E. Domestic Strategies To Envision

E.1 - China

Speculation touched on the possibility for China to move heavily into T&C manufacturing and having to re-allocate resources from other sectors –e.g. automobile components, other light industries--. Developing nations that could not compete head on with China T&C trade could well fill the vacuum left in other Chinese sectors. This approach is pure theoretical since it would be extremely challenging for many developing countries to translate these opportunities into actual trade due to supply constraints faced.

E.2 - India

Government efforts were focus in setting up CAD (Computer Aided Design) in various centers across the country as it was reckoned that manual designs were no longer possible to carry on since greater flexibility is required and exporters need to keep up with designers in the West. Producers are no longer CMT (cut-make-trim) garment makers but are also creatively involved in garment merchandising and branding.

Emphasis is also put on price floor improvement from the government as consequences of price war in international markets, especially competition from China. Indian producers must upgrade the quality of clothing production and its finishing by making available the latest technology and equipment in keeping up with changing market demand. India shall capitalize on its large and better range of fabrics to create a niche in overseas markets. Again China is beating India in casual wears but not in the high quality segment.

E.3 – Cambodia

Cambodia needs to beef up its devastated infrastructure after decades of war to bring down costs. Export Processing Zones and Free Trade Zones are only being conceptualized more seriously by the government recently and would still take a couple of years before due diligence is being conducted on promulgating adequate laws governing such industrial zones.

As a traditional agrarian economy, Cambodia has to seek active diversification of its agricultural sector especially to serve as import substitute[17] and undergo capacity building in such critical sectors.

However, capacity building in other critical sectors would require time while Cambodia needs to address the urgent challenge of remaining relevant in post 2004 quota free global

[17] Cambodia is relying heavily upon daily import of Fruits & Vegetables from its neighbors Thailand & Vietnam although it has sufficient fertile soil to grow its own but lacks of political will and vision to reform

T&C environment. What was perceived as disturbing in the BTA with the US could turn out to be an impromptu weapon as Cambodia could only play up this trump card of Social Accountability to market herself.

Competition on cost with big players like China and India and Bangladesh to an extent is fruitless given the country's poor infrastructure and numerous hidden costs in the supply chain[18]. To narrow the gap through drastic cost cutting measures is hard to achieve within the 14 month period left before the ATC is abolished. The industry here may have to look nearer to home than farther afield to seek temporary solutions to cushion the anticipated slow down in orders from its traditional mass volume buyers.

The US may have insisted on the inclusion of the trade-labor linkage clause in the Cambodia-USA BTA as an affirmation of a stated policy of the Clinton Administration. The direct consequence after 3 years of regular ILO monitoring is a cluster of well-maintained factories that are continuously improving their working conditions. The government and the industry should build on this solid foundation and launch a "nation branding" publicity campaign to sell this "compliance" commodity as a niche product to the very "green" and socially conscious buyers in America, Australia and Europe. ***We cannot compete with others on price. Why not let others come and compete with us on "compliance"?***

GMAC (Garment Manufacturers association in Cambodia) has been consistently pursuing lobby to get World Bank to sponsor a survey among the 30 top buyers worldwide on how committed could they be with Cambodian manufacturers on the path of compliance, whether they are willing to pay a premium for that aspect, etc… The survey is now under conceptualization by FIAS and is considered a high priority issue to be completed by end 2003.

Cambodia must develop niche markets and maintain a healthy reputation for Social Accountability to compete against en-masse production from China and other major players. Reputable buyers concerned with their corporate reputation would still seek alternative suppliers based in a couple of countries that meet labor standards as defined by ILO and would be willing to pay a premium to source from such producer countries.

It would be important to try diversify markets and move away from concentrating attention on markets like Western Europe and the US since in both cases, they would be increasingly be sourcing from nearby countries, i.e. Eastern Europe and Central America or from large supplying countries (the like of China, India, Pakistan or even Bangladesh). Over the past few years, large retail chain like C&A adopted procurement policies that concentrated on reducing the number of supply sources and such streamlining resulted in gain of economies of scale and would still go further in 2005.

[18] World Bank Study on Value Chain for Cambodia – *June 2003*

It may be beneficial for LDCs like Cambodia to develop both commodity and niche markets within the region. In the case of Cambodia for instance, wage costs are lower than Thailand which has an abundance of man-made fibers, notably polyester.

Cambodia should also pursue efforts in developing the Canadian market as significant progress in exports were recorded in the 1st quarter 2003 since Canada granted trade privileges to Cambodia in January 2003[19]

WTO Membership

On the multilateral front, the government outlined some measures required before its accession to WTO, endorsed in September 2003 in Cancùn (Mexico), including improvements in infrastructure and telecommunications coupled with more open laws and regulations to enable easy access to the country, has not been broad based but merely focus primarily in exports of garments (its main export product line) and tourism.

