284	3,185	4,307	4,108	4,458
Sweden	2,666	4,039	3,970	3,538	5,360	4,132	4,947	3,460
Canada	2/	106	47	597	531	2,054	2,022	3,234
Singapore	114	30	9	79	227	106	653	854
Denmark	182	442	857	1,001	1,517	912	1,268	1,714
Japan	58	100	11,544	1,611	1,394	1,123	1,059	349

footnotes at end of table.

Table X-2.--Textiles and apparel: Sri Lankan exports, 1/ by principal markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textile & Apparel								
Other.....	2,988	4,285	1,454	7,858	7,834	11,872	9,898	7,075
Total.....	8,760	16,168	40,144	79,577	131,815	164,152	181,539	217,656

1/ Based on world's imports from Sri Lanka as reported to the United Nations.

2/ Not available.

Source: Compiled from United Nations data.

Table X-3.--Textiles and apparel: Sri Lankan exports, 1/ by types, 1979-83

TC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
yarn.....	2/					2/
yarn.....	2/					2/
of manmade	2/					2/
bers.....	62					41.935
r yarn.....	1,619					36.998
n grey cotton	81					128.395
brics.....	131					79.389
n finished						
ttton fabrics....						
n fabric of						
n tinuous manmade						
bers.....	74					606.757
n fabric of						
scontinous	28					-75.000
nmade fibers....	28					
fabrics of						
nmade fibers....						
n fabrics of						
ol.....	2/					2/
n fabrics of	2/					2/
her fibers....	1,420					-90.986
fabrics.....						
kets,						
pestries,						
nens, and other						
rnishings.....	428					114.019
r textile						
oducts.....	335					123.284
r coverings....	429					28.904
outer garments,						
t knit.....	15,306					161.989
outer garments,						
t knit.....	37,078					200.674
under garments,						
t knit.....	14,314					17.500
under garments,						
t knit.....	1,712					131.542

See footnotes at end of table.

Table X-3.--Textiles and apparel: Sri Lankan exports, 1/ by types, 1979-83--Continued

ITC Description	1,000 dollars					Percent change 1983 from 1979
	1979	1980	1981	1982	1983	
essories, not nit.....	125	84	1,093	1,647	1,467	1073.600
ves of textile aterials.....	601	1,590	1,754	2,724	3,004	399.834
dwear.....	16	2/	2	9	5	-68.750
ckings, etc., nit.....	2/	2/	182	790	2,035	2/
er garments, knit: er garments, knit: stic fab. & art., nit.....	634 882	3,821 2,743	8,454 7,627	11,245 9,976	17,140 13,431	2603.470 1422.789
ther apparel and ccessories.....	2/	2/	2/	2	2/	2/
ber apparel and ccessories.....	26	54	49	62	1,606	6076.923
pparel and rticles.....	70	141	350	829	403	475.714
	2/	2/	2/	2/	2/	2/

1/ Based on world's imports from Sri Lanka as reported to the United Nations.

2/ Not available.

Source: Compiled from United Nations data.

Table X-4.--Cotton textiles: U.S. imports from Sri Lanka, by MFA categories, 1980-83

Item	Description	1980	1981	1982	1983	1980	1981	1982	1983	
		Equivalent square yards								
-----1,000 dollars-----										
20	Woven fabrics, n.e.s.	228	47	0	0	4	1/	0	0	0
31	Gloves	2,875,847	2,705,700	2,491,098	2,460,539	1,161	1,282	1,735	1,726	1,726
33	Suit-type coats, men's and boys'	189,471	33,630	81,595	11,475	356	46	93	66	66
34	Other coats, men's and boys'	6,432,269	5,784,890	5,268,477	4,741,986	8,246	8,213	8,196	7,336	7,336
35	Coats, women's, girls', and infants'	3,680,369	3,465,237	4,971,117	5,139,703	5,077	4,529	8,816	10,888	10,888
36	Dresses	315,650	376,307	434,880	711,210	404	494	718	722	722
37	Playsuits	0	647,975	506,300	545,675	0	785	683	749	749
38	Knit shirts, men's and boys'	20,844	362,995	376,877	556,964	93	1,970	2,368	2,827	2,827
39	Knit shirts, and blouses, women's, girls', and infants'	716,889	941,414	949,024	1,655,646	2,500	3,376	3,749	6,593	6,593
40	Shirts, not knit, men's and boys'	10,828,512	8,157,840	8,688,720	6,917,520	11,473	10,645	11,088	7,472	7,472
41	Blouses, not knit, women's, girls', and infants'	3,812,718	4,841,944	6,218,357	7,344,092	7,723	9,982	14,927	16,984	16,984
42	Skirts	93,914	146,831	93,272	133,411	169	310	266	479	479
45	Sweaters	0	25,760	546,885	1,645,806	0	22	789	2,379	2,379
47	Trousers, men's and boys'	1,905,223	4,927,859	3,235,329	4,471,467	5,035	12,112	6,475	9,403	9,403
48	Trousers, women's, girls', and infants'	4,434,480	3,862,173	2,578,116	4,746,048	8,191	7,902	5,595	9,863	9,863
50	Dressing gowns	159,120	3,264	144,330	180,285	108	9	96	140	140
51	Mightwear	0	208	771,524	246,740	0	1	561	176	176
52	Underwear	0	0	17,875	0	0	0	2	0	0
59	Other apparel	7,861	106,287	83,877	257,945	13	126	84	344	344
60	Pillowcases	179	0	1,518	880	2	0	5	4	4
62	Bedspreads and quilts	145	14,007	32,982	21,922	0	0	0	168	168
63	Terry and other pile towels	0	0	0	687,300	1/	114	280	449	449
69	Other manufactures	2,249	791	4,259	261,046	9	8	13	84	84
	Total	35,475,968	36,405,159	37,496,412	42,737,660	50,565	61,927	66,490	78,851	78,851

1/ Less than 500 dollars.

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

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

Table X-5.--Wool textiles: U.S. imports from Sri Lanka, by MFA categories, 1980-83

Category	Description	Equivalent square yards							
		1980	1981	1982	1983	1980	1981	1982	1983
435	Coats, women's, girls', and infants'	0	19,494	117,126	68,148	0	55	263	166
438	Knit shirts and blouses	0	0	20,430	0	0	0	78	0
440	Shirts and blouses, not knit	132,216	71,400	81,024	16,800	332	183	203	40
442	Wool skirts	0	4,356	8,946	29,862	0	17	33	122
444	Suits, women's, girls', and infants'	0	0	0	96,768	0	0	0	314
445	Sweaters, men's and boys'	20,772	443,662	446,772	252,990	73	1,803	1,797	991
446	Sweaters, women's, girls', and infants'	202,710	948,437	612,014	1,515,410	548	3,405	2,123	5,391
448	Trousers, women's, girls', and infants'	0	0	7,884	4,824	0	0	33	18
459	Other apparel	0	336	12,898	0	0	1	65	0
	Total	355,698	1,487,685	1,307,094	1,984,802	933	5,464	4,597	7,042

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

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

Table X-6.--Manmade-fiber textiles: U.S. imports from Sri Lanka, by MFA categories, 1980-83

Description	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
	Equivalent square yards											
	1,000 dollars											
12 : Continuous noncellulosic woven fabric.	0	3,117	0	0	0	0	0	0	0	4	0	0
31 : Gloves	0	0	545,475	1,322,475	0	0	0	0	0	0	197	420
33 : Suit-type coats, men's and boys'	5,792	0	3,620	1,738	18	0	0	0	0	0	3	5
34 : Other coats, men's and boys'	637,466	711,186	3,197,116	2,174,445	729	849	4,242	3,449	0	0	0	0
35 : Coats, women's, girls', and infants'	1,138,682	1,634,654	5,129,460	6,267,606	979	1,108	4,738	6,446	0	0	0	0
36 : Dresses	230,623	174,541	355,242	688,288	423	365	656	1,238	0	0	0	0
37 : Playsuits	0	0	7,285	12,311	0	0	18	31	0	0	0	0
38 : Knit shirts, men's and boys'	0	0	79,578	55,800	0	0	118	81	0	0	0	0
39 : Knit shirts, and blouses, women's, girls', and infants'	50,085	490,725	166,785	303,585	133	403	184	441	0	0	0	0
40 : Shirts, not knit, men's and boys'	377,616	149,592	329,304	421,752	446	226	470	376	0	0	0	0
41 : Blouses, not knit, women's, girls' and infants'	4,115,363	5,439,762	5,474,464	6,868,173	9,856	15,268	16,316	22,140	0	0	0	0
42 : Skirts	3,898	9,772	144,554	281,720	11	27	300	1,043	0	0	0	0
44 : Suits, women's, girls', and infants'	0	0	0	14,904	0	0	0	40	0	0	0	0
45 : Sweaters, men's and boys'	0	0	135,755	28,704	0	0	150	22	0	0	0	0
46 : Sweaters, women's, girls' and infants'	64,142	9,274	1,732,691	817,364	42	5	1,439	838	0	0	0	0
47 : Trousers, men's and boys'	7,031	52,510	200,945	192,916	21	55	278	332	0	0	0	0
48 : Trousers, women's, girls', and infants'	11,321	254,842	1,857,412	2,257,200	11	149	2,211	2,449	0	0	0	0
49 : Brassieres	0	287,006	281,117	235,200	0	534	562	588	0	0	0	0
50 : Dressing gowns	0	0	0	3,417	0	0	0	4	0	0	0	0
59 : Other apparel	65,021	120,438	195,540	484,652	39	105	161	328	0	0	0	0
65 : Floor coverings	0	458	0	0	0	12	0	0	0	0	0	0
66 : Other furnishings	0	0	5,983	164	0	0	13	1	0	0	0	0
69 : Other manufactures	0	0	0	153,044	0	0	0	10	0	0	0	0
Total	6,707,040	9,337,877	19,842,266	22,585,458	12,709	19,112	32,058	40,283	0	0	0	0

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

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

Table X-7.--Textiles and apparel: Limits under the United States-Sri Lanka bilateral agreement and shipments charged, by MFA categories, agreement year 1981 1/

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
						Percent
Group I:				1,000 units		
331	Specific	Cotton gloves	Doz pr	749	749	100
334	do	Cotton coats, (except suit-type), men's and boys'	Doz	146	133	91
335	do	Cotton coats, women's, girls', and infants'	do	107	92	86
340/341/ 640/641	do	Cotton and manmade-fiber not knit shirts and blouses.	do	1,230,500	1,147,978	93
348	do	Cotton trousers, women's, girls', and infants'	do	2/ 202	202	100

1/ The 1981 agreement year is from May 1, 1981, through Apr. 30, 1982.

2/ Adjusted downward.

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

Table X-8.---Textiles and apparel: Limits under the United States-Sri Lanka bilateral agreement and shipments charged, by MFA categories, agreement year 1982 1/

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				-----1,000 units-----		Percent
Group I:						
331	Specific	Cotton gloves	Doz pr	801	801	100.0
334	do	Cotton coats, (except suit-type), men's and boys'	Doz	156	113	72.2
335	do	Cotton coats, women's, girls', and infants'	do	2/ 127	123	96.7
340/341/ 640/641.	do	Cotton and manmade-fiber not knit shirts and blouses.	do	1,316,635	1,151,008	87.4
347	do	Cotton trousers, men's and boys'	do	475	283	59.6
348	do	Cotton trousers, women's, girls', and infants'	do	229	224	97.8
445/446	do	Wool sweaters	do	135	135	100.0

1/ The 1982 agreement year is from May 1, 1982, through Apr. 30, 1983.

2/ Adjusted upward.

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

Table X-9.--Textiles and apparel: Limits under the United States-Sri Lanka bilateral agreement and shipments charged, by MFA categories, agreement year 1983 1/

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				1,000 units		Percent
Group I:						
331	Specific	Cotton gloves	Doz pr	929	889	95.6
334	do	Cotton coats, (except suit-type), men's and boys'	Doz	2/ 201	148	73.5
335	do	Cotton coats, women's, girls', and infants'	do	2/ 141	132	94.0
340	do	Cotton not knit shirts, men's and boys'	do	2/ 530	404	76.1
341	do	Cotton not knit blouses	do	2/ 506	506	100.0
347	do	Cotton trousers, men's and boys'	do	2/ 397	386	97.1
348	do	Cotton trousers, women's, girls', and infants'	do	2/ 302	301	99.8
445/446	do	Wool sweaters	do	98	98	100.0
631	do	Manmade-fiber gloves	do	2/ 299	282	94.3
634	do	Manmade-fiber coats, (except suit-type), men's and boys'	do	108	60	55.7
635	do	Manmade-fiber coats, women's, girls', and infants'	do	179	173	96.7
640	do	Manmade-fiber not knit shirts, men's and boys'	do	3/ 92	45	48.7
641	do	Manmade-fiber not knit blouses, women's, girls', and infants'	do	2/ 524	496	94.6
645/646	do	Manmade-fiber sweaters	do	98	81	83.0
648	do	Manmade-fiber trousers, women's, girls', and infants'	do	163	153	93.9

380

1/ The 1983 agreement year is from May 1, 1983, through Apr. 30, 1984.

2/ Adjusted upward.

3/ Adjusted downward.

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

## CHAPTER XI. THAILAND

## Introduction

Thailand, with an estimated population of 50 million people, remains largely an agrarian society, with three-fourths of its work force employed in the agricultural sector. It ranks among the few developing countries capable of exporting agricultural commodities on a large scale. The agricultural sector, together with the manufacturing sector, represented about 45 percent of Thailand's real gross domestic product (GDP) in 1983.

Among the most important industries in the manufacturing sector are the textile and apparel industries, which together generate one-fifth of the sector's output. They employ slightly more than 500,000 production workers, making the industries the largest industrial employer. In addition, apparel is the third most important industrial export.

The textile and apparel industries have expanded more rapidly than either all manufacturing or the overall economy. In terms of real GDP during 1979-83, the textile industry grew at an average annual rate of 6.4 percent; the apparel industry rose by 13.7 percent. By contrast, the overall GDP and the output of all manufacturing increased during the period by only 5.5 and 5.6 percent, respectively.

The expansion of the textile and apparel sector during the past decade or so resulted partly from efforts of the Thai Government to promote textiles as an import substitution industry and, more recently, along with apparel, as an export-oriented industry. These efforts stimulated foreign investment, especially from Japan, in the modernization of the textile industry. Further development of both industries is being encouraged and promoted by the Government through its most recent Five-Year Plan (1982-86) to generate more export revenues and new jobs. In addition, these industries are being counted on to continue using a large share of locally grown cotton, for which the Government, under the most recent Five-Year Plan, seeks to accelerate output to reduce the country's dependence on imports.

The priority given by the Thai Government to establish an export-oriented textile and apparel sector has contributed importantly to the growth of the sector's foreign trade. Unlike the country's overall balance of trade, which has been marked by continually widening deficits since the mid-1970's, its textile and apparel trade has been recording growing trade surpluses.

Thailand's trade surplus in textiles and apparel rose from roughly \$100 million in 1976 and 1977 to almost \$565 million in 1982. The available data for 1983 indicate that the trade surplus will have declined slightly from the preceding year's record level because of higher imports. Thailand's imports of textiles and apparel, after peaking at slightly less than \$300 million in 1980, declined in 1981 and 1982 before recovering to \$234 million in 1983. Imports consisted almost entirely of textiles (yarn and fabric) and textile fibers, especially raw cotton, reflecting the country's continued dependence on imported raw cotton.

The rapid growth that characterized Thailand's exports of textiles and apparel during the late 1970's, albeit from a very small base, slowed considerably during the early 1980's. After growing at an average annual rate

of 28 percent during 1976-79 to \$592 million in 1979, these exports rose at an annual rate of only 8.6 percent to an estimated \$823 million in 1983. The persistence of high interest rates and recessionary conditions abroad led to the slower growth. Most of the export growth since 1976 has occurred in apparel, exports of which grew at an annual rate of 28 percent during 1979-83 to an estimated \$458 million in 1983, making it the third largest industrial export. By contrast, exports of textiles showed little or no growth during the period, totaling an estimated \$365 million in 1983.

### The economy

Thailand's economy, as measured by the real GDP, grew at an average annual rate of 5.5 percent during 1979-83, reaching an estimated \$14.9 billion in 1983. However, the economic growth slowed significantly in 1982, when it averaged 4.1 percent, the lowest during the past decade, before recovering in 1983, averaging 5.8 percent. The major economic sector, agriculture, grew much more slowly than the economy overall during 1979-83, as shown in table 90, rising in real terms by only 3.2 percent annually. The manufacturing sector, which along with the agricultural sector, generated about 45 percent of the real GDP, expanded in parallel with the overall economy.

Table 90.--Thailand's real gross domestic product, by sectors, 1979-83

(In millions of 1972 dollars)						
Sector	1979	1980	1981	1982	1983	1/
Agriculture-----	3,105	3,164	3,378	3,413	3,519	
Rice-----	940	910	983	959	1,013	
Cotton-----	28	37	34	30	27	
Kenaf, jute, and ramie---	27	26	24	22	25	
Crops, total-----	2,252	2,356	2,545	2,604	2,688	
Livestock, fisheries, and forestry-----	852	809	834	809	831	
Manufacturing-----	2,515	2,635	2,804	2,927	3,128	
Textiles-----	335	384	400	424	429	
Apparel-----	218	242	279	313	364	
Wholesale and retail trade-----	1,978	2,097	2,222	2,295	2,417	
Banking, insurance, and real estate-----	677	757	835	930	1,058	
Services-----	1,251	1,355	1,487	1,620	1,709	
Construction-----	632	716	674	656	689	
Electricity and water supply-----	225	242	275	294	321	
Public administration and defense-----	504	540	573	601	626	
Ownership and dwellings----	186	196	205	215	224	
Total GDP-----	12,039	12,733	13,533	14,088	14,908	

1/ Estimated.

Source: Office of the National Economic and Social Development Board, National Income of Thailand, 1983 edition, Bangkok, pp. 16, 21, and 29.

With over one-fourth of its total area under cultivation, Thailand is a major producer and exporter of agricultural commodities, ranking among the few developing countries capable of exporting such products on a large scale. The principal crop and largest export earner is rice; other major crops include maize, rubber, sugarcane, and tapioca. In 1983, all sectors of agricultural production except for forestry increased. 1/ Although the agricultural sector has been expanding in absolute terms, with the value of its output in current market prices increasing from \$6.4 billion in 1979 to \$8.8 billion in 1983, 2/ it has been declining in relative importance. From a 31-percent share of the GDP in 1975, the agricultural sector declined to 26 percent of the GDP in 1979 and to an estimated 24 percent in 1983.

Output of the manufacturing sector, in current market prices, totaled \$7.5 billion, or 21 percent of the GDP, in 1983, representing an increase from \$4.8 billion in 1979. 3/ The manufacturing sector registered real annual growth of 6.9 percent in 1983 compared with 4.4 percent in 1982, reflecting increasing aggregate demand and lower interest rates. 4/ Significant growth was recorded in import substitution industries and industries for domestic consumption, principally beverages, cigarettes, and tobacco. In response to increased construction and investment, significant growth also occurred in construction materials, motor vehicles, electrical appliances, and the paper and paper product industries in 1983.

The manufacturing sector is concentrated heavily in labor intensive industries, with the textile and apparel industries being the largest in terms of output and exports. Other major industries include food processing, electronics assembly, and construction materials.

Industries in which the Government participates or has interests include cement, paper, matches, canned fish products, alum, rubber footwear, automobile batteries, glass, textiles, and petroleum refining and marketing. 5/ Joint ventures with foreign companies accounted for about 40 percent of all manufacturing in the early 1980's. Japan accounted for approximately one-third of the total investment in this sector; the United States accounted for about 10 percent. 6/

Further development of the agricultural and manufacturing sectors will be aided by the Thai Government's major emphasis on these sectors and its Fifth National Economic and Social Development Plan (1982-86). This plan seeks to increase rural income and employment, expand agro-based and export-oriented industries utilizing local resources to create employment, and reduce the disparity between urban and rural incomes. The plan also seeks to increase

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1/ Bank of Thailand, Annual Economic Report: 1983, Bangkok, p. 15.

2/ Office of the National Economic and Social Development Board, National Income of Thailand, 1983 edition, Bangkok, p. 11.

3/ Ibid., p. 28.

4/ U.S. Department of Commerce, Overseas Business Report: Marketing in Thailand, June 1984, pp. 6 and 7.

5/ Ibid., p. 7.

6/ Frederica M. Bunge, Thailand: A Country Study, Washington, DC, 1981, p. 149.

the productivity of the agricultural sector in order to achieve a 4.5-percent growth rate per year. 1/ It authorizes the Government to allocate significant financial resources for irrigation projects. The Fifth Plan's industrial strategy is to increase exports, curtail growth of imports, increase employment, and to disperse the manufacturing industry into rural areas, complementing the rural development strategy. The targeted manufacturing growth rate is 7.6 percent per year, and an average annual growth rate in exports of manufactured goods is set at 15 percent. Many manufactured exports, including textiles and apparel, are encouraged to expand at a high rate. 2/

The greatest growth in the Thai economy during 1979-83 occurred in the banking, insurance, real estate, and services sectors. Output of the banking, insurance, and real estate sectors expanded by 56 percent in real terms during the period, accounting for approximately 7 percent of the GDP in 1983. The services sector rose by 37 percent, representing 11 percent of the GDP in 1983.

Responding to the expanding Thai economy, production of minerals for domestic consumption continued to increase in 1983, with lignite, limestone, shale, and gypsum leading the growth. Tin, accounting for about 80 percent of the total mining production, remained the leading mineral export in 1983, although the volume dropped by 19 percent and the value fell by 21 percent from 1982 levels. 3/

A major economic development occurring in Thailand has been the bringing onstream of its offshore natural gas reserves. Large reserves were ready for commercial use in 1981, lessening the country's dependence on oil. Plans are underway for a large-scale petrochemical complex and other projects along the eastern seaboard. These projects call for investments of over \$4.9 billion, most of which would be expended during 1983-91. 4/

The Thai work force in 1983 was estimated to have reached 26.0 million persons, compared with 25.2 million in 1982. Over the last several years, the labor force has been growing at an average annual rate of 3.5 percent. Of the total labor force in 1983, approximately 18.1 million, or 70 percent, were employed in the agricultural sector; 2.0 million (8 percent), in service industries; 1.8 million (7 percent), in commerce; and 2.0 million (8 percent), in manufacturing. Employment in the manufacturing sector has shown the greatest growth--an average annual rate of 6.5 percent during 1977-83. 5/ Wages averaged \$75 a month for unskilled workers in 1983, representing an increase of 5 percent over the 1982 level. 6/

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1/ U.S. Department of Commerce, Overseas Business Report: Marketings in Thailand, June 1984, p. 5.

2/ National Economic and Social Development Board, Outline of the Fifth National Economic and Social Development Plan (1982-1986) and Its External Assistance Requirements, January 1981, pp. 13-14.

3/ Office of the National Economic and Social Development Board, National Income of Thailand, 1983 edition, Bangkok, p. 32.

4/ U.S. Department of Commerce, Overseas Business Report: Marketing in Thailand, June 1984, p. 3.

5/ Bank of Thailand, Annual Economic Report: 1983, Bangkok, p. 47.

6/ Ibid., p. 48.

Unemployment 1/ in 1983 was estimated at 1.12 million persons, or 4.3 percent of the labor force, compared with 4.0 percent recorded in 1982. 2/ However, underemployment is far greater, especially in rural areas. In recent years, the level of underemployment has been estimated at between 20 and 35 percent of the overall labor force. Underemployment was even more acute in 1982, when the Government's job creation program in rural areas was cut back significantly. 3/

In 1983, approximately 224,000 Thai workers whose earnings amounted to \$826 million, were employed abroad. Most of these workers were located in Singapore, Brunei, Malaysia, Hong Kong, Macau, Algeria, Europe, and the United States. 4/

### Foreign trade

Despite efforts by the Thai Government to stimulate exports and restrain imports, including the devaluation of the baht in 1981, Thailand's foreign trade balance was marked by continually increasing deficits. The trade deficit rose steadily from \$600 million in 1976 to \$2.9 billion in 1981, declined significantly to \$1.6 billion in 1982, and then reached an unprecedented \$3.9 billion in 1983, as shown in table 91. Imports grew almost without interruption to record levels during 1976-83, and, although exports also rose during most of the period before declining in 1982 and 1983, the growth was less than that of imports.

Table 91.--Thai imports, exports, and trade deficit, 1976-83

(In millions of dollars)				
Year	Imports	Exports	Trade deficit	
1976-----	3,644	3,040	604	
1977-----	4,709	3,560	1,149	
1978-----	5,445	4,153	1,292	
1979-----	7,308	5,409	1,899	
1980-----	9,213	6,504	2,709	
1981-----	9,933	7,012	2,921	
1982-----	8,548	6,945	1,603	
1983 <u>1/</u> -----	10,280	6,367	3,913	

1/ Preliminary.

Source: Compiled from statistics of the Economic Summary of Thailand, American Embassy, Bangkok, September 1984, and Quarterly Bulletin, September 1981, Bank of Thailand.

1/ Unemployment is defined by the Thai National Statistical Office as including persons 11 years of age or over who during the survey did not work at all but wanted to work and were capable of doing so.

2/ Bank of Thailand, Annual Economic Report: 1983, Bangkok, p. 47.

3/ U.S. Department of Commerce, Foreign Economic Trends . . . : Thailand, September 1983, p. 5.

4/ Bank of Thailand, Annual Economic Report: 1983, Bangkok, p. 48.

In 1983, Thai exports decreased by 9 percent from those in 1982, but imports increased by 20 percent. The export decline largely reflected lower volumes of major export items, primarily agricultural products, as shown in table 92. This was caused, in part, by drought during the previous planting season, which resulted in lower output of rice, maize, sugarcane, and rubber, which more than offset the higher export prices of maize and rubber in 1983. In addition, quota restrictions in important export markets affected its exports of tapioca products and tin. <sup>1/</sup>

Thailand's imports recovered significantly in 1983 from depressed 1982 levels despite a decline in imports of petroleum products, the most important import item. The rise in the value of nonoil imports in 1983 came largely in

Table 92.--Thai trade in principal commodities, 1980-83

Commodity	1980	1981	1982	1983	Percentage change, 1983 from 1982
-----Million dollars-----					
<b>Exports:</b>					
Rice-----	953	1,208	979	876	-11
Tapioca-----	727	715	859	669	-23
Textiles and apparel-----	471	576	609	624	3
Rubber-----	603	497	413	512	24
Maize-----	356	383	362	369	2
Sugar-----	145	439	562	276	-51
Tin-----	554	417	338	229	-48
Shrimp-----	96	98	120	138	15
All other <sup>1/</sup> -----	2,599	2,679	2,703	2,675	-1
<b>Total</b> -----	<b>6,504</b>	<b>7,012</b>	<b>6,945</b>	<b>6,368</b>	<b>-9</b>
<b>Imports:</b>					
Petroleum products-----	2,868	2,984	2,642	2,481	-6
Machinery and parts including electrical-----	1,374	1,682	1,399	2,131	53
Chemicals-----	731	825	702	908	30
Iron and steel-----	505	552	492	597	22
Vehicles and parts-----	338	438	334	488	47
Fertilizers and pesticides-----	206	237	205	271	33
Electrical appliances-----	141	171	176	248	41
All other <sup>2/</sup> -----	3,050	3,044	2,599	3,164	22
<b>Total</b> -----	<b>9,213</b>	<b>9,933</b>	<b>8,549</b>	<b>10,288</b>	<b>21</b>

<sup>1/</sup> Includes precious stones and integrated circuits, which totaled \$523 million in 1983. Other major items were canned seafood, wall tiles, and footwear.

<sup>2/</sup> Includes principally consumer goods, such as precious stones, food, and beverages, with a significant portion being accounted for by roasted and unroasted malt, all used for brewing beer.

Source: U.S. Embassy, Bangkok, Economic Summary of Thailand, September 1984.

<sup>1/</sup> Ibid., pp. 122-123.

machinery and capital goods, demand for which was stimulated by the renewal in domestic investment, expansion of oil and natural gas exploration projects, enlargement of State enterprise operations, and increased construction of housing and of shopping centers. Imports of petroleum products declined for the second consecutive year in 1983, when they amounted to 24 percent of over-all imports, down from about 30 percent during 1980-82, when they roughly equaled or exceeded the total trade deficit. The decline in imports of petroleum products in 1982 is attributed primarily to sluggish economic conditions, and the continued decline most likely reflects the coming on stream of the country's long-awaited natural gas pipeline in October 1981 and the energy price increases instituted that year. 1/

Thailand's largest trading partners since the mid-1960's have been Japan and the United States. In recent years, Japan has taken approximately 15 percent of Thailand's annual exports, including large quantities of rubber, corn, tin, sugar, and shrimp. In 1983, Japan provided Thailand with 26 percent of its imports, most importantly iron and steel products, parts for automobile and truck assemblies, and machinery. During 1980-82, the United States took 13 percent of Thailand's exports and accounted for 15 percent in 1983. Exports to the United States consisted mainly of rubber, tin, and smaller quantities of sugar, tapioca, teak, shrimp, textiles, and apparel. In 1983, the United States provided approximately 12 percent of Thailand's imports. Important items imported from the United States were raw cotton, machinery, and various consumer goods. 2/

### The Textile and Apparel Industries

Textiles and apparel together form one of Thailand's largest industries, accounting for one-fifth of the output of the manufacturing sector. 3/ They employ slightly more than 500,000 production workers, about 364,000 of which work in the apparel industry, as shown in table 93.

Almost 70 percent of the employees in the textile and apparel industries are women, many from northeast Thailand, the country's poorest area. 4/ Thailand's labor costs are very low, an important advantage in these labor-intensive industries. Hourly wage rates average \$0.56, making Thailand's labor costs about 6 times lower than those in Japan and 3 to 4 times lower than those in Hong Kong, Taiwan, the Republic of Korea (Korea), and Singapore. 5/

The Thai work force in the textile sector is relatively skilled. Although productivity per worker is lower than that in Taiwan or Korea, the lower wage rates make the per unit cost of labor approximately equal to Taiwan's. Management employees are often Western or Japanese trained, with a fairly high degree of technical expertise. With the exception of the largest firms, international marketing expertise is relatively low. 6/

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1/ U.S. Department of Commerce, "Thailand," Business America, Oct. 4, 1982, p. 25.

2/ U.S. Embassy, Bangkok, Economic Summary of Thailand, September 1984.

3/ U.S. Department of Commerce, Textile Machinery and Equipment Industry Sector Analysis Reports for FY 85.

4/ Tony Oliver, "Inside Textiles," Textile Asia, August 1984, p. 3.

5/ U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Aug. 5, 1983.

6/ U.S. Department of State telegram, Bangkok, 05426, Apr. 26, 1982.

Table 93.--Number of employees in the Thai textile and apparel industries, by types of manufacturing operations, 1978-83

Operation	1978	1979	1980	1981	1982	1983
Ginning-----	2,292	2,664	3,612	4,011	4,479	4,125
Spinning-----	31,584	33,355	33,021	33,228	33,246	35,134
Weaving-----	23,924	24,118	24,982	25,406	25,200	25,352
Knitting-----	15,964	16,576	17,230	17,450	18,140	18,213
Cotton fabric finishing-----	6,033	6,464	6,729	7,160	7,290	7,516
Manmade-fiber fabric finishing-----	6,610	7,336	8,235	8,665	9,500	10,168
Apparel manufacturing--	285,650	300,376	322,729	336,645	347,395	363,984
Manmade-fiber production-----	5,435	5,815	6,272	6,283	6,250	6,343
Sewing thread production-----	3,545	3,864	4,213	4,659	5,010	5,367
Texturing-----	6,018	6,613	7,372	8,478	9,656	9,846
Blanket manufacturing-----	2,760	2,856	3,052	3,268	3,540	3,679
Fishnet manufacturing-----	6,071	6,514	6,857	7,214	7,500	7,786
Hosiery manufacturing-----	3,527	3,819	4,391	5,049	5,860	6,434
Total production workers----	399,413	420,370	448,695	467,516	483,060	503,947
Total employment-----	429,477	452,011	482,468	502,706	519,426	541,879

Source: Thai Textile Manufacturing Association.

Major textile projects are financed jointly by foreign financial institutions and local banks. Thai textile mills have obtained loans from Europe, Japan, and the U.S. Export-Import Bank at relatively low interest rates, ranging from 8 to 11 percent a year. <sup>1/</sup>

Thailand is rapidly expanding its textile and apparel industries for domestic consumption and exports. In recent years, approximately 1,000 manufacturers annually have produced some 2 billion yards of woven and knitted fabrics made from manmade and natural fibers, including silk and cotton. The growth of the textile industry gave rise to various related industries, the most important being the apparel industry, but also including industries producing buttons, zippers, thread, yarn, and manmade fibers. <sup>2/</sup> The number of factories producing garments is estimated at 1,000, and, in 1983, Thailand

<sup>1/</sup> U.S. Department of Commerce, Textile Machinery and Equipment Industry Sector Analysis Reports for FY 1985.

<sup>2/</sup> "Thailand's Most Vital Industry," Thailand Investment Bulletin, vol. 6, No. 4, April-May 1982, p. 9.

produced 903 million finished garments. 1/ Domestic consumption accounts for about two-thirds of textile and apparel production and exports, one-third.

### Structure

Most of Thailand's textile mills were established in the 1930's, usually to supplement the existing traditional home weaving industries and minimize the importation of textiles from Europe and Japan. Traditional home weaving still exists in Thailand, where cottage industries have a significant role in producing low-priced goods for the domestic market. This is in contrast to the sector consisting of a small group of modern, integrated textile mills that currently generate most of the exports.

Thailand's emergence as a textile producer for the world market came about in just over a decade. The Thai textile industry began to modernize in the 1960's, when the Thai Board of Investment (BOI) began promoting textiles as an import substitution industry. In the late 1960's, many modern textile mills were operated as joint ventures with foreign investors, benefiting from the investing countries' technology, equipment, and marketing techniques, which led to significant improvement in the quality and quantity of Thai textile production. In recent years, almost 70 percent of the BOI-promoted textile mills have been wholly Thai owned. Among the joint ventures with foreign investors, Japanese firms predominate, followed by those from Taiwan, Korea, India, and France. 2/

In the early 1970's, when Thai textile mills had sufficient capacity to fulfill domestic requirements, the BOI began promoting textile production for export. Thai fabrics now compete favorably with exports from neighboring Asian countries in terms of price and quality. Also, in recent years, Thailand has increased production of blankets, sheets, towels, and curtains; textile production overall is increasing at an annual average rate of 5 to 6 percent. 3/

Almost all of the large textile producers have been assisted by the BOI. A total of 54 firms engaged in spinning and weaving currently have a combined investment of approximately \$600 million. These large firms account for 70 percent of the spinning capacity and 30 percent of the knitting capacity. 4/

There currently are 36 large-scale yarn mills in Thailand, with approximately 1.8 million spindles to produce cotton and polyester yarn. Between 1978 and 1983, spinning capacity increased by 50 percent, helped by the opening of Mellon Textiles Mill, the largest spinning mill in Southeast Asia under one roof, in April 1982. 5/ Thailand has 7 manmade fiber and filament yarn manufacturing plants and 150 knitting mills, with a total of

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1/ U.S. Department of Commerce, Textile Machinery and Equipment Industry Sector Analysis Report for FY 1985.

2/ "Thailand's Most Vital Industry", Thailand Investment Bulletin, vol. 6, No. 4, April-May 1982, pp. 8 and 9.

3/ Ibid.

4/ Ibid., p. 9.

5/ U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Aug. 5, 1983, p. 3. With the opening of the Mellon Textiles Mill, Thailand has East Asia's third largest spinning industry.

