

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/985*

4 October 1984

Special Distribution

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 2:1

CHINA

The Textiles Surveillance Body received from the People's Republic of China a notification under Article 2:1 on restrictions maintained by it on imports of textiles and textile products. The notification also includes a brief outline on China's textiles and clothing industry.

The TSB, pursuant to its procedures for reviewing notifications under Article 2:1, from countries which have acceded to the MFA,¹ has examined the relevant documentation, and is forwarding the text of the notification to participating countries for their information.²

¹See COM.TEX/SB/27

²For the TSB's observations on this notification, see COM.TEX/SB/987

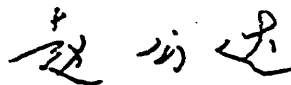
*English only/Anglais seulement/Inglés solamente

13 March 1984

Dear Mr. Raffaelli

I have the pleasure in transmitting to you the Memorandum on China's Import Control on Textiles and Clothing as requested in your letter with reference TS/140-1.

I avail myself of this opportunity to renew to you the assurances of my highest consideration.



(Zhao Gongda)

Deputy Permanent Representative
Chinese Permanent Mission
in Geneva.

Mr. M. Raffaelli
Chairman
Textiles Surveillance Body

MEMORANDUM ON CHINA'S IMPORT CONTROL

ON TEXTILES AND CLOTHING

1. China is a developing country with a population of one billion. The living standards of the Chinese people are fairly low, the per capita national income standing at ¥RMB 421 only in 1982 (see annexed table 1). Therefore China needs to develop its national economy in a dynamic way so as to raise the living standards of its people.

2. Since 1978, China has accorded top priority to economic construction. The national economy has been undergoing a process of readjustment, and a policy of invigorating the domestic economy and opening to the outside world has been pursued. In the industrial sector, readjustment has centred on changing the ratio between light and heavy industries aimed at rationalizing further the internal industrial structure. To expand the production of daily consumer goods has been taken as an important measure in readjusting the national economy and improving the livelihood of the people. As a result, the share of capital investment of light industry (including textile and clothing industries) in the total investment of the industrial sector rose from 12.7 per cent per year during the period 1976-1980 to 20.1 per cent in 1981, and the share of output value of light industry in the total industrial output value increased from 42.7 per cent to 51.5 per cent in the same period (see annexed table 2).

3. Textile (1) and clothing (2) industries occupy an important position in China's national economy. In 1981, there were 17,100 enterprises in the textile industry and 23,100 enterprises in the clothing industry. Employed persons numbered 3,890,000 in the former and 1,520,000 in the latter, the combined total accounting for about 11 per cent of the total industrial employment. In the same year, the output value of textile industry stood at ¥RMB 85.6 billion and that of clothing industry ¥RMB 14.7 billion, accounting for 16.5

per cent and 2.8 per cent of the total industrial value respectively. Capital investment in Textile industry amounted to YRMB 1.99 billion in 1981.

4. China develops its textile and clothing industries mainly for domestic consumption. The present consumption is at a very low level, e.g. the annual per capita consumption of fabrics in 1981 was about 10 metres, which was not only far below the level of the developed countries, but also below the world's average level. With the improvement of the living standards of the Chinese people and the growth of textile and clothing production, domestic consumption will increase gradually. While supplying its domestic market, China also exports certain amount of textile products to earn foreign exchange for the imports of urgently needed technology, equipment and materials so as to develop its national economy.

5. Textiles and clothing rank highly in China's foreign trade. In 1982, China's export value of textile fibres reached YRMB 1,099 million, that of textile products YRMB 4,630 million and that of clothing YRMB 3,614 million, accounting for 2.7 per cent, 11.2 per cent and 8.7 per cent respectively of its total export value (see annexed table 3).

6. To make up the shortage of domestic raw materials and to diversify the variety of textile products, China each year imports certain amount of textiles in the form of raw materials and manufactured or semi-manufactured products in the light of the availability of its foreign exchange. In 1982, China imported YRMB 2,774 million worth of textile fibres (wool tops excluded), YRMB 1,579 million of textile products and YRMB 13.56 million of clothing, accounting for 7.75 per cent, 4.4 per cent and 0.04 per cent respectively of its total value of imports (see annexed table 3).

7. In accordance with the Provisional Regulations on Import Licensing System of the People's Republic of China promulgated on 10

January 1984, China applies an import licensing system on the importation of goods. All goods to be imported are subject to prior import licences except as otherwise provided for in the Regulations.

8. At present, China administers its importation of textiles and clothing as follows:

(i) Exemption from import licensing is granted to textiles of cotton and wool when they are imported by China National Textile Import and Export Corporation, China Silk Corporation, and their branches in the provinces, municipalities and autonomous regions, whereas import licences are compulsory when they are imported by any enterprises other than the above-mentioned corporations.

(ii) Man-made fibres (including yarns and tops) and fabrics of Man-made fibres, which come under the list of the State-controlled commodities, are subject to prior licences regardless of the enterprises importing them. The importing enterprises shall have to apply for and obtain import licences on the strength of the documents duly approved by the competent authorities and the Ministry of Foreign Economic Relations and Trade.

A list of textile products subject to control and licensing is attached (see annexed table 4).

9. The list of State-controlled commodities shall be adjusted and announced from time to time by the Ministry of Foreign Economic Relations and Trade in accordance with the developments in domestic production, changes in supply and demand conditions and balance-of-payments situation. The present licensing system does not impose any specific quota in either quantity or value terms, and applies to imports from all sources.

10. The main reasons why China has imposed control on, and applied licensing system to, imports of textiles and clothing are given below:

Firstly, the industry of man-made fibres is a burgeoning branch of the textile industry in China and is now still in the early stages of development. China's control on imports of man-made fibres and fabrics of man-made fibres is designed to avoid

indiscriminate inflow which may cause injury to the national textile industry of man-made fibres or cause disruption of the domestic market.