The elimination of garment quotas under WTO rules in 2005 would put part of such growth at risk. Henceforth, a strategy to develop an environment conducive to private investment is needed and must be matched with concrete actions such as strengthening capacity in customs administration and enhancing its efficiency, reducing cost of transport through improvement of its quality and bring down unofficial fees and charges incurred.

Windfalls For Cambodia in 2003

Nonetheless, Cambodia seemed to enjoy this year some windfalls from Myanmar and Vietnam. Due to US embargo onto Myanmar exports to the US market, substantial garment orders have been shifted by buyers to Cambodia and the confusing quota situation prevailing in Vietnam whereby most factories and buyers were caught with such a sudden implementation of the quota system has led to many factories sitting on stock piles without quota. Again orders were shifted to Cambodia to fulfill buyers' requirement.

Enhancing the ASEAN ties

Compared to its ASEAN neighbors, the average Cambodia garment worker wage is still lower than Malaysia, the Philippines, Singapore and even Thailand. As mentioned in a previous chapter, by virtue of its status as a LDC, Cambodia will continue to enjoy duty free access to EU and Canada. Most of the ASEAN countries mentioned above will have their GSP to these developed countries already phased out or in the process of being phased out as their economy mature and graduate to the status of "newly industrializing economies"[20].

[19] Refer to Chapter on Canada and Cambodia Export Statistics
[20] Refer Page 15 of Country Graduation at: http://www.cnuced.org/en/docs//itcdtsbmisc25rev2_en.pdf

Such concept of moving garments manufacturing to CLMV countries has been commonly discussed and agreed upon in the first such ASEAN Integration Process Meeting chaired by Malaysian Minister of Trade & Industry acting as coordinating country for Textiles & Apparel sector in July in Kuala Lumpur. On-going lobbying is underway for faster implementation accordingly.

Factories in these countries affected by the loss of trade preferences can either ***relocate to Cambodia or enter into an Outward Processing Arrangement (OPA)*** with a Cambodian garment manufacturer. To facilitate this type of arrangement, the ASEAN Secretariat has just initiated the AICO scheme to encourage the forging of strategic partnerships between complimentary entities within ASEAN.

ASEAN has set in motion an initiative to have six of its economic ministers take charge to coordinate various selected sectors of industry for faster integration of selected and boost intra-ASEAN trade is gradually. The first such meeting chaired by Malaysian Minister of International trade and Industry took place in August in Kuala Lumpur where ASEAN founding members advocated a need to shift from OEM status to ODM one leaving lesser developed members CLMV (Cambodia – Laos – Myanmar – Vietnam) and possible Indonesia to retain garment manufacture due to cost factor. ASEAN as a whole also would launch its own integrated sourcing stand at the next INTERSTOFF Hong Kong Expo piggy backing on that event's ability to attract key decision makers in the industry. Accelerated drop of Non Tariff Barriers[21] is an additional step required to enable smooth movement of capitals and goods.

ASEAN more developed members are also seeking for privileged tax incentives from CLMV so that any relocation in post ATC era could be retained within the region and not move to China or India for instance. Cambodia should emerge as holding the most trump cards in view of its endorsed WTO membership in September 2003 in Cancun providing market access ability compared to Vietnam where recently US imposed quota translated into a confusing situation with buyers placing some orders somewhere else for fear of delivery schedule disruption.

The Cambodian government publicized intention to start up an export industrial processing zone at Koh Kong, a township located immediately next to the Cambodia-Thai border, is a clear indication that the government is keen to promote such transnational regional integration initiatives. Additional Growth Corridor concept is moved forward by JICA[22] and tabulated to the government for further consideration.

Climatically, Cambodia is similar to Thailand. With plenty of land and a low population density, Cambodia should develop its own silk industry to compliment its flourishing tourism industry. Apparels and handicrafts decorated with distinctive cultural characteristics are perpetual favorites with tourists.