32,783 knitting machines. There are 12 large- and 20 medium-sized weaving mills, in addition to hundreds of cottage-type mills, with a total of 58,311 looms, and 30 bleaching, dyeing, printing, finishing, and texturizing plants. 1/

Thailand's apparel industry started approximately 20 years ago, initially on a small scale limited to very inexpensive garments for domestic consumption only. However, the industry continued to develop and, in 1967, received investment promotion preference from the Government. With the ongoing modernization of the textile industry, which provided yarns and fabrics for the manufacture of garments, apparel production expanded rapidly during the 1970's, when the companies promoted by the BOI began producing a limited number of apparel items for the U.S. and EC markets. The production range soon expanded, and the garments produced became increasingly sophisticated. Currently, major exported apparel items include jeans, shirts, blouses, acrylic sweaters, jogging suits, other sportswear, brassieres, and underwear. 2/

Although most of Thailand's apparel firms tend to copy Western fashions and exports consist mainly of high-volume, low-cost products, major American and European firms in recent years have moved into Thailand to provide expertise in manufacturing higher quality items. This has come either through licensing arrangements or through the placing of orders with the purchaser providing the quality control. Approximately 20 percent of the total value of Thailand's apparel exports consist of high-fashion merchandise. 3/

Major factors contributing to the development of the Thai apparel industry have been low wage rates, reasonable levels of education and skill, and the movement of production facilities from Hong Kong and Taiwan, which face increasing quota restrictions in major export markets. 4/ In 1983, the minimum wage in the Thai apparel industry was \$2.78 per day, yet many workers were willing to work for less. 5/ The Thai labor wages, which are far below those of many of its major competitors, enable Thailand's garments to be priced much lower than similar garments from other countries.

In 1983, Thailand had at least 1,000 apparel-manufacturing factories (excluding tailor shops), of which approximately 650 were registered with the Ministry of Industry. The registered factories have a combined production capacity of approximately 500 million pieces annually. 6/ Of the registered factories, 15 firms have been granted the BOI investment promotion preference in the form of import duty exemption on imported equipment. In addition, these factories are reimbursed for duty on raw materials imported for use in

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1/ U.S. Department of Commerce, Textile Machinery and Equipment Industry Sector Analysis Reports for FY 1985.

2/ Thai Garment Manufacturers' Association, Thai Garment Manufacturers. December 1982, p. 8.

3/ U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Aug. 5, 1983, p. 6.

4/ Bangkok Post, June 30, 1984, p. 70.

5/ Ibid.

6/ Ibid.

manufacturing apparel and for part of their cost of electricity. 1/ These firms together have annual production capacity of 225 million pieces, although, in recent years, they have operated at an estimated 80 percent of capacity, producing about 180 million pieces a year. In addition, there are thousands of tailor shops across the country that make custom-made apparel as well as ready-made clothing. 2/

### Production and capacity

Virtually all segments of the textile and apparel industries have expanded in recent years. The apparel industry in particular showed significant growth, as exports of ready-made Thai garments have been growing steadily. Approximately 80 percent of all the apparel produced in Thailand is exported to foreign markets compared with about 40 percent of the textile mill production, although a significant amount of the textiles is used to produce the exported apparel.

Thailand continues its efforts to reduce its dependency on imported raw materials, most importantly cotton. Imports of raw cotton in 1982 were reduced to below 40 percent of the total supply for the first time since the 1960's. However, such imports increased by 92 percent in 1983, but domestic production declined 25 percent, resulting in imports making up two-thirds of the total supply, as shown in table 94.

Table 94.--Cotton: Supply and consumption in Thailand, 1980-83

(In thousands of tons)				
Item	1980	1981	1982	1983 <u>1/</u>
Supply:				
Stock from previous year-----	36.3	35.3	41.1	10.7
Production-----	57.7	64.1	58.7	44.0
Imports-----	73.7	75.8	56.5	108.2
Total-----	167.7	175.2	156.3	162.9
Consumption:				
For making yarn-----	104.5	105.7	110.0	119.2
For blending with polyester-----	19.2	22.8	21.3	24.4
Total-----	123.7	128.5	131.3	143.6

1/ Preliminary.

Source: Thai Textile Manufacturing Association, report from U.S. Embassy, Bangkok, Oct. 10, 1984.

The Fifth National Economic and Social Development Plan calls for Thailand to produce about 419,000 tons of cotton by 1986. However, the

1/ Thai Garment Manufacturers' Association, Thai Garment Manufacturers, December 1982, p. 8.

2/ Bangkok Post, June 30, 1984, p. 70.

constraints on reaching this goal of near self-sufficiency include the following factors: (1) the climate tends to be too wet for the most productive cotton culture, with pest control being a major problem, (2) the textile industry uses large amounts of imported cotton which is shorter than the varieties produced domestically, 1/ (3) the yield per acre of cotton is not high, and cultural practices tend to deplete the soil, and (4) the expansion of cotton acreage comes at the expense of a variety of other cash crops. 2/

Thailand's production of manmade fibers and filament yarn, after remaining stable in 1980 and 1981, dropped by 14 percent in 1982 before recovering by 17 percent in 1983, as shown in table 95. Increased production of polyester filament yarn contributed to the recovery; production in 1983 was 136 percent above that in 1982 and 100 percent over that in 1980.

Table 95.--Manmade fibers: Thai production, by types, 1980-83

(In tons)				
Type	1980	1981	1982	1983
Polyester staple fiber-----	56,500	56,311	48,958	39,195
Polyester filament yarn-----	23,293	23,366	19,726	46,568
Nylon filament yarn-----	16,716	17,001	13,634	10,959
Viscose rayon staple fiber-----	16,394	16,420	15,462	17,446
Total-----	112,903	113,098	97,780	114,168

Source: Thai Textile Manufacturing Association, report from U.S. Embassy, Bangkok, Oct. 10, 1984.

The yarn-spinning sector has continually gone through regular cycles of overcapacity followed by rapid growth. 3/ Although spinning machinery in use in 1983 increased by 9 percent over that in 1982, actual production of yarn increased by only 5.8 percent (cotton yarn increased by 8.3 percent, and manmade-fiber yarn, 4 percent). Between 1980 and 1983, spinning capacity grew from 1.3 million to 1.8 million spindles, or by 36 percent. 4/ Total yarn production also increased during the period, as shown in the table 96. Most of the yarn produced in Thailand is consumed by the domestic market; in 1983, exports accounted for only 5 percent of production.

1/ Farmers in Thailand grow medium staple cotton (1-1/8 inch). The normal practice is to blend domestic with imported cotton at a ratio of 1 to 4.

2/ U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Aug. 5, 1983, p. 3.

3/ Ibid.

4/ U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Oct. 10, 1984, p. 2.

Table 96.--Yarn: Thai production, by types, 1980-83

(In tons)				
Type	1980	1981	1982	1983
Cotton yarn-----	96,151	97,271	101,213	109,633
Manmade-fiber yarn-----	126,334	132,892	132,197	137,479
Total-----	223,485	230,163	233,410	247,112

Source: Thai Textile Manufacturing Association, report from U.S. Embassy, Bangkok, Oct. 10, 1984.

The weaving sector of the Thai textile industry is characterized by a few large mills and hundreds of cottage-type mills. Woven fabrics produced in these cottage-type mills, some of which have as few as four looms, tend to be of low quality. About 85 percent of total cotton fabric production and 60 percent of total manmade-fiber fabric production are consumed in the domestic market. <sup>1/</sup> Fabric exports, consisting mostly of gray cloth, are generated by a few large mills. In recent years, more than 75 percent of all printcloth exported to the United States from Thailand was produced by the Saha Union Mills. <sup>2/</sup>

Thai production of woven fabrics rose continuously during 1980-83, reaching 1.7 billion square yards in 1983, divided almost equally between cotton and manmade-fiber fabric, as shown in table 97. In 1983, 58,311 looms were in operation, producing 888 million square yards of cotton fabric and 847 million square yards of manmade-fiber fabric.

Table 97.--Woven fabrics: Thai production, by types, 1980-83

(In millions of square yards)				
Type	1980	1981	1982	1983
Cotton-----	761	791	853	888
Manmade fiber-----	672	723	794	847
Total-----	1,433	1,514	1,647	1,735

Source: Thai Textile Manufacturing Association, report from U.S. Embassy, Bangkok, Oct. 10, 1984.

There also has been steady growth in production of knit fabrics in recent years, with manmade fibers being, by far, the major fiber used. Knit cotton fabric production increased by 13 percent during 1980-83, and knit manmade-fiber fabric production grew by 23 percent, as shown in table 98. Nevertheless, despite the increased production, the Thai textile industry was able to satisfy only three-fourths of the apparel industry's needs for knit fabric in 1983, leading to a significant increase in imports of the fabric.

<sup>1/</sup> Ibid.

<sup>2/</sup> U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Aug. 5, 1983, p. 5.

During January-June 1984, imports of knit fabrics had already equaled total imports in 1983; the increase reflects rising demand for knit apparel in the export market. 1/

Table 98.--Knit fabrics: Thai production, by types, 1980-83

(In tons)					
Type	1980	1981	1982	1983	
Cotton-----	11,758	12,246	12,570	13,249	
Manmade fiber-----	38,899	43,851	44,058	47,547	
Total-----	50,657	56,097	56,628	60,796	

Source: Thai Textile Manufacturing Association, report from U.S. Embassy, Bangkok, Oct. 10, 1984.

Apparel manufacturing continues to be among the most rapidly growing sectors in the entire Thai economy and is export oriented. Starting with a base of only \$800,000 in exports in 1970, the industry, according to data from the United Nations, exported an estimated \$458 million in 1983. 2/

Thai production of garments manufactured by factories registered with the Ministry of Industry has expanded rapidly since 1976, more than tripling to an estimated 202 million pieces in 1983, of which approximately 80 percent was exported. 3/ The latest data available on production and production capacity of the registered Thai apparel factories are shown in table 99.

Table 99.--Apparel: Thai production capacity, production, capacity utilization, and number of factories, 1976-81

Year	Production capacity	Production	Capacity utilization	Factories
	-----1,000 pieces-----		-----Percent-----	
1976-----	105,994	65,270	61	226
1977-----	106,388	64,069	60	279
1978-----	106,755	98,842	92	317
1979-----	106,755	104,932	98	317
1980-----	132,670	123,350	93	387
1981-----	<u>1/</u> 225,040	<u>1/</u> 179,067	80	646

1/ Estimated.

Source: Industrial Works Department, Ministry of Industry, and the Board of Investment, Thailand.

1/ U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Oct. 10, 1984, p. 3.

2/ Tony Oliver, "Carpet Curbs," *Textile Asia*, August 1984, p. 77.

3/ "Textile Fabric and Garment Report," extracted from the 1983/84 report of the Business Economics Department, Ministry of Commerce, Thailand, p. 99.

The vast majority of clothing worn by the Thai people is either sewn at home or made to order in the thousands of tailor shops located across the country. Total Thai apparel production amounted to 903 million pieces in 1983, representing a 24-percent increase over that in 1980. During the same period, exports, which account for about 20 percent of total production, increased by 52 percent, to 167 million pieces, as shown in table 100.

Table 100.--Apparel: Thai production, imports, and exports, 1980-83

Item	1980	1981	1982	1983 <sup>1/</sup>	Percentage change, 1983 over 1980
	-----1,000 pieces-----				
Production-----	729,950	795,927	831,979	902,650	24
Imports-----	695	861	1,241	479	-31
Exports-----	109,760	137,820	144,919	167,059	52

<sup>1/</sup> 1983 yearend apparel stock was 22 million pieces.

Source: Thai Textile Manufacturing Association, report from U.S. Embassy, Bangkok, October 10, 1984, and letter from L.S. Bigelow, Economic Officer, U.S. Embassy, February 25, 1985.

Note.--Preliminary data indicate that during January-June 1984, exports amounted to 111 million pieces.

The slow development of dyeing and finishing operations in Thailand has resulted in a continued need to import fabric for the production of apparel for export. <sup>1/</sup> The large-scale dyeing and finishing operations are almost exclusively foreign-controlled, integrated textile mills. In these mills, technical experts, often from Hong Kong or Taiwan, control the entire dyeing and finishing process using imported dyes and chemicals. Although a few Thai nationals have received training abroad, most locally owned and managed mills do not employ trained personnel.

In the case of textile furnishings, the number of mills manufacturing blankets, sheets, towels, and curtains is small; production is reported to be increasing at an average of 5 to 6 percent per year. Production of machine-made carpets amounted to only 63 percent of available capacity, and sales of such carpets averaged only 50 percent of total production in 1982. <sup>2/</sup> The two manufacturers of tufted carpets in Thailand were reported to be working at only 22 percent of capacity in 1982. Total carpet production in 1982 amounted to 1.7 million square yards, most of which is consumed domestically, as shown in the following tabulation (in thousands of square yards): <sup>3/</sup>

<sup>1/</sup> U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles for Thailand, Nov. 3, 1982, p. 5.

<sup>2/</sup> On June 13, 1983, the Ministry of Industry suspended establishment of new carpet-manufacturing plants or extension of existing factories.

<sup>3/</sup> Tony Oliver, "Carpet Curbs," Textile Asia, August 1984, p. 77.

<u>Type</u>	<u>Production</u>	<u>Consumption</u>
Machine made-----	1,333.0	1,054.3
Handmade-----	201.7	160.4
Tufted-----	164.0	121.4
Total-----	1,698.7	1,336.1

### Equipment

Thailand continues to rely on imports for most of its textile and apparel machinery, as well as most parts and accessories. Singer Thailand Ltd. has invested \$2.8 million and currently employs 90 workers in its sewing machine factory. The Singer assembly plant in Thailand has an annual production capacity of 54,000 units, but domestic demand has grown to 200,000 yearly. Yet, owing to growing competition from imports, Singer has been reluctant to expand operations, as a 30-percent increase in imported sewing machines in recent years has forced the Singer plant to cut production by the same amount, because sales had dropped by 40 percent in 1982. 1/

Approximately 55 percent of Thailand's imports of textile and apparel machinery in 1983 came from Japan, followed by Switzerland and the United Kingdom, with 5.1 and 3.5 percent, respectively. Imports of machinery from the United States in 1983 made up approximately 3 percent of the total imports, or about \$2.3 million.

Imports of textile and apparel machinery in 1983 totaled almost \$76 million, representing an increase of 11 percent over that 1982. As shown in table 101, it is estimated that imports of machinery will increase to approximately \$84 million in 1984 and is projected to reach \$111 million by 1987. 2/ Exports of textile and apparel machinery are small.

Table 101.--Textile and apparel machinery: Thai imports and exports, 1982-84 and 1987 1/

(In millions of dollars)

Item	1982	1983	1984	1987
Imports-----	68.2	75.9	83.5	111.0
Exports-----	1.7	1.9	2.1	2.7

1/ Data for 1984 and 1987 are projected.

Source: U.S. Department of Commerce, Textile Machinery and Equipment, report from U.S. Embassy, Bangkok, Sept. 20, 1984.

1/ Tony Oliver, "Machinery," Textile Asia, September 1983, p. 200.

2/ Ibid.

The continued growth of the Thai textile industry contributed to the increase in installed equipment. In 1983, the number of spindles in Thailand totaled 1.8 million, representing a 62-percent increase since 1976; the number of knitting machines increased by 52 percent during the same period, reaching 32,800. In 1983, the largest knitting mill in Thailand had fewer than 200 machines. <sup>1/</sup> The number of looms showed the least growth, according to information of the Thai Textile Manufacturing Association, from 54,200 to 58,300, as shown in table 102.

Table 102.--Production equipment in use in Thailand, by types, 1976-83

(In thousands)			
Year	Spindles	Weaving looms	Knitting machines
1976-----	1,112.1	54.2	21.7
1977-----	1,129.1	53.8	22.7
1978-----	1,168.6	53.8	23.4
1979-----	1,300.8	55.5	25.4
1980-----	1,320.8	57.4	28.7
1981-----	1,547.8	58.4	30.2
1982-----	1,642.2	58.0	31.4
1983-----	1,791.8	58.3	32.8

Source: Thai Textile Manufacturing Association.

### Trade in Textiles and Apparel

#### Imports, exports, and trade balance

The priority given by the Thai Government in the early 1970's to establish an export-oriented textile and apparel sector has contributed importantly to the growth of its foreign trade. Unlike the foreign trade balance overall, which has been marked by continually widening deficits since the mid-1970's, Thailand incurred an increasingly favorable balance of trade in textiles and apparel from 1977 to 1982, as shown in table 103. Thailand's trade surplus in textiles and apparel rose from roughly \$100 million in 1976 and 1977, to almost \$565 million in 1982. Although complete data are not available for 1983, the available data suggest that the trade surplus that year will have declined somewhat from the record 1982 level because of higher imports, but will most likely remain well above the preceding years' levels.

Thailand's imports of textiles and apparel, after peaking at slightly less than \$300 million in 1980, fell modestly in 1981 and then declined significantly in 1982 to just under \$200 million, the lowest level since 1976. Imports recovered by almost 18 percent in 1983 to \$234 million, but

<sup>1/</sup> U.S. Embassy, Bangkok, Industrial Outlook Report: Textiles, Aug. 5, 1983, p. 5.

Table 103.---Textile fibers, textiles, and apparel: Thailand's general imports 1/, exports, 2/ and trade balances, 1976-83

Item	(In thousands of dollars)									
	1976	1977	1978	1979	1980	1981	1982	1983	3/	
Imports:										
Textile fibers	83,982	120,899	93,177	134,419	115,797	132,174	89,156	103,513		
Textiles	74,704	83,343	113,762	117,438	171,648	140,168	105,640	122,919		
Apparel	7,837	6,703	5,876	7,025	5,145	4,375	4,232	7,687		
Total	166,523	210,945	212,815	258,882	292,590	276,717	199,028	234,119		
Exports:										
Textile fibers	44,996	40,254	44,067	40,795	43,309	34,776	48,303	4/		
Textiles	156,348	170,632	261,664	341,789	329,838	344,669	344,743	365,000		
Apparel	80,703	92,208	148,311	209,061	266,615	343,807	370,707	458,000		
Total	282,047	303,094	454,042	591,645	639,762	723,252	763,753	823,000		
Trade balance:										
Textile fibers	-38,986	-80,645	-49,110	-93,624	-72,488	-97,398	-40,853	4/		
Textiles	81,644	87,289	147,902	224,351	158,190	204,501	239,103	242,081		
Apparel	72,866	86,505	142,435	202,036	261,470	339,432	366,475	450,313		
Grand total	115,524	92,149	241,227	332,763	347,172	446,535	564,725	588,881		

1/ C.i.f. Imports for 1976-83 are compiled from Thailand's imports as reported to the United Nations.

2/ Exports based on Thailand's exports as reported to the United Nations.

3/ Imports and exports for 1983 are estimated by the staff of the U.S. International Trade Commission and do not include textile fibers.

4/ Not available.

Source: Compiled from United Nations data, except as noted.

still remained significantly lower than the 1980 record level. Imports consisted almost entirely of textiles and textile fibers; apparel imports continued to be very small. Only in fibers were Thailand's imports greater than its exports, reflecting its reliance on foreign sources for raw cotton, which accounts for over 80 percent of its fiber imports.

The rapid growth that characterized Thailand's exports of textiles and apparel during the late 1970's, albeit from a very small base, slowed considerably during the early 1980's. From 1976 to 1979, these exports grew at an average annual rate of 28 percent to \$592 million in 1979. They rose at an annual rate of only 8.6 percent between 1979 and 1983, reaching \$823 million in 1983. The slowdown in growth during recent years resulted partly from increasingly stagnant levels of textile and apparel consumption in the major export markets, which were exacerbated by the prolonged economic recession worldwide during the early 1980's.

#### Export trends and types of products

Most of the export growth since 1976 has occurred in apparel, exports of which have exceeded textile exports since 1981 (table XI-3). Thailand's exports of apparel, concentrated in knit apparel, especially shirts, and woven outer garments, particularly for women, grew at an average annual rate of 28 percent during 1979-83 to an estimated \$458 million in 1983, making it the third largest industrial export. <sup>1/</sup> By contrast, Thai textile exports showed little or no growth during the period, totaling an estimated \$365 million in 1983 following significant expansion during the late 1970's. The major textile export products were woven fabrics of cotton and of discontinuous manmade fibers (i.e., staple fibers as opposed to continuous filaments).

The growth in Thailand's apparel exports has partly resulted from a shift in trade from the Big Three (Hong Kong, Taiwan, and Korea), which are increasingly faced with tighter restrictions on their shipments to the major export markets. The tighter restrictions have encouraged the Big Three to trade up to higher-value-added goods to maximize their quota usage, thereby opening up opportunities in the lower end of the market for smaller, low-cost suppliers like Thailand to accelerate their exports. Although Thailand's exports are considerably smaller than the Big Three's, they are concentrated in only a few items, thereby increasing their importance in the marketplace. Thailand will most likely continue to benefit from the trade shift as importers in the developed countries seek alternative sources of low-cost production, with Thailand's labor costs significantly lower than the Big Three's. <sup>2/</sup>

#### Major markets

The United States remained the principal market for Thailand's exports of textiles and apparel, with the U.S. share of the exports increasing from

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<sup>1/</sup> Tony Oliver, "Thailand: Garment Growth," Textile Asia, vol. 14, May 1983, p. 74.

<sup>2/</sup> Ibid.

15 percent in 1980 to 21 percent in 1982 (tables XI-1 and XI-2). In 1982, Thai exports of textiles and apparel to the United States totaled \$142.4 million, or 67 percent above the 1980 level. West Germany, receiving shipments of \$70.1 million in 1982, or 10 percent of the total, continued as the second largest market. Singapore and Japan accounted for an additional 8 and 7 percent, respectively, of the exports.

Most of the Thai exports to the United States consisted of apparel. In 1982, exports of apparel to the U.S. market were valued at \$102 million, representing a 50-percent increase since 1980 and representing 29 percent of all Thai apparel exports. Other major apparel export markets were West Germany, receiving shipments amounting to \$47 million, and the United Kingdom, with shipments of \$29 million, in 1982. Exports to the United Kingdom were 40 percent above those exported in 1980.

The major export markets for textiles were Japan, to which shipments increased by 12 percent from 1980 to \$43 million in 1982, and the United States, to which exports increased considerably, from \$18 million in 1980 to \$42 million in 1982. Italy and Hong Kong each received over \$30 million in textile exports in 1982. Although exports to Hong Kong have remained somewhat stable since 1980, shipments to Italy have fluctuated; they reached a high of \$43 million in 1980 and then fell to \$27 million in 1981.

#### MFA constraints

The current textile and apparel agreement between the United States and Thailand covers the 5-year period ending December 31, 1987. Under the agreement, with each agreement year on a calendar-year basis, textile and apparel products are classified into two groups, as follows:

<u>Group</u>	<u>Description</u>
I-----	Yarns, fabrics, made-up goods, and miscellaneous textile products of cotton, wool, and manmade fibers.
II-----	Apparel of cotton, wool, and manmade fibers.

An aggregate limit was established for only group II (apparel), and specific limits were established on some 28 categories, as shown in table 104.

Table 104.--Textiles and apparel: Aggregate group II and specific limits established in the United States-Thailand bilateral agreement, by MFA categories, 1983-87

(In millions of SYE)

Group and MFA category	1983	1984	1985	1986	1987
Group I:					
313-----	11.6	12.3	13.0	13.8	14.6
314-----	8.5	9.0	9.6	10.1	10.7
315-----	17.0	18.0	19.1	20.2	21.5
317-----	5.8	6.1	6.5	6.9	7.3
319-----	6.0	6.4	6.7	7.1	7.6
320-----	9.9	10.5	11.1	11.8	12.5
613-----	13.8	14.6	15.4	16.4	17.4
604-----	2.9	3.0	3.2	3.4	3.6
Group II (aggregate group limit)-----	74.0	78.4	83.1	88.1	93.4
331-----	1.5	1.6	1.7	1.8	1.9
334/335-----	2.4	2.5	2.7	2.8	3.0
338/339-----	4.5	4.8	5.0	5.3	5.7
340-----	2.6	2.8	3.0	3.1	3.3
341-----	1.7	1.8	1.9	2.0	2.1
347/348-----	3.5	3.7	3.9	4.2	4.4
634/635-----	16.6	17.6	18.6	19.7	20.9
638-----	2.3	2.5	2.6	2.8	3.0
639-----	20.0	20.6	21.2	21.9	22.5
641-----	2.5	2.7	2.8	3.0	3.2
645/646-----	2.9	3.1	3.3	3.5	3.7
647/648-----	8.0	8.4	8.9	9.5	10.1
445/446-----	.2	.2	.2	.2	.2

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

Individual categories in group I are allowed an increase of between 7 and 10 percent (swing) during 1983 and 7 percent annually during 1984-87 as long as the amount of the increase is compensated for by an equivalent decrease in other categories within the group. The aggregate limit for group II and all specific limits for both groups may be exceeded by up to 11 percent with the use of both carryover and carryforward (the latter being limited to 6 percent). All categories that are not controlled by specific limits are subject to requests for consultations whenever the United States believes that such imports are impeding orderly trade owing to market disruption. Consultations must begin within 30 days of such a request, and a solution should be reached within 90 days. If no solution can be reached, an annual specific limit may be established that is not less than the level of imports during the first 12 of the last 14 months preceding the original request, plus 20 percent for cotton and manmade-fiber categories and 6 percent for wool categories.

Handloomed fabrics of the cottage industry and folklore handcraft textile products traditional to Thailand are not subject to the provisions of the agreement.

## Government Policy

Economic importance of the textile and apparel industries

In 1983, the Thai textile and apparel industrial sector provided 6 percent of the nation's GDP and 26 percent of its GDP for all manufacturing. It developed into one of Thailand's largest earners of foreign exchange and is the largest employer in the industrial sector. In addition, it provided a trade surplus estimated at more than \$500 million, which helped reduce Thailand's chronic trade deficit.

Export promotion

The Thai Government encourages exports of textiles and apparel by (1) exempting apparel produced for export from export duties and business tax; (2) rebating duties paid on imported raw materials; (3) making credit available from commercial banks by discounting promissory notes; (4) providing guarantees of quality through the Ministry of Commerce; and (5) requiring exporters to follow the regulations in force for exports to those importing countries that have signed agreements with Thailand. 1/

To further encourage domestic production of apparel for export, the Ministry of Commerce, on August 8, 1984, imposed a ban on imports of various semifinished garments to be completed domestically for reexport purposes.

On August 29, 1984, the Board of Investment removed the 10-year ban on the establishment and expansion of export-oriented apparel factories and is emphasizing the production of high-quality apparel for export. 2/ The Industry Ministry had established the ban because combined production capacity of the existing plants could more than meet demand. 3/ Subsequently, the BOI approved 7 new projects, involving a total investment of \$14.2 million and 8,000 new jobs, as follows:

1. A \$6.1 million plant that will manufacture annually 2.3 million jackets;
2. a \$1.4 million plant that will produce 3 million pairs of trousers annually;
3. a \$1.1 million plant to manufacture 400,000 knitted articles yearly;
4. a \$1.0 million plant to produce 600,000 sweaters yearly;
5. a \$1.4 million plant to produce 1 million items of clothing a year; and
6. 2 companies that will invest \$1.2 million and \$2.0 million, respectively, to manufacture 120,000 sweaters and 1.2 million woven-fabric garments. 4/

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1/ Ibid.

2/ Tony Oliver, "Ban Removed," Textile Asia, October 1984, p. 108.

3/ "Textile Plants May Be Removed," Bangkok Business Post, Aug. 6, 1984.

4/ Tony Oliver, "Ban Removed," Textile Asia, October 1984, p. 108.

The BOI requires that the new firms meet the following conditions--the minimum investment in each project must total \$870,000; only garments and knitted goods may be manufactured; each knitting plant must have a pressing room; and exports by the new firms can be made only to nonquota markets to prevent any adverse effects on existing manufacturers. 1/

#### Assistance to the industry

On July 20, 1984, the American Textile Manufacturers' Institute, the Amalgamated Clothing and Textile Workers Union, and the International Ladies' Garment Workers Union filed a countervailing duty petition with the U.S. Department of Commerce alleging that the Thai textile and apparel industries receive benefits, such as special export financing and incentives, from several Thai Government programs. On March 4, 1985, the U.S. Department of Commerce made its final determination in this investigation. The Department of Commerce determined that the Government of Thailand is providing certain benefits that constitute bounties or grants within the meaning of the countervailing duty law to Thai producers of certain apparel items. 2/

The Department of Commerce found the following programs to constitute a bounty or a grant: (1) export credits; (2) rediscount of industrial bills; (3) electricity discounts for exporters; (4) assistance to trading companies; and (5) tax certificates for exports. The estimated net bounty or grant found by the Department of Commerce resulting from these programs was 1.23 percent ad valorem for certain apparel items.

On March 4, 1985, the Department of Commerce also decided to suspend the countervailing duty investigation involving certain textile mill products from Thailand, effective March 12, 1985. The basis for the suspension is an agreement to offset or eliminate completely all benefits provided by the Government of Thailand that the Department of Commerce found to constitute bounties or grants on exports of certain textile mill products to the United States. 3/

The Government of Thailand encourages foreign investment as an industrial development tool. The BOI provides incentives and guarantees to "promoted investors," 4/ including tax holidays, tariff waivers, assurance against nationalization, and Government protection from competition. The textile and apparel industries are currently included in the nine industries on which the BOI has placed emphasis for foreign investment. 5/

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1/ Ibid.

2/ For more details on the apparel covered and a list of programs determined to constitute bounties or grants, see "Final Affirmative Countervailing Duty Determination and Countervailing Duty Order; Certain Apparel From Thailand," 50 F.R. 9818-25, Mar. 12, 1985.

3/ See "Certain Textile Mill Products From Thailand; Suspension of Countervailing Duty Investigation," 50 F.R. 9832-40, Mar. 12, 1985.

4/ Firms granted certain privileges by BOI.

5/ U.S. Department of Commerce, Overseas Business Reports: Marketing in Thailand, June 1984, p. 77.

The Thai Government is planning for extensive development of the eastern seaboard area, made up the three provinces of Chachoengsao, Clolburi, and Rayong, which stretch along the coast to the south and east of Bangkok. Although the overall development is designed to capitalize on substantial deposits of natural gas found offshore in the Gulf of Thailand, light industrial facilities are being planned throughout the area. They include the establishment of textile and apparel plants, as well as associated support industries and facilities. The overall plan calls for investments in excess of \$4.9 billion, most of which is to be spent during 1983-91. 1/

In recent years, the Government of Thailand has undertaken a program to expand cotton production in order to reduce the country's dependence on imports. The program involves, among other things, expanding cotton acreage and improving production yields. The Agricultural Ministry's cotton production goals under the Fifth Development Plan (1982-86), which for the first year was not fully achieved, are shown in the following tabulation: 2/

<u>Crop year</u>	<u>Seed cotton production</u> (tons)
1982/83-----	265,000
1983/84-----	320,000
1984/85-----	364,000
1985/86-----	419,000
1986/87-----	496,000

#### Export Potential

Thai Government programs designed to encourage and promote further development of export-oriented industries and expand raw cotton production, combined with the need to reduce the growing overall trade deficit and to increase employment in the rural areas, will provide the basis for continued growth in Thailand's exports of textiles and apparel during the remainder of the 1980's. In addition, Thailand's labor costs are among the lowest of the textile- and apparel-producing countries, providing it with a cost advantage in the export market. The textile and apparel industries together have already become the largest employer in the manufacturing sector and rank among the country's largest sources of export revenues.

Although the rapid growth that characterized Thailand's exports of textiles and apparel during the late 1970's, albeit from a very small base, slowed considerably during the early 1980's, preliminary data for 1984 indicate that there has been a marked resumption of the earlier rapid growth. After rising at an average annual rate of 28 percent from 1976 to a total of \$592 million in 1979, Thailand's exports of textiles and apparel grew thereafter by only 8.6 percent annually, to an estimated \$823 million in 1983, partly because of high interest rates and recessionary conditions abroad.

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Thailand, September 1983, p. 10.

2/ U.S. Embassy, Bangkok, Annual Cotton Report, Oct. 6, 1981, p. 3.

However, on the basis of U.S. imports of textiles and apparel from Thailand, its shipments in 1984 increased by 72 percent over those in 1983. Apparel became Thailand's third most important industrial export in 1983.

Thailand, along with other emerging exporting countries, will most likely continue to benefit from some shifting of trade from the Big Three, faced with quota shortages, particularly on popular apparel items. This shift will probably intensify, since the 1982 protocol extending the MFA allows importing countries to grant more favorable treatment to smaller suppliers and restrict quota growth of the major suppliers. In addition, rising production costs are forcing Hong Kong and Taiwan to trade up in quality and fashion, thereby opening up the low-end apparel markets to the smaller suppliers. Thus, the cumulative impact of growing exports from new and small suppliers, such as Thailand and Sri Lanka, could significantly affect the relative importance of established foreign suppliers.

The EC and the United States have been markets for approximately 55 percent of Thailand's textile and apparel exports in recent years. The rapid growth in exports to the EC during the second half of the 1970's has slowed during the early 1980's, owing in part to the recession there and from growing restrictions placed on Thailand's shipments by the EC. The growth in Thailand's exports to the United States also has slowed in recent years, although its exports to the U.S. market in 1984, according to official U.S. import statistics, increased by 72 percent over the 1983 level, to \$272 million. In 1980, U.S. imports from Thailand amounted to \$78 million. Apparel constituted roughly three-fourths of its shipments to the United States and a little over one-half of its exports to the EC.

Despite MFA restrictions on Thailand's exports of textiles and apparel, its shipments to the United States should continue to increase during the next 5 years, particularly in garments. The current bilateral agreement with the United States, covering 1983-87, allows for 6-percent annual growth for quota items, which accounted for approximately three-fourths of its shipments covered by the agreement in 1983.

Although Thailand filled, or nearly filled, its U.S. import quotas in key cotton apparel categories during 1983, it had considerable unused quota to expand its shipments of manmade-fiber shirts and blouses. The potential for growth also exists in products subject to the agreement but not yet covered by quotas and in items excluded from the agreement and the MFA, namely products of silk, jute, and other miscellaneous textile fibers. In 1983, only 22 percent of total U.S. apparel imports from Thailand covered by the MFA were not subject to quotas. Table 105, shows that 56 MFA categories having imports in 1983 were not subject to specific limits.

Table 105.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Thailand subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories subject to specific limits	U.S. imports not subject to specific limits 1/	Number of non- quota MFA cate- gories having U.S. imports
	<u>SYE</u>		<u>SYE</u>	
1981-----	29,009,727	16	61,605,639	68
1982-----	75,483,016	21	40,956,649	63
1983-----	111,546,789	28	10,197,984	56

1/ Excludes textiles and apparel in chief weight and value of silk or vegetable fibers (except cotton); such products are not subject to the MFA.

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

According to recent trends, Thailand's shipments of textiles and apparel, especially exports of apparel, to the EC should remain stable or fall slightly in the coming years. Although exports of apparel to the EC showed substantial yearly gains between 1976 and 1981, apparel exports began to level off in 1982 and declined in 1983. Exports of textile mill products to the EC followed a similar pattern, although, during 1981-83, such exports were surpassed even by apparel items. Moreover, the EC-Thailand textile agreement calls for low growth rates for the duration of the agreement and the inclusion of a surge mechanism.

During 1980-83, production of Thai fabrics and yarns showed fairly significant increases. The increased production will remain an important part of Thailand's textile export picture, particularly as it continues to develop its dyeing and finishing processes. The EC will remain a major market for textiles, but shipments should remain stable. The Asian market will continue to provide for future export growth of textiles.