Secondly, with limited foreign exchange earnings, China has to give priority to imports of advanced technology and equipment for the construction of key projects and the technical transformation of some existing industrial enterprises. To ensure adequate foreign exchange for this purpose, it is, therefore, necessary to impose appropriate restrictions on the importation of some consumer goods and other products which are less essential to its economic development.

11. The Ministry of Foreign Economic Relations and Trade (MFERT) of the People's Republic of China is the organ designated by the State to issue import licences.

12. Import licences for textiles are issued on the following criteria:

(i) The applying enterprises are authorized by the State to handle import business in textiles:

(ii) The applying enterprises hold the relevant official documents approved by the competent authorities to import the textiles under control.

13. The import licensing system on man-made fibres and fabrics of man-made fibres instituted by the Chinese Government is one of the measures supporting the Chinese textile industry. It is also an essential element of China's overall policy for developing the national economy and improving the living standards of the Chinese people. These measures are in compliance with the MFA provisions.

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- (1) Textile industry includes cotton, wool, man-made fibres, silk, jute, flax and ramie.
- (2) Clothing industry includes articles of apparel, clothing accessories, cloth shoes and caps and hats.

Table 1
National income
(at current prices)

Year	Total national income (Billions of YRMB)	per capita national income (YRMB)
1976	242.7	216
1977	264.4	280
1978	301.0	315
1979	335.0	346
1980	368.8	376
1981	394.0	396
1982	424.7	421

Source: State Statistical Bureau of the People's Republic of China.

Table 2
Percentage change of light and heavy
industries in total industrial output value

Year	Total (percentage)	Light industry (percentage)	Heavy industry (percentage)
1978	100	42.7	57.3
1979	100	43.1	56.9
1980	100	47.0	53.0
1981	100	51.5	48.5

Source: State Statistical Bureau of the People's Republic of China.

Table 3
Value of imports and exports of textiles and clothing
(Millions of YRMB)

Division code	Item	1981		1982	
		Exports	Imports	Exports	Imports
26	Textile fibres (other than wool tops) and their wastes (not manufactured into yarn or fabric)	760.80	4,415.68	1,099.39	2,774.27
65	Textile yarn, fabrics, made-up articles, and related products	4,476.65	2,311.60	4,629.62	1,578.87
84	Articles of apparel and clothing accessories	3,112.87	25.50	3,613.73	13.56
	Total	8,350.28	6,752.78	9,342.74	4,366.70

Source: China's Customs Statistics.

Table 4

Notification to the Textiles Surveillance Body Under Article 2(1) by CHINA

Chinese Nomenclature No.	Product description	Type of measure applied	Country & area affected	Effective date of entry	Expiry date	Remarks
653	I. Fabrics and manufactured products of man-made fibres (1) Piece-goods Fabrics, woven, of man-made fibres (not including narrow or special fabrics) (including all headings of 653.1 to 653.9)	Licensing	All sources	1.8.83		
655	Knitted or crocheted fabrics (including all headings of 655.1 to 655.3)					
642	(11) Articles of Apparel Outer garments, men's and boy's, of textile fabrics (other than knitted or crocheted goods) (covering only those headings relating to man-made fibres)					
843	Outer garments, women's, girls' and infants's, of textile fabrics (other than knitted or crocheted goods) (covering only those headings relating to man-made fibres)					

Chinese Nomenclature No.	Product description	Type of measure applied	Country & areas affected	Effective date of entry	Expiry date	Remarks
844	Under garments of textiles fabrics (other than knitted or crocheted goods) (covering only those headings relating to man-made fibres)					
845	(iii) Knitted garments of man-made fibres Outer garments, knitted or crocheted (covering only those headings relating to man-made fibres)					
846	Under garments, knitted or crocheted (covering only those headings relating to man-made fibres)					
843.4	(iv) Skirts					
843.4	Skirts (including dresses but excluding heading 843.91) (covering only those headings relating to man-made fibres)					
845.2	Shirts, skirts and suits, women's girls' and infants', knitted or crocheted (covering only those headings relating to skirts of man-made fibres)					

Classification Nomenclature No.	Product description	Type of measure applied	Country & area affected	Effective date of entry	Expiry date	Remarks
847.1	(v) Socks and stockings Clothing accessories, of textile fabrics (covering only those headings relating to man-made fibres)					
847.2	Clothing accessories, knitted or crocheted (covering only those headings relating to man- made fibres)					
658.4	(vi) Mosquito nets Bed linen, table linen, toilet linen and kitchen linen; curtains and other furnishing articles of textile materials, not knitted or crocheted (covering only the headings relating to mosquito nets of man-made fibres)	Licensing	All sources	1.8.83		
266	II. Man-made fibres Synthetic fibres suitable for spinning					
267	Other man-made fibres suitable for spinning and waste of man- made fibres					

Chinese Nomenclature No.	Product description	Type of measure applied	Country & area affected	Effective date of entry	Expiry date	Remarks
651.4	<p>Yarn containing 85% or more by weight of synthetic fibres, not put up for retail sale; monofil, strip (artificial straw and the like) and imitation catgut, or synthetic fibres materials</p>					
651.7	<p>Yarn of regenerated fibres, not put up for retail sale; monofil, strip (artificial straw and the like) and imitation catgut, of regenerated fibre materials</p> <p>-----</p> <p>Note: The "Chinese Nomenclature" means the Nomenclature of the Customs Statistics of the People's Republic of China, which is based on the United Nations Standard International Trade Classification (SITC) Revision 2. Code numbers of the former correspond, in the main, to those of the latter.</p>					