[21] NTB examples: restrictive guidelines & limited coverage for OPAs, differences in customs valuation system & clearance procedures, inconsistent classification of tariff codes, administrative & procedural constraints in promoting trade & investments, etc...
[22] Japan International Cooperation Agency

Benchmarking Export Clearance Charges Between Cambodia and Selected Countries: 40 Ft Container

	Cambodia		Hong Kong		Malaysia		Sri Lanka		Madagascar	
Trucking	$	200	$	210	$	85	$	71	$	50
Customs	$	280	$	-	$	-	$	68	$	25
Lifting	$	21	$	-	$	-	$	29	$	50
Inspection (at factory)	$	100	$	-	$	-	$	-	$	-
Overtime charges	$	230	$	-	$	-	$	6	$	247
Terminal handling charges	$	100	$	30	$	176	$	285	$	35
Documentation	$	15	$	15	$	13	$	-	$	-
Customs inspection fee	$	150	$	-	$	-	$	30	$	10
Misc. charges	$	30	$	-	$	-	$	16		
TOTAL	[illegible]		$	**255**	$	**274**	$	**505**	$	**417**

Source: World Bank Study – Value Chain Cambodia (June 2003)

Administrative and Market Barriers Faced by the Garment Industry

	Critical Issues	Impact
Business Environment	Industry is dependent on high cost imported material, partly due to high import administrative charges Unnecessary in -factory inspections High export clearance charges Cumbersome export procedure	Inability to remain competitive in the export market, particularly with WTO accession High undocumented administrative charges, which increases non - transferable costs Delays in shipment, increased production costs and contribute to unpredictability of getting goods to market
Supply Chain	Over 50% of the exports are dependent on a small number of foreign companies, all of which have virtually no vertical market linkage Absence of support industries Quota dependent industry Lack of incentives and support for backwards linkage to deepen the supply chain	Highly volatile market with limited number of medium and large scale enterprises to support an efficient supply chain structure No incentive to invest in non -quota items and to introduce product diversity
Infrastructure	Uncompetitive energy pricing policy High cost of electricity High cost of diesel	High transfer of goods and operating cost Discourage investments in diversification

Source: World Bank Study – Value Chain Cambodia (June 2003)

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Action Plan To Envisage

The garment factories in Cambodia are here because the parent company found the country being either a ready supplier of quota or a non-quota situation to supply to the parent company's buyers. Factories are managed as a portfolio whereby orders flow in based on the relative manufacturing cost of the Cambodian factory compared to other foreign factories of the parent's group. Cambodian factories are purely manufacturing centers without any marketing or merchandising functions. Such manufacturing characteristics coupled with the lack of a textile industry here reinforces the lack of merchandising. The parent company is already performing such marketing function leaving little need for the Cambodian factory to duplicate expense. There must be action carried out to inculcate some domestic ownership and change the character of the industry.

Nonetheless, a sense of domestic ownership must emerge for the industry to survive and particular efforts are being made by ITC to focus sourcing alternatives for the smaller locally owned factories to improve their management skills. ITC has worked with GMAC to address such relevant issues in a regional program encompassing South Asia and South East Asia[23]

Streamlining

Failure to create a predictable business environment would continue to discourage new investments in a context where the scheduled elimination of the US T&C quotas on all WTO members in 2005 could lead to a sharp drop in Cambodian exports. This would result in massive lay-offs in garment factories here rendering a social crisis in the country inevitable.

Cambodia is home to the fabled Angkor Watt Temples. These UN designated Heritage Sites hold great potential to attract foreign visitors and make tourism a major industry and prime mover of the Cambodian economy in years to come. Optimistic projections expect Cambodia to host around 2 million visitors by 2005. With the completion of major infrastructure projects (roads and airports), this landed visitor total could have easily top 5 million by 2010. With so many tourists around, with money to spend and time to spare, there is ample opportunity to develop a vibrant domestic, but foreign orientated, garment industry catering to the visitors.

But at present times, the tourism sector, still in developing phase, is far from being able to absorb such retrenched work force, let alone creating sufficient employment for the batch of 200,000 new entrants every year into the labor market. A slow-down in the global economy would reduce further the number of foreign visitors dampening tourism related activities.

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[23] ITC Project INT/61 on "Capacity Building for Garment Manufacturers Affected by Quota Phasing-Out" – *April 2003*