Table XI-1.--Textiles and apparel: Thai exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
Less:								
Developing								
Asia Three	16,699	17,039	28,082	38,522	37,736	41,555	33,763	25,437
Other Asia	24,385	24,524	33,054	87,532	51,136	63,857	81,376	29,771
Other								
Developing:	880	1,525	2/	1,991	1,902	2,499	1,885	166
Developed				399	758	2,747	3,800	777
EC	57,647	68,462	76,364	117,162	125,542	92,394	98,446	98,422
Southern								2/
Europe	447	158	447	766	275	233	184	
Other Europe	2,347	2,047	4,045	9,735	9,222	7,835	7,602	6,574
United								
States	18,408	17,007	21,818	18,296	17,655	33,439	40,306	34,000
Canada	2,656	4,300	2,426	2,964	735	2,750	3,369	5,948
Japan	18,950	16,444	26,441	46,131	38,671	36,294	43,388	36,261
Other	5,589	5,458	8,178	14,423	15,347	10,934	14,607	3,178
Developing:								
Asia Three	1,406	1,557	2,076	1,425	2,027	4,305	4,585	4,286
Other Asia	2,315	8,776	3,491	32,340	30,905	59,049	74,255	23,493
Other								
Developing:	2/	2/	2/	2/	976	561	772	232
Developed					17	1,224	2,087	406
EC	28,242	39,145	51,390	82,718	113,349	132,226	130,780	116,759
Southern								2/
Europe	30	143	280	506	805	932	1,266	
Other Europe	11,603	11,368	12,729	18,409	23,653	24,646	24,698	22,233
United								
States	32,670	27,382	61,387	67,568	67,819	84,404	102,133	137,327
Canada	422	289	343	4,775	5,269	4,369	4,931	8,782
Japan	3,568	2,544	2,850	5,319	5,978	5,540	4,699	3,522
Other	1,265	2,036	1,849	2,299	2,961	2,769	2,896	92
Apparel:								
Developing								
Asia Three	18,105	18,596	30,158	39,947	39,763	45,860	38,348	29,723
Other Asia	26,700	33,500	36,545	119,872	82,041	122,906	155,631	53,264
Other								
Developing:	2/	2/	2/	2,380	2,878	3,060	2,657	398
Developed				399	775	3,971	5,887	1,183
EC								

Footnotes at end of table.

Table XI-1.---Textiles and apparel: Thai exports, 1/ by specified world markets, 1976-83---Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	-----1,000 dollars-----							
Textile & Apparel:								
Developed								
EEC	85,889	107,607	127,754	199,880	238,891	224,620	229,226	215,181
Southern Europe	477	301	727	1,272	1,080	1,165	1,450	2/
Other Europe	13,950	13,415	16,774	28,144	32,875	32,481	32,300	28,807
United States	51,078	44,389	83,205	85,864	85,474	117,843	142,439	171,327
Canada	3,078	4,589	2,769	7,739	6,004	7,119	8,300	14,730
Japan	22,518	18,988	29,291	51,450	44,649	41,834	48,087	39,783
Other	6,854	7,494	10,027	16,722	18,308	13,703	17,503	3,270
Total 3/	230,033	250,529	337,326	553,670	552,739	614,562	681,828	557,733

1/ Based on world's imports from Thailand as reported to the United Nations.

2/ Not available.

3/ Totals are understated, especially in 1983, because not all of Thailand's export markets reported their trade data to the United Nations.

Source: Compiled from United Nations data.

Table XI-2.--Textiles and apparel: Thai exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
xtiles:								
United States.....	18,408	17,007	21,818	18,296	17,655	33,439	40,306	34,000
West Germany.....	15,338	19,752	23,243	30,641	33,025	23,707	22,806	27,162
Singapore.....	11,325	12,049	25,689	34,960	21,429	21,196	33,378	26,605
Japan.....	18,950	16,444	26,441	46,131	38,671	36,294	43,388	36,261
Hong Kong.....	15,130	15,937	25,256	35,805	31,195	34,970	33,763	25,437
Italy.....	20,455	20,709	23,107	41,064	43,032	27,932	34,578	31,751
United Kingdom.....	4,536	6,252	5,619	8,265	7,009	7,551	10,028	8,491
Saudi Arabia.....	1,449	3,001	2/ 5,973	9,297	6,653	4,974	8,708	2/ 7,712
France.....	2,221	4,591	2/ 5,973	9,345	9,464	8,295	7,372	2/ 7,712
United Arab Emirates:								
Other.....	40,479	2/ 41,359	2/ 43,743	11,444	2/ 90,846	9,835	7,900	43,182
Total 3/.....	148,291	157,101	200,889	337,921	298,979	294,537	328,726	240,601
apparel:								
United States.....	32,670	27,382	61,387	67,568	67,819	84,404	102,133	137,327
West Germany.....	11,508	17,740	25,343	35,709	42,633	46,388	47,297	43,807
Singapore.....	657	1,125	1,796	3,264	4,896	9,445	23,224	22,176
Japan.....	3,568	2,544	2,850	5,319	5,978	5,540	4,699	3,522
Hong Kong.....	1,390	1,557	2,069	1,401	2,017	4,288	4,585	4,286
Italy.....	1,274	3,534	3,181	3,011	9,610	11,791	6,333	6,340
United Kingdom.....	4,911	6,412	7,653	18,005	21,042	27,833	29,543	2/ 21,166
Saudi Arabia.....	468	3,142	4,437	6,619	11,902	19,247	26,181	2/ 17,294
France.....	2,865	2,170	4,437	7,439	2/ 14,969	21,385	21,011	2/ 17,294
United Arab Emirates:								
Other.....	21,431	27,822	27,721	53,826	72,894	73,213	70,740	61,214
Total 3/.....	81,742	93,428	136,437	215,749	253,760	320,025	353,102	317,132
xtile & Apparel								
United States.....	51,078	44,389	83,205	85,864	85,474	117,843	142,439	171,327
West Germany.....	26,846	37,492	48,586	66,350	75,658	70,095	70,103	70,969
Singapore.....	11,982	13,174	27,485	38,204	26,325	30,641	56,602	48,781
Japan.....	22,518	18,988	29,291	51,450	44,649	41,834	48,087	39,783
Hong Kong.....	16,520	17,494	27,325	37,206	33,212	39,258	38,348	29,723
Italy.....	21,729	24,243	26,288	44,075	52,642	40,911	40,911	38,091
United Kingdom.....	9,447	12,664	13,272	26,270	28,051	35,384	39,571	29,657
Saudi Arabia.....	1,917	6,143	10,410	15,916	18,555	24,221	34,889	2/ 25,006
France.....	2,6,086	6,761	10,410	16,784	2/ 24,433	29,680	28,383	2/ 25,006
United Arab Emirates:								
Other.....	61,910	69,181	71,464	146,519	163,740	159,557	157,239	104,396
Total 3/.....	230,033	250,529	337,326	553,670	552,739	614,562	681,828	557,733

1/ Based on world's imports from Thailand as reported to the United Nations.

2/ Not available.

3/ Totals are understated, especially in 1983, because not all of Thailand's export markets reported their trade data to the United Nations.

Source: Compiled from United Nations data.

Table XI-3.--Textiles and apparel: Thai exports, 1/ by types, 1979-83

SITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
1,000 dollars						
Silk yarn.....	28	30	10			
Wool yarn.....	50	273	382		244	388.000
Cotton yarn.....	2,286	2,883	7,205		4,193	83.421
Yarn of manmade fibers.....						
Other yarn.....	28,811	31,666	29,386		19,824	-31.193
Woolen grey cotton fabrics.....	31,092	24,051	21,297		17,468	-43.818
Woolen finished cotton fabrics.....	50,756	47,640	55,910		48,606	-4.236
Woolen fabric of continuous manmade fibers.....	20,691	14,972	17,580		14,048	-32.106
Woolen fabric of discontinuous manmade fibers.....	18,486	14,292	10,262		6,135	-66.813
Manmade fibers.....	102,681	70,396	88,349		72,756	-29.144
Woolen fabrics of manmade fibers.....	64	62	162		18	-71.875
Woolen fabrics of wool.....	6	48	35		2	-66.667 <sup>410</sup>
Woolen fabrics of other fibers.....	3,281	4,502	7,009		7,013	113.746
Knit fabrics.....	970	270	544		426	-56.082
Blankets, tapestries, linens, and other furnishings.....	6,577	8,123	9,502		8,981	36.552
Other textile products.....	49,232	58,727	43,879		33,700	-31.549
Floor coverings.....	1,658	3,385	4,117		2,952	78.046
18B outer garments, not knit.....	27,322	27,450	42,122		46,584	70.500
461 outer garments, not knit.....	59,287	58,528	90,384		100,886	70.165
18B under garments, not knit.....	11,578	15,837	15,486		15,541	34.229
461 under garments, not knit.....	1,365	1,164	1,165		1,238	-9.304

See footnotes at end of table.

Table XI-3.--Textiles and apparel: Thai exports, 1/ by types, 1979-83--Continued

ITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
-----1,000 dollars-----						
Accessories, not knit	5,526	6,945	8,541	5,644	3,688	-33.261
Materials of textile	3,589	3,406	2,462	4,519	3,998	11.396
Wear	429	366	416	670	344	-19.814
Knitings, etc., nit	4,272	2,747	2,793	3,227	3,737	-12.523
Other garments, knitted	37,238	45,693	55,560	63,646	73,051	96.173
Other garments, knitted	27,642	41,048	55,894	60,843	58,786	112.669
Stitch fabric & art., nit	20	26	50	76	187	835.000
Other apparel and accessories	24,202	26,621	14,460	11,704	6,981	-71.155
Wool apparel and accessories	95	720	128	149	104	9.474
Other apparel and accessories	105	196	98	88	50	-52.381
Articles						

1/ Based on world's imports from Thailand as reported to the United Nations.  
/ Not available.

Source: Compiled from United Nations data.

Table XI-4.--Cotton textiles: U.S. imports from Thailand, by MFA categories, 1980-83

Code	Description	Equivalent square yards							1,000 dollars						
		1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983		
301	Combed yarn	0	0	563,040	564,549	0	0	0	0	0	155	151			
310	Clinghem	0	0	24,650	0	0	0	0	0	0	17	0			
315	Sheeting	1,127,403	3,268,394	7,492,507	9,784,262	567	1,629	3,505	4,140						
314	Poplin and broadcloth	628,925	4,321,239	5,095,249	5,552,229	327	1,668	2,045	1,968						
315	Printcloth	0	3,398,477	5,047,521	18,276,261	0	1,135	1,973	5,938						
317	Twill and sateen	3,665,509	2,080,770	1,817,589	3,330,974	2,529	1,424	1,030	2,054						
318	Yarn-dyed fabric, n.e.s.	213	0	0	0	1	0	0	0						
319	Duck	2,759,982	4,661,790	3,500,304	3,475,722	2,581	4,931	3,822	3,735						
320	Woven fabrics, n.e.s.	3,602,112	20,446,088	24,019,025	542,783	1,802	7,739	9,907	301						
331	Gloves	480,235	449,663	1,584,448	1,322,538	664	292	1,019	1,018						
333	Suit-type coats, men's and boys'	0	0	2,063	30,698	0	0	4	24						
334	Other coats, men's and boys'	647,046	585,345	546,317	793,331	1,210	988	1,047	1,137						
335	Coats, women's, girls', and infants'	1,259,981	1,659,680	1,628,212	1,639,280	3,942	6,225	6,784	6,736						
336	Dresses	299,389	469,399	793,068	629,805	741	999	1,434	1,319						
337	Play suits	128,325	121,850	246,050	108,475	99	105	237	176						
338	Knit shirts, men's and boys'	2,046,420	2,144,470	2,689,236	3,766,328	11,747	12,680	16,546	21,883						
339	Knit shirts and blouses, women's, girls' and infants'	1,474,524	1,238,091	1,376,684	1,343,679	4,452	3,867	5,353	4,994						
340	Shirts, not knit, men's and boys'	1,986,552	2,316,912	2,519,736	2,395,080	3,338	4,049	4,594	4,804						
341	Blouses, not knit, women's, girls', and infants'	1,021,672	1,425,772	1,764,625	1,578,751	2,320	3,669	4,757	4,508						
342	Skirts	21,075	31,845	47,401	147,118	87	125	142	222						
345	Sweaters	110,547	68,779	422,942	950,801	125	38	797	2,319						
347	Trousers, men's and boys'	640,872	612,498	495,499	1,110,791	1,587	2,065	1,643	3,093						
348	Trousers, women's, girls', and infants'	2,437,641	3,311,405	1,114,369	2,519,001	5,419	9,720	2,925	7,478						
349	Brassieres	0	0	120	0	0	0	1/	0						
350	Dressing gowns	8,670	16,065	96,798	121,431	11	28	165	171						
351	Nightwear	0	115,596	33,436	2,600	0	131	26	1						
353	Down-filled coats, men's and boys', 2/	1	-	5,782	11,564	0	0	67	146						
354	Down-filled coats, women's, girls', and infants', 2/	16,910	37,660	164,569	542,285	32	69	264	765						
359	Other apparel	1,768	1,246	4,970	10,403	4	10	10	27						
360	Pillowcases	53,392	44,436	552	49,949	203	203	2	156						
362	Bedspreads and quilts	31,468	29,760	157,370	204,113	122	68	349	473						
363	Terry and other pile towels	648,881	605,951	1,104,040	630,619	454	413	788	541						
369	Other manufactures	25,099,512	53,463,181	64,358,122	61,387,155	44,366	64,264	71,409	80,290						
	Total														

1/ Less than 500 dollars.  
2/ New Category effective April 1, 1981.

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

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

Table XI-5.--Wool textiles: U.S. imports from Thailand, by MFA categories, 1980-83

Description	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
	Equivalent square yards											
	1,000 dollars											
Woolens and worsted	0	0	0	102	0	0	0	0	0	0	0	1
Other coats, men's and boys'	270	0	0	0	1	0	0	0	0	0	0	0
Coats, women's, girls', and infants'	80,028	79,542	61,182	72,522	223	220	185	349	220	185	185	349
Dresses	1,525	34,194	0	0	13	195	0	0	13	195	0	0
Knit shirts and blouses	900	5,160	2,355	3,690	9	47	16	33	9	47	16	33
Shirts and blouses, not knit	0	336	792	216	0	3	4	2	0	3	4	2
Skirts	162	36	90	43,704	3	1	1	295	3	1	1	295
Suits, men's and boys'	54	0	0	0	1	1/	0	0	1	1/	0	0
Suits, women's, girls', and infants'	54	2,700	0	0	1	19	0	0	1	19	0	0
Sweaters, men's and boys'	15,385	22,454	79,325	63,775	87	134	384	363	87	134	384	363
Sweaters, women's, girls', and infants'	253,109	258,883	57,378	160,376	992	1,078	443	1,451	992	1,078	443	1,451
Other apparel	156	3,076	0	0	2	14	0	0	2	14	0	0
Floor coverings	37,474	32,206	33,157	22,397	1,785	1,629	1,657	1,094	1,785	1,629	1,657	1,094
Other manufacturers	22	0	0	0	1/	0	0	0	1/	0	0	0
Total	389,139	438,587	234,279	366,782	3,117	3,339	2,689	3,588	3,117	3,339	2,689	3,588

less than 500 dollars.

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

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

Table XI-6.--Manmade-fiber textiles: U.S. imports from Thailand, by MFA categories, 1980-83

Code	Description	Equivalent square yards						1,000 dollars					
		1980	1981	1982	1983	1980	1981	1982	1983				
600	Textured yarn	0	0	432,545	2,120,878	0	0	278	0	857			
601	Continuous cellulosic yarn	0	0	0	23,426	0	0	0	0	26			
602	Continuous noncellulosic yarn	0	0	2,158	0	0	0	1	0	0			
603	Noncontinuous cellulosic yarn	0	0	14,977	394	0	0	26	0	1			
604	Noncontinuous noncellulosic yarn	2,391,403	1,305,711	2,448,258	1,729,019	737	473	963	616				
605	Other yarns	0	195,332	133,074	1,161,573	0	177	139	890				
610	Continuous cellulosic woven fabrics	22	295	2,476	251	1	2	2	2	2			
611	Spun cellulosic woven fabrics	0	58	619	0	0	1	1	0	0			
612	Continuous noncellulosic woven fabrics	233,012	103,931	285,098	0	97	51	87	0	0			
613	Spun noncellulosic woven fabrics	655,236	9,974,327	11,193,328	8,467,412	438	3,787	5,090	2,911				
614	Woven fabrics, n.e.s.	84,200	31,156	262,014	109	69	19	74	2				
627	Specialty fabrics	0	8	0	0	0	1	0	0	0			
631	Gloves	43,505	81,484	53,865	954,905	69	129	85	399				
633	Suit-type coats, men's and boys'	25,340	0	24,182	9,267	18	0	42	12				
634	Other coats, men's and boys'	2,825,870	3,181,546	5,069,534	8,226,259	2,787	3,217	7,024	12,264				
635	Coats, women's, girls', and infants'	2,657,037	1,855,155	6,985,978	9,554,301	2,627	2,417	9,511	13,852				
636	Dresses	281,812	127,113	314,609	454,043	332	209	386	479				
637	Playsuits	111,697	173,573	155,342	61,792	127	127	131	6				
638	Knit shirts, men's and boys'	638,424	1,446,498	1,333,224	1,213,794	1,228	1,965	1,743	2,013				
639	Knit shirts and blouses, women's, girls', and infants'	7,608,000	7,529,985	8,340,675	12,377,880	7,420	7,337	6,949	14,606				
640	Shirts, not knit, men's and boys'	587,640	191,784	475,104	412,824	1,176	286	1,183	749				
641	Blouses, not knit, women's, girls', and infants'	1,388,536	2,495,233	2,178,308	2,460,218	2,739	5,992	6,336	7,451				
642	Skirts	27,305	59,737	21,929	83,529	62	109	29	121				
643	Suits, men's and boys'	0	0	918	0	0	0	1	0				
644	Suits, women's, girls', and infants'	648	5,670	946,890	28,296	2	7	817	25				
645	Sweaters, men's and boys'	330,942	867,229	1,213,627	930,930	246	788	1,248	827				
646	Sweaters, women's, girls', and infants'	1,044,311	1,876,138	1,009,130	2,360,021	1,066	2,041	1,052	1,979				
647	Trousers, men's and boys'	62,566	82,467	399,504	422,002	92	144	1,022	718				
648	Trousers, women's, girls', and infants'	3,904,945	4,608,009	8,208,969	6,199,792	2,644	3,147	6,584	5,325				
649	Brazilleres	128,165	116,650	26,165	48,465	255	295	66	153				
650	Dressing gowns	204	20,910	0	867	3	22	0	3				
651	Nightwear	3,328	56,056	0	28,548	1	60	0	36				
652	Underwear	31,200	72,576	0	0	10	27	0	0				
659	Other apparel	58,399	196,420	202,067	640,993	51	273	284	811				
665	Floor coverings	3,349	30,625	47,629	21,958	69	825	1,532	646				
666	Other furnishings	7,269	24,048	28,564	16,474	5	22	29	13				
669	Other manufactures	239,499	3,874	36,504	616	171	8	10	1				
	Total	25,373,864	36,713,598	51,847,264	59,990,836	24,544	33,959	52,726	67,848				

1/ Less than 500 dollars.

Table XI-7.--Textiles and apparel: Limits under the United States-Thailand bilateral agreement and shipments charged, by MFA categories, agreement year 1981

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				-----1,000 units-----	-----	Percent
Group II:						
331	Specific	Cotton	Doz pr	385	157	41
		gloves.				
334/335	do	Cotton coats, (except suit-type).	Doz	1/ 53	52	97
338/339	do	Cotton knit shirts.	do	546	482	88
340	do	Cotton woven shirts, men's and boys'.	do	1/ 99	99	100
341	do	Cotton woven blouses.	do	1/ 113	103	91
347/348	do	Cotton trousers.	do	1/ 182	182	100
445/446	do	Cotton sweaters.	do	2/ 13	13	100
634/635	do	Manmade fiber coats, (except suit-type).	do	1/ 391	167	43
638	do	Manmade fiber knit shirts, men's and boys'.	do	1/ 127	65	51
639	do	Manmade fiber knit shirts and blouses.	do	1/ 1,332	620	46
645/646	do	Manmade-fiber sweaters.	do	1/ 77	46	59
647/648	do	Manmade-fiber trousers.	do	1/ 436	402	92

1/ Adjusted upward.

2/ Adjusted downward.

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

Table XI-8.--Textiles and apparel: Limits under the United States-Thailand bilateral agreement and shipments charged, by MFA categories, agreement year 1982

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				-----1,000 units-----	-----	Percent
Group I:						
315/320 (pt.)	Specific	Cotton print-cloth and other carded fabrics.	Sq yd	1/ 16,338	15,392	94
Group II:						
331	Specific	Cotton gloves.	Doz pr	1/ 457	457	100
334/335	do	Cotton coats, (except suit-type).	Doz	2/ 48	48	100
338/339	do	Cotton knit shirts.	do	1/ 645	582	90
340	do	Cotton woven shirts, men's and boys'.	do	2/ 95	95	100
341	do	Cotton woven blouses.	do	2/ 96	95	99
347/348	do	Cotton trousers.	do	2/ 153	101	66
445/446	do	Cotton sweaters.	do	2/ 10	10	100
634/635	do	Manmade-fiber fiber coats, (except suit-type).	do	2/ 333	305	92
638	do	Manmade-fiber knit shirts, men's and boys'.	do	2/ 108	69	64
639	do	Manmade-fiber knit shirts and blouses.	do	1/ 1,137	479	42
645/646	do	Manmade-fiber sweaters.	do	2/ 65	31	48
647/648	do	Manmade-fiber trousers.	do	2/ 371	320	86

1/ Adjusted upward.  
2/ Adjusted downward.

Table XI-9.--Textiles and apparel: Limits under the United States-Thailand bilateral agreement and shipments charged, by MFA categories, agreement year 1983

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				1,000 units		Percent
Group I:						
313	Specific	Cotton sheeting.	Sq yd	1/ 12,760	12,760	100
314	do	Cotton poplin and broadcloth.	do	1/ 9,350	9,350	100
315	do	Cotton print-cloth.	do	1/ 19,068	19,068	100
317	do	Cotton twill and sateen.	do	1/ 6,206	4,207	68
319	do	Cotton duck	do	6,000	3,402	57
320	do	Other cotton woven fabric.	do	2/ 5,583	1,219	22
604	do	Spun manmade-fiber yarn (noncellulosic).	do	1/ 749	479	64
613	do	Woven fabric of spun manmade-fiber yarn (noncellulosic).	do	13,750	9,074	66
Group II:						
331	do	Cotton gloves.	Doz pr	439	358	81
334/335	do	Cotton coats, (except suit-type).	Doz	1/ 62	62	100
338/339	do	Cotton knit shirts.	do	1/ 662	644	97
340	do	Cotton woven shirts, men's and boys'.	do	1/ 122	122	100
341	do	Cotton woven blouses.	do	1/ 129	125	97
347/348	do	Cotton trousers.	do	1/ 218	218	100
445/446	do	Cotton sweaters.	do	1/ 16	13	81
634/635	do	Manmade-fiber coats, (except suit-type).	do	1/ 445	432	97

See footnote at end of table.

Table XI-9.--Textiles and apparel: Limits under the United States-Thailand bilateral agreement and shipments charged, by MFA categories, agreement year 1983--Continued

MFA category	Type of limit	Description	Units	Limitation	Shipments charged	Share filled
				-----1,000 units-----		Percent
638	do	Manmade-fiber knit shirts, men's and boys'	do	1/ 145	76	52
639	do	Manmade-fiber knit shirts and blouses.	do	1/ 1,482	876	59
641	do	Manmade-fiber woven blouses.	do	1/ 192	181	94
645/646	do	Manmade-fiber sweaters.	do	1/ 88	88	100
647/648	do	Manmade-fiber trousers.	do	1/ 497	454	91
<u>1/</u> Adjusted upward.						

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

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## INTRODUCTION TO TSUS ITEM 807.00 SUPPLIERS

Articles imported under item 807.00 of the Tariff Schedules of the United States (TSUS) are those that have been assembled abroad wholly or partly with fabricated components that have been manufactured in the United States. Such imported articles are assessed duty upon the full value of the imported product less the value of the U.S.-fabricated components contained in the article. 1/ For the most part, the duty is based on the foreign value added or the cost of assembling the articles together, primarily, direct and indirect labor and overhead of the foreign operation.

The potential cost savings resulting from TSUS item 807.00 operations are economically important to many industries, especially those characterized by labor-intensive assembly operations. Major users of TSUS item 807.00 include industries manufacturing motor vehicles, semiconductors, televisions, office machines, and apparel. The apparel industry uses the special tariff provision as a method of reducing its costs to remain competitive in the marketplace. For a typical apparel product imported under TSUS item 807.00, labor and overhead costs generally account for between 20-30 percent of the value of production, in contrast with approximately 50 percent for apparel wholly produced in the United States. 2/

Most of the apparel trade under TSUS item 807.00 initially involved Mexico, and more recently, other Latin American countries, notably those in the Caribbean Basin. In 1965, Mexico introduced its Border Industrialization Program to attract U.S. industry to the in-bond, free-trade zones in the border area, where unemployment was high. Similar free-trade zones were established in the Caribbean Basin. The concentration of TSUS item 807.00 operations in Latin America reflects their significantly low wage rates and proximity to the U.S. market, which allows for closer control over the production process and shorter lead times than for goods manufactured in Asia.

Further development of TSUS item 807.00 operations in the Caribbean Basin is likely to occur as a result of the recently enacted U.S. program, the Caribbean Basin Recovery Act of 1983, commonly referred to as the Caribbean Basin Initiative (CBI). 3/ Although textiles and apparel of cotton, wool, and

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1/ The applicable rate of duty is the same as that which would otherwise apply to the article itself if it were not under the purview of this special tariff provision. The duty exemption is limited to those fabricated components of U.S. origin that were exported in a condition ready for assembly without further fabrication, that have not lost their physical identity, and that have not been advanced in value or improved in condition abroad except by having been assembled.

2/ American Apparel Manufacturers Association, Apparel Manufacturing Strategies, 1984, p. 61. These ratios are based on the value of producing a man's woven polyester/cotton dress shirt.

3/ The CBI is an economic recovery program of trade, economic aid, and tax measures designed to expand productive capacity and open new markets for nations of the Caribbean and Central America. It provides for nonreciprocal duty-free treatment until Sept. 30, 1995, on most products imported from any of these nations designated as beneficiary countries.

manmade fibers are excluded from the duty-free treatment allowed most products imported from designated beneficiary countries of the Caribbean and Central American, 1/ the CBI may benefit the U.S. textile and apparel industries to the extent that it has led to further improvement in the investment climate in the Caribbean Basin. Beneficiary countries must meet several criteria critical to private-sector development before they can be designated as eligible under the CBI, prompting them to initiate measures to attract and facilitate U.S. investment.

U.S. imports of apparel of cotton, wool, and manmade fibers under TSUS item 807.00 are, like comparable non-TSUS item 807.00 products, subject to quantitative restraint under bilateral agreements negotiated under the MFA.

As total U.S. apparel imports grew at increasingly faster rates during the past several years--38-percent growth in value from 1978 to 1981, compared with 75-percent growth from 1981 to 1984--U.S. apparel producers have been considering different sourcing strategies to compete with the low-wage Asian suppliers. One option increasingly being used is TSUS item 807.00 assembly. After a 4-percent decline in TSUS item 807.00 apparel imports from 1981 to 1982, these imports rose by 13 percent in 1983 over the 1982 level and by almost 25 percent in 1984, the largest increase during the past 7 years, as shown in table 106.

Table 106.--Apparel: 1/ U.S. imports for consumption, total and under TSUS item 807.00, 1978-84

Year	Imports		Ratio of TSUS item 807.00 imports to total imports
	Total	TSUS item 807.00 imports	
	-----Million dollars-----		Percent
1978-----	5,128.5	425.0	8.3
1979-----	5,358.6	477.9	8.9
1980-----	6,038.9	525.7	8.7
1981-----	7,095.5	579.4	8.2
1982-----	7,725.4	557.3	7.2
1983-----	8,898.0	632.4	7.1
1984-----	12,393.0	788.4	6.4

1/ Includes apparel and accessories of textile fibers, rubber, plastics, leather, and fur.

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

1/ Textiles and apparel subject to textile agreements, namely products of cotton, wool, and manmade fibers, are excluded from duty-free treatment under the CBI, as well as under the Generalized System of Preferences (GSP).

In spite of their increasing growth, TSUS item 807.00 apparel imports' share of total apparel imports declined steadily since 1980, as total apparel imports increased at a faster rate, especially in 1984.

Mexico was the major supplier of item TSUS item 807.00 imports during 1978-84, accounting for 32 percent of the total during the period. The Dominican Republic followed as the second largest supplier, accounting for just over 17 percent of the total during 1978-84; Haiti was the third largest, with 11 percent of the total; and Costa Rica, the next largest, with 8 percent. TSUS item 807.00 apparel imports and their major suppliers are shown in table 107.

Table 107.--Apparel: 1/ U.S. imports for consumption under TSUS item 807.00, by major sources, 1978-84

(In millions of dollars)								
Source	1978	1979	1980	1981	1982	1983	1984	
Mexico-----	164.4	179.1	203.0	208.6	151.8	165.2	217.7	
Dominican Republic-----	43.6	69.4	81.4	101.8	113.7	130.3	155.5	
Haiti-----	41.8	49.5	55.5	64.0	66.5	77.1	86.8	
Costa Rica-----	27.9	32.9	39.4	41.2	45.3	62.5	73.4	
Philippines-----	24.9	24.2	26.6	26.8	29.8	30.7	36.1	
Colombia-----	20.6	23.9	18.7	24.3	27.7	29.7	36.1	
Hong Kong-----	1.2	2.9	2.4	8.9	23.7	21.2	31.0	
Honduras-----	3.1	6.1	11.4	17.0	21.7	20.0	22.1	
Jamaica-----	8.0	10.0	13.2	16.1	11.0	12.8	23.2	
Barbados-----	12.2	13.4	15.8	17.8	18.7	24.3	16.2	
Belize-----	7.7	7.9	11.0	9.0	4.9	6.4	13.8	
All other-----	69.6	58.6	47.3	43.9	42.5	52.2	76.5	
Total-----	425.0	477.9	525.7	579.4	557.3	632.4	788.4	

1/ Includes apparel and accessories of textile fibers, down (feathers), rubber, plastics, leather, and fur.

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

Mexico lost some of its share of total TSUS item 807.00 imports in 1982 and did not recover in 1983 or 1984; Mexico's share of total TSUS item 807.00 imports dropped from 39 percent in 1978 to 28 percent in 1984. The Dominican Republic increased its share of the total by the greatest amount of any of the major TSUS item 807.00 suppliers, from 10 percent in 1978 to almost 20 percent in 1984. Haiti and Costa Rica also increased their shares of the total, but not at the rate of the Dominican Republic. An analysis of the apparel industries in the three largest TSUS item 807.00-supplying countries--Mexico, the Dominican Republic, and Haiti,--follows this introduction.

The Caribbean Basin is increasingly becoming an important source of TSUS item 807.00 imports. The growth in imports from the Caribbean Basin is as shown in the following tabulation:

<u>Year</u>	<u>Value</u> (million dollars)
1978-----	185.3
1979-----	230.0
1980-----	261.4
1981-----	299.3
1982-----	307.4
1983-----	361.0
1984-----	424.4

The Caribbean Basin's share of total TSUS item 807.00 imports increased from 44 percent in 1978 to 57 percent in 1983, and then declined to 54 percent in 1984, mostly because of the recovery in TSUS item 807.00 imports from Mexico. Assembly operations in the Caribbean are an important source of foreign-exchange earnings for these countries.

After increasing 24 percent from 1978 to 1979 and 14 percent annually in 1980 and 1981, imports from the Caribbean Basin declined 3 percent from 1981 to 1982 because of the U.S. recession. However, in 1983 and 1984, growth picked up again to almost 18 percent each year.

The Dominican Republic was the leading Caribbean supplier, accounting for 37 percent of total TSUS item 807.00 imports from the Caribbean Basin in 1984, and it, combined with Haiti and Costa Rica, accounted for almost three-quarters of the total in 1984. Other important Caribbean suppliers were Jamaica, Honduras, Barbados, and Belize.

Production costs are generally lower in the major Caribbean supplying countries than in Mexico. Table 108 compares production costs, including labor costs, electricity costs, and rent, for several different TSUS item 807.00 suppliers. 1/

Not only have U.S. apparel companies been using assembly operations in the Caribbean, but some Asian textile and apparel manufacturers have also contracted or set up assembly production there. For example, three manufacturers from Taiwan have invested in the production of sweaters, jeans, and trousers in Panama, and Taiwan textile firms have fabric production facilities in Honduras. 2/ At least one Korean firm has set up a plant producing shirts in the Dominican Republic. 3/ In addition, some U.S. fabric producers have established apparel plants in the Caribbean, sending their fabric already cut in apparel pieces. 4/

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1/ These costs vary considerably according to fluctuating exchange rates.

2/ U.S. Department of State, Industrial Outlook Report: Textiles and Apparel in Taiwan, Nov. 27, 1984, p. 5.

3/ Industries Textile, France, May 1983, p. 468.

4/ American Apparel Manufacturers Association, op. cit., p. 1.

Table 108.--Comparison of total cost estimates for a textile operation, by specified TSUS item 807.00 sources, 1983 1/

(In thousands of dollars)

Source	Direct salaries and benefits	Electricity cost	Rental on factory building	Total cost
Haiti-----	479.0	41.3	48.0	568.3
Costa Rica-----	667.2	25.6	77.0	769.8
Dominican Republic.	818.7	65.0	36.0	919.7
Colombia-----	932.2	27.3	87.0	1,046.5
Mexico-----	942.2	25.2	90.0	1,057.6
Panama-----	1,015.7	42.0	99.0	1,156.7
Jamaica-----	1,737.6	54.6	36.0	1,828.2

1/ Cost comparison based on a textile factory employing 500 people in a 30,000-square-foot building using 420,000 kilowatts of electricity annually.

Source: Central Bank of the Dominican Republic. Used with permission from World Bank Report No. 4735-DO, Dominican Republic Economic Prospects and Policies to Renew Growth, Jan. 31, 1984, p. 101.

Companies importing TSUS item 807.00 apparel either own their own production facilities offshore, use contractors in the foreign country, or enter into joint ventures with a foreign company, which provides the space and the local production workers, and the U.S. firm provides the equipment, raw materials, and management personnel. 1/ Many U.S. firms operating in Mexico's in-bond trade zones own their production facilities there, where twin-plant operations are possible along the U.S.-Mexican border, and in the Dominican Republic, where 100 percent foreign ownership is allowed and where living conditions are desirable. In Haiti, a large part of the assembly production is contracted to Haitian manufacturers.

The use of foreign assembly operations allows U.S. companies to take advantage of the supplying countries' low wage rates, which are generally 20 percent of U.S. wages. 2/ In the Caribbean Basin, apparel wages plus fringe benefits generally average less than \$1 per hour, as shown in the following tabulation: 3/

<u>Country</u>	<u>Hourly wage</u>
United States-----	\$6.50
Dominican Republic-----	1.15
Jamaica-----	.95
Costa Rica-----	.80
Haiti-----	.40

1/ Ibid., p. 63.

2/ Ibid., p. 64.

3/ Ibid., p. 42.

The comparative advantage of these wage rates to U.S. companies fluctuates and is affected by the various countries' inflation rates, the value of their currencies relative to the value of the U.S. dollar, and productivity levels.

Savings on the lower wages are offset by lower productivity, higher overhead costs, transportation costs, and tariffs. 1/ Productivity is lower in most of the TSUS item 807.00 apparel import suppliers than in the United States. 2/ In 1983, in the Caribbean countries, two hours of labor equaled one hour in the United States. This is an improvement from 1967, when 2.9 hours of Caribbean labor equaled 1 hour of U.S. labor.

In addition to the low productivity, some users of TSUS item 807.00 assembly operations report difficulty in controlling quality unless the assembly operation is owned by the U.S. firm; and a lack of technical personnel needed for supervision, machine repair, and quality inspection. Also, the working capital for the fabric, trim, and cutting labor is tied up longer, 3-8 weeks in the Caribbean countries than in the United States. 3/ Political risk are also involved in those countries that have frequent changes in governments and political unrest. However, U.S. companies using TSUS item 807.00 assembly are better able to control the raw material supply and the cutting operations than in complete importing from the Far East, and have shorter manufacturing cycles because of the closer proximity of TSUS item 807.00 suppliers to the United States. 4/ In spite of the above problems associated with TSUS item 807.00 assembly, considerable savings are still possible in using foreign assembly, especially in those apparel products that have a high labor content. Table 109, comparing the cost of producing a dozen pair of men's shorts (which takes 1.8 standard labor hours to produce) in a U.S. plant and in an offshore TSUS item 807.00 plant, illustrates the amount of savings that can be incurred utilizing a TSUS item 807.00 assembly operation: 5/

Table 109.--Cost analysis of production of men's shorts made in the United States and made in a TSUS item 807.00 assembly operation

(Per dozen)				
Activity	:	Domestic	:	807.00
Fabric, trim, and cutting-----	:	\$22.95	:	\$22.95
Assembly, labor, and overhead-----	:	19.97	:	6.90
Freight, duty, and documentation----	:	-	:	6.90
Total-----	:	42.92	:	36.75

Source: Amercian Apparel Manufacturers Association, Apparel Manufacturing Strategies, 1984, p. 65.

1/ Ibid., p. 64.

2/ This discussion on productivity from Kurt Salmon Associates, Inc., "Cost Impacts and Comparisons of Sourcing Alternatives," Apr. 5, 1983, p. 3. In this case, productivity refers to the amount of product produced for a given amount of time or labor.

3/ Amercian Apparel Manufacturers Association, op. cit., pp. 64-65.

4/ Ibid., p. 64.

5/ Ibid., p. 65.

The table shows that \$6.17 would be saved by using TSUS item 807.00 assembly production; this amounts to a savings of 14.3 percent.



## CHAPTER XII. MEXICO

## Introduction

Mexico's textile and apparel industries continue to play an important role in the country's economy, which is currently recovering from the economic crisis of 1981 and 1982. In 1982, the textile and apparel industries represented 3 percent of the country's total gross national production (GNP), 9 percent of its total industrial production, and almost 12 percent of its total industrial workforce. In addition, textiles and apparel accounted for almost 4 percent of Mexico's exports of industrial manufactured goods in 1983.

The industries experienced rising raw-material costs and subsequent shortages of raw materials, increased wages, credit restrictions, and debt problems brought on by purchases of capital equipment before the devaluation of the Mexican peso in 1982. The number of textile establishments declined from 2,495 in 1981 to 2,150 in 1983; the number of persons employed by these establishments declined from 180,000 to 170,000 during the period. Mexico's apparel industry remained relatively stable at an estimated 10,500 establishments, employing approximately 550,000 workers. A number of these establishments are located along the U.S.-Mexican border and assemble apparel parts cut in the United States that are shipped back to the United States under Tariff Schedules of the United States (TSUS) item 807.00.

Mexico's fiber consumption, a measure of activity in the textile and apparel industry, declined from 410,000 tons in 1981 to 339,000 tons in 1982, and then rose to 386,000 tons in 1983. Apparel production continued to decline in 1983, from approximately \$3.0 billion in 1982 to \$2.5 billion.

The textile and apparel industries operated at approximately 70 percent of capacity in 1983. Installed capacity in the textile industry remained at approximately 4.1 million spindles and 87 million to 88 million looms during 1981-83.

The Government's current policies support the textile and apparel industries as part of its new National Development Plan, which promotes increasing production of basic goods.

Mexico's total exports of textiles (including fibers) and apparel declined from \$614.4 million in 1980 to \$389.2 million in 1983. The decline resulted largely from decreased cotton fiber exports through 1983, the domestic economic crisis, and the recession in the United States, Mexico's major market for textiles and apparel. Exports of textiles (excluding fibers) and apparel increased slightly in 1983 from their level in 1982 as these industries began to recover along with the Mexican and U.S. economies. Apparel exports to the United States, produced largely in in-bond plants, continued to rise in 1984, by 46 percent, in terms of quantity, compared with the level in 1983.

### The economy

Mexico is currently in the process of rebuilding its economy after the economic crisis it experienced in 1981 and 1982. Following a period of rapid

economic growth in which the gross domestic product (GDP) grew at an annual average rate of approximately 8 percent during 1978-81/, 1/ the GDP declined by 0.5 percent in 1982. 2/ In 1983, the GDP totaled approximately \$116 billion, 3/ and declined again, by 4.7 percent. 4/ These were the first declines in real growth the GDP experienced since 1932. 5/

This period of rapid economic growth resulted largely from Government expansionary policies that relied heavily on petroleum revenues. By 1979-80, inflation rose to almost 30 percent, unemployment and underemployment were high, and the country was rapidly accumulating a rising external debt. 6/ When world petroleum prices fell in mid-1981 and Mexico's exports were not keeping pace with its increasing imports of foreign equipment and raw materials, the Government turned to short-term borrowing from international sources to finance its increasing public expenditures. This, along with the rising inflation and growing Government deficits, resulted in a devaluation of the peso on February 18, 1982, from 26 pesos per US\$1 to 45 pesos per US\$1, and in August of that year, the peso was devalued again to 104 pesos per US\$1.

Mexico announced a stabilization program known as the National Development Plan in 1982, which was part of an agreement it reached with the International Monetary Fund (IMF) in order to receive a \$3.9 billion loan over 3 years from the IMF. 7/ The goals of the program included reducing inflation, limiting external borrowing, and controlling public-sector spending. 8/ The public-sector budget deficit subsequently declined from 17.6 percent of the GDP in 1982 to 8.5 percent of the GDP in 1983, 9/ and inflation declined from almost 100 to 81 percent. In addition, external borrowing remained within the limits established in the program.

Mexico's economic power is currently concentrated in the Government, with a great deal of Government ownership in the banking, transportation, steel, and petrochemical industries. 10/ In 1982, manufacturing accounted for almost 21 percent of the GDP; services, 28 percent; commerce, 23 percent; petroleum and mining, 8 percent; agriculture, 7 percent; and transportation and

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1/ Publicaciones Ejecutivas de Mexico, The Mexican Economy Analysis-82, Business Trends, Mexico City, Mexico, March 1983, p. 7.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, March 1984, p. 2.

3/ This figure was converted from 17,429.0 pesos using the market value average exchange rate for 1983 of 150.29 pesos/US\$1.

4/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, November 1984, p. 2.

5/ Ibid., p. 5.

6/ U.S. Department of State, Background Notes: Mexico, June 1983, p. 5.

7/ Ibid., p. 6.

8/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, March 1984, p. 3.

9/ Ibid.

10/ Operations of the Trade Agreements Program, 35th Report, 1983, USITC Publication 1535, June 1984, p. 284.

communications, 6 percent. 1/ By 1983, manufacturing accounted for 22 percent of the GDP, and petroleum and mining grew to 11 percent of the GDP. 2/

Industrial production, which includes mining, manufacturing, construction, and electricity, declined by 8.2 percent in 1983 compared with a 1.7-percent decline in 1982. However, industrial production declined at a slower rate in each proceeding quarter of 1983. 3/ Manufacturing production declined by 8 percent in 1983 compared with a 13-percent decline in 1982, and petroleum production grew by only 0.3 percent in 1983 compared with 10.4-percent growth in 1982. The reduced growth in these sectors was a result of the Government's austerity program, and, in the case of petroleum, reduced worldwide demand for oil, of which Mexico is the world's fourth largest producer. 4/ Agricultural production declined in 1982 from levels in 1981 and recovered somewhat in 1983. A severe drought in 1982 caused an estimated 25-percent decrease in the production of grains and oil seeds from the level of 1981, but in 1983, production of these crops is estimated to have increased by approximately 20 percent from the 1982 level. 5/

The Mexican manufacturing industry is still highly concentrated in and around Mexico City, Monterrey, and Guadalajara, and the Government is continuing its efforts to decentralize those industries in and around Mexico City and to consolidate those industries in Guadalajara, Monterrey, and Puebla. 6/ In July 1983, the Government presented its National Industrial Promotion and Foreign Trade Program (PRONAFICE), which offers incentives to encourage industries to locate in two industrial zones; zone 1, located in the north, southeast, and the central coastlines; and zone 2, located in areas chosen by State governments. Companies are permitted to locate in zone 3, located in Mexico City, Guadalajara, Monterrey, and Puebla only if the industries do not pollute, use little water and energy, and employ only highly-qualified workers. 7/ The incentives offered under PRONAFICE are not new, and include exemptions from export taxes and refunds on import taxes paid on products used in production of exported items. However, the processing time for the incentives will be shortened. 8/

Mexico also has a portion of its manufacturing industry located along the U.S.-Mexican border. These factories are known as maquiladoras, or in-bond plants, and were established in the mid-1960's as part of a Government program to encourage export-oriented industries in order to decrease the high trade deficit at that time and to provide employment. 9/ Much of the output of the maquiladoras consists of products assembled from U.S. components and exported

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1/ U.S. Department of State, Background Notes: Mexico, June 1983, p. 1.

2/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, November 1984, p. 2.

3/ Ibid., p. 5.

4/ Ibid., pp. 4-5.

5/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, March 1984, p. 7.

6/ "PRONAFICE: New Strategy for Industrial Promotion Purposes," Maquiladora Newsletter, vol. II, No. 8, August 1984, p. 2.

7/ Ibid.

8/ Ibid.

9/ Ibid., p. 14.

back to the United States under TSUS items 806.00 or 807.00. The number of in-bond plants and employment in these plants grew at an annual rate of approximately 14 percent, from 72 plants, employing about 18,000 employees, in 1967 1/ to an estimated 675 plants, employing 230,000 employees, in 1984. 2/ Some of these factories have twin plants on the U.S. side of the border. The Mexican Government is promoting the expansion of this industry, Mexico's second largest net foreign-exchange earner after petroleum, 3/ to improve Mexico's access to foreign technology, inspire growth in Mexican supplier industries, and increase jobs and technical training, especially in less-developed parts of the country. 4/ Most of the production is concentrated in electronic accessories and equipment, transportation accessories and equipment, textiles and apparel, and furniture. The Government also is encouraging the growth of capital goods production to improve domestic capability in this area and promote expansion of industry into lesser-developed cities and regions to help employ Mexico's rapidly expanding work force. 5/

Mexico's population totaled approximately 75 million in 1983, 6/ representing an increase from approximately 65 million in 1977. 7/ The population has been growing at an average annual rate of about 3 percent. 8/ The work force totaled 21.5 million persons in 1983, with 31 percent of the work force employed in the services sector, 26 percent in agriculture, 14 percent in commerce, approximately 24 percent in the industrial sector, and almost 5 percent in transportation and communications. 9/ The recent decline in economic activity has caused a further reduction in employment and in real wages. 10/ Employment in the manufacturing industries declined by almost 9 percent in January-August 1983 compared with the level in January-June 1982. The Mexican Government is attempting to allocate more public-sector spending to labor-intensive industries rather than capital-intensive activities. 11/ No unemployment compensation exists in Mexico, where the extended family is expected to provide aid to those unemployed. 12/ The Government is also attempting to improve the real income of Mexican workers. 13/ Because of the 1983 decline in real wages, the Government increased the minimum wage during 1984 by 56.5 percent.

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1/ Ibid., p. 15.

2/ "Mexico's In-Bond Industry Continues Its Dynamic Growth," Business America, Nov. 26, 1984, p. 26.

3/ Ibid.

4/ Ibid., pp. 26-27.

5/ Ibid., p. 27.

6/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, November 1984, p. 2.

7/ Europa Publications Ltd., The Europa Year Book, 1984: a World Survey, vol. II, London, England, p. 2,038.

8/ U.S. Department of State, Background Notes: Mexico, June 1983, p. 1.

9/ Ibid.

10/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, March 1984, p. 7.

11/ Ibid.

12/ Ibid., p. 8.

13/ Ibid., p. 17.

Foreign trade

Mexico experienced its first trade surplus in 27 years in 1982, 1/ when its trade balance rose from a deficit of \$4.1 billion in 1981 to a surplus of \$7.6 billion in 1982, as shown in table 110.

Table 110.--Mexico's imports, 1/ exports, 1/ and trade balance, 1977-83

(In millions of dollars)							
Item	1977	1978	1979	1980	1981	1982	1983
Imports-----	5,625	6,246	12,131	18,896	24,037	14,435	7,721
Exports-----	4,604	7,992	9,301	16,066	19,938	22,081	22,228
Trade balance--	-1,021	-1,745	-2,830	-2,830	-4,099	7,646	14,507

1/ F.o.b.

Source: International Monetary Fund.

In 1983, the trade balance continued to improve as the surplus rose by almost 90 percent to \$14.5 million. The favorable balances of trade were due almost entirely to a drop in imports, resulting from import restrictions enacted by the Government as part of the economic restructuring program, and the decline in economic activity and the corresponding decrease in demand for equipment and raw materials. 2/ The high peso cost of imports compared with predevaluation levels also contributed to the reduced import level. 3/ Mexico's imports, by types, and the declines in total imports and imports of machines and transport equipment, including spare parts, which is the largest import product category, are shown in table 111.

1/ Operations of the Trade Agreements Program, 35th Report, 1983, USITC Publication 1535, June 1984, p. 285.

2/ Ibid.

3/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, November 1984, p. 7.

Table 111.--Mexico's imports, 1/ by major categories, 1980-83

(In millions of dollars)

Item	1980	1981	1982	1983 <u>2/</u>
Food and live animals-----	2,209	2,411	956	1,608
Beverages and tobacco-----	76	82	28	3
Crude materials, except fuels-----	1,398	1,338	954	838
Mineral fuels and related materials-----	379	395	1,107	320
Animal and vegetable oils and fats-----	100	54	121	95
Chemicals-----	2,014	2,228	1,655	1,417
Basic manufactures-----	3,385	4,359	2,177	1,305
Machines and transport equipment-----	10,171	12,851	8,170	5,343
Miscellaneous manufactured goods-----	1,354	1,646	1,026	589
All other-----	348	408	199	160
<b>Total-----</b>	<b>21,434</b>	<b>25,772</b>	<b>16,393</b>	<b>11,678</b>

1/ Mexico's imports based on world's exports to Mexico, as reported to the United Nations.

2/ These figures may be slightly understated, as some of Mexico's smaller suppliers of goods have not yet reported their trade data to the United Nations.

Source: Compiled from United Nations data.

The significant increase in agricultural imports (food and live animals) during 1983 resulted from a shortage of such products because of the drought in 1982. 1/ Approximately 95 percent of the agricultural imports during 1983 were supplied by the United States.

Mexico's current import restrictions include a licensing requirement on most imported products and duties on consumer goods ranging from 50 to 100 percent and on other products competing with local products of 30 to 40 percent. 2/ In addition, the Government is promoting its import substitution policy and is continuing its domestic-content requirements. 3/

Mexico's exports increased by 37 percent, from \$15.3 billion in 1980 to \$21 billion in 1982, and remained approximately at that level in 1983, as shown in table 112.

1/ Ibid., p. 6.

2/ Coalition for International Trade Equity, "Reports On the Role of Governments in the International Trade Arena, Mexico," June 11, 1984.

3/ Operations of the Trade Agreements Program, 35th Report, USITC Publication 1535, June 1984, p. 296.

Table 112.--Mexico's exports, by major categories, 1980-83

(In millions of dollars)

Item	1980	1981	1982	1983 <sup>1/</sup>
Crude petroleum-----	9,430	13,305	15,623	14,793
Natural gas-----	449	524	478	351
Frozen prawns-----	382	348	452	<u>2/</u>
Raw coffee-----	415	334	345	484
Copper-----	156	307	219	152
Cotton-----	321	307	184	115
Combustible fuel oil-----	214	355	180	193
All other-----	3,940	3,940	3,525	5,311
Total <sup>3/</sup> -----	15,307	19,420	21,006	21,399

<sup>1/</sup> Trade for 1983 compiled from Mexican Government statistics.

<sup>2/</sup> Separate data on frozen prawn exports are not available for 1983, and are included in the "all other" category.

<sup>3/</sup> These figures differ from the export figures in the trade balance table because different sources use different exchange rates in converting pesos to dollars.

Source: Europa Publications Ltd., The Europa Year Book, 1984: a World Survey, vol. II, London, England, except as noted.

Approximately 70 percent of Mexico's total merchandise exports consist of petroleum. Exports of textiles and apparel, including raw cotton, account for only about 1 percent of Mexico's total exports. Petroleum exports, in terms of value, decreased by 5 percent in 1983, largely because of the decline in world market prices for oil. However, the volume of crude petroleum exports increased by almost 3 percent. <sup>1/</sup> Exports of nonpetroleum merchandise increased by 7.4 percent in 1983, in terms of quantity, and 13.6 percent, in terms of value. <sup>2/</sup>

Promoting exports is an important part of the Government's National Development Plan. <sup>3/</sup> The Government is emphasizing exports of manufactured goods to reduce the economy's dependence on oil. An export promotion program was instituted in May 1983, which relaxed import controls and eliminated some export taxes. <sup>4/</sup> In addition, some import duties are waived according to export performance, and preferential export financing is used to fund export projects. <sup>5/</sup>

The United States is, by far, Mexico's largest trading partner, having accounted for 63 percent of Mexico's total imports and 58 percent of its total

<sup>1/</sup> Inter-American Development Bank, Economic and Social Progress in Latin American, Economic Integration, 1984 Report, p. 342.

<sup>2/</sup> Ibid.

<sup>3/</sup> Operations of the Trade Agreements Program, 35th Report, USTIC Publication 1535, June 1984, p. 297.

<sup>4/</sup> Ibid.

<sup>5/</sup> Ibid.

exports in 1983. 1/ The major products shipped to Mexico from the United States included corn, sorghum, soybeans, paper, motor-vehicle parts, and automatic data-processing parts. Mexico's major exports to the United States included petroleum, automobile engines, refined silver, shrimp, coffee, and winter vegetables. Trade between the two countries of merchandise involved in the in-bond or border industries is also important to both countries. 2/ Other important suppliers of Mexico's imports include West Germany and Japan. Japan, Spain, and France are important export markets.

### The Textile and Apparel Industries

Mexico's textile and apparel industries provide a ready source of employment in a country where the work force has been increasing by an estimated 800,000 persons annually. 3/ In 1982, these industries accounted for 11.6 percent of all persons employed in industrial manufacturing. 4/ Mexico's textile and apparel industries also utilize a high percentage of domestic raw materials and, in the case of apparel production, provide a quick return on capital. 5/ These industries represented approximately 3 percent of the country's total GNP in 1982 and accounted for about 9 percent of Mexico's total industrial production. 6/ Textiles and apparel, excluding raw cotton, accounted for almost 4 percent of Mexico's exports of industrial manufactured goods in 1983.

### Structure

Mexico's textile industry consisted of 2,150 establishments in 1983, a decline from 2,495 establishments in 1981. 7/ Although the industry includes a few large companies, most of the industry is made up of medium- to small-size firms, some family owned, 8/ which are located throughout the country. The industry is generally classified by the cotton and cotton blends branch, the artificial and synthetic fibers branch, the wool branch, the knitting branch, the trimmings branch, and the hard and semihard fibers (i.e., henequen) branch. 9/

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1/ U.S. Department of Commerce, Foreign Economic Trends . . . : Mexico, November 1984, p. 7.

2/ Ibid.

3/ "Mexico's In-Bond Industry Continues Its Dynamic Growth," Business America, Nov. 26, 1984, p. 27.

4/ Instituto Nacional de Estadística Geográfica e Informática, La Industrias Textile y del Vestido en Mexico, 1970-82, p. 23. This percentage is most likely understated, since the employment figure stated by this source appears to include a smaller number of apparel workers than are reported by other sources.

5/ U.S. Department of State, Outlook for Mexican Textile and Apparel Industries, Sept. 20, 1983, p. 4.

6/ Instituto Nacional de Estadística Geográfica e Informática, op. cit., p. 5.

7/ General Agreement on Tariffs and Trade, Mexico, COM. TEX/32/Add. 28, Dec. 5, 1983, p. 3; U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 1.

8/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 1.

9/ Government of Mexico's response to U.S. Department of Commerce questionnaire on countervailing duty investigation No. C-201-405, prehearing brief, 1984.

The industry has reportedly become more concentrated over the years, as an estimated 5 percent of the textile companies provided 43 percent of the total value of production. However, approximately 60 percent of the remaining textile companies provided only about another 4 percent of the total value of production. 1/

Foreign investment in Mexico is restricted by the Government to 49 percent, except for the in-bond plants on the U.S. border, which are permitted 100 percent foreign ownership. Foreign investment in the textile industry is relatively small, estimated at about 5 percent. 2/

Most of Mexico's textile industry is privately owned. The Government closed a large para-State company that manufactured traditional fabrics, and is currently in the process of selling its shares in textile firms which were acquired in the course of the 1982 bank nationalization. 3/ The Government continues to own the henequen-processing consortium. 4/

Employment in the textile industry grew from 154,000 persons in 1977 to 180,000 in 1981 and then declined to approximately 170,000 in 1983. 5/ Employment data for 1982 and 1983 are somewhat overstated, since many textile employees worked 3 days per week during late 1982 and most of 1983. 6/ Mexico has sufficient labor to supply the textile industry, and the skill level is considered to be adequate. 7/

Mexico's hourly wage rates paid to textile workers in the spring of 1984 at \$2.62 were higher than those in the Republic of Korea (Korea) and Hong Kong compared with \$1.89 and \$1.65, respectively. However, Mexico's hourly wages were considerably lower than the \$8.60 paid to textile workers in the United States. 8/

Mexico's apparel industry consists of many small- and medium-sized firms, and a few large firms that utilize modern production methods. 9/ The industry is concentrated, with approximately 20 percent of all apparel establishments accounting for 96 percent of total production. 10/ In terms of fixed assets, 1.5 percent of the firms accounted for about 50 percent of total fixed assets in 1981. 11/

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1/ Publicaciones Ejecutivas de Mexico, op. cit., pp. 221 and 223.

2/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 1.

3/ Ibid.

4/ Henequen is a fibrous vegetable material used largely in the production of twine, rope, and other types of cordage.

5/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 2.

6/ Ibid.

7/ Ibid., p. 3.

8/ Werner International Management Consultants, Inc., Spinning and Weaving Labour Cost Comparisons, Spring 1984, New York and Brussels.

9/ Publicaciones Ejecutivas de Mexico, op. cit., p. 3.

10/ U.S. Department of State, Outlook for the Mexican Textile and Apparel Industry, Sept. 20, 1983, p. 3.

11/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 2.

It is estimated that approximately 10,500 establishments produced apparel in Mexico in 1983, and they consume approximately 70 percent of the total domestic output of fabric. 1/ Except for the closing of some smaller establishments, the number of establishments remained relatively stable in recent years. 2/ About one-half of the industry is located in or around Mexico City, and a large part of the remainder is located in Guadalajara, Monterrey, and along the U.S.-Mexican border. There are currently 97 in-bond plants, employing over 19,400 persons, located along the U.S.-Mexican border producing apparel from parts cut in the United States that are sent to Mexico to be sewn into apparel and then shipped back to the United States under TSUS item 807.00. 3/

Mexico's apparel industry employed almost 550,000 persons in 1983, making it the largest industrial employer in Mexico. 4/ An estimated 390,000 employees worked for apparel manufacturers, and approximately 158,000 employees worked for subcontractors. 5/ Employment in the apparel industry is estimated to have declined in 1982 and 1983 from 1981 levels because of the economic crisis in 1982. 6/ Although labor is available for most of the apparel industry, the rapid growth of the in-bond industry along the U.S.-Mexican border had led to a shortage of labor there. 7/ This has been exacerbated by a high employee turnover rate, with some in-bond apparel companies reporting a 75- to 100-percent annual turnover rate for employees. 8/

The minimum wage plus required and company benefits paid to unskilled workers in in-bond plants is approximately \$1.00 per hour. 9/ These workers usually work 48 hours per week and get paid for 56 hours. Some companies are offering a 40-hour work week with 56-hour pay.

#### Domestic consumption

Mexico's recent economic crisis has contributed to a reduction in the country's textile and apparel consumption. Mexico's consumption of cotton, wool, and manmade fibers peaked in 1980 and then declined, as shown in the following tabulation: 10/

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1/ Publicaciones Ejecutivas de Mexico, op. cit., p. 229.

2/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 2.

3/ Ibid.

4/ U.S. Department of State, Outlook for Mexican Textile and Apparel Industries, Sept. 20, 1983, p. 3.

5/ Ibid.

6/ "Slump Continuing in Textile Industry," News, Mexico City, Mexico, July 25, 1983.

7/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 3.

8/ "Mexico's In-bond Industry Offers U.S. Opportunities," Business America, Nov. 28, 1983, p. 4.

9/ Ibid.

10/ International Cotton Advisory Committee, Cotton: World Statistics, vol. 38, Nos. 2 and 3, pt. II, October 1984, p. 153; does not include henequen.

<u>Year</u>	<u>Consumption</u> (1,000 tons)
1977-----	417
1978-----	430
1979-----	480
1980-----	498
1981-----	494
1982-----	455
1983-----	<u>1/</u> 519

1/ Estimated by staff of the U.S. International Trade Commission based on trends in Camara Nacional de la Industria Textile, Memoria Estadistica 1984.

Fiber consumption declined slightly in 1981 from the 1980 level. By 1982, during the height of the country's economic problems, fiber consumption declined by 8 percent from the 1981 level, and then increased an estimated 14 percent in 1983, reflecting a recovery in demand. This recovery continued into 1984 as domestic demand for textile products increased. 1/

Per capita fiber consumption also declined in 1981 and 1982, and continued to decline in 1983, as shown in the following tabulation: 2/

<u>Year</u>	<u>Per capita fiber consumption</u> (pounds)
1977-----	12.1
1978-----	12.1
1979-----	13.4
1980-----	13.4
1981-----	13.0
1982-----	11.7
1983-----	11.5

### Production

Mexico's textile and apparel industries were negatively affected by the 1982 economic crisis. 3/ Demand for textiles and apparel declined both domestically and in the United States. Raw-material costs rose as domestic cotton prices kept pace with world market prices and basic feedstock prices for petroleum increased. Credit allowed firms was reduced from 60 or 90-day terms to 30-day terms with a penalty of 7 percent per month. Lack of credit also became a problem for the apparel industry, as the Government's 1982 readjustment plan called for tight credit restrictions, with credit issued primarily to firms with a high amount of fixed assets. 4/ Owing to the nature

1/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 1.

2/ Camara Nacional de la Industria Textile, Memoria Estadistica 1984, p. 38.

3/ U.S. Department of State, Outlook for Mexican Textile and Apparel Industries, Sept. 30, 1983, p. 3.

4/ Ibid.

of the apparel industry, only 20 percent of the industry's assets were fixed. In addition, wages for textile workers were increased by 35 percent in March 1983.

Mexico is one of the larger world producers of cotton; it ranked ninth in world production in 1983. 1/ However, Mexico's cotton production has declined in recent years, and in 1983, it accounted for 1.5 percent of total world production, down from 2.5 percent in 1980. 2/ Mexico's cotton production has declined for a number of reasons, including Government encouragement of the use of farm land for crops, rather than cotton, increased competition from manmade fibers, and a poor harvest in the 1982/83 crop year, all of this occurring during a decade when Mexico's overall fiber consumption did not increase. Mexico exported slightly less than one-half of its total cotton production, but its share of world exports also declined, from 4 percent in 1980 to 2 percent in 1983. 3/ Mexico's decline in cotton production and consumption, along with its increasing production and consumption of manmade fibers, is shown in table 113.

Table 113.--Cotton and manmade fibers: Mexican production and consumption, 1977-83

(In thousands of tons)

Year <u>1/</u>	Cotton		Manmade fibers	
	Production	Consumption	Production	Consumption
1977-----	389	176	222	221
1978-----	375	182	238	235
1979-----	362	182	270	272
1980-----	389	182	281	283
1981-----	346	170	284	275
1982-----	<u>2/</u> 202	<u>2/</u> 151	244	235
1983-----	<u>3/</u> 245	<u>3/</u> 120	<u>2/</u> 271	<u>2/</u> 282

1/ Data for cotton are in crop years with 1977 corresponding to the 1976/1977 crop year and so forth.

2/ Preliminary.

3/ Estimated.

Source: Cotton data compiled from International Cotton Advisory Committee, (ICAC), Cotton-World Statistics; manmade-fiber data, compiled from Camara Nacional de la Industria Textil, Memoria Estadística 1984.

Production of cotton decreased by 42 percent in 1982 from the level in 1981 and recovered somewhat in 1983, but not to previous levels. Consumption

1/ International Cotton Advisory Committee, Cotton: World Statistics, vol. 37, No. 6, pt. II, January 1984, pp. 42-43.

2/ Ibid.

3/ Ibid., pp. 52-53.

of cotton, however, continued to decline in 1983. The poor cotton harvest in the 1982/83 crop year contributed to the 1982 decline in production, 1/ and the declines in cotton consumption in 1982 and 1983 resulted largely from increased prices for cotton and unrestricted exports of the best quality cotton. 2/ Cotton consumption is expected to increase in 1984, as the harvest in the 1983/84 crop year was considerably higher and the Government restricted cotton exports. 3/

Production of manmade fibers declined in 1982 by 14 percent compared with 1981 levels. The Government's policy of raising domestic feedstock prices to the level of international prices caused production costs to rise considerably. 4/ Consumption followed a similar pattern as production, with both recovering somewhat in 1983.

Mexico's production capacity of polyester staple fiber totals 108,000 tons per year, up 25,000 tons per year from the 1983 level. 5/ The increase resulted from an expansion of production capacity by a U.S. fiber producer subsidiary.

Mexican production of wool is minimal. The country's wool textile industry, consisting of nine companies, depends largely upon imports from Argentina and Australia. 6/

Mexico is also a relatively large producer of henequen, a fibrous vegetable material used largely in the production of twine, rope, and other types of cordage. Henequen, along with sisal and palm fiber, are grown in the Yucatan Peninsula on approximately 333,600 acres; roughly 70,000 workers are employed in the cultivation of these fibers. 7/ The industry processing henequen is Government owned. Production of henequen declined over the years, as shown in the following tabulation: 8/

<u>Year</u>	<u>Production</u> <u>(1,000 tons)</u>
1977-----	117,945
1978-----	101,411
1979-----	88,183
1980-----	79,365
1981-----	75,838
1982-----	81,570
1983-----	83,361

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1/ Camara Nacional de la Industria Textile, op. cit., p. 45.

2/ Ibid.

3/ Ibid.

4/ Ibid., p. 69.

5/ U.S. Department of State telegram, Mexico, 21877, December 1984, p. 1.

6/ Camara Nacional de la Industria Textile, op. cit., p. 57.

7/ Ibid., p. 111.

8/ Ibid., p. 112.

Henequen is facing increasing competition from manmade fibers, with arts and crafts becoming its major use. 1/ Approximately 50 percent of Mexican henequen production is consumed domestically as cordage, 2/ and the remainder is exported mostly as finished twine.

Mexico's production of cotton and manmade-fiber fabrics is shown in table 114.

Table 114.--Cotton and manmade-fiber fabrics: Mexican production, 1976-81

(In thousands of tons)							
Item	1976	1977	1978	1979	1980	1981	
Cotton fabric-----	81	74	73	74	74		78
Manmade-fiber fabric----	198	222	237	268	<u>1/</u>		<u>1/</u>

1/ Not available.

Source: International Cotton Advisory Committee, Cotton-World Statistics, January 1984.

Production of manmade-fiber fabrics was considerably greater than that of cotton fabrics, more than three times as much in 1979. Production of cotton fabrics declined from 1976 to 1981, but the available data indicate that production of manmade-fiber fabrics increased.

Mexico's production of readymade apparel was estimated at \$3.0 billion in 1982 but declined in 1983 to \$2.5 billion. 3/ In terms of quantity, apparel production expanded significantly during 1976-81, as shown in the following tabulation: 4/

<u>Year</u>	<u>Production</u> (1,000 units)
1976-----	10,625
1977-----	12,250
1978-----	13,125
1979-----	14,562
1980-----	16,000
1981-----	18,375

The apparel producers along the U.S.-Mexican border, which produce mostly for export, were not as affected by the decline in domestic demand. However, these firms were affected by the financial uncertainty associated with events

1/ Ibid., p. 111.

2/ Government of Mexico's response to U.S. Department of Commerce questionnaire on countervailing duty investigation No. C-201-405, prehearing brief, 1984.

3/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 2.

4/ Publicaciones Ejecutivas de Mexico, op. cit., p. 231.

leading to the devaluation of the peso and by the economic recession in the United States, its major market. The value of TSUS item 807.00 apparel imports from Mexico declined from \$208.6 million in 1981 to \$151.8 million in 1982. 1/ The value added by the Mexican assembly operations averages approximately 23 percent of the value of the imported apparel. 2/

### Plants, equipment, and capacity

The Mexican textile industry was equipped with 4.1 million spindles and approximately 87,900 looms in 1983, 3/ which, according to industry sources, is sufficient to meet domestic demand. 4/ The industry's installed capacity remained approximately the same in 1983 as in 1982 and was only slightly higher than in 1981. The shortage of foreign exchange in 1982 and 1983 caused the industry to reduce its imports of equipment and parts. 5/ Except for replacing parts, this was not a significant problem for the industry, because most of the Mexican-owned textile firms have considerable excess capacity. 6/ The industry has been operating at approximately 70 percent of capacity in recent years. 7/ Table 115 shows the number and types of machinery installed in the Mexican textile industry during 1980-83.

Table 115.--Mexican textile industry's installed capacity,  
by types of machinery, 1980-83

(Number of units)				
Type	1980	1981	1982	1983
Spindles:				
Cotton-----	2,720,969	2,876,935	2,893,179	2,887,410
Synthetic-----	828,691	889,990	898,798	915,722
Wool-----	276,790	311,120	330,894	321,739
Total-----	3,826,450	4,078,045	4,122,871	4,124,871
Looms:				
Cotton-----	51,689	52,972	53,225	53,101
Synthetic-----	28,518	30,336	30,834	31,122
Wool-----	3,334	3,649	3,714	3,639
Total-----	83,541	86,957	87,773	87,862
Knitting machines-----	31,318	33,602	34,585	<u>1/</u>
Narrow fabric looms-----	13,161	13,709	14,315	<u>1/</u>

1/ Not available.

Source: Data for 1980-82, compiled from U.S. Department of State airgram, Outlook for Mexican Textile and Apparel Industries, September 20, 1983. Data for 1983, compiled from U.S. Department of State telegram, Mexico 21462, December 12, 1984.

1/ Some of this decline also reflects reduced U.S. demand.

2/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 3.

3/ Ibid. p. 2.

4/ Camara Nacional de la Industria Textile, op. cit., p. 79.

5/ Ibid.

6/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 2.

7/ Publicaciones Ejecutivas de Mexico, op. cit., p. 219.

Mexico's spinning capacity in 1981 of 4.1 million spindles was comparable with Korea's 4.2 million spindles, and Mexico's weaving capacity of almost 87,000 looms was lower than Korea's 191,00 looms. 1/ Mexico's capacities were also lower than that of the United States, which was equipped with 17.9 million spindles and 248,890 looms. 2/ Approximately 82 percent of the industry's looms were automatic in 1983 representing a slight increase from almost 80 percent in 1977. 3/ The manmade-fiber weaving subsector is more automated than the cotton fabric subsector, with automatic looms accounting for 89 percent of total looms in the manmade-fiber sector in 1983 compared with 78 percent in the cotton sector.