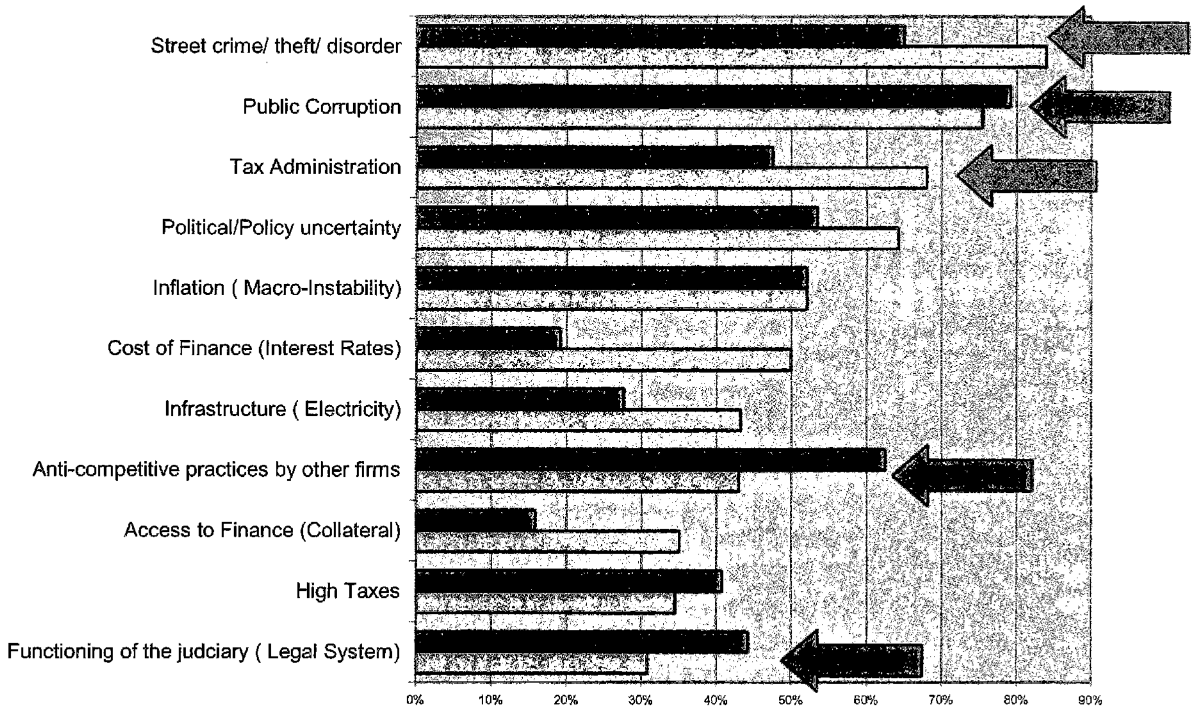
The government must now turns to improving outcomes in economic services, e.g. reducing transport costs and increasing agricultural productivity[24] to promote growth and poverty reduction as well as improving efficiency and effectiveness in spending for those sectors.

Improving the investment climate would require a stronger public sector characterized by much lesser corruption[25] and greater capacity to deliver high quality public services.

2003 preliminary results

Better: tax administration and political stability

Worse: corruption, anti-competitive practices and judiciary



[24] ITC Survey on Diversified Agriculture for Cambodia – *April 2003*

[25] World Bank Report on Investment Climate Survey on Cambodia – *June 2003 Draft* (where corruption remains the highest concern among constraints cited by Cambodian enterprises)

F. Special Cambodia Circumstances

F.1 – Potential Revenue Losses through Tariff Reduction on Textiles

What would be the potential revenue losses through tariffs reduction on textiles, particularly if the presently applied lower tariff rates on US textile imports (based on Cambodia's BTA with the US) are extended on an MFN basis to all WTO member states?

Many international buyers continue to source from Cambodia due to trade privileges granted to Cambodia by virtue of its membership in the Club of 49 Least Developed Countries. Other Asian LDCs that will compete with Cambodia for the shrinking world garment orders after 2005 are (ranked according to decreasing competitiveness): Bangladesh, Laos and Nepal. Myanmar (Burma) is an Asian LDC that may pose a threat to Cambodia's garment industry but is temporarily out of contention due to the trade embargoes imposed by EU and US as punishment to the military regime for imprisoning the popular opposition leader, Daw Aug Sang Su Kyi.

EU

In May 2001, under the Everything But Arms (EBA) initiative, the EU relaxed the GSP granted to the LDCs for practically all (except some agricultural commodities) products exported from these countries. Cambodia, in addition to the derogation scheme (applicable to ASEAN and SAARC countries) that was already being implemented, can now enjoy regional (ASEAN only) cumulative trade preferences. Garments manufactured in compliance with terms of the regional cumulative scheme are entitled to unlimited quota free and duty free imports into EU using the Certificate of Origin Form A document. Qualifying criteria was set at 1:1 ratio for imports against local value added charges.

Canada.

The Canadian government adopted the EU initiative and opened up its market access to all LDCs (except Burma) for most (also except some agricultural commodities) products from these countries. This market opening initiative was implemented on 1 January 2003. The qualifying criteria was more generous than the EU and was pegged at 3:1 ratio for imports against local value added charges and the list of non-LDC but developing beneficiary countries that qualify to participate in this scheme was vastly enlarge to include countries like China and India.