Investment in new machinery for both the textile and apparel industries is estimated to have increased slightly in 1984, especially by those firms competing in export markets, 4/ although construction of new textile plants is proceeding slowly. 5/ The Government is constructing a new acrylic fiber plant, which will have a capacity of 20,000 tons, and which is to be sold to the private sector. However, since the acrylic fiber subsector is reportedly operating at 70 percent of capacity, completion of the plant may not immediately result in significantly increased output.

The apparel industry's capacity increased steadily during 1976-81, as shown in the following tabulation: 6/

<u>Year</u>	<u>Machines</u>
1976-----	566,600
1977-----	653,300
1978-----	700,000
1979-----	776,000
1980-----	853,000
1981-----	985,000

That part of the industry located in the Federal District was operating at approximately 75 percent of capacity at the end of 1982. 7/

### Trade in Textiles and Apparel

#### Imports, exports, and trade balance

Mexico has recorded a surplus in its total textile (including fibers) and apparel trade, though the surplus declined considerably during 1977-81, before

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1/ International Textile Manufacturers Federation, International Textile Machinery Shipment Statistics, vol. 5, 1982, pp. 20 and 28.

2/ Ibid., pp. 19 and 20.

3/ Camara Nacional de la Industria Textile, op. cit., p. 84.

4/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984 p. 2.

5/ Ibid.

6/ Publicaciones Ejecutives de Mexico, op. cit., p. 231.

7/ Ibid., p. 229.

recovering somewhat in 1982 and 1983, as shown in table 116. 1/ The trade surplus declined considerably, from \$365.7 million in 1977 to almost \$32 million in 1981, and then began to pick up again in 1982 and in 1983, when it rose to \$144.2 million. The declining trade surplus occurred as imports of fibers, yarn, and fabrics increased and as exports of textile mill products declined. Beginning in 1979, the textile mill products sector began experiencing trade deficits. The improvements in the trade balance in 1982 and 1983--the deficits experienced by the textile mill products sector declined and the overall trade surplus increased--occurred largely because a scarcity of U.S. dollars at the controlled exchange rate caused a reduction in the number of import permits granted. 2/ In addition, exports of textile mill products and apparel began to increase in 1983.

Imports of fibers consisted mostly of wool and manmade fibers, which accounted for over 80 percent of total fiber imports in 1981 and 1982. The United States, Australia, and Argentina supply Mexico with fibers. Most of Mexico's apparel imports consist of apparel parts sent to Mexico from the United States for assembly in the in-bond plants and subsequent return to the United States.

Import licenses are required on virtually all textile and apparel imports, and import permits are usually denied if there is domestic production of the same or a similar product. Imported apparel parts destined for assembly in the in-bond plants are an exception.

### Export trends

Mexico's exports of textile fibers, which accounted for approximately 35 percent of total textile and apparel exports during 1981 and 1982, increased from \$147.9 million in 1976 to \$233.5 million in 1980 before declining to an estimated \$95.0 million in 1983. 3/ Cotton accounted for 87 percent of total fiber exports in 1982, and manmade fibers accounted for 10 percent of the total. Exports of cotton declined from \$223.2 million in 1980 to \$119.3 million in 1982 and declined even further in 1983. A poor cotton harvest in the 1982/83 crop year, the poorest in 20 years, was largely responsible for the latest decline in exports. 4/ Exports of manmade fibers fluctuated between \$6.0 million and \$8.3 million during 1976-79 and then increased steadily to \$14.5 million in 1983.

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1/ Because Mexico has not reported its trade data to the United Nations since 1979, Mexico's import data were derived using world exports shipped to Mexico, and Mexico's export data were derived using world imports shipped from Mexico. The data for 1983 are slightly understated, since not all countries have reported their 1983 data to the United Nations. This is especially the case in Mexico's imports of fibers, because Australia and Argentina, two leading suppliers of fibers, have not reported their 1983 data.

2/ Camara Nacional de la Industria Textil, op. cit., p. 119.

3/ Based on United Nations data. The value of exports in 1983 is understated, as not all of Mexico's export markets reported their 1983 trade data to the United Nations in 1983. Argentina is one country that did not report; in 1982 Mexico exported fibers, valued at \$7.3 million, to Argentina.

4/ Camara Nacional de la Industria Textil, op. cit., p. 45.

Table 116.---Textile fibers, textiles, and apparel: 1/ Mexico's imports, 1/ exports, 3/ and trade balances, 1976-83

Item	(In thousands of dollars)									
	1976	1977	1978	1979	1980	1981	1982	1983		
<b>Imports:</b>										
Textile fibers---	19,510	24,504	33,748	50,098	63,600	65,456	44,796	18,349		
Textiles-----	55,106	55,990	96,849	138,034	191,804	207,635	126,880	105,658		
Apparel-----	131,309	121,385	138,834	164,169	219,955	250,604	155,183	121,020		
Total-----	205,925	201,879	269,431	352,301	475,359	523,695	326,859	245,027		
<b>Exports:</b>										
Textile fibers---	147,920	255,798	198,693	213,055	233,507	194,422	137,222	94,716		
Textiles-----	121,570	123,524	103,946	120,013	110,030	100,683	86,388	100,514		
Apparel-----	186,037	188,234	217,922	240,650	270,877	260,547	182,498	194,000		
Total-----	455,527	567,556	520,561	573,718	614,414	555,652	406,108	389,230		
<b>Trade balance:</b>										
Textile fibers---	128,410	231,294	164,945	162,957	169,907	128,966	92,426	76,367		
Textiles-----	66,464	67,534	7,097	-18,021	-81,774	-106,952	-40,492	-5,144		
Apparel-----	54,728	66,849	79,088	76,481	50,922	9,943	27,315	72,980		
Grand total-----	249,602	365,677	251,130	221,417	139,055	31,957	79,249	144,203		

1/ Includes textile fibers classified under Standard International Trade Classification (SITC) 26; textiles, SITC 65; and apparel, SITC 84.

2/ C.i.f.

3/ F.o.b.

Source: Compiled from United Nations data.

Exports of textile products accounted for between 18 and 20 percent of Mexico's total textile (including fibers) and apparel exports during 1981 and 1982. Textile exports (not including fibers) declined from \$123.5 million in 1977 to \$86.4 million in 1982 before increasing in 1983 (tables XII-1 and XII-2). In terms of volume, textile exports increased from 15.4 million tons in 1982 to 26.5 million tons in 1983. 1/ The principal textile products exported included yarn and thread, which accounted for 33 percent of total textile exports in 1982, and special textile products, consisting largely of henequen twine and cordage, which accounted for 36 percent of the total. Exports of cotton yarn and cloth rose from 16,500 tons in 1982 to 20,000 tons in 1983, and exports of manmade-fiber yarn rose from 7.4 million tons to 16.4 million tons during the same period. 2/ Exports of henequen cordage, however, declined by 26 percent to 25 million tons in 1983. 3/

Exports of apparel, which accounted for approximately 45 percent of total textile (including fibers) and apparel exports during 1981 and 1982, rose steadily from \$186.0 million in 1976 to \$270.9 million in 1980, before declining to \$182.5 million in 1982 (tables XII-2 and XII-3). Apparel exports increased to over \$194.0 million in 1983. 4/ The United States is, by far, Mexico's major apparel market, accounting for approximately 95 percent of total Mexican apparel exports in recent years.

U.S. apparel imports from Mexico increased steadily, by 26 percent, during 1978-81, from \$183.6 million to \$230.8 million, and then dropped in 1983 by 30 percent, to \$162.6 million, before recovering in 1984, to \$246.1 million, or 7 percent above the 1981 level. Imports under Tariff Schedules of the United States (TSUS) item 807.00 accounted for approximately 90 percent of the total during 1978-84, as shown in table 117.

Table 117.- Apparel: U.S. imports from Mexico, under TSUS item 807.00, direct, 1/ and total, 1978-84

Year	TSUS item 807.00 imports	Direct imports	Total imports	Share of TSUS item 807.00 imports to total Percent
	Million dollars			
1978	164.4	19.2	183.6	89.5
1979	179.1	23.6	202.7	88.4
1980	203.0	27.2	230.2	88.2
1981	208.6	22.2	230.8	90.4
1982	151.8	10.8	162.6	93.4
1983	165.2	15.2	180.4	91.6
1984	217.7	28.4	246.1	88.5

1/ Direct imports are those not produced in TSUS item 807.00 assembly operations.

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

1/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 1.

2/ Camara Nacional de la Industria Textile, op. cit., p. 119.

3/ Ibid., p. 122.

The 1982 decline in TSUS item 807.00 imports reflected U.S. uncertainty over the devaluations of the peso. Direct imports began to decline in 1981 from 1980 levels as the Mexican economic crisis negatively affected the Mexican apparel industry; and in 1982, direct imports declined further, by 51 percent, from the 1981 level. Both TSUS item 807.00 and direct imports began increasing again in 1983 along with recovery in both the U.S and Mexican economies, and in 1984, imports increased further; TSUS item 807.00 imports rose by 32 percent, to \$217.7 million, and direct imports increased at a faster rate, 87 percent, although from a small base, to \$28.4 million. According to industry sources, the in-bond apparel assembly sector is currently operating near full capacity, and future significant increases from this sector are not expected.

Slacks and women's body-supporting garments are leading apparel items imported under TSUS item 807.00, accounting for 28 percent and 15 percent, respectively, of total TSUS item 807.00 imports from Mexico in 1982. <sup>1/</sup> Women's shirts and blouses accounted for 9 percent, and men's shirts, for 6 percent. Other articles imported from Mexico under TSUS item 807.00 included coats and gloves.

#### Principal export markets

Mexico's principal markets for textile fibers are Japan, the United States, Italy, and Argentina, which combined account for just over 70 percent of its total fiber exports, as shown in table 118.

Table 118.--Textile fibers: Mexico's exports, <sup>1/</sup> by major markets, 1981-83

(In thousands of dollars)

Market	1981	1982	1983
Japan-----	116,080	61,194	44,735
United States-----	11,437	12,089	17,143
Italy-----	13,244	10,389	8,031
Argentina-----	6,248	7,266	<sup>2/</sup>
West Germany-----	3,563	6,833	4,752
All Other-----	43,850	39,451	<sup>3/</sup> 20,055
Total-----	194,422	137,222	<sup>4/</sup> 94,716

<sup>1/</sup> Exports based on world imports of fibers from Mexico as reported to the United Nations.

<sup>2/</sup> Argentina has not yet reported its 1983 data to the United Nations.

<sup>3/</sup> This figure is slightly understated, since some of Mexico's smaller fiber markets have not yet reported their trade statistics to the United Nations.

<sup>4/</sup> Total fiber exports are understated since Argentina and some of the smaller markets have not yet reported to the United Nations.

Source: Compiled from statistics of the United Nations.

<sup>1/</sup> Imports Under Item 806.30 and 807.00 of the Tariff Schedules of the United States, 1979-82, USITC Publication 1467, January 1984, pp. 35-41.

Japan and Italy are Mexico's major markets for cotton fibers, and Argentina and the United States are the major markets for manmade fibers.

The major markets for textiles are the United States, which received almost 65 percent of Mexico's total textile exports in 1982, and the United Kingdom, Canada, Japan, and France, (tables XII-1 and XII-2). In terms of individual textile products, the United States is Mexico's principal market for manmade-fiber yarn and thread, 1/ having accounted for 51 percent of the total volume of exports in 1983. 2/ West Germany is Mexico's principal market for cotton yarn and thread, accounting for 48 percent of total exports of these items in 1983. The United States is, by far, Mexico's principal market for apparel exports; it accounted for over 95 percent of Mexico's apparel exports in 1983.

#### Government Policy

The Government's National Development Plan for 1983-88 emphasizes the need to increase the supply of basic goods. 3/ The Government is encouraging the expansion and greater utilization of the textile and apparel industries and is ensuring greater security and accessibility of those industries' raw materials (natural and petrochemical) and capital equipment. 4/ Although the Mexican Government does not have any programs specifically designed to assist the textile and apparel industries, benefits from certain Government programs that assist Mexican textile mill product manufacturers and exporters were found to be countervailable by the U.S. Department of Commerce.

Representatives of the U.S. textile industry, specifically the American Textile Manufacturers Institute, the International Ladies' Garment Workers Union, and the Amalgamated Clothing and Textile Workers Union, filed a countervailing duty petition on July 24, 1984, alleging that the Mexican textile and apparel industries receive benefits that constitute bounties or grants. After the Department of Commerce found the petition contained sufficient grounds, it initiated a countervailing duty investigation on August 13, 1984. The Commerce Department made a final affirmative determination on March 14, 1985, finding that certain benefits that constitute bounties or grants under the countervailing duty law are being provided to manufacturers, producers, and exporters of certain textile mill products, and further determined the estimated net bounty or grant to be 3.7 percent ad valorem. 5/

The following programs were found to confer bounties or grants: (1) Fund for the Promotion of Exportation of Mexican Manufactured Products (FOMEX),

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1/ Some of Mexico's synthetic fiber shipments to the United States include fibers produced by U.S.-affiliated firms.

2/ U.S. Department of State telegram, Mexico, 21462, Dec. 12, 1984, p. 1.

3/ General Agreement on Tariffs and Trade, Mexico, COM. TEX/32/Add. 28, Dec. 5, 1983, p. 2

4/ Ibid.

5/ "Final Affirmative Countervailing Duty Determination and Countervailing Duty Order; Certain Textile Mill Products from Mexico," 50 F.R. 10824-10831, Mar. 18, 1985.

which was formally incorporated into Mexico's National Bank for Foreign Trade which administers the financial institutions that provide loans for export-related purposes at lower interest rates than those for comparable commercially available loans; (2) Preferential Federal Tax Credits (CEPROFI), which are used to promote National Development Plan goals and are granted for investments in plant and equipment and for certain payments relating to increased employment and wages; (3) FONEI, which is a specialized financial development fund administered by the Bank of Mexico, which grants long-term credit at below-market rates for the creation, expansion, or modernization of enterprises in order to promote industrial decentralization and to promote the production of goods competitive in international markets; and (4) Development Fund for Medium and Small Industries (FOGAIN), which provides financing at interest rates below prevailing commercial rates to small- and medium-sized firms in Mexico. 1/

#### MFA constraints

Mexico's exports of textiles and apparel of cotton, wool, and manmade fibers to the United States and the European Community (EC) are subject to restraints under bilateral agreements negotiated under the Multifiber Arrangement (MFA). The current bilateral agreement between the United States and Mexico is effective for 4 years, from January 1, 1982, to December 31, 1985. The provisions of the agreement are applicable to textiles and apparel of cotton, wool, and manmade fibers in the following subgroups:

- Group I--Yarns
- Group II--Fabrics, made-up goods, and  
miscellaneous nonapparel products
- Group III--Apparel

During 1982-83, there were no specific limitations under groups I and II, and there was only one designated consultation level of 759,421 pounds on category 604 (pt.), acrylic spun yarn, in 1983. The remaining categories were subject to consultation levels, whereby the United States could request consultations "with a view towards eliminating real risks of market disruption" whenever trade in cotton or manmade-fiber products exceeded 1.0 million square yard equivalents (SYE) or when wool products exceeded 100,000 SYE.

In group III, 14 apparel categories covering women's and girls' cotton coats, knit cotton shirts and blouses, cotton and manmade-fiber trousers, manmade fiber suit-type coats, other manmade-fiber coats, manmade-fiber shirts and blouses, and brassieres were subject to specific limits. Of the remaining apparel categories in group III, in 1983, 17 were covered by designated consultation levels, and the remaining 34 categories were subject to minimum consultation levels.

Under the agreement, products covered by specific limitations were allowed to increase each year by 7 percent. In addition, these limits could be exceeded by up to 11 percent by the use of carryover and/or carryforward,

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1/ Ibid.

with a 6-percent limit on carryforward. Table 119 shows specific limits for the 14 restricted apparel categories in group III for the years 1984 and 1985 and also a specific limit added in October 1984 on category 359 (pt.) covering cotton diapers.

The Mexican Government controls the allocation of quotas to apparel firms producing for export to the United States, including those in the in-bond sector. According to industry sources, this practice, in the past, has affected production levels in the in-bond sector, as the Government at various times has promoted apparel exports that utilized domestic raw materials, such as Mexican-made fabrics.

Table 119.--Apparel: Specific limits under the United States-Mexico bilateral agreement, by MFA categories, 1984-85

MFA category	Description	Specific limits <sup>1/</sup>	
		1984	1985
		-----1,000 dozens-----	
335	Women's and girls' cotton coats and jackets.	45	48
388/339	Knit cotton shirts and blouses-----	516	552
347/348	Cotton trousers-----	<u>2/</u> 889	<u>2/</u> 951
633	Suit-type coats of manmade fibers----	66	70
634/635	Other coats of manmade fibers-----	375	402
638/639	Knit manmade-fiber shirts and blouses.	18,056	19,320
641	Woven manmade-fiber blouses-----	372	398
647/648	Manmade-fiber trousers-----	<u>3/</u> 1,386	<u>3/</u> 1,483
649	Manmade-fiber brassieres-----	3,193	3,416
359 (pt.) <sup>4/</sup>	Cotton diapers-----	900	963

<sup>1/</sup> All specific limits are in thousands of dozens, except for category 359 (pt.), which is in thousands of pounds.

<sup>2/</sup> Adjusted upward in November 1984.

<sup>3/</sup> Adjusted downward in November 1984.

<sup>4/</sup> Established specific limit on this category in October 1984.

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

In 1981, the limits on only 5 of the 14 restricted apparel categories were over 50-percent filled (table XII-7). These apparel categories were women's cotton coats and women's and men's cotton trousers, both of which filled almost 80 percent of their quotas; woven manmade-fiber blouses, which filled 94 percent of its limit; and brassieres, which filled 53 percent of its quota. In 1982, shipments of all the restricted apparel products declined (table XII-8). Only the limit on cotton trousers was over 50 percent filled in 1982, at 64 percent. In 1983, shipments of knit cotton shirts and blouses, cotton trousers, woven manmade-fiber blouses, and manmade-fiber trousers and brassieres increased from the 1982 levels, thereby filling larger shares of

their quotas (table XII-9). However, only 2 of these products filled more than 50 percent of their quotas--cotton trousers, which filled almost 94 percent of its quota, and woven manmade-fiber blouses, which filled 58 percent of its quota.

U.S. imports from Mexico of certain textile and apparel products not covered by designated consultation levels or specific limits increased significantly from 1982 to 1983, some reaching their minimum consultation levels. Mexican shipments to the United States of cotton dresses (category 336) increased from 729,500 SYE in 1982 to almost 1.4 million SYE in 1983, and shipments of women's woven cotton blouses (category 341) almost doubled, from 432,200 SYE in 1982 to 914,900 SYE in 1983 (table XII-4). Consequently, designated consultation levels were established on these categories in 1984. Designated consultation levels were also established on carded and combed cotton yarn (categories 300 and 301).

U.S. imports of several wool products also increased significantly in 1983 from those in 1982. Men's wool suits (category 443) increased from 10,850 SYE in 1982 to 86,300 SYE in 1983, amounting to 98.4 percent of its minimum consultation level (table XII-5). In 1984, a designated consultation level was placed on category 443 for 1984 only. Women's wool suits (category 444) rose from 59,200 SYE in 1982 to 173,000 SYE in 1983, exceeding its minimum consultation level by almost 71 percent, and men's wool suit-type jackets (category 433) rose from 24,900 SYE in 1982 to 64,300 SYE in 1983, reaching 33 percent of its designated consultation level.

Manmade-fiber hosiery imports (category 632) from Mexico rose from 52,000 SYE in 1982 to 960,200 SYE in 1983, exceeding its minimum consultation level by almost 98 percent (table XII-6). Consequently, a designated consultation level was placed on this item in 1984, and the minimum level for 1983 was increased.

Table 120 summarizes tables XII-4 through XII-6, located at the end of this report, and shows the previously discussed trends in terms of total U.S. textile and apparel imports from Mexico covered by MFA categories. These products accounted for approximately 90 percent of the total value of U.S. textile and apparel imports from Mexico in 1983.

Table 120.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Mexico covered by MFA categories, 1980-83

(In square yards equivalent)				
Item	1980	1981	1982	1983
Cotton textiles and apparel-----	27,499,452	22,056,806	23,327,599	30,767,113
Wool textiles and apparel-----	373,953	638,100	303,738	934,658
Manmade-fiber textiles and apparel--	105,643,981	106,905,786	85,625,891	154,127,929
Total-----	133,517,386	129,600,692	109,257,228	185,829,700

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

U.S. imports of these products declined from 133.5 million SYE in 1980 to 109.3 million SYE in 1982 and then increased by 70 percent, to 185.8 million SYE, in 1983. A large part of this increase occurred in imports of low-valued, continuous noncellulosic yarn (category 602) (table XII-6). The increase in this category is significantly more dramatic in terms of square yard equivalents than it is in pounds. In terms of SYE, imports in category 602 increased by approximately 800 percent; in terms of value, by over 700 percent; and in terms of pounds, by 147 percent. According to industry sources, Mexican manmade-fiber yarn producers, finding slow domestic demand for their products, turned to exports to maximize earnings. Category 602 is covered by a minimum consultation level. In 1983 and 1984, no consultations to place a limit on these products were requested by the United States. In summary, U.S. textile and apparel imports from Mexico covered under the MFA increased in 1983 from the level in 1982; however, in terms of SYE, the increase was not as significant as the figures indicate. From 1982 to 1983 the value of U.S. imports from Mexico classified in MFA categories rose by only 15 percent, from \$150.9 million to \$172.9 million.

The level of U.S. imports covered by MFA categories continued to increase in 1984. In terms of SYE, these imports rose by 46 percent from the 1983 level, to 271.9 million SYE, in 1984. A large part of this increase was concentrated in women's cotton trousers (category 348), textured yarn (category 600), continuous noncellulosic yarn (category 602), manmade-fiber hosiery (category 632), men's manmade-fiber trousers (category 647), and other furnishings of manmade-fibers (category 666). 1/

#### Export Potential

Mexico's total exports of textiles (including fibers) and apparel declined steadily since 1980; however, because of improvements in the Mexican and U.S. economies, there is potential for limited increases in the near future. These exports declined by 37 percent, from \$614.4 million in 1980 to \$389.2 million in 1983. Mexico is a relatively small supplier in terms of total world exports, ranking 37th and accounting for less than 1 percent of the total. Approximately 60 percent of Mexico's total exports of textiles (including fibers) and apparel were shipped to the U.S. market in 1982. The United States accounted for 9 percent of Mexican fiber exports in 1982, 65 percent of Mexico's textile exports, and 96 percent of Mexico's apparel exports. Mexico accounted for only about 1 percent of total U.S. apparel imports. Mexico is, however, the largest U.S. supplier of TSUS item 807.00 apparel imports.

Factors largely responsible for the decline in Mexico's exports of textiles and apparel were a drop in demand in the U.S. market, a decrease in cotton fiber exports caused by greater use of cropland to produce foods and a poor cotton harvest in the 1982/83 crop year, and the economic crisis of 1981-82, which severely affected the Mexican textile and apparel industry. The industry incurred rising raw-material costs, and subsequent shortages of raw materials, increased wages, credit restrictions, and some textile firms

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1/ U.S. Department of Commerce, Textile and Apparel Import Analysis: January-December 1984, Feb. 11, 1985, p. 4.

went deeply into debt after purchasing machinery prior to the devaluations of the peso in 1982.

The recovery of Mexican textile and apparel exports is largely dependent on stability in the Mexican economy and continued strength in the U.S. market. As the economy began a gradual recovery in 1983, so did the textile and apparel industries. The recovery in both continued into 1984. Exports of textiles and apparel increased slightly in 1983 and increased further in 1984. U.S. textile and apparel imports from Mexico covered under MFA categories increased by 46 percent, in terms of SYE, in 1984 over the 1983 level. TSUS item U.S. 807.00 apparel imports from Mexico rose by 32 percent in 1984, to \$217.7 million, and direct U.S. apparel imports from Mexico, or those not produced by the assembly sector, rose by over 85 percent in 1984, to \$28.4 million; however from the depressed levels of 1982 and 1983.

Current Government policies emphasize strengthening the stability of the textile and apparel industry. The Government's National Development Plan promotes increased production of basic goods. Consequently, the Government is encouraging greater utilization of the textile and apparel industries by ensuring that the industries have access to raw materials and capital equipment. The recovery of the industry will be slow, however, as firms resolve debt obligations and credit problems. Exports are emphasized because they provide much needed foreign exchange.

The greatest potential for growth in exports lies with the in-bond apparel subsector, which responds to demand in the U.S. market and to decisions by U.S. producers on sourcing strategies. However, industry sources report that the apparel assembly sector is operating at full capacity, and future significant growth is not expected in the next few years. <sup>1/</sup> In addition, output by the in-bond apparel sector is affected by the Mexican Government's method of allocating quotas. Approximately 90 percent of U.S. apparel imports from Mexico consist of items assembled from U.S. parts in Mexico and shipped back to the United States under TSUS item 807.00.

U.S. quotas under the MFA on Mexico's textile and apparel exports during the past 3 years have not been a crucial factor affecting the level of Mexico's exports to the United States. During 1981-83, slightly more than one-third of U.S. textile and apparel imports from Mexico were covered by specific limits, and of the imports classified in 102 MFA product categories each year, only imports classified in 14 apparel categories were covered by specific limits, as shown in table 121.

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<sup>1/</sup> John D. Stevenson, North America and the Caribbean: Developing the Potentials, speech delivered at Kurt Salmon Associate's third annual sourcing breakfast, New York, Mar. 14, 1985, p. 2.

Table 121.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from Mexico subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories sub- ject to specific limits	U.S. imports of products not subject to specific limits 1/	Number of non- quota MFA cate- gories having U.S. imports
	<u>SYE</u>		<u>SYE</u>	
1981-----	46,281,528	14	83,319,164	88
1982-----	30,893,660	14	78,363,568	88
1983-----	35,589,664	14	150,240,036	88

1/ Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraint are not included.

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

Of those apparel categories covered by specific limits during 1981, only five were over 50-percent filled; during 1982, only one was over 50-percent filled; and during 1983, only two were. During 1981-83, only two of the specific limits were over 90 percent filled. In 1983, some growth occurred in textile and apparel products not covered by specific limits or designated consultation levels. The increased shipments of some of these products resulted in designated consultation levels being placed on seven categories in 1984. In summary, existing limits and consultation levels currently do not appear to significantly inhibit Mexico's potential to increase its textile and apparel imports to the United States. The potential for increasing exports in the near future largely depends upon whether Mexican and U.S. producers increase capacity in the apparel assembly sector, the Mexican Government's methods of allocating quotas, and the rate of recovery of Mexico's domestic textile and apparel industries from the adverse effects of Mexico's economic crisis. Because Mexico currently has a small share of the world and U.S. markets, the markets for the other large textile- and apparel-supplying countries should not be affected.

Table XII-1.--Textiles and apparel: Mexican exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
extiles:								
Developing								
Big Three...	208	33	1	518	7	569	69	1,062
Other Asia...	56	32	18	219	48	33	30	56
Other								
developing	6,269	9,045	3,332	5,482	5,449	5,012	4,112	357
Socialist.....	124	2/	2/	2/	637	255	217	2/
Developed								
EEC.....	36,144	25,774	16,909	29,317	26,248	11,760	13,541	11,862
Southern								
Europe.....	1,781	3,220	1,551	4,650	4,182	362	346	2/
Other Europe	6,151	4,199	2,440	4,065	4,923	2,037	1,853	2,036
United								
States.....	59,774	63,964	72,612	65,314	60,172	71,799	55,909	74,246
Canada.....	10,618	12,841	6,570	8,902	5,835	4,135	4,349	10,240
Japan.....	139	134	267	198	117	1,604	3,116	283
Other.....	76	116	246	555	1,712	1,978	2,846	331
Other:								
Developing	2/					2/	2/	2/
Big Three...	7	4	2	19	1	6	48	456
Other Asia...								
Other								
developing	515	590	254	1,016	1,243	1,127	450	63
Socialist.....	2/	2/	2/	951	2/	79	34	2/
Developed								
EEC.....	7,514	13,758	7,156	6,502	11,000	6,016	3,697	2,503
Southern								
Europe.....	181	183	147	280	475	496	4	1,513
Other Europe	1,002	748	674	3,291	6,817	2,361	1,093	189,340
United								291
States.....	165,884	168,904	205,864	224,262	247,722	247,018	176,074	289
Canada.....	10,371	3,015	2,706	3,120	2,953	2,618	424	1
Japan.....	181	262	420	818	472	504	416	
Other.....	382	750	687	354	191	322	258	
Other:								
Apparel:								
Developing	208	37	3	537	8	569	69	1,062
Big Three...	63	52	30	256	51	39	78	56
Other Asia...								
Other	6,784	9,635	3,586	6,498	6,692	6,139	4,562	420
developing	124	2/	2/	951	637	334	251	2/
Socialist.....								

See footnotes at end of table.

Table XII-1.--Textiles and apparel: Mexican exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
	1,000 dollars							
Textile & Apparel: Developed								
EEC.....	43,658	39,532	24,065	35,819	37,248	17,776	17,238	14,365
Southern Europe.....	1,962	3,403	1,698	4,930	4,657	858	350	2/
Other Europe:	7,153	4,947	3,114	7,356	11,740	4,398	2,946	3,549
United States.....	225,658	232,868	278,476	289,576	307,894	318,817	231,983	263,586
Canada.....	20,989	15,856	9,276	12,022	8,788	6,753	4,773	10,531
Japan.....	320	396	687	1,016	589	2,108	3,532	10,572
Other.....	458	866	933	1,909	1,903	2,300	3,104	332
Total.....	307,607	311,758	321,868	360,663	380,907	361,230	268,886	3/ 294,514

1/ Based on world's imports from Mexico as reported to the United Nations.

2/ Not available.

3/ Total for 1983 is slightly understated because Australia, Nicaragua, and some smaller export markets have not yet reported their 1983 data to the United Nations.

Source: Compiled from United Nations data.

Table XII-2.--Textiles and apparel: Mexican exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
<b>Textiles:</b>								
United States.....	59,774	63,964	72,612	65,314	60,172	71,799	55,909	74,246
United Kingdom.....	451	2,402	5,611	7,214	5,140	3,877	4,853	2,653
Canada.....	10,618	12,841	6,570	8,902	5,835	4,135	4,349	10,240
Japan.....	139	134	267	198	117	1,604	3,116	283
France.....	4,870	2,759	3,159	6,971	5,571	3,273	3,028	2,408
FR Germany.....	10,332	7,556	2,395	2,352	2,752	649	871	2,404
Australia.....	54	105	236	520	1,632	1,884	2,687	1,415
Netherlands.....	2,812	2,399	1,686	2,468	1,126	1,481	2,380	1,415
Nicaragua.....	188	632	638	183	1,135	1,266	2,388	674
Sweden.....	2,410	2,254	1,526	2,466	3,024	1,089	1,064	674
Other.....	29,922	28,678	9,246	23,425	22,526	9,626	5,743	6,191
Total.....	121,570	123,524	103,946	120,013	110,030	100,683	86,388	100,514
<b>Apparel:</b>								
United States.....	165,884	168,904	205,864	224,262	247,722	247,018	176,074	189,340
United Kingdom.....	824	865	633	796	2,470	1,604	715	762
Canada.....	10,371	3,015	2,706	3,120	2,953	2,618	424	291
Japan.....	181	262	420	818	472	504	416	289
France.....	606	451	744	1,098	901	453	158	76
FR Germany.....	3,824	9,143	4,462	2,981	3,617	1,605	2,174	1,282
Australia.....	381	746	684	349	190	322	258	5 <sup>5</sup>
Netherlands.....	700	958	146	612	1,657	1,004	359	206
Nicaragua.....	39	61	38	19	62	107	120	206
Sweden.....	780	498	281	3,101	6,442	1,945	543	1,380
Other.....	2,447	3,331	1,944	3,494	4,391	3,367	1,257	374
Total.....	186,037	188,234	217,922	240,650	270,877	260,547	182,498	194,000
<b>Textile &amp; Apparel</b>								
United States.....	225,658	232,868	278,476	289,576	307,894	318,817	231,983	263,586
United Kingdom.....	1,275	3,267	6,244	8,010	7,610	5,481	5,568	3,415
Canada.....	20,989	15,856	9,276	12,022	8,788	6,753	4,773	10,531
Japan.....	320	396	687	1,016	589	2,108	3,532	572
France.....	5,476	3,210	3,903	8,069	6,472	3,726	3,186	2,484
FR Germany.....	14,156	16,699	6,857	5,333	6,369	2,254	3,045	3,686
Australia.....	435	851	920	869	1,822	2,206	2,945	1,621
Netherlands.....	3,512	3,357	1,832	3,080	3,783	2,485	2,739	1,621
Nicaragua.....	227	493	676	202	1,197	1,373	2,508	2,054
Sweden.....	3,190	2,752	1,807	5,567	9,466	3,034	1,607	2,054
Other.....	32,369	32,009	11,190	26,919	26,917	12,993	7,000	6,565
Total.....	307,607	311,758	321,868	360,663	380,907	361,230	268,886	294,514

1/ Based on world's imports from Mexico as reported to the United Nations.

2/ Not available.

3/ Total for 1983 is slightly understated, because Australia, Nicaragua, and some smaller export markets have not yet reported their 1983 data to the United Nations.

Source: Compiled from United Nations data.

Table XII-3.--Textiles and apparel: Mexican exports, 1/ by types, 1979-83

ITC Description	1,000 dollars					Percent change 1983 from 1979
	1979	1980	1981	1982	1983	
Wool yarn.....	8	2/	2/	2/	78	875.000
Cotton yarn.....	18	20,417	6,385	5,547	1	-94.444
Wool of manmade fibers.....	26,596				6,539	-75.414
Cotton yarn.....	13,106	14,564	19,500	22,074	30,295	131.154
Wool yarn.....	345	433	990	492	633	83.478
Wool of manmade fibers.....	2,296	885	192	349	603	-73.737
Cotton fabrics.....	12,615	9,833	2,016	491	273	-97.836
Wool of manmade fibers.....	1,365	1,226	1,393	754	700	-48.718
Cotton fabrics.....	126	101	153	46	265	110.317
Wool of manmade fibers.....	3	2	23	28	115	3733.333
Cotton fabrics.....	61	25	91	6	79	29.508
Wool of manmade fibers.....	1,364	1,550	2,072	1,959	1,919	40.689
Cotton fabrics.....	27	480	718	401	179	562.963
Wool of manmade fibers.....	4,038	4,541	4,234	4,091	7,040	74.344
Cotton fabrics.....	54,509	51,378	56,971	44,718	44,735	-17.931
Wool of manmade fibers.....	950	1,445	1,189	1,053	2,815	196.316
Outer garments, knit.....	52,895	66,349	48,253	35,073	38,710	-26.817
Outer garments, knit.....	56,525	69,660	83,478	51,710	67,211	18.905
Outer garments, knit.....	4,540	4,225	3,333	1,402	1,454	-67.974
Outer garments, knit.....	141	177	257	81	93	-34.043

See footnotes at end of table.



Table XII-4.--Cotton textiles: U.S. imports from Mexico, by MFA categories, 1980-83

Category	Description	Equivalent square yards--1,000 dollars							
		1980	1981	1982	1983	1980	1981	1982	1983
300	Carded yarn	1,849,683	3,000,612	7,663,113	8,348,812	559	880	1,862	2,118
301	Combed yarn	193,959	25,935	1,345,878	578,469	70	8	345	154
313	Sheeting	154,238	70,823	13,572	461,099	87	50	18	114
314	Poplin and broadcloth	0	44,918	89,232	28,271	0	50	92	21
315	Printcloth	6,169	11,810	8,961	0	11	23	16	0
317	Mill and sateen	4,191,607	600,099	87,271	1,832	5,205	1,001	159	5
318	Yarn-dyed fabric, n.e.s.	1,801	1,307	1,426	11,318	1	1	2	11
319	Duck	16,923	58,439	109,733	217,019	12	50	59	174
320	Woven fabrics, n.e.s.	339,763	240,017	158,472	462,586	335	345	147	198
330	Handkerchiefs	10,753	13,013	13,809	7,307	47	61	72	42
331	Gloves	28	0	41,713	0	1/	0	14	0
332	Hosiery	0	30,291	0	18,759	0	242	0	275
333	Suit-type coats, men's and boys'	45,322	29,502	11,656	9,122	248	165	57	19
334	Other coats, men's and boys'	506,132	354,313	379,795	162,805	1,260	811	1,004	416
335	Coats, women's, girls', and infants'	1,571,921	1,220,291	772,724	614,999	3,954	4,101	2,560	1,584
336	Dresses	950,033	591,573	729,513	1,371,459	1,878	1,399	1,530	2,109
337	Playsuits	440,750	441,700	254,800	46,275	963	978	584	82
338	Knit shirts, men's and boys'	859,817	1,204,567	1,082,181	1,341,518	5,815	7,269	6,718	6,339
339	Knit shirts and blouses, women's, girls', and infants'	490,710	202,522	163,304	343,274	2,546	636	779	1,165
340	Shirts, not knit, men's and boys'	879,984	589,056	133,536	209,712	1,389	1,040	343	555
341	Blouses, not knit, women's, girls', and infants'	1,076,844	737,820	432,232	914,864	3,275	2,613	1,662	2,923
342	Skirts	226,718	132,023	151,709	110,485	634	467	571	306
343	Sweaters	806,252	244,647	48,980	101,458	971	193	54	79
347	Trousers, men's and boys'	3,326,074	2,801,774	4,521,093	5,656,556	11,562	9,361	11,573	14,218
348	Trousers, women's, girls', and infants'	3,981,272	5,768,626	2,856,224	5,548,563	12,388	20,325	8,361	13,312
349	Brassieres	32,583	0	25,723	64,751	104	0	147	306
350	Dressing gowns	6,936	3,060	2,856	5,508	10	7	4	10
351	Nightwear	20,436	364	14,040	1,560	38	1/	16	1
352	Underwear	1,875,104	1,213,344	271,656	306,240	1,217	813	178	178
353	Down-filled coats, men's and boys' 2/	-	-	15,157	165	-	-	155	3
354	Down-filled coats, women's, girls', and infants' 2/	-	10,449	0	0	-	183	0	0
359	Other apparel	2,239,708	1,545,596	1,441,195	2,269,709	2,122	1,901	1,652	2,380
360	Pillowcases	0	2,310	666	0	0	2	1	0
362	Bedspreads and quilts	13,048	718	1,449	1,766	13	4	2	8
363	Terry and other pile towels	27,050	3,077	34,526	651,716	54	13	285	1,920
369	Other manufactures	1,357,834	887,210	449,404	899,136	1,737	726	348	888
	Total	27,499,452	22,056,806	23,327,599	30,767,113	58,504	55,716	41,370	51,913

1/ Less than 500 dollars.

2/ New categories effective April 1, 1981.

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

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

Table XII-5.--Wool textiles: U.S. imports from Mexico, by MFA categories, 1980-83

Item	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983	1980	
99	Wool tops and yarn	1,826	814	1,470	444	2	1	1	1	1	
10	Woolens and worsteds	1,386	5,601	0	1,087	6	52	0	0	5	
11	Repesters and upholstery	2,648	3,022	3,134	9,258	55	49	37	0	98	
12	Fabrics, n.e.s.	282	811	0	0	4	8	0	0	0	
13	Gloves	0	0	0	55	0	0	0	0	1/	
14	Hosiery	0	0	0	140	0	0	0	0	1	
15	Suit-type coats, men's and boys'	17,028	54,504	24,948	64,332	150	501	264	632	182	
16	Other coats, men's and boys'	3,348	810	0	44,550	28	5	0	0	0	
17	Coats, women's, girls', and infants'	52,002	150,012	73,548	315,144	116	679	438	1,678	27	
18	Dresses	109,962	11,464	0	5,412	143	13	0	0	0	
19	Knit shirts and blouses	3,180	0	0	0	28	0	0	0	0	
20	Shirts and blouses, not knit	0	312	0	5,328	0	3	0	0	22	
21	Skirts	1,206	33,192	10,692	56,088	3	346	52	438	0	
22	Suits, men's and boys'	19,710	7,560	10,854	86,346	276	110	238	1,388	0	
23	Suits, women's, girls', and infants'	108	108	59,238	173,016	1	15	337	985	0	
24	Sweaters, men's and boys'	2,291	1,785	3,943	17,871	22	18	24	79	0	
25	Sweaters, women's, girls', and infants'	15,550	17,307	37,364	27,588	155	142	351	158	0	
26	Trousers, men's and boys'	6,156	7,326	4,698	5,418	67	93	62	53	0	
27	Trousers, women's, girls', and infants'	792	95,004	1,206	18,468	4	1,037	21	143	0	
28	Other apparel	73,964	40,510	25,616	51,712	467	231	67	162	0	
29	Blankets	4,169	1,639	3,908	4,722	17	9	9	11	0	
30	Floor coverings	35,361	187,275	28,599	33,843	358	382	307	455	0	
31	Other manufactures	22,984	19,044	14,520	13,836	142	102	27	40	0	
32	Total	373,953	638,100	303,738	934,658	2,045	3,797	2,235	6,559	0	

1/ Less than 500 dollars.

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

Note:--Because of rounding, figures may not add to the total shown.

Table XII-6.--Manmade-fiber textiles: U.S. imports from Mexico, by MFA categories, 1980-83

EX	Description	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
		Equivalent square yards										1,000 dollars	
00	Textured yarn	2,070,345	9,338,784	11,388,771	18,226,318					886	4,405	4,895	6,950
01	Continuous cellulosic yarn	8,104,652	7,896,491	5,410,101	6,290,180					2,502	2,873	2,190	2,356
02	Continuous noncellulosic yarn	90,341	133,934	6,093,979	54,499,851					13	22	457	3,802
04	Noncontinuous noncellulosic yarn	4,496,524	3,334,756	3,826,313	12,947,017					2,125	1,792	1,811	4,794
05	Other yarns	1,801,234	3,343,078	2,404,967	4,458,327					1,200	2,457	1,713	2,736
10	Continuous cellulosic woven fabrics	137	0	0	6,684					2	0	0	9
11	Spun cellulosic woven fabrics	0	0	0	1,360					0	0	0	1
12	Continuous noncellulosic woven fabrics	23,413	308	61,334	61,305					24	1	61	49
13	Spun noncellulosic woven fabrics	0	85,923	11,790	231,855					0	124	17	76
14	Woven fabrics, n.o.s.	54	0	24,938	49,697					1	0	27	62
25	Knit fabrics	296,689	444,295	89,185	231,449					121	277	51	165
26	Pile or tufted fabrics	0	344	1,643	76,932					0	2	1	73
27	Specialty fabrics	4,989,754	6,348,435	4,273,916	4,030,844					900	1,191	675	724
30	Handkerchiefs	935	0	0	0					5	0	0	0
31	Gloves	49	0	0	4,771					1/	0	0	5
32	Hosiery	13,943	21,201	52,082	960,153					38	61	85	393
33	Suit-type coats, men's and boys'	760,615	591,579	171,371	31,060					4,702	3,760	1,072	151
34	Other coats, men's and boys'	5,197,896	3,210,290	1,209,966	478,253					10,779	9,544	2,830	1,041
35	Coats, women's, girls', and infants'	2,855,277	1,632,013	1,610,494	1,666,746					5,982	4,180	4,089	3,635
36	Dresses	1,802,939	1,358,730	1,163,669	1,405,614					2,798	2,426	2,475	2,432
37	Play suits	88,587	10,863	2,322	40,981					254	62	9	62
38	Knit shirts, men's and boys'	2,041,074	1,592,244	1,197,864	386,604					4,842	3,782	3,039	1,061
39	Knit shirts and blouses, women's, girls', and infants'	5,707,515	3,665,565	2,114,355	2,402,955					13,121	7,578	5,182	4,901
40	Shirts, not knit, men's and boys'	1,377,720	899,280	459,624	411,840					2,762	2,260	1,016	845
41	Blouses, not knit, women's, girls', and infants'	4,267,831	4,059,986	1,807,297	2,827,691					12,503	14,739	6,147	8,150
42	Skirts	363,530	422,429	486,901	918,840					1,083	1,311	1,567	2,880
43	Suits, men's and boys'	5,184	2,376	26,028	8,694					37	2	35	40
44	Suits, women's, girls', and infants'	70,524	46,170	19,926	83,268					102	65	24	337
45	Sweaters, men's and boys'	20,203	2,024	7,839	32,384					14	5	9	33
46	Sweaters, women's, girls', and infants'	153,199	34,519	65,834	121,513					212	39	64	118
47	Trousers, men's and boys'	8,325,007	4,887,472	1,743,814	2,238,600					19,335	13,002	5,153	7,340
48	Trousers, women's, girls', and infants'	9,361,626	8,737,521	6,589,879	6,379,610					22,480	22,584	17,871	16,273
49	Brassieres	8,441,279	6,707,078	5,053,094	5,673,235					30,975	30,670	23,436	23,687
50	Dressing gowns	1,522,554	546,567	568,956	396,474					520	967	991	605
51	Nightwear	890,344	795,860	928,200	1,153,360					880	976	1,273	1,434

See footnotes at end of table.

Table XII-6.--Manmade-fiber textiles: U.S. imports from Mexico, by MFA categories, 1980-83--Continued

Item	Description	Equivalent square yards					1,000 dollars				
		1980	1981	1982	1983	1980	1981	1982	1983	1983	
652	Underwear	8,662,784	16,652,720	11,155,728	7,318,960	5,643	10,304	8,502	4,507		
654	Down-filled coats, women's, girls', and infants' 2/	-	7,806	1,611	25,936	-	118	25	293		
659	Other apparel	10,209,031	8,269,654	5,739,911	5,150,451	10,563	10,020	6,137	5,427		
665	Floor coverings	2,252	36	236	356,307	6	4	5	1,451		
666	Other furnishings	9,090,565	7,786,575	7,393,589	10,120,047	3,617	3,632	3,373	4,447		
669	Other manufactures	2,528,175	4,038,880	2,468,364	2,422,283	905	1,699	988	1,098		
	Total	105,643,981	106,905,786	85,625,891	154,127,929	161,933	156,933	107,316	114,442		

1/ Less than 500 dollars.

2/ New category effective April 1, 1981.

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

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

Table XII-7.---Textiles and apparel: Limits under the United States-Mexico bilateral agreement and shipments charged, by MFA categories, agreement year 1981

MFA cate- gory	Type of limit	Description	Units	Limitations	Shipments : charged	Share filled 1/ Percent
Group III:				-----1,000 units-----		
335	Specific	Cotton coats, women's, girls', and infants'	Doz	37	29	79.7
338/339	do	Cotton knit shirts and blouses	do	421	195	46.2
347/348	do	Cotton trousers	do	603	482	79.8
633	do	Manmade-fiber suit-type coats	do	54	16	29.9
634/635	do	Other coats of manmade fibers	do	307	115	37.5
638/639	do	Manmade-fiber knit shirts and blouses	do	14,739	5,272	35.7
641	do	Manmade-fiber woven blouses	do	2/ 298	282	94.4
647/648	do	Manmade-fiber trousers	do	1,499	749	49.9
649	do	Manmade-fiber brassieres	do	2,606	1,383	53.0

1/ Percentages calculated on actual figures; not rounded figures shown.

2/ Adjusted downward.

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

Table XII-8.---Textiles and apparel: Limits under the United States-Mexico bilateral agreement and shipments charged, by MFA categories, agreement year 1982

MFA cate- gory	Type of limit	Description	Units	Limitations :-----1,000 units	Shipments : charged	Share filled 1/ Percent
Group III:						
335	Specific	Cotton coats, women's, girls', and infants'	Doz	39	18	46.9
338/339	do	Cotton knit shirts and blouses	do	451	176	38.9
347/348	do	Cotton trousers	do	645	415	64.3
633	do	Manmade-fiber suit-type coats	do	58	5	7.9
634/635	do	Other coats of manmade fibers	do	328	70	21.4
638/639	do	Manmade-fiber knit shirts and blouses	do	15,771	3,205	20.3
641	do	Manmade-fiber woven blouses	do	325	124	38.1
647/648	do	Manmade-fiber trousers	do	1,604	469	29.2
649	do	Manmade-fiber brassieres	do	2,789	1,052	37.7

1/ Percentages calculated on actual figures; not rounded figures shown.

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

Table XII-9.--Textiles and apparel: Limits under the United States-Mexico bilateral agreement and shipments charged, by MFA categories, agreement year 1983

MFA cate- gory	Type of limit	Description	Units	Limitations : 1,000 units	Shipments : charged	Share filled 1/ Percent
Group III:	Specific	Cotton coats, women's, girls', and infants'	Doz	42	15	36.4
335	do	Cotton knit shirts and blouses	do	482	239	49.4
347/348	do	Cotton trousers	do	690	648	93.9
633	do	Manmade-fiber suit-type coats	do	62	1	1.5
634/635	do	Other coats of manmade fibers	do	351	52	14.7
638/639	do	Manmade-fiber knit shirts and blouses	do	16,874	2,829	16.7
641	do	Manmade-fiber woven blouses	do	348	200	57.6
647/648	do	Manmade-fiber trousers	do	1,716	497	28.9
649	do	Manmade-fiber brassieres	do	2,984	1,223	40.9

1/ Percentages calculated on actual figures; not rounded figures shown.

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



## CHAPTER XIII. THE DOMINICAN REPUBLIC

## Introduction

The Dominican Republic occupies the eastern two-thirds of the Caribbean island of Hispaniola with Haiti and covers 18,700 square miles. Its population, which totaled approximately 6.3 million people in 1983, has been growing at an annual average rate of 2.8 percent, and has a literacy rate of about 70 percent. 1/ About one-half of the country's population is of working age, (15-64). 2/ Unemployment is as high as 30 percent in some parts of the country, and increased migration from rural areas to urban areas has caused underemployment in the agricultural sector. Currently, the population is experiencing declines in living standards because of difficult economic conditions, which have accelerated unemployment levels and caused cutbacks in Government services. 3/

The economy

Agriculture continues to be the major source of economic activity in the Dominican Republic, the world's fourth largest exporter of sugar (including honey), after Cuba, Brazil, and the Philippines, in 1981. 4/ The agricultural sector employed just over 40 percent of the country's work force in 1980. An additional 20 percent were employed in manufacturing, almost 4 percent in construction, and the remainder in mining, services, government, and other activities. 5/ Agriculture and livestock accounted for 18 percent of the total gross domestic product (GDP) in 1981; manufacturing, for 16 percent; wholesale and retail trade, for 16 percent; Government services, for 8 percent; and mining, for 4 percent. 6/

The principal commercial crop and an important export is sugarcane and sugarcane products. Other important crops include mangoes, rice, coffee, and cocoa beans. Principal mineral products are bauxite, gold, silver, and ferronickel. A decline in international demand for mineral products led to a 10-percent decrease in output of the mining sector during 1981-83. 7/

The country's economic health is largely influenced by its necessity to import petroleum and the extent to which it can finance these imports with export earnings. In 1981, one-half of the Dominican Republic's export

1/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1983 Report, p. 204.

2/ U.S. Department of Commerce, Business Fact Sheets: Dominican Republic, p. 2.

3/ U.S. Department of State, Foreign Economic Trends . . . : Dominican Republic, Aug. 1, 1984, p.3.

4/ United Nations, Handbook of International Trade and Development Statistics: 1984 Supplement, New York, p. 187.

5/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1984 Report, p. 276.

6/ Europa Publications, Ltd., The Europa Year Book 1984: A World Survey, vol. II, London, England, p. 1,490.

7/ Ibid., p. 1,487.

earnings were needed to pay for oil. 1/ In addition, Government revenue is highly dependent on income from foreign-trade taxes (import and export).

Growth in the Dominican Republic's GDP averaged around 5 percent in 1979 and 1980 and then declined to a growth rate of only 1.6 percent in 1982. In 1983, economic conditions improved modestly as the GDP grew by 3.9 percent and totaled approximately \$8.8 billion. The per capita gross national product (GNP) totaled \$1,400 in 1983. 2/ In 1982, the country was significantly affected by the worldwide recession; the world sugar market was depressed, and sugar prices were weak. 3/ In addition, the world market for ferronickel, one of the Dominican Republic's major mineral exports, all but disappeared. A scarcity of foreign exchange resulting from the drop in export earnings caused an increase in the price of foreign exchange on the parallel market, and all led to reduced imports. 4/ The drop in export earnings led to a decline in Government revenue.

The Government adopted austerity measures in late 1982 and 1983 to counteract the economic slowdown; it also increased taxes, imposed broad import bans, and increased the transfer of import payments from the official exchange rate to the parallel exchange market. The latter was part of an agreement negotiated with the International Monetary Fund (IMF) for a 3-year, \$400 million Extended Fund Facility (EFF). 5/

However, economic conditions in 1984 continued to be affected by a continuation of low world market prices for Dominican commodity exports, high import demand, severe liquidity problems, and slow economic growth. 6/ Consequently in April 1984, the Government adopted further austerity measures, including increasing the exchange incentive for traditional exports, transferring all import payments except oil and old debt to the parallel exchange market, 7/ and ending new Central Bank credit increases to the public sector. 8/

### Foreign trade

The Dominican Republic has experienced high trade deficits during the early 1980's, resulting from high import levels and more recently, weak export demand. According to IMF data, the trade deficit reached a high of \$557.8

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1/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1982 Report, p. 235.

2/ U.S. Department of Commerce, Business Fact Sheets: Dominican Republic, p. 2.

3/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1983 Report, p. 205.

4/ Ibid.

5/ U.S. Department of State, Foreign Economic Trends . . . : Dominican Republic, Aug. 1, 1984, p. 3.

6/ Ibid.

7/ The Dominican Republic used exchange incentives and a parallel exchange market that provided exchange rates that differed from the official exchange rate to help promote certain export industries.

8/ U.S. Department of State, Foreign Economic Trends . . . : Dominican Republic, Aug. 1, 1984, p. 3.

million in 1980, declined considerably in 1981, and then climbed to almost \$500 million in 1982 and 1983, as exports declined by approximately 35 percent, reflecting the worldwide recession and the depressed sugar market, as shown in the following tabulation (in millions of dollars):

Item	1979	1980	1981	1982	1983
Trade balance-----	-268.9	-557.8	-263.7	-489.3	-497.0
Imports <u>1/</u> -----	1,137.5	1,519.7	1,451.7	1,257.3	1,282.2
Exports <u>1/</u> -----	868.6	961.9	1,188.0	767.7	785.2

1/ F.O.B.

Dominican imports, after peaking at \$1.5 billion in 1980, declined to slightly less than \$1.3 billion in 1982 and 1983. The Government, combating high import demand, has been discouraging imports as part of its economic austerity program through import bans and import restrictions. 1/ In addition, a scarcity of foreign exchange has inhibited imports. 2/

Petroleum accounts for over one-third of total Dominican imports. 3/ Other important imports include foodstuffs, chemicals and pharmaceutical products, machinery (including spare parts), and, prior to 1983, cars and other vehicles. In 1983, the Government placed a ban on passenger vehicle imports. 4/ Textile and apparel, including fibers, accounted for about 12 percent of the total value of imports in 1982. 5/

The United States is the Dominican Republic's leading trading partner, accounting for about one-half of its imports and exports in 1982. Other leading suppliers of Dominican imports are Venezuela, which supplied 18 percent, Mexico, which supplied 14 percent of total imports in 1982, and Japan, the Netherlands Antilles, and Spain. 6/ Major imported products from the United States include grains and apparel parts shipped to the Dominican Republic for assembly under Tariff Schedules of the United States (TSUS) item 807.00 operations.

Dominican exports rose from \$868.6 million in 1979 to almost \$1.2 billion in 1981 before declining by approximately 35 percent, to \$767.7 million, in 1982 and \$785.2 million in 1983. The 1982 decline in exports reflected the recession in the United States and other developed country markets, and the

1/ Europa Publications, Ltd., The Europa Year Book 1984: a World Survey, vol. II, London, England, p. 1,487.

2/ U.S. Department of State, Foreign Economic Trends . . . : Dominican Republic, Aug. 1, 1984, p. 9.

3/ Ibid.

4/ Europa Publications, Ltd., The Europa Year Book 1984: a World Survey, vol. II, London, England, p. 1,487.

5/ Based on United Nations data, using world exports shipped to the Dominican Republic.

6/ Ibid., p. 1,491.

corresponding decline in export demand for the Dominican Republic's products, particularly sugar and minerals. Sugar exports accounted for 43 percent of the total value of exports in 1981, and mineral exports (bauxite, ferronickel, and alloys of gold and silver) accounted for 28 percent. 1/ Exports of raw sugar declined by almost 50 percent, from \$516.7 million in 1981 to \$265.5 million in 1982. 2/ Sugar exports to the United States are limited by quota and are sold at prices linked to the U.S. price-support system, which are several times higher than world prices. 3/ The Dominican Government has been encouraging exports of coffee and cocoa to offset the decline in sugar exports. Exports of coffee rose by 68 percent, from almost \$54.0 million in 1980 to \$90.6 million in 1982, and exports of cocoa beans rose slightly in 1982 to \$52.9 million, from \$51.0 million in 1980. Exports of ferronickel, which accounted for 9 percent of the total value of exports in 1981, dropped from \$110.5 million that year to \$24.2 million in 1982 and accounted for only 3 percent of total exports. 4/

The Dominican Republic's major export market is the United States, which accounts for more than one-half of its total exports. Other markets are Venezuela, Spain, and the Netherlands. Major exported products to the United States include sugar, gold and silver alloy, wearing apparel, and coffee.

The Dominican Government encourages exports and has made a strong commitment to increase the country's export capabilities, including strengthening its export promotion agency, CEDOPEX, and establishing four industrial free zones or exports processing zones. 5/ The United States recently passed the Caribbean Basin Recovery Act (CBRA) of 1984, which provides economic incentives to eligible countries, including duty-free treatment on a wide range of U.S. imports from that region. However, the duty-free provisions of the CBRA do not apply to most textile and apparel products.

The Dominican Republic currently has four industrial free zones (IFZ's): the La Romana Free Zone, the San Pedro Free Zone, the Santiago Free Zone, and the Puerto Plata Free Zone. 6/ The number of establishments in the zones increased during 1974-84, from 22 factories to 120 and currently employs over 25,000 persons. 7/ Over three-quarters of the companies in the IFZ's are of U.S. origin. Between 55 and 60 percent of these companies produce apparel, most of which is exported to the United States, entering under TSUS item 807.00. Other products manufactured in the zones include shoes, other leather

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1/ Ibid.

2/ Ibid.

3/ The quota for the 1983/1984 crop year (12 months) was 535,392 short tons (raw value). The quota for the 1983/1984 crop year (14 months) is 447,040 short tons (raw value).

4/ Europa Publications Ltd., The Europa Year Book 1984: a World Survey, vol. II, London, England, p. 1,491.

5/ U.S. Department of State, Foreign Economic Trends . . . : Dominican Republic, Aug. 1, 1984, p. 9.

6/ Secretaria de Estado de Industria Y Comercio, "The Industrial Zone in the Dominican Republic, Development and Opportunity," speech, p. 2.

7/ Ibid., p. 3.

goods, electronics, tobacco goods, and toys. In 1983, IFZ exports accounted for 16 percent of total Dominican exports. 1/ Companies locating in the zones are granted certain tax benefits, including 100 percent exemption from income taxes, certain business and municipal taxes, and capital taxes. 2/ In addition, companies receive duty-free treatment on imports of raw materials, semimanufactured products, and machinery and equipment used in manufacturing the exported products. 3/ These incentives are granted for 12 to 15 years and can be extended up to 20 years. 4/

### The Textile and Apparel Industries

In 1983, the Dominican Republic's textile industry consisted of 69 establishments; 5/ most are small operations and produce for the local market. The number and types of textile establishments are shown in the following tabulation: 6/

<u>Type</u>	<u>Quantity</u>
Yarn, weaving, and finishing mills-----	39
Knitting fabric mills-----	18
Establishments manufacturing textile articles, other than apparel.	5
Cordage-manufacturing establishments-----	4
Tapestry and carpet mills-----	<u>3</u>
Total-----	69

The industry's yarn and weaving mills were equipped with 6,000 spindles, (short-staple system type) and 600 looms in 1981. 7/ This compares with Costa Rica's and Haiti's installed capacity of 12,000 and 13,000 spindles, respectively, and 1,130 and 547 looms, respectively, in 1981. 8/

Yarn and fabric production, mostly from cotton fibers, is small. In 1979, cotton yarn production totaled approximately 1,320 tons, and cotton woven fabric production totaled approximately 18.5 million yards. 9/ Knit

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1/ Sandra K. Dunlap, "Industrial Free Zones in the Dominican Republic 1970-83: an Economic Analysis," Paper presented as part of Master's Degree, Fletcher School of Law and Diplomacy, Medford, MA, July 13, 1984.

2/ Secretaria de Estado de Industria Y Comercio, "The Industrial Zone in the Dominican Republic, . . . ," speech, p. 8.

3/ Ibid.

4/ Ibid., p. 9.

5/ Secretaria de Estado de Industria Y Comercio, Gobierno de Concentracion Nacional, Directorio de Establecimientos Industriales de la Republica Dominica, 1983, p. 3.

6/ Ibid.

7/ International Textile Machinery Federation, International Textile Machinery Statistics, vol. 5, 1982, p. 26.

8/ Ibid.

9/ United Nations, Yearbook of Industrial Statistics, 1981, New York, vol. II, 1983, p. 182.

fabric production was also small at 330 tons in 1979. 1/ Toweling is produced by the Dominican textile industry, and in 1980, towel production totaled 327,000 units. 2/

The Dominican Republic's apparel industry is divided into companies that produce for the local market and those which export. In 1983, the number of establishments in both segments of the industry totaled 568. 3/ Between 65 and 75 companies produce apparel for export and most of these companies are located in the IFZ's. 4/ Five of these companies are located outside the IFZ's in the Santo Domingo area. 5/ The number of apparel firms operating in the IFZ's grew from 1 in 1970 6/ to over 65 in 1984. Most of the IFZ apparel companies are affiliated with U.S. firms and assemble apparel parts that have been cut in the United States. Nearly all of IFZ apparel production is exported to the U.S. market. 7/ According to industry sources, a few companies operate cut-and-sew operations, importing the fabric from the United States and the Far East, cutting the fabric in the Dominican Republic, assembling the parts, and then exporting the finished apparel.

The IFZ apparel firms are relatively large, having employed an average of 250 employees each during 1980-83. 8/ Some of the firms have diversified their product lines, but most produce only one to three different products. 9/ The following tabulation shows the number of companies producing in each apparel product category: 10/

<u>Item</u>	<u>Number</u>
Trousers and overalls-----	30
Women's blouses-----	24
Men's shirts-----	18
Blazers, jackets, and coats-----	16
Dresses-----	14
Women's underwear-----	11
Children's and infants' clothing-----	11
Skirts-----	8
Pajamas-----	8
Robes-----	7
Sports uniforms and bathing suits-----	7
Men's underwear-----	1

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1/ Ibid., p. 220.

2/ Ibid., p. 219.

3/ Secretaria de Estado de Industria Y Comercio, Gobierno de Concentracion National, Directorio de Establecimientos . . ., 1983, p. 3.

4/ Centro Dominicano de Promocion de Exportaciones, Pocketbook Directory, Garments, No. 5.

5/ Ibid.

6/ Sandra K., Dunlap, op. cit., p. 30.

7/ Ibid., p. 36.

8/ Ibid.

9/ Centro Dominicano de Promocion de Exportaciones, op. cit.

10/ Ibid.

Apparel operations have dominated the development of the IFZ's, and have been a major source of employment and foreign-exchange earnings. 1/ During 1970-77, an average of 48 percent of total IFZ firms produced apparel; by 1983, this ratio grew to almost 58 percent. 2/ In 1983, apparel companies in the IFZ's employed 65 percent of total IFZ employees, or 13,514 persons, as shown in the following tabulation: 3/

<u>Year</u>	<u>Number</u>
1980-----	10,615
1981-----	12,330
1982-----	11,351
1983-----	13,514

Employment declined by 8 percent in 1982 from the level in 1981, as some U.S. companies cut back assembly production because of slow U.S. demand stemming from the 1982 recession.

Foreign exchange earned by IFZ apparel companies totaled \$28.7 million in 1982, representing an increase from \$16.8 million in 1980, as shown in the following tabulation: 4/

<u>Year</u>	<u>Value</u> <u>(million dollars)</u>
1980-----	16.8
1981-----	27.7
1982-----	28.7

Most of the overall increase occurred from 1980 to 1981, when foreign-exchange earnings increased by 65 percent. Increases in foreign-exchange income slowed considerably from 1981 to 1982 to 4 percent, also reflecting the downturn in the U.S. economy. Since almost all of the IFZs' apparel production is exported to the U.S. market, economic activity in the United States has a direct effect on IFZ apparel assembly operations. With the U.S. economic recovery in 1983, production and investment levels have increased again. During 1982 and 1983, 21 new firms (not just apparel firms) have been established in the IFZ's, and some existing firms have requested or acquired additional space. 5/

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1/ Sandra K. Dunlap, op. cit., p. 28

2/ Ibid.

3/ Sandra K. Dunlap, op. cit., p. 30. Employment in the one apparel firm located in the Puerto Plata Free Zone is not included in these figures.

4/ Ibid., p. 32.

5/ Ibid., p. 37.

Apparel workers in the IFZ's are paid a minimum hourly wage of \$0.92 plus \$0.23 in fringe benefits. 1/ At various times, the wage cost to the employer was less than the stated amount because of exchange incentives. 2/ These wages are higher than Haiti's average hourly apparel wage of approximately \$0.38 and significantly lower than U.S. hourly apparel wage of \$5.48. 3/

## Trade in Textiles and Apparel

### Imports, exports, and trade balance

The Dominican Republic experienced a significant turnaround in its textile and apparel trade during the early 1980's, when the trade deficit of more than \$20 million in the years 1976-80 declined to only \$1.7 million in 1981, followed by its first trade surplus of \$12.9 million in 1982. The surplus expanded to \$21.2 million in 1983, during which exports of apparel continued their significant growth, as shown in table 122.

Textiles and apparel accounted for between 7 and 14 percent of the Dominican Republic's total imports during 1979-83. 4/ Textile imports accounted for 47 percent of total textile and apparel imports during 1976-83, apparel accounted for 51 percent during the period, and fibers accounted for the remainder. Textile imports consisted largely of manmade-fiber fabrics and coated textile fabrics, some of which were used in producing apparel for export. Much of this was imported from the United States. A large part of the apparel imports consisted of apparel parts sent from the United States for assembly. Although the Dominican Republic banned imports of more than 100 products in 1979, including men's and boys' underwear, suits, and trousers, and boys' and girls' garments, 5/ apparel parts imported by IFZ companies were not subject to the ban. In addition, these apparel part imports are granted duty-free status.

### Export trends

Exports of textiles and apparel (not including fibers) increased their share of Dominican total exports from approximately 3 percent in 1976 to 17 percent in 1983, rising by 580 percent from \$21.5 million in 1976 to \$146.3 million in 1983 (table XIII-2). Apparel exports accounted for 97 percent of the total, and virtually all of these apparel exports (99.5 percent) were shipped to the United States during the period (tables XIII-1 and XIII-2). Over 90 percent of these apparel exports entered into the United States under TSUS item 807.00.

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1/ Secretaria de Estado de Industria Y Comercio, "The Industrial Zone in the Dominican Republic, . . .," speech, pp. 11 and 12.

2/ Ibid.

3/ Wages for Haiti are compiled from U.S. Department of Commerce, Business Fact Sheets: Haiti, and U.S. wage is compiled from statistics of the U.S. Bureau of Labor Statistics.

4/ Based on United Nations data using world exports to the Dominican Republic.

5/ Central Bank of the Dominican Republic.

Table 122.--Textile fibers, textiles, and apparel 1/: Dominican Republic's imports, 2/ exports, 3/ and trade balance, by items, 1976-83

Item	(In thousands of dollars)									
	1976	1977	1978	1979	1980	1981	1982	1983		
<b>Imports:</b>										
Textile fibers-----	2,033	1,502	2,040	916	2,834	2,332	2,117	2,491		
Textiles-----	37,419	35,072	29,225	55,820	53,246	44,858	47,500	49,715		
Apparel-----	16,164	28,238	36,415	48,305	60,397	69,547	66,255	73,703		
Total-----	55,616	64,812	67,680	105,041	116,477	116,737	115,872	125,909		
<b>Exports:</b>										
Textile fibers-----	8	130	171	2	-	269	-	787		
Textiles-----	1,307	1,380	2,639	2,617	2,344	2,066	928	3,596		
Apparel-----	20,224	32,475	47,975	74,297	89,802	112,685	127,865	142,720		
Total-----	21,539	33,985	50,785	76,916	92,146	115,020	128,793	147,103		
<b>Trade balance:</b>										
Textile fibers-----	-2,025	-1,372	-1,869	-914	-2,834	-2,063	-2,117	-1,704		
Textiles-----	-36,112	-33,692	-26,586	-53,203	-50,902	-42,792	-46,572	-46,119		
Apparel-----	4,060	4,237	11,560	25,992	29,405	43,138	61,610	69,017		
Grand total-----	-34,077	-30,827	-16,895	-28,125	-24,331	-1,717	12,921	21,194		

1/ Includes textile fibers classified under Standard International Trade Classification (SITC) 26; textiles, SITC 65; and apparel, SITC 84.

2/ C.i.f.

3/ F.o.b.

Source: Compiled from United Nations data.



Women's shirts and blouses were the second largest category, accounting for 13 percent. Imports of men's trousers increased the fastest of any of the products, rising by over 350 percent from 1980 to 1983, and became the third largest apparel product imported in 1983.

#### MFA constraints

The Dominican Republic's exports of textiles and apparel of cotton, wool, and manmade fibers to the United States, including those imported under TSUS item 807.00, have been subject to restraints under two bilateral agreements negotiated under the Multifiber Arrangement (MFA) since 1979. The first agreement, covering the 4-year period from June 1, 1979, to May 31, 1983, provided for specific limits on four apparel categories: men's woven cotton shirts (category 340), cotton nightwear (category 351), women's manmade-fiber knit shirts and blouses (category 639), and manmade fiber brassieres (category 649).

The second and current bilateral agreement is effective for a 5-year period from June 1, 1983, to May 31, 1988. The agreement includes specific limits on the same four apparel categories covered in the previous agreement. An amendment was added to the agreement in October 1984, providing a quota on women's manmade-fiber suits (category 644) for the 5 years covered in the agreement. In addition, because imports of women's wool sweaters increased by over 250 percent in terms of square yard equivalents (SYE) and value from 1982 to 1983, a limit was added on these products (category 446) for the 13-month period, January 31, 1984, through January 30, 1985. The limit on these wool sweaters is 19,550 dozen for the 13-month period. The quotas on the five apparel categories covered in the agreement and by amendment to the agreement are shown in table 125.

These specific limits may be exceeded by up to 7 percent for cotton and manmade fibers and 5 percent for wool, provided that a compensating decrease is made in other specific limits for the same year. As in the previous agreement, the limits may also be exceeded by up to 11 percent by the use of carryover and carryforward, with a 7-percent limit on carryforward. Categories not subject to a specific limit or designated consultation level are subject to procedures outlined in the MFA. The provisions of the bilateral agreement are not applicable to handloomed fabrics of the cottage industry, products made of such handloomed fabrics, or to traditional folklore handicraft textile products, provided that they are properly certified pursuant to the provisions of the agreement.

Table 125.--Limits under the United States-Dominican Republic bilateral agreement by MFA categories, agreement years 1/ 1983/84 to 1987/88

(In thousands of dozens)

MFA category	Description	1983/84	1984/85	1985/86	1986/87	1987/88
340	Men's cotton woven shirts.	160	<u>3/</u>	183	196	210
351	Cotton nightwear-----	372	<u>3/</u> 398	426	456	488
639	Women's manmade-fiber shirts-----	361	<u>3/</u> 386	413	442	473
<u>1/</u> 644	Women's manmade-fiber suits-----	<u>3/</u> 20	43	46	49	53
649	Manmade-fiber bras-sieres-----	1,850	<u>4/</u> 1,980	2,118	2,266	2,425

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

2/ Added to the agreement by amendment on Oct. 26, 1984.

3/ Limit for first agreement period began on Dec. 1, 1983, for 6 months.

4/ Carryover was applied to these limits on Aug. 13, 1984, thereby increasing the limit on category 340 to 190,032 dozen; on category 351, to 441,824 dozen; on category 639, to 428,760 dozen; and on category 649, to 2,197,245 dozen. 49 F.R. 32782-32783, Aug. 16, 1984.

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

During agreement year 1981/82 (June 1, 1981-May 31, 1982), the Dominican Republic filled or mostly filled 3 of the 4 quotas placed on its apparel exports; the quota on brassieres was 100 percent filled, the quota on men's cotton woven shirts was 97 percent filled, and the quota on cotton nightwear was almost 84 percent filled (table XIII-7). The quota on brassieres was also completely filled in agreement year 1982/83 and the quota on cotton nightwear was almost 88 percent filled that year (table XIII-8). The quotas on men's woven cotton shirts and women's manmade-fiber blouses were both less than 70 percent filled in 1982. During agreement year 1983/84 imports of brassieres declined, filling only 77.6 percent of its quota (table XIII-9). Imports of other categories limited in the previous 2 agreement years also declined, and none of these items came close to filling their quotas. However, the quota on women's manmade-fiber suits, which was added by amendment to the agreement and became effective November 30, 1983, was overfilled by almost 35 percent.

Most cotton apparel imports not covered by specific limits remained relatively static from 1982 to 1983 (table XIII-4). The one exception was women's cotton knit shirts and blouses, which increased by over 200 percent in terms of square yard equivalents and almost 300 percent in terms of value. Imports of women's wool coats and skirts, not covered by quotas, also showed increases from 1982 to 1983, but from relatively small bases (table XIII-6). Some manmade-fiber apparel categories that are not covered by quotas also increased (table XIII-7). These included skirts, men's trousers and coats, nightwear, and underwear.

### Export Potential

The Dominican Republic's exports of textiles and apparel (not including fibers), of which apparel accounted for 97 percent, increased by 580 percent, from \$21.5 million in 1976 to \$146.3 million in 1983, and has the potential for increasing in the near future. The Dominican Republic is a small, world supplier of textiles and apparel, ranking 45th in terms of total world trade and accounting for less than 1 percent of total world exports. Dominican shipments also account for less than 1 percent of total U.S. apparel imports. However, after Mexico, the Dominican Republic is the second largest supplier of U.S. apparel imports entering under TSUS item 807.00, accounting for approximately 20 percent of the total in 1983.

The Dominican industrial free zones have been growing rapidly since the first zone began operating in 1970, and apparel assembly operations have been major contributors in IFZ developments in terms of number of operations, employment, and the amount of foreign exchange earned. Apparel companies represented 58 percent of the total firms operating in the IFZ's during 1983, up from 48 percent of the total during 1970-77. Employment in these apparel operations increased by 27 percent during 1980-83, and total foreign exchange earned by these companies grew by 21 percent during the period.

Because the Dominican Republic ships almost all of its apparel exports to the United States, growth in the industry and its production and export levels are highly influenced by U.S. demand and economic activity. During the U.S. economic recession of 1981 and 1982, employment in Dominican apparel assembly operations declined, and growth in foreign exchange income and apparel export levels slowed. However, when the U.S. economy recovered in 1983 and expanded in 1984, employment rose again, and growth in foreign-exchange income accelerated.

The Dominican Republic has a relatively low minimum hourly wage at \$1.15 (including fringe benefits), which is considerably lower than the U.S. wage paid to apparel workers. The Dominican Government actively promotes the IFZ's and exports of apparel to help alleviate the country's high unemployment rate and to increase foreign-exchange earnings, among other reasons. Companies locating in the zones are granted certain tax holidays, duty-free imports of machinery, equipment, and raw materials, and certain foreign-exchange incentives.

Quotas under the MFA on Dominican apparel exports to the United States do not appear to be restricting the Dominican Republic's overall growth in its shipments. Only four apparel categories in 1981 and 1982 and five categories in 1983 were subject to quotas. During the last 3 years, only the quota on manmade-fiber brassieres was filled, and only in agreement years 1981/82 and 1982/83. The quota on men's woven cotton shirts was 97.1 percent filled, and the quota on cotton nightwear was almost 88 percent filled during the 1982 quota year. The remaining quotas were less than 85 percent filled during each of the past 3 agreement years, and growth is available in these categories. In addition, the quota levels are allowed to increase each year through the use of flexibility provisions and are also increased by 7 percent annually through 1988. However, the quotas have served to temper growth in the restricted categories. In addition, the United States during 1984 imposed limits on two additional apparel categories not covered by quotas, women's

manmade-fiber suits (category 644) and women's wool sweaters (category 446), when each rose significantly and threatened to cause or caused market disruption.

Considerable growth is available in nonquota areas, where most of the growth was concentrated during 1981-83, as imports of these items increased by almost 30 percent during the period, from 41.6 million to 54.1 million SYE. As shown in table 126, U.S. imports from the Dominican Republic included products in 49 MFA categories not covered by quotas, which accounted for 63 percent of total U.S. imports from the Dominican Republic in 1983. In addition, some apparel companies located in the IFZ have already diversified their product lines.

The potential for growth of the Dominican apparel export sector largely depends upon demand in the U.S. market, the extent to which U.S. companies continue seeking alternative sourcing strategies to compete with the low-cost Asian suppliers, and the level of quota activity.

Table 126.--Cotton, wool, and manmade-fiber textiles and apparel: U.S. imports from the Dominican Republic subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories sub- ject to specific limits	U.S. imports of products not subject to specific limits 1/	Number of non- quota MFA cat- egories having U.S. imports
	SYE		SYE	
1981-----	26,305,858	4	41,633,464	53
1982-----	30,631,280	4	50,252,989	50
1983-----	2/ 28,393,946	5	54,074,884	49

1/ Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraints are not included.

2/ Includes shipments of women's manmade-fiber suits (category 644), which were subject to specific limits beginning Nov. 30, 1983.

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

Table XIII-1.---Textiles and apparel: Dominican exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textiles:								
developing:								
Big Three.....	2/	2/	2/	2/	2/	2/	2/	2/
Other Asia.....	2/	2/	2/	2/	2/	2/	2/	2/
Other.....	114	149	6	12	15	38	57	3
developed:								
EEC.....	23	16	5	4	4	1	4	29
Southern Europe.....	2/	2/	2/	2/	2/	2/	2/	2/
Other Europe.....	1,170	1,209	2,631	2,600	2,325	2,017	865	3,562
United States.....	2/	2/	2/	2/	2/	2/	2/	2/
Canada.....	2/	2/	2/	2/	2/	2/	2/	2/
Japan.....	2/	2/	2/	2/	2/	2/	2/	2/
Other.....	2/	2/	2/	2/	2/	2/	2/	2/
developing:	15	36	1	76	20	24	12	38
Big Three.....	2/	2/	2/	2/	2/	2/	2/	2/
Other Asia.....	2/	2/	2/	2/	2/	2/	2/	2/
Other.....	2/	2/	2/	2/	2/	2/	2/	2/
developed:								
EEC.....	15	36	1	76	20	24	12	38
Southern Europe.....	2/	2/	2/	2/	2/	2/	2/	2/
Other Europe.....	2/	2/	2/	2/	2/	2/	2/	2/
United States.....	20,208	32,390	47,933	74,136	89,423	111,893	126,823	142,309
Canada.....	2/	5	17	8	17	483	979	238
Japan.....	2/	3	12	11	8	63	28	120
Other.....	2/	24	2	2/	2/	2/	19	2/
apparel:								
developing:								
Big Three.....	2/	2/	2/	2/	2/	2/	2/	2/
Other Asia.....	2/	2/	2/	2/	2/	2/	2/	2/
Other.....	129	185	7	88	35	30	57	13
developed:								
EEC.....	2/	2/	2/	2/	2/	2/	2/	2/

footnotes at end of table.

Table XIII-1.--Textiles and apparel: Dominican exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
Textile & Apparel:								
Developed								
EEC.....	23	16	27	68	328	221	16	67
Southern				2				2/
Europe.....	2/	2/	2/	1	4	4	3	
Other Europe:	2/	2/	2/		2	2	3	2
United States.....	21,378	33,599	50,564	76,736	91,748	113,910	127,688	145,871
Canada.....	2/	11	2/	8	17	483	979	240
Japan.....	2/	3	12	11	8	63	28	120
Other.....	2/	24	2	2/	2/	2/	19	2/
Total.....	21,531	33,855	50,614	76,914	92,146	114,751	128,793	146,316

1/ Based on world's imports from the Dominican Republic as reported to the United Nations.

2/ Not available.

Source: Compiled from United Nations data.

Table XIII-2.--Textiles and apparel: Dominican exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
<b>Textiles:</b>								
United States.....	1,170	1,209	2,631	2,600	2,325	2,017	865	3,562
Canada.....	<u>2/</u>							
Japan.....	<u>2/</u>	<u>2/</u>	2	17	19	<u>2/</u>	57	<u>2/</u>
Hong Kong.....	137	165	6	19	19	<u>2/</u>	6	32
Other.....	1,307	1,380	2,639	2,617	2,344	2,066	928	3,596
<b>Total:</b>	20,208	32,390	47,933	74,136	89,423	111,893	126,823	142,309
<b>Apparel:</b>								
United States.....	<u>2/</u>	5	<u>2/</u>	8	17	483	979	238
Canada.....	1	3	12	11	8	63	<u>2/</u>	<u>2/</u>
Japan.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	142	354	246	35	53
Hong Kong.....	15	77	30	74,297	89,802	112,685	127,865	142,720
Other.....	20,224	32,475	47,975	74,297	89,802	112,685	127,865	142,720
<b>Total:</b>	21,378	33,599	50,564	76,736	91,748	113,910	127,688	145,871
<b>Textile &amp; Apparel</b>								
United States.....	<u>2/</u>	11	<u>2/</u>	8	17	483	979	240
Canada.....	1	3	12	11	8	63	28	120
Japan.....	<u>2/</u>	<u>2/</u>	<u>2/</u>	159	373	295	57	2/
Hong Kong.....	152	242	36	76,914	92,146	114,751	128,793	146,316
Other.....	21,531	33,855	50,614	76,914	92,146	114,751	128,793	146,316
<b>Total:</b>	21,531	33,855	50,614	76,914	92,146	114,751	128,793	146,316

1/ Based on world's imports from the Dominican Republic as reported to the United Nations.  
2/ Not available.

Source: Compiled from United Nations data.



Table XIII-3.--Textiles and apparel: Dominican exports, 1/ by types, 1979-83--Continued

SITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
	-----1,000 dollars-----					
cessories, not						
knit.....	20,560	21,074	25,018	25,644	26,757	30.141
oves of textile						2/
materials.....	6	386	558	724	1,119	281.911
adwear.....	293					
ockings, etc.,						
knit.....	13	27	30	39	3	-76.923
der garments, knit:	13,475	18,726	20,644	24,976	26,738	98.427
ter garments, knit:	4,382	7,671	6,196	6,459	7,049	60.863
astic fab. & art.,						
knit.....	2/	2/	2/	2/	2/	2/
ather apparel and						
accessories.....	1,718	2,390	2,427	2,885	2,559	48.952
ber apparel and	2/					2/
accessories.....	2/					2/
r apparel and						
articles.....	2/	2/	2/	560	1,481	2/

1/ Based on world's imports from the Dominican Republic as reported to the United Nations.  
2/ Not available.

Source: Compiled from United Nations data.

Table XIII-4.—Cotton textiles: U.S. imports from Dominican Republic, by MFA categories, 1980-83

Category	Description	Equivalent square yards							1981	1982	1983	1980	1981	1982	1983	
		1980	1981	1982	1983	1980	1981	1982								1983
300	Carded yarn	0	1,642	9,642	82,800	0	1/	2	7							
313	Sheeting	709,711	778,780	695,200	174,400	186	204	193	43							
317	Twill and sateen	71,719	21,374	0	0	33	8	0	0							
322	Hosiery	1,472	460	0	1,063	2	1/	0	1							
333	Suit-type coats, men's and boys'	0	11,259	297,998	421,223	0	71	1,739	2,436							
334	Other coats, men's and boys'	2,635,436	3,494,599	2,271,294	1,185,310	3,263	4,676	2,895	1,348							
335	Coats, women's, girls', and infants'	1,258,825	2,240,112	1,606,324	1,124,143	3,088	6,105	4,710	2,581							
336	Dresses	80,589	11,597	112,898	121,857	91	8	102	86							
337	Playsuits	1,750	31,625	265,325	208,550	1	38	381	248							
338	Knit shirts, men's and boys'	905,753	1,620,224	1,059,055	847,318	4,228	7,649	4,921	5,607							
339	Knit shirts and blouses, women's, girls', and infants'	100,872	161,007	84,031	278,281	411	528	341	1,696							
340	Shirts, not knit, men's and boys'	2,782,224	2,749,032	2,960,856	2,000,472	2,932	3,011	3,591	2,871							
341	Blouses not knit, women's, girls', and infants'	293,945	566,705	760,033	1,056,747	719	1,244	1,941	2,867							
342	Skirts	133,002	97,526	268,335	300,606	287	231	856	870							
345	Sweaters	0	7,176	5,263	21,307	0	9	16	17							
347	Trousers, men's and boys'	353,936	1,917,113	2,941,093	2,604,959	937	3,410	5,156	6,818							
348	Trousers, women's, girls', and infants'	512,552	1,532,723	1,732,812	1,930,517	1,555	5,861	5,766	5,781							
349	Brassieres	91,732	51,868	100,752	175,598	209	131	338	717							
350	Dressing gowns	1,262,250	755,361	640,917	460,989	1,850	815	541	315							
351	Mightwear	13,663,936	12,918,204	17,296,812	13,932,672	9,688	9,269	12,615	10,139							
352	Underwear	91,135	1,536,909	4,970,383	6,231,104	61	1,009	3,090	3,386							
359	Other apparel	67,353	124,941	106,513	106,289	127	290	288	321							
369	Other manufactures	3,523,164	3,037,559	3,807,397	3,734,096	2,997	3,989	3,537	5,059							
	Total	28,541,356	33,667,796	41,992,923	37,000,301	32,665	48,557	53,019	53,216							

1/ Less than 500 dollars.

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

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

Table XIII-5.—Wool textiles: U.S. imports from Dominican Republic, by MFA categories, 1980-83

Description	1980	1981	1982	1983	1980	1981	1982	1983
	Equivalent square yards				1,000 dollars			
Woolens and worsteds	358	0	0	0	1	0	0	0
Gloves	0	0	0	8,059	0	0	0	11
Suit-type coats, men's and boys'	0	0	0	0	0	0	0	0
Coats, women's, girls', and infants'	338,958	916,110	141,372	403,812	787	2,125	349	1,101
Dresses	2,116	246	12,939	31,881	4	1/	27	82
Knit shirts and blouses	750	5,415	525	45	2	6	3	1/
Shirts and blouses, not knit	59,088	19,080	0	0	155	62	0	0
Skirts	1,296	59,472	11,016	65,160	3	292	49	179
Suits, women's, girls', and infants'	3,024	36,018	242,028	82,296	11	159	1,333	505
Sweaters, men's and boys'	0	878	0	0	0	2	0	0
Sweaters, women's, girls', and infants'	1,547	7,633	147,713	523,762	5	42	580	,085
Trousers, men's and boys'	0	0	756	0	0	0	7	0
Trousers, women's, girls', and infants'	0	7,776	468	0	0	49	3	0
Other apparel	1,676	0	0	4,500	8	0	57	8
Total	408,813	1,052,628	556,817	1,119,515	977	2,738	2,352	4,020

Less than 500 dollars.

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

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

Table XIII-6.—Manmade-fiber textiles: U.S. imports from Dominican Republic, by MFA categories, 1980-83

Category	Description	Equivalent square yards								
		1980	1981	1982	1983	1980	1981	1982	1983	
600	Textured yarn	0	1,617	0	0	0	3	0	0	0
602	Continuous noncellulosic yarn	0	0	50,750	0	0	0	6	0	0
605	Other yarns	0	9,233	7,137	259	0	6	5	1/	0
627	Specialty fabrics	0	0	4,774	0	0	0	0	0	8
632	Hosiery	21,984	22,867	22,816	2,355	22	25	36	0	2
633	Suit-type coats, men's and boys'	280,659	117,759	173,036	267,880	508	288	822	1,265	1,265
634	Other coats, men's and boys'	588,784	131,583	475,322	689,380	577	178	438	2,287	2,287
635	Coats, women's, girls', and infants'	1,456,280	1,939,778	2,298,056	2,605,163	2,257	4,065	5,422	6,523	6,523
636	Dresses	1,243,802	743,374	602,671	592,886	963	243	315	280	280
637	Playsuits	11,460	29,991	135,555	150,555	6	64	176	174	174
638	Knit shirts, men's and boys'	775,908	817,416	687,654	382,680	1,866	2,258	2,278	950	950
639	Knit shirts and blouses, women's, girls', and infants'	3,839,385	2,375,235	2,546,775	3,219,555	7,959	4,564	5,695	6,284	6,284
640	Shirts, not knit men's and boys'	1,057,464	967,056	279,768	64,800	630	705	294	184	184
641	Blouses, not knit, women's, girls', and infants'	1,462,138	2,241,354	1,906,606	2,107,142	3,816	5,224	4,870	6,439	6,439
642	Shirts	166,199	184,017	205,821	510,719	378	460	606	1,507	1,507
643	Suits, men's and boys'	8,100	174,150	176,310	63,288	9	261	390	119	119
644	Suits, women', girls', and infants'	172,098	231,120	884,304	1,919,538	157	341	1,863	6,738	6,738
645	Sweaters, men's and boys'	5,483	0	0	15,898	10	0	0	12	12
646	Sweaters, women's, girls', and infants'	0	6,734	10,415	4,563	0	13	22	5	5
647	Trousers, men's and boys'	657,372	1,037,598	1,414,958	2,263,197	2,190	3,231	3,998	7,247	7,247
648	Trousers, women's girls', and infants'	649,718	498,419	752,832	676,042	1,814	1,558	2,353	1,955	1,955
649	Brassiers	7,454,855	8,263,387	7,826,837	7,321,709	20,318	23,541	23,633	23,774	23,774
650	Dressing gowns	2,344,368	2,635,833	2,293,419	1,194,114	2,695	3,411	2,230	1,101	1,101
651	Nightwear	6,859,268	4,769,804	9,215,220	10,505,040	4,187	3,180	5,550	6,801	6,801
652	Underwear	3,541,536	4,116,336	4,733,264	6,102,688	2,065	2,667	3,394	4,421	4,421
659	Other apparel	1,402,535	1,873,084	2,531,326	1,976,817	1,236	2,074	2,914	3,008	3,008
665	Floor coverings	24	0	0	0	1	0	0	0	0
666	Other furnishings	4,290	30,404	7,012	0	1	5	22	0	0
669	Other manufactures	18,977	749	96,665	1,707,872	18	2	13	1,130	1,130
	Total	34,002,687	33,218,898	38,334,529	44,349,014	53,682	58,367	67,350	82,215	82,215

1/ Less than 500 dollars.

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

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

Table XIII-7.---Textiles and apparel: Limits under the United States-Dominican Republic bilateral agreement and shipments charged, by MFA categories, agreement year 1981 <sup>1/</sup>

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled <sup>2/</sup>
				1,000 units		Percent
Group I:						
340	Specific	Cotton woven shirts, men's and boys'	Doz	149	96	63.9
351	do	Cotton nightwear	do	347	305	87.8
639	do	Manmade-fiber knit shirts and blouses, women's, girls', and infants'	do	3/ 303	208	68.5
649	do	Manmade-fiber brassieres	do	3/ 1,498	1,498	100.0

<sup>1/</sup> The 1981 agreement year is from June 1, 1981, through May 31, 1982.

<sup>2/</sup> Percentage calculated on actual figures, not rounded figures shown.

<sup>3/</sup> Adjusted downward.

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

Table XIII-8.---Textiles and apparel: Limits under the United States-Dominican Republic bilateral agreement and shipments charged, by MFA categories, agreement year 1982 1/

MFA cate-	Type of	Description	Units	Limitations	Shipments	Percentage
category	limit				charged	filled 2/
				-----1,000 units		
Group I:						
340	Specific	Cotton woven shirts, men's and boys'	Doz	3/ 131	127	97.1
351	do	Cotton nightwear	do	3/ 324	271	83.6
639	do	Manmade-fiber knit shirts and blouses, women's, girls', and infants'	do	281	127	45.2
649	do	Manmade-fiber brassieres	do	4/ 1,666	1,666	100.0

1/ The 1982 agreement year is from June 1, 1982, through May 31, 1983.

2/ Percentage calculated on actual figures, not rounded figures shown.

3/ Adjusted downward.

4/ Adjusted upward.

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

Table XIII-9.--Textiles and apparel: Limits under the United States-Dominican Republic bilateral agreement and shipments charged, by MFA categories, agreement year 1983 1/

MFA category	Type of limit	Description	Units	Limitations	Shipments charged	Share filled 2/
				-----1,000 units-----		Percent
Group I:						
340	Specific	Cotton woven shirts, men's and boys'	Doz	160	71	44.2
351	do	Cotton nightwear	do	372	235	63.2
639	do	Manmade-fiber knit shirts and blouses, women's, girls', and infants'	do	361	174	48.1
649	do	Manmade-fiber brassieres	do	1,850	1,437	77.6
644 3/	do	Manmade-fiber suits, women's, girls', and infants'	do	4/ 23	31	134.8
446 3/	do	Wool sweaters, women's, girls', and infants'	do	5/ 20	12	0.0

1/ The 1983 agreement year is from June 1, 1983, through May 31, 1984.

2/ Percentage calculated on actual figures, not rounded figures shown.

3/ Limits on this category was added by amendment to the agreement under Article 3 of the MFA.

4/ This limit covers the period, Nov. 30, 1983-Nov. 29, 1984.

5/ This limit covers the period, Jan. 31, 1984-Jan. 30, 1985.

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



## CHAPTER XIV. HAITI

## Introduction

Haiti occupies the western one-third of the Caribbean island of Hispaniola, which it shares with the Dominican Republic, and some smaller islands offshore. Haiti, with a per capita income of \$300 in 1983, 1/ is the poorest country in the Western Hemisphere and ranks among the poorest in the world. 2/

In 1983, Haiti's population totaled approximately 6 million people, 3/ about three-fourths of which live in rural areas. Nevertheless, there has been migration to Port-au-Prince, the capital, where approximately 1 million people live.

Although significant industrial development has occurred during the past decade, Haiti remains largely an agrarian society, with coffee as its major source of foreign exchange and an important source of Government revenue. Approximately two-thirds of its labor force, which totals approximately 2.3 million people, is employed in agriculture. Another 18 percent are employed in trade, restaurants, and hotels; 7 percent in manufacturing; and the remainder in such activities as mining, transportation, and construction. 4/ The unemployment rate is estimated at 15 percent, and underemployment is 65 percent. 5/

The economy

Haiti's gross domestic product (GDP) totaled approximately \$1.8 billion in 1983. 6/ The GDP, after increasing by 3.6 percent in 1979 and 5.4 percent in 1980, declined by 1.5 percent in 1981 and 1.3 percent in 1982. The GDP recovered by 1.0 percent in 1983. 7/ GDP growth in 1980 resulted from increases in international coffee prices and improvements in the coffee crop after a poor harvest in 1979. The economic picture deteriorated in 1981 and 1982, when the agricultural sector suffered significant damage from Hurricane Allen which hit the island in August 1980, and from a drought in June and July 1982; at the same time, the recession in the United States and Haiti's other major export markets weakened demand for its products. 8/

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1/ U.S. Department of Commerce, Business Profile: Haiti, p. 1.

2/ U.S. Department of Commerce, Business Fact Sheets: Haiti, p. 2.

3/ Ibid.

4/ Europa Publications, Ltd., The Europa Year Book 1984: a World Survey, vol. II, London, England, p. 1,657.

5/ U.S. Department of Commerce, Business Profile: Haiti, p. 15.

6/ Ibid., p. 17.

7/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1980-81 Report, 1982 Report, 1983 Report.

8/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1983 Report, pp. 245-246.

As a result of declining public revenue caused by declining coffee exports 1/ and large increases in unbudgeted Government expenditures, 2/ the Government established an austerity or stabilization program to reduce its budget deficit. The Government cut spending for new projects, set strict limits on the money supply, and restricted growth of Central Bank lending in compliance with criteria outlined in a Standby Agreement made with the International Monetary Fund (IMF) in July 1982. 3/ The IMF, in 1983, approved a new 2-year Standby Agreement, for \$63 million, to build up Haiti's foreign exchange reserves.

The economic outlook in 1984 was for 3-percent growth, stimulated by the improved performance of business, 4/ and improvements in the U.S. economy which would stimulate demand for Haitian exports of textiles, wood products, and assembled goods. Greater confidence in the business sector stimulated private investment in 1983.

The most important sector in Haiti's economy is agriculture, generating approximately 32 percent of the GDP. Manufacturing and commerce each accounted for 18 percent of the GDP, and Government, 9 percent. 5/ Agriculture traditionally has been the most important sector in Haiti's economy; 6/ however, Haiti is not self-sufficient in food and, therefore, needs to import basic foodstuffs, such as wheat. Although only 30 percent of the land is suitable for cultivation, about 43 percent is actually cultivated. 7/ Thus, Haiti's economic health is significantly influenced by climatic conditions and fluctuations in international prices for coffee. Other major agricultural products include sugar, rice, corn, sorghum, beans, and sisal.

Haiti is gradually moving from a largely agrarian economy to a dual economy as the manufacturing sector grows. 8/ During 1975-80, the agricultural sector grew at an average annual rate of 2.1 percent versus over 9.0 percent for the manufacturing sector. 9/ The growth in manufacturing resulted from the rapid development of assembly operations, utilized largely by U.S. firms. Since the early 1970's, 233 assembly operations have been established in and around the Port-au-Prince area, creating 60,000 jobs. 10/ Much of the assembly work is done on a subcontract basis, and output by assembly enterprises currently accounts for about 40 percent of total manufacturing exports. 11/ Products assembled in these plants from imported

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1/ Ibid., p. 247.

2/ U.S. Department of Commerce, Business Profile: Haiti, p. 2.

3/ U.S. Department of Commerce, Economic Trends for Haiti, November 1983, p. 1.

4/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1984 Report, p. 320.

5/ U.S. Department of Commerce, Economic Trends for Haiti, November 1983, p. 2.

6/ Ibid.

7/ Ibid.

8/ U.S. Department of Commerce, Business Profile: Haiti, p. 1.

9/ Ibid., pp. 1-2.

10/ Inter-American Development Bank, Economic and Social Progress In Latin America, 1980-81 Report, p. 279.

11/ U.S. Department of Commerce, Business Profile: Haiti, p. 2.

materials include sporting goods, electronics, and toys, most of which are exported. 1/ Apparel, foods, and crafts are also processed or assembled; however, some domestic materials are utilized in their production, and some of these finished products are consumed in the local market.

The Haitian Government encourages private participation in most economic sectors and offers incentives to attract foreign investment. 2/ Tax exemptions are granted for 5 years to new enterprises locating in Port-au-Prince, for 8 years to firms locating in Haiti's industrial park, and, to stimulate rural development, for 15 years to firms locating outside the Port-au-Prince area. For 5 years following the tax holidays, companies are taxed at less than the full rate. In addition, firms are granted exemptions from import duties for 10 years on all machinery, tools, and nonlocally produced raw materials brought into the country. These exemptions are reportedly more easily granted to companies importing raw materials to assemble into products for export than to firms producing for the local market. 3/ Haiti permits 100-percent foreign ownership. However, the Haitian labor code states that the number of foreign employees cannot exceed 5 percent of a firm's total work force. 4/

Although the infrastructure outside Port-au-Prince is less developed, Haiti's 62-acre industrial park, which rents land for \$1.70 per square foot per year (as of August 1982) and is located 2 miles from Haiti's airport and harbor, has complete infrastructure. 5/ The Government is attempting to set up two new industrial parks away from Port-au-Prince.

### Foreign trade

Haiti has recorded trade deficits every year since 1965. 6/ As shown in table 127, the deficit rose significantly in 1981, to \$209 million, from less than \$100 million in 1979 and 1980, largely because of shortages of agricultural products both for internal consumption and for export caused by Hurricane Allen in August 1980.

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1/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1980-81 Report, p. 279.

2/ U.S. Department of Commerce, Business Profile: Haiti, pp. 7-8.

3/ Ibid., p. 7.

4/ Ibid., p. 10.

5/ Ibid., p. 13.

6/ Europa Publications, Ltd., The Europa Year Book 1984: a World Survey, vol. II, London, England, p. 1,656.

Table 127.--Haiti's imports, 1/ exports, 1/ and trade balance, 1979-83

(In millions of dollars)

Item	1979	1980	1981	1982	1983
Imports-----	220.1	319.0	360.1	301.9	314.3
Exports-----	138.0	215.8	151.1	177.1	186.6
Trade balance-----	-82.1	-103.2	-209.0	-124.8	-127.7

1/ F.o.b.

Source: International Monetary Fund.

Imports peaked in 1981 at \$360.1 million, increasing by 64 percent from \$220.1 million in 1979. In 1982, imports declined by 16 percent before increasing in 1983 to \$314.3 million. The increased imports in 1983 reflected larger purchases of oil and raw materials and also the replacement of import bans with quotas on several products.

Major imported products included transportation equipment, such as motor vehicles, which accounted for about 30 percent of total imports in 1983; machinery and foodstuffs, which accounted for 12 percent; and basic manufactures, which accounted for about 20 percent. 1/ Textiles and apparel accounted for approximately 15 percent of Haiti's total imports in 1983.

Prior to 1981, Haiti had a relatively open market, with import restrictions mainly limited to flour, cement, and steel, 2/ although import licenses were required for certain foodstuffs and for most products manufactured locally. In 1981, as part of the economic austerity program, the Government increased import duties from the average rate of 28 to 37 percent. Imports of 20 products, mostly food products, were banned, and quotas were imposed on 58 other products, mostly consumer goods and light industrial goods. In March 1982, the ban on the 20 products was lifted, and these products became subject to quotas. 3/

Slightly over one-half of Haiti's total imports are supplied by the United States. In addition to wheat, soybeans and soybean oil, and lard, which together accounted for 18 percent of total imports from the United States in 1982, other imports from the United States consisted of product parts sent to Haiti for assembly and subsequent return to the United States under Tariff Schedules of the United States (TSUS) item 807.00. The only other significant suppliers were Japan, Canada, Taiwan, and France, each supplying approximately 5 percent of Haiti's total imports. A large part of the remaining imports consisted of Venezuelan oil.

Haiti's exports grew from \$138.0 million in 1979 to \$215.8 million in 1980 and then declined in 1981 to \$151.1 million before rising again to

1/ United Nations data.

2/ U.S. Department of Commerce, Business Profile: Haiti, p. 9.

3/ Ibid.

\$186.6 million in 1983. Haiti's export earnings largely depend upon the performance of its major export crop, coffee, which accounted for approximately one-third of its total exports in 1983 and which is vulnerable to changes in international prices and climatic conditions. 1/ The improvement in exports in 1983 reflected a good coffee crop and rising U.S. prices for coffee. 2/ Other important exports were manufactured items, such as textiles and apparel, which ranked as the second largest exported item in 1981, wooden tabletop ware, furniture, handicrafts, woven baskets, cocoa, and essential oils. According to United Nations data, textiles and apparel accounted for approximately 22 percent of the total value of exports in 1983.

The United States also receives the majority of Haiti's total exports, which, except for coffee, enter mostly under TSUS item 807.00 as products manufactured from U.S. parts. In 1983, apparel, including leather and fur coats, accounted for 30 percent of total U.S. imports from Haiti; electrical machinery accounted for 18 percent; and games and sporting goods, for 10 percent. 3/ Most U.S. companies subcontract their production in Haiti; a few own manufacturing operations. Other major markets for Haiti's products include France, Belgium and Luxembourg, Italy, and Ireland.

### The Textile and Apparel Industries

#### Structure

Haiti's textile industry is believed to be very small. Only three fabric manufacturers produce for local consumption; one produces muslin and denim, a second manufactures cotton knit fabric, and a third manufactures synthetic fabrics. 4/ Their fabric is sold to the two apparel firms that manufacture for the local market, one of which produces underwear. Haiti also produces a small amount of cotton, approximately 1,100 tons in 1983, 5/ and a small amount of sisal. However, most of the raw materials used in fabric production must be imported.

The largest sector of Haiti's textile and apparel industry consists of those apparel firms performing assembly operations primarily for U.S. companies. 6/ The apparel assembly sector has been expanding since the mid-1970's, and though its expansion was disrupted somewhat during 1981 and 1982 because of the recession in the United States, it resumed in 1983 in conjunction with the U.S. economic recovery. The industry operated at peak levels during 1984, when there were 127 apparel assembly firms in operation

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1/ Inter-American Development Bank, Economic and Social Progress in Latin America, 1980-81 Report, p. 276.

2/ U.S. Department of Commerce, Economic Trends for Haiti, November 1983, p. 11.

3/ U.S. Department of Commerce, Business Fact Sheets: Haiti, p. 1.

4/ U.S. Department of State telegram, Port-au-Prince, 6760, December 1984, p. 1.

5/ International Cotton Advisory Committee, Cotton World Statistics, vol. 37, No. 6, (pt. II), January 1984, p. 42.

6/ U.S. Department of State telegram, Port-au-Prince, 6760, December 1984, p. 1.

compared with 116 in 1983. 1/ Most of these firms are located in Haiti's industrial zone and in the Port-au-Prince area. Most apparel firms are reluctant to locate outside the Port-au-Prince area because of a lack of good roads and reliable electric and telephone service. Approximately 90 percent of these firms produce under contract for U.S. firms. Only six of the apparel assembly operations are foreign owned, with two owned by U.S. firms, and four, by German firms.

### Employment and wages

Haiti's textile and apparel industry employs roughly 20,000 persons, or less than 1 percent of the country's total work force. Employment in Haiti's textile firms was estimated at 2,000 persons in 1980. 2/ Employment in the apparel assembly sector, growing by an estimated 40 percent since the mid-1970's as the sector expanded, 3/ amounted to between 14,000 and 15,000 persons in 1983; in 1984, about 2,000 new employees were hired. About one half of all apparel employment, or 7,200 workers, were employed by the top 23 apparel companies in 1983. Haiti reportedly has an abundant supply of capable workers. 4/ However, there is a scarcity of midmanagement personnel and individuals with financial or marketing skills. The Haitian firms depend almost entirely on U.S. companies to handle the marketing of their products.

Haiti has one of the lowest wage rates in the Caribbean and in the world. 5/ The minimum daily wage paid to textile and apparel workers currently is approximately \$3.00, 6/ compared with the average wage in the Dominican Republic of approximately \$7.00. 7/ Other benefits and employee compensation paid Haiti's apparel workers raise the minimum wage rate by 20 to 35 percent.

### Domestic fiber consumption

Being among the poorest countries in the world, Haiti's domestic consumption of textiles and apparel is very small even compared with other developing countries. Haiti's per capita consumption of textile fibers

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1/ Ibid.

2/ United Nations, Yearbook of Industrial Statistics, 1981, New York, vol. I, 1983, p. 227.

3/ U.S. Department of State telegram, Port-au-Prince, 6760, December 1984, p. 1.

4/ Ibid., p. 2.

5/ It is estimated that Haiti's wages averaged about 38 cents per hour. Only 5 textile-producing countries had wages less than Haiti's--Sri Lanka, Ethiopia, China, Indonesia, and Uganda, according to the report of Werner International Consultants, Inc., Hourly Labour Cost Comparison in the Textile Industry, Spring 1984.

6/ U.S. Department of Commerce, Business Profile: Haiti, pp. 14-15.

7/ Secretaria de Estado de Industria Y Comercio, "The Industrial Zone in the Dominican Republic, Development and Opportunity," speech, pp. 11 and 12. This is based on the Dominican Republic's average wage rate of approximately \$0.90 per hour for an 8-hour work day.

averaged only 1.9 pounds in 1980, as shown in table 128. This compares with 7.7 pounds for developing countries overall and 12.3 pounds for Latin America as a whole. Per capita fiber consumption in the United States averaged 53.6 pounds in 1983.

Table 128.--Textile fibers consumed in textiles and apparel: Haiti's mill consumption, exports, imports, and apparent consumption, total and per capita, 1979-80

Item	1979	1980
Mill consumption <u>1/</u> -----1,000 tons--:	1.9 :	1.7
Exports-----do-----:	4.2 :	4.2
Imports-----do-----:	6.8 :	7.3
Apparent consumption-----do-----:	4.6 :	4.8
Population-----millions--:	4.9 :	5.01
Per capita consumption-----pounds--:	1.9 :	1.9

1/ Includes imports of manmade-fiber filament of 0.7 thousand tons in 1979, and 0.5 thousand tons in 1980.

Source: Food and Agriculture Organization of the United Nations, World Apparel Fibre Consumption Survey-1983, pp. 87 and 89.

### Fabric production

Production of cotton fabrics remained around 2.0 million yards during 1976-80 and then more than doubled in 1981 to 5.2 million yards, as shown in the following tabulation: 1/

<u>Year</u>	<u>Quantity</u> <u>(million yards)</u>
1976-----	1.9
1977-----	1.9
1978-----	.5
1979-----	1.6
1980-----	2.0
1981-----	5.2
1982-----	5.0

Haiti's production of synthetic fabrics totaled approximately 1.0 million yards during 1981 and 1982.

1/ U.S. Department of State telegram, Port-au-Prince, 6760, December 1984, p. 1.

### Apparel production

The available data on the industry indicate that most of the apparel produced in Haiti is exported. Therefore, trends in Haitian apparel exports reflect trends in apparel production and are discussed in the trade in textile and apparel section of this report.

### Plants, equipment, and capacity

Haiti's textile industry was equipped with 547 looms in 1981, 1/ representing an increase from 530 looms in 1979. 2/ Haiti's installed weaving capacity was comparable with the Dominican Republic's, which totaled 600 looms in 1981, but less than Costa Rica's 1981 level of 1,130 looms. 3/

Haiti's apparel companies producing for export in 1983 were equipped with 10,000 machines, most of which are sewing machines. 4/ Approximately 8,000 of these machines were in use in 1983, and utilization rates reportedly reached an all-time high in 1984. 5/ New investments in the industry consist mostly of acquiring new space and purchases of modern sewing machines rather than purchases of high-cost, capital-intensive machinery. The industry intends to remain labor intensive, capitalizing on Haiti's low wage rates. According to Haitian industry sources, there are plans to expand capacity as long as U.S. economic activity and, in turn, demand for the products assembled there remain strong. 6/

## Trade in Textiles and Apparel

### Imports, exports, and trade balance

Haiti experienced a favorable balance in its total textile and apparel trade during 1976-83, with the trade surplus in apparel more than offsetting the deficits in textile fibers and textiles. The positive trade balance increased from approximately \$5.9 million in 1976 to \$45.3 million in 1982, before declining to \$33.8 million in 1983, as shown in table 129.

Imports consisted of approximately one-half textile mill products and one-half apparel; fibers accounted for only 4 percent of the total during 1976-83. Almost one-half of the imports of textile mill products consisted of woven fabrics. Some of these fabrics are imported from the United States, West Germany, and the Far East to be manufactured into apparel for export. Most of the apparel imports are apparel parts shipped to Haiti for assembly.

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1/ International Textile Machinery Federation, International Textile Machinery Statistics, vol. 5, 1982, p. 26.

2/ Ibid., vol. 3, 1980, p. 28.

3/ Ibid., vol. 5, 1982, p. 26.

4/ U.S. Department of State telegram, Port-au-Prince, 6760, December 1984, p. 1.

5/ Ibid.

6/ Ibid.

Table 129.---Textile fibers, textiles, and apparel: 1/ Haiti's imports, 2/ exports, 3/  
and trade balance, 1976-83

Item	(In thousands of dollars)									
	1976	1977	1978	1979	1980	1981	1982	1983		
<b>Imports:</b>										
Textile fibers	3,794	2,157	1,527	1,195	894	1,848	2,826	2,247		
Textiles	17,888	20,001	26,239	30,242	27,902	28,286	27,640	34,420		
Apparel	14,773	17,872	19,662	24,824	27,545	26,939	24,686	39,840		
Total	36,455	40,030	47,428	56,261	56,341	57,073	55,152	76,507		
<b>Exports:</b>										
Textile fibers	995	895	1,028	1,213	1,980	535	262	249		
Textiles	6,807	6,988	7,432	11,697	16,110	13,831	16,025	13,109		
Apparel	34,540	37,398	49,102	59,384	68,472	79,962	84,177	96,930		
Total	42,342	45,281	57,562	72,294	86,562	94,328	100,464	110,288		
<b>Trade balance:</b>										
Textile fibers	-2,799	-1,262	-499	18	1,086	-1,313	-2,564	-1,998		
Textiles	-11,081	-13,013	-18,807	-18,545	-11,792	-14,455	-11,615	-21,311		
Apparel	19,767	19,526	29,440	34,560	40,927	53,023	59,491	57,090		
Grand total	5,887	5,251	10,134	16,033	30,221	37,255	45,312	33,781		

1/ Includes textile fibers classified under Standard International Trade Classification (SITC) 26; textiles, SITC 65; and apparel; SITC 84.

2/ C.i.f.

3/ F.o.b.

Source: Compiled from United Nations data.

Export trends

Haiti's total exports of textiles and apparel, including fibers, increased by 160 percent, from \$42.3 million in 1976 to \$110.3 million in 1983. Apparel exports accounted for 84 percent of the total value during the period; textile exports accounted for 15 percent; and fibers, the remainder.

Exports of textiles increased overall during the period, from \$6.8 million in 1976 to \$16.0 million in 1982, and then declined to \$13.1 million in 1983 (tables XIV-1 through XIV-3). Exports of apparel, which accounted for approximately 20 percent of Haiti's total value of exports of all products, increased by 180 percent, from \$34.5 million in 1976 to \$96.9 million in 1983 (table XIV-2). Over 90 percent of these exports were shipped to the United States during 1976-83 (tables XIV-2 and XIV-3). The only other export market of any significance was West Germany, which accounted for 5 percent of the total during the period and reflected production in the four West German apparel assembly operations in Haiti.

Over 90 percent of Haiti's apparel exports to the United States during 1978-84 consisted of apparel assembled in Haiti from U.S.-cut parts, as shown in table 130. U.S. apparel imports under TSUS item 807.00 from Haiti rose by 108 percent, from \$41.8 million in 1978 to \$86.8 million in 1984. These imports rose at a slightly faster rate each year during 1978-83 than direct imports, which accounted for only a minor share of the total; TSUS item 807.00 imports increased their share of total U.S. apparel imports from Haiti from 89 percent in 1978 to almost 95 percent in 1983. However, in 1984, direct imports increased by 71 percent from the 1983 level, although from a relatively low base, which caused TSUS item 807.00 imports' share of the total to decline to just over 92 percent.

Table 130.--Apparel: U.S. imports from Haiti, under TSUS item 807.00, direct imports 1/, and total, 1978-84

Year	Item 807.00 imports	Direct imports	Total imports	Share of TSUS item 807.00 imports to total
	(million dollars)			Percent
1978-----	41.8	5.0	46.8	89.3
1979-----	49.5	4.4	53.9	91.8
1980-----	55.5	5.0	60.5	91.7
1981-----	64.0	5.0	69.0	92.8
1982-----	66.5	3.9	70.4	94.5
1983-----	77.1	4.2	81.3	94.8
1984-----	86.8	7.2	94.0	92.3

1/ Direct imports are those not produced in TSUS item 807.00 assembly operations.

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

Body-supporting garments (brassieres) were the single largest U.S. apparel product imported under TSUS item 807.00 from Haiti and accounted for approximately 20 percent of the total, as shown in table 131. Men's and boys' trousers became the second largest product category imported under TSUS item 807.00 in 1983, and imports of these products from Haiti increased by 89 percent, from \$4.2 million in 1981 to \$7.9 million in 1982.

Table 131.--Apparel: U.S. imports from Haiti, under TSUS item 807.00, by types, 1980-83

(In thousands of dollars)

Item	1980	1981	1982	1983
Body-supporting garments (brassieres)---	12,441	15,974	12,013	14,973
Men's and boys' trousers, slacks, and shorts-----	1,902	4,198	7,941	8,733
Women's, girls', and infants' shirts and blouses-----	7,160	7,148	8,214	7,579
Men's and boys' shirts-----	5,034	5,444	4,742	4,868
Women's, girls', and infants' coats and jackets-----	4,387	3,811	3,737	4,688
Women's, girls', and infants' trousers and slacks-----	3,618	5,414	3,807	4,631
Gloves-----	2,126	2,879	2,129	2,554
Men's and boys' coats and jackets-----	1,371	1,480	431	248

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

### MFA constraints

Haiti's shipments of textiles and apparel of cotton, wool, and manmade fibers to the United States, including those entered under TSUS item 807.00, have been covered by three separate bilateral agreements since 1979. The first agreement, effective for a 3-year period from May 1, 1979, through April 30, 1982, provided for specific limits or quotas on 6 apparel categories and designated consultation levels on 15 other apparel categories. The 6 categories covered by specific limits were playsuits of cotton (category 337) and of manmade fiber (category 637), manmade-fiber hosiery (category 632), women's manmade-fiber coats (category 635), and cotton and manmade-fiber brassieres (category 349 and category 649).

The second bilateral agreement with Haiti, covering the 2-year period March 1, 1982, through February 29, 1984, established specific limits on nine apparel categories and designated consultation levels on three categories. The specific limits covered five product categories, which were included in the previous agreement, 1/ and new limits on men's woven cotton shirts (category 340), cotton trousers (categories 347 and 348), and women's manmade-fiber trousers (category 648).

1/ The specific limit on manmade-fiber playsuits (category 637) was dropped.

The current agreement with Haiti is effective for a 5-year period, from January 1, 1984, through December 31, 1988. One additional specific limit on cotton dressing gowns (category 350) was added to the categories covered by specific limits in the previous agreement. Designated consultation levels were established for three categories: cotton gloves (category 331) and women's knit and woven manmade-fiber shirts and blouses (category 639 and category 641, respectively). The MFA categories subject to specific limits, according to the United States-Haiti textile agreement, are shown in table 132.

Table 132. Limits 1/ on certain MFA categories under the United States-Haiti textile agreement, 1984-88

Item	1984	1985	1986	1987	1988
Cotton playsuits (category 337)-----	132	140	152	160	172
Cotton woven men's shirts (category 340)-----	188	204	217	233	246
Cotton trousers (category 347/348)-----	399	427	461	489	528
Brassieres (category 349/649)-----	1,604	1,708	1,833	1,958	2,104
Cotton dressing gowns (category 350)-----	31	35	37	39	41
Hosiery (category 632) <u>2/</u> -----	2,065	2,196	2,370	2,522	2,696
Manmade-fiber women's coats (category 635)-----	213	215	230	245	264
Manmade-fiber women's trousers (category 648)-----	685	736	787	843	899

1/ Limits were converted to dozens or dozen pairs from square yard equivalents.

2/ 1,000 dozen pairs.

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

During 1983, limits were added on two additional categories--cotton dresses (category 336) and cotton nightwear (category 351). The limit on cotton dresses was 62,264 dozen during July 27, 1983-July 26, 1984; the limit on nightwear was 100,463 dozen during June 29, 1983-June 28, 1984.

In all three agreements, the specific limits could be exceeded by up to 7 percent each agreement year if the excess was compensated for by an equivalent decrease in other specific limits. In addition, Haiti's exports could further exceed the limits by up to 11 percent in an agreement year through carryover or carryforward, provided that the latter did not exceed 6 percent. Categories not subject to a specific limit or a designated consultation level are subject to the procedures outlined in the MFA. Exports of handloomed fabrics of the cottage industry, or handmade, cottage industry products made of such handloomed fabrics, or traditional folklore handicraft textile products are not subject to restraint under the bilateral agreement.

During the 1981 agreement year (May 1, 1981–February 28, 1982 <sup>1/</sup>), Haiti completely filled only one of the six specific limits placed on its shipments, and that was on cotton and manmade-fiber brassieres (table XIV-7). Haiti's shipments of cotton trousers reached 83 percent of its consultation level, and a specific limit was placed on this category the following year.

During the 1982 agreement year (March 1, 1982–February 28, 1983), none of the specific limits were filled; however, four of the limits were filled by between 70 and 75 percent (table XIV-8). These categories were cotton playsuits, men's woven cotton shirts, cotton trousers, and brassieres. Considerable growth also occurred in some products not covered by specific limits or designated consultation levels. These products included women's knit cotton shirts and blouses (category 339), women's woven cotton blouses (category 341), cotton skirts (category 342), and manmade-fiber nightwear (category 651) (tables XIV-4 and XIV-6).

During the 1983 agreement year (March 1, 1983–February 29, 1984), only one specific limit was more than 90 percent filled, and that was on cotton playsuits, which was 92.8 percent filled (table XIV-9). Products for which quotas were more than one-half filled were cotton trousers (78.6 percent filled) and brassieres (87.4 percent filled). In 1983, several products not covered by specific limits or designated consultation levels also increased considerably from 1982 levels. These products included women's cotton coats (category 335), men's knit cotton shirts (category 338), women's woven cotton blouses (category 341), cotton dressing gowns (category 350), men's manmade-fiber trousers (category 647), and manmade-fiber underwear (category 652) (tables XIV-4 through XIV-6).

#### Government Policy

The Government of Haiti, as part of its economic development plan, is actively encouraging the expansion of the apparel assembly industry. <sup>2/</sup> Textile and apparel projects can benefit from loans of two Government development banks--the Banque Nationale de Developpement Agricole et Industriel and the Fond de Developpement Industriel. In addition, the Government has facilitated the formation of a private-sector development bank, the Societe Financiere Haitienne de Developpement. Apparel firms locating in Haiti are permitted 100-percent foreign ownership and granted the tax holidays described previously in the economy section of this report. Imports of pre-cut apparel parts and materials used in the assembly operations and reexported are allowed duty-free entry. The Government does not finance exports.

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<sup>1/</sup> This agreement year did not run a complete year, because the second bilateral agreement with Haiti began Mar. 1, 1982.

<sup>2/</sup> U.S. Department of State telegram, Port-au-Prince, 6760, December 1984, p. 1.

### Export Potential

Haiti's exports of textiles and apparel (excluding fibers), of which apparel accounted for approximately 85 percent during 1976-83, increased by 166 percent, from \$41.3 million in 1976 to \$110.0 million in 1983, and has the potential for increases in the near future. Haiti is a small supplier of textiles and apparel in terms of total world exports, ranking 48th and accounting for less than 1 percent of the total. The United States is, by far, Haiti's largest market, having absorbed over 90 percent of its textile and apparel shipments during 1976-83. Haiti accounted for less than 1 percent of total U.S. apparel imports; however, Haiti is the third largest supplier of TSUS item 807.00 apparel imports, accounting for 12 percent of this total in 1983.

Haiti's assembly industry has been growing rapidly since the mid-1970's, and apparel assembly has contributed greatly to its expansion. Apparel exports' share of Haiti's total exports grew from 17 percent in 1976 to 22 percent in 1983. Growth in the apparel assembly subsector slowed down in 1981 and 1982 because of reduced U.S. demand brought on by the recession. However, when the U.S. economy recovered in 1983, the number of plants in the apparel assembly sector grew from 116 to 127 in 1984.

Haiti's labor costs are the lowest in the Caribbean and among the lowest in the world. The country's infrastructure in its industrial zone and in the Port-au-Prince area is sufficient to satisfy the basic needs of apparel plants located there. Haiti also has an abundance of labor. The Government is actively encouraging the expansion of the apparel assembly sector, among other reasons, to provide employment, as the unemployment level reached 15 percent in 1983. The Government offers incentives such as tax holidays and exemptions from import duties on raw materials and products used in the manufacturing of products for export. In addition, 100-percent foreign ownership is permitted in Haiti.

Quotas under the MFA on Haiti's apparel exports to the United States do not appear to be restricting Haiti's overall growth in its shipments. During the last 3 years, only one of the quotas was filled, and that was in 1981 on brassieres. During agreement year 1983 (March 1, 1983-February 29, 1984), the quota on cotton playsuits was over 90 percent filled; the quota on brassieres, 87 percent filled, and the quota on cotton trousers, 79 percent filled. Considerable growth was available in the remaining quota categories. In addition, the quota levels are increased by 7 percent each year through 1988.

Considerable growth is also available in the nonquota area. As shown in table 133, U.S. apparel imports from Haiti included imports in 50 MFA categories which were not covered by specific limits in 1983, and which accounted for 68 percent of total imports.

Table 133.--Cotton, wool, and manmade fiber textiles and apparel: U.S. imports from Haiti subject to specific limits and not subject to specific limits, 1981-83

Year	U.S. imports subject to specific limits	Number of MFA categories subject to specific limits	U.S. imports of products not subject to specific limits 1/	Number of non-quota MFA categories having U.S. imports
	<u>SYE</u>		<u>SYE</u>	
1981-----	12,652,275	6	41,707,486	52
1982-----	18,600,057	9	36,434,099	45
1983-----	19,961,006	9	42,005,229	50

1/ Textile and apparel products in chief weight and chief value of silk or vegetable fibers (except cotton) not subject to MFA restraint are not included.

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

The existing limits do not appear to significantly inhibit Haiti's potential to increase exports. The potential for increasing exports in the near future largely depends upon demand in the U.S. market and the extent to which U.S. companies continue to seek alternative sourcing strategies to compete with the low cost Asian suppliers.

Table XIV-1.--Textiles and apparel: Haitian exports, 1/ by specified world markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
-----1,000 dollars-----								
<b>Textiles:</b>								
Developing	2/	2/	2/	2/	40	2/	2/	2/
Big Three...	2/	2/	2/	2/	25	10	2/	2/
Other Asia...								
Other	183	321	40	210	578	161	118	5
developing.								1
Socialist.....								
Developed	886	873	317	1,297	1,214	477	532	223
EEC.....								
Southern	1	1						
Europe.....	33	14	29	103	39	183	2	5
Other Europe:						18	18	5
United								
States.....	5,475	5,740	6,799	9,862	13,843	12,761	14,780	12,713
Canada.....	227	37	246	218	366	218	575	153
Japan.....								9
Other.....	2	2		7	4	3		
<b>Apparel:</b>								
Developing	2/	2/	2/	2/	2/	2/	2/	2/
Big Three...	2/	2/	2/	2/	4	2	2/	2/
Other Asia...								
Other	56	43	19	69	74	154	129	98
developing.								
Socialist.....								
Developed	202	131	271	1,538	3,687	7,212	9,092	10,578
EEC.....								
Southern	2/	2/	2/	2/	6	14	6	2/
Europe.....	819	28	256	1,620	2,116	396	147	107
Other Europe:								
United								
States.....	33,297	37,120	48,466	55,910	62,506	72,077	74,434	85,624
Canada.....	121	21	68	180	32	88	357	2/
Japan.....	42	55		36	46	2/	12	2/
Other.....	3			1		19		
<b>Textile &amp;</b>								
<b>Apparel:</b>								
Developing	2/	2/	2/	2/	40	2	2/	2/
Big Three...	2/	2/	2/	2/	29	10	2/	2/
Other Asia...								
Other	239	364	59	279	652	315	247	103
developing.								1
Socialist.....								

See footnotes at end of table.

Table XIV-1.--Textiles and apparel: Haitian exports, 1/ by specified world markets, 1976-83--Continued

Market	1976	1977	1978	1979	1980	1981	1982	1983
Textile & Apparel:								
Developed								
EEC.....	1,088	1,004	588	2,835	4,901	7,689	9,624	10,801
Southern Europe.....	1	1	2/	2/	6	197	8	2/
Other Europe:								
United States.....	852	42	285	1,723	2,155	414	165	112
Canada.....	38,772	42,860	55,265	65,772	76,349	84,838	89,214	98,337
Japan.....	348	58	314	398	398	306	932	676
Other.....	42	55	22	36	47	3	12	9
	5	2	1	7	5	19	2/	2/
total.....	41,347	44,386	56,534	71,081	84,582	93,793	100,202	110,039

1/ Based on world's imports from Haiti as reported to the United Nations.

2/ Not available.

Source: Compiled from United Nations data.

Table XIV-2.--Textiles and apparel: Haitian exports, 1/ by principal markets, 1976-83

Market	1976	1977	1978	1979	1980	1981	1982	1983
1,000 dollars								
<b>Textiles:</b>								
United States.....	5,475	5,740	6,799	9,862	13,843	12,761	14,780	12,713
West Germany.....	187	65	53	142	147	121	205	99
France.....	66	170	49	274	626	13	33	3
Canada.....	227	37	246	218	366	218	575	153
United Kingdom.....	19	76	125	472	272	255	213	88
Other.....	833	900	160	729	856	463	219	53
Total.....	6,807	6,988	7,432	11,697	16,110	13,831	16,025	13,109
<b>Apparel:</b>								
United States.....	33,297	37,120	48,466	55,910	62,506	72,077	74,434	85,624
West Germany.....	40	28	87	1,432	3,220	5,470	7,237	9,576
France.....	83	47	64	6	33	719	1,498	7,761
Canada.....	121	21	68	180	32	88	357	523
United Kingdom.....	16	8	89	5	123	252	183	32
Other.....	983	174	328	1,851	2,558	1,356	468	414
Total.....	34,540	37,398	49,102	59,384	68,472	79,962	84,177	96,930
<b>Textile &amp; Apparel</b>								
United States.....	38,772	42,860	55,265	65,772	76,349	84,838	89,214	98,337
West Germany.....	227	93	140	1,574	3,367	5,591	7,442	9,675
France.....	149	217	113	280	659	732	1,531	7,664
Canada.....	348	58	314	398	398	306	932	676
United Kingdom.....	35	84	214	477	395	507	396	120
Other.....	1,816	1,074	488	2,580	3,414	1,819	687	467
Total.....	41,347	44,386	56,534	71,081	84,582	93,793	100,202	110,039

1/ Based on world's imports from Haiti as reported to the United Nations.

Source: Compiled from United Nations data.



Table XIV-3.---Textiles and apparel: Haitian exports, 1/ by types, 1979-83---Continued

ITC Description	1979	1980	1981	1982	1983	Percent change 1983 from 1979
---1,000 dollars---						
Accessories, not knit.....	11,246	12,765	16,674	13,237	15,887	41.268
Accessories of textile materials.....	1,329	1,429	2,571	1,867	2,210	66.290
Apparel, knit, etc., 2/	2,145	1,241	1,810	2,341	1,723	-19.674
Apparel, knit, etc., 1	10,792	12,189	13,698	15,186	15,489	43.523
Apparel, knit, etc., 2	3,551	5,109	4,702	3,556	7,736	117.854
Apparel, knit, etc., 2	2	1	2/	9	2/	2/
Apparel, knit, etc., 2	4,796	4,993	5,825	3,372	42	2000.000
Apparel, knit, etc., 2/	347	347	76	236	4,222	-11.968
Apparel and articles.....	55	109	191	239	273	2/
					113	105.455

Based on world's imports from Haiti as reported to the United Nations.  
Not available.

Source: Compiled from United Nations data.

Table XIV-4.--Cotton textiles: U.S. imports from Haiti, by MFA categories, 1980-83

Description	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
	Equivalent square yards-----1,000 dollars-----											
Carded yarn-----	0	23,000	243,519	395,941	0	0	0	0	0	10	33	61
Sheeting-----	0	0	99,200	0	0	0	0	0	0	0	25	0
Twill and sateen-----	67	0	0	0	1/	0	0	0	0	0	0	0
Yarn-dyed fabric, n.e.s-----	171	171	67	0	1	1	1	1	1	1	1	0
Woven fabrics, n.e.s-----	1,169	1,372	952	927	6	6	9	6	9	6	6	7
Gloves-----	1,106,074	657,734	731,231	1,008,872	226	133	237	395	226	133	237	395
Other coats, men's and boys'-----	232,396	33,742	24,986	18,544	304	47	44	42	304	47	44	42
Coats, women's, girls', and infants'-----	669,845	253,294	114,773	859,122	831	317	219	777	831	317	219	777
Dresses-----	363,850	2,449,598	2,584,864	1,736,711	245	1,283	1,249	993	245	1,283	1,249	993
Playuits-----	1,440,950	1,117,800	1,809,100	3,076,400	1,333	1,068	1,816	3,744	1,333	1,068	1,816	3,744
Knit shirts, men's and boys'-----	434,268	596,600	392,104	630,172	1,516	1,853	1,520	2,541	1,516	1,853	1,520	2,541
Knit shirts and blouses, women's, girls', and infants'-----	182,044	640,079	1,022,845	688,246	463	1,752	3,511	1,831	463	1,752	3,511	1,831
Shirts, not knit, men's and boys'-----	1,761,168	1,960,392	2,593,608	1,384,008	1,648	2,052	2,802	1,708	1,648	2,052	2,802	1,708
Blouses, not knit, women's, girls', and infants'-----	221,489	252,766	439,554	1,075,888	353	584	1,044	2,335	353	584	1,044	2,335
Skirts-----	63,991	15,183	69,485	85,013	149	23	106	107	149	23	106	107
Sweaters-----	1,803	5,041	953,139	27,858	1	4	1	36	1	4	1	36
Trousers, men's and boys'-----	306,446	1,431,993	4,291,768	1,604,224	719	3,775	6,848	5,410	719	3,775	6,848	5,410
Trousers, women's, girls', and infants'-----	436,759	2,835,595	2,677,619	3,295,101	673	3,431	2,812	3,565	673	3,431	2,812	3,565
Brassieres-----	121,286	127,785	51,432	69,485	273	305	124	168	273	305	124	168
Dressing gowns-----	460,377	540,243	673,557	953,139	447	377	565	598	447	377	565	598
Nightwear-----	0	327,392	4,205,292	4,291,768	0	184	3,092	2,900	0	184	3,092	2,900
Underwear-----	4,301	219,527	340,153	17,699	2	261	445	30	2	261	445	30
Other apparel-----	924,751	510,618	444,662	499,559	1,313	1,057	655	900	1,313	1,057	655	900
Pillowcases-----	0	97	0	0	0	1	0	0	0	1	0	0
Bedspreads and quilts-----	29,167	41,952	14,125	25,909	93	174	105	107	93	174	105	107
Other manufactures-----	617,726	789,941	242,265	322,137	871	1,493	657	869	871	1,493	657	869
Total-----	9,380,098	14,831,915	20,839,374	22,066,723	11,466	20,195	27,918	29,073	11,466	20,195	27,918	29,073

less than 500 dollars.

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

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

Table XIV-5.--Wool textiles: U.S. imports from Haiti, by MFA categories, 1980-83

Description	Equivalent square yards					1,000 dollars				
	1980	1981	1982	1983	1980	1981	1982	1983	1980	
411 : Tapestries and upholstery	8,944	9,779	9,079	7,752	1,295	956	505	376		
431 : Gloves	4,870	15,084	13,476	21,603	69	211	203	328		
435 : Coats, women's, girl's, and infants'	0	54	0	0	0	1/	0	0		
436 : Dresses	0	0	0	738	0	0	0	27		
440 : Shirts' and blouses, not knlt	0	24	0	0	0	1/	0	0		
442 : Skirts	0	360	1,134	1,188	0	1	10	12		
444 : Suits, women's, girls', and infants'	0	0	0	594	0	0	0	3		
445 : Sweaters, men's and boys'	0	0	818	283	0	0	14	4		
446 : Sweaters, women's, girls', and infants'	0	372	1,161	1,056	0	3	11	12		
459 : Other apparel	44	30	0	402	1	1/	0	1		
464 : Blankets	0	397	78	63	0	5	1	1		
465 : Floor coverings	276	227	0	325	6	2	0	5		
469 : Other manufactures	145,524	102,030	37,142	21,312	2,333	1,637	829	530		
Total	159,312	128,357	62,888	55,316	3,704	2,815	1,574	1,249		

1/ Less than 500 dollars.

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

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

Table XIV-6.--Manmade-fiber textiles: U.S. imports from Haiti, by MFA categories, 1980-83

Line	Description	1980	1981	1982	1983	1980	1981	1982	1983
		Equivalent square yards							
		1,000 dollars							
312	Continuous noncellulosic woven fabrics	0	0	0	961	0	0	0	4
313	Spun noncellulosic woven fabrics	0	0	0	1,993	0	0	0	1
314	Woven fabrics, n.e.s.	0	0	0	12,936	0	0	0	13
325	Knit fabric	0	827	0	20,389	0	0	0	5
327	Specialty fabrics	57,400	118,404	209,655	230,364	82	272	611	717
331	Gloves	319,722	464,248	192,875	211,520	1,071	2,103	1,272	1,398
332	Hosiery	3,189,948	0	3,767	0	2,624	0	8	0
334	Other coats, men's and boys'	874,693	885,926	240,613	83,964	1,067	1,434	387	141
335	Coats, women's, girls', and infants'	2,908,388	2,349,227	2,401,019	2,398,870	3,557	3,494	3,668	4,147
336	Dresses	3,629,799	2,776,301	2,391,615	1,700,698	1,965	2,050	2,025	1,696
333	Suit-type coats, men's and boys'	0	0	0	61,069	0	0	0	65
37	Play suits	2,979,977	2,111,277	686,394	437,802	1,755	1,436	633	230
38	Knit shirts, men's and boys'	596,862	470,862	437,958	314,064	1,019	925	702	600
39	Knit shirts and blouses, women's, girls', and infants'	1,709,235	1,181,145	494,805	442,305	2,304	1,656	794	616
40	Shirts, not knit, men's and boys'	561,816	313,968	48,864	79,680	869	693	77	124
41	Blouses, not knit, women's, girls', and infants'	3,192,873	1,810,574	1,473,215	1,613,794	4,067	3,171	3,072	3,073
42	Skirts	69,010	50,748	19,509	27,554	100	73	40	47
44	Suits, women's, girls', and infants'	271,404	502,254	0	130,194	333	801	0	174
46	Sweaters, women's, girls', and infants'	45,117	40,075	22,485	9,347	11	1	6	11
47	Trousers, men's and boys'	539,179	233,287	534,462	1,213,427	1,190	528	1,122	3,214
48	Trousers, women's, girls', and infants'	4,138,713	2,800,172	2,002,555	1,906,895	3,030	1,997	1,119	974
49	Brassieres	5,864,189	6,946,186	4,988,236	6,226,023	12,168	15,750	11,960	14,849
50	Dressing gowns	1,099,152	462,927	478,941	2,293,521	1,294	496	344	2,009
51	Nightwear	1,702,584	2,626,988	4,046,016	5,442,456	522	1,194	2,305	3,678
52	Underwear	10,857,840	6,758,624	7,249,488	10,082,336	3,256	4,583	6,183	8,537
59	Other apparel	4,709,437	5,856,029	5,740,800	4,424,557	3,237	3,793	4,344	3,517
65	Floor coverings	12,387	8,062	6,082	1,570	406	242	228	66
66	Other furnishings	334,450	606,574	458,515	486,095	509	871	650	608
69	Other manufactures	20,833	24,804	4,025	9,812	35	22	7	14
	Total	49,685,008	39,399,489	34,131,894	39,844,196	46,471	47,587	41,559	50,527

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

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

Table XIV-7.--Textiles and apparel: Limits under the United States-Haiti bilateral agreement and shipments charged, by MFA categories, agreement year 1981 <sup>1/</sup>

MFA cate- gory	Type of limit	Description	Units	Limitations : 1,000 units	Shipments : charged	Share filled <sup>2/</sup> Percent
337	Specific	Cotton playsuits		81	43	52.4
349/649	do	Brassieres	Doz	<sup>3/</sup> 1,251	1,251	100.0
632	do	Manmade-fiber hosiery	Doz pr	<sup>4/</sup> 1,464	0	0.0
635	do	Manmade-fiber coats, women's, girls', infants'	Doz	124	50	40.3
637	do	Manmade-fiber playsuits	do	312	55	17.7

<sup>1/</sup> The 1981 agreement year is from May 1, 1981, through Apr. 30, 1982.

<sup>2/</sup> Percentages calculated on actual figures; not rounded figures shown.

<sup>3/</sup> Adjusted upward.

<sup>4/</sup> Adjusted downward.

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

Table XIV-8.--Textiles and apparel: Limits under the United States-Haiti bilateral agreement and shipments charged, by MFA categories, agreement year 1982 <sup>1/</sup>

MFA cate- gory	Type of limit	Description	Units	Limitations	Shipments : charged	Share filled <sup>2/</sup> Percent
				-----1,000 units-----		
337	Specific	Cotton playsuits	Doz	105	78	74.6
340	do	Cotton woven shirts, men's and boys'	do	165	116	70.0
347/348	do	Cotton trousers	do	350	261	74.4
349/649	do	Brassieres	do	1,400	1,032	73.6
632	do	Manmade-fiber hosiery	Doz prs	1,800	1	0.0
635	do	Manmade-fiber coats, women's, girls', and infants'	do	175	59	33.7
648	do	Manmade-fiber trousers, women's, girls', and infants'	do	600	98	16.3

<sup>1/</sup> The 1982 agreement year is from Mar. 1, 1982, through Feb. 28, 1983.

<sup>2/</sup> Percentages calculated on actual figures; not rounded figures shown.

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

Table XIV-9.---Textiles and apparel: Limits under the United States-Haiti bilateral agreement and shipments charged, by MFA categories, agreement year 1983 1/

MFA cate- gory	Type of limit	Description	Units	Limitations	Shipments charged	Percentage filled <u>2/</u>
				-----1,000 units-----		
337	Specific	Cotton playsuits	Doz	3/ 132	123	92.8
340	do	Cotton woven shirts, men's and boys'	do	177	49	28.0
347/348	do	Cotton trousers	do	375	294	78.6
349/649	do	Brassieres	do	1,498	1,309	87.4
632	do	Manmade-fiber hosiery	Doz prs	1,926	0	0.0
635	do	Manmade-fiber coats, women's, girls', and infants'	do	4/ 182	62	34.0
648	do	Manmade-fiber trousers, women's, girls', and infants'	do	642	132	20.5

1/ The 1983 agreement year is from Mar. 1, 1983, through Feb. 29, 1984.

2/ Percentages calculated on actual figures; not rounded figures shown.

3/ Adjusted upward.

4/ Adjusted downward.

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