The impact of this trade initiative on Cambodia's bilateral trade with Canada was immediate and impressive.

Cambodia's Garment Industry Garment Exports to Canada		
Year	Garment Quantity (pieces)	Garment Value US$
2001 (365 days)	1,251,627	5,800,556
2002 (365 days)	1,351,230	7,213,779
2003 (Jan-Sep)	9,096,636	43,133,907

Source: Ministry of Commerce – GSP Department

The latest development on this Canadian initiative was the granting of OPA status for China made knitted panels to be imported into Cambodia for assembling and forming purposes and then exported to Canada under quota free and duty free privileges using Certificate of Origin Form A.

The LDCs as a grouping should petition EU and request the EU to consider and adopt the same generous conditions as provided by Canada in a genuine attempt to assist the LDCs.

1. ***Improve the ratio of imports against local value added charges.***

   The EU ratio was 1:1 while Canada offered 3:1.

   By adopting a ratio of 1:1, all LDCs are consigned by this restrictive ratio to manufacture cheap low-end garment products. High quality and fashionable garments cannot be manufactured in LDCs as this ratio will be breached once expensive fabrics are used. (We assume high priced garments use expensive fabrics). On the contrary, by offering LDCs a 3:1 ratio, more up market apparels can be made in LDCs and exported to EU.

2. ***Enlarge the Participating Beneficiary Countries.***
   The EU model restricts flow of goods and materials between LDCs or member countries within a regional trade bloc. Again, if EU, were to adopt Canada's more liberal policy of allowing developing countries into the list of approved participating countries in addition to the LDCs, then more third world countries can benefit from this EBA scheme.

USA.

Cambodia and the USA signed their first Bilateral Textile Agreement (BTA) in 1999 and it was valid until 31 December 2001. Under this BTA, 12 items were under restraint. The second BTA was concluded in November 2001 and is valid until 31 December 2004. In the second BTA, a 13th item, category 435, was added to the list of "under restraint" items. The most significant (and by some accounts, still contentious) clause in both these BTAs is the linking of trade to labor standards. Under this innovative and ground breaking arrangement, Cambodia will receive additional (maximum 14% for the first BTA and 18% for the second) bonus quotas if the International Labor Organization (ILO) finds that in most of the garment factories it monitored complied "substantially" with its (ILO's) core labor standards and the Cambodia Labor Law. In 2003, the USA granted 12% out of a possible 18% of this bonus quota to Cambodia. (This bonus quota is awarded in addition to the automatic annual increment of 6%).

By unilaterally imposing quotas in 1999 on several of the most sought after garment items in the USA market, the US government literally stopped the nascent Cambodian garment industry in its exponential growth track. Financially, it raised the production cost of manufacturing a piece of under quota garment in Cambodia, but helped the Cambodian government earned substantial quota incomes.

Cambodian garments, whether under quota or quota free, enter the US duty paid. With WTO membership, the quota aspect of the trade impediment has been eliminated. However, the duty aspect of this trade equation has to be tackled. Due to the low tech and "taking-away-jobs-in-USA" sensitive nature of the garment imports, the import duties are relatively high (example 17% for pants). This puts Cambodian garments at a disadvantage when compared to similar imports into USA from African and Caribbean countries. Garments from these regions now enjoy quota free and duty free access into USA.

The tables below indicate that if quota and US import duties were to be eliminated from Cambodia made garments imported into the US, the savings and hence the additional competitiveness of Cambodian made garments in US will be enhanced by a similar margin.

Cambodia's Garment Industry
Quota & Import Duty Financial Burden

Year	Cambodia Quota Income* US$	USA Import Duties** US$	Quota & Duties Total US$
1999	21,935,368	106,041,000	127,976,368
2000	4,535,590	140,453,000	144,988,590
2001	6,277,408	149,223,000	155,500,408
2002	14,144,289	166,098,000	180,242,289
2003 (May 31)	17,922,616	74,771,000	92,693,616

Source: USITC, DataWeb Generated Report (*NAIC 315*)

Cambodia's Garment Industry
Garment Exports to USA

Year	Quantities in dozens	US Dutiable Value US$	Computed Duties US$
1999	11,412,000	581,441,000	106,041,000
2000	14,106,000	803,814,000	140,453,000
2001	18,155,000	932,218,000	149,223,000
2002	20,867,000	1,035,995,000	166,098,000
2003 (May 31)		472,376,000	74,771,000

Source: USITC, DataWeb Generated Report (*NAIC 315*)

Cambodia's Garment Industry
2002/2003 Comparison - Garment Exports to USA

	Record per 31-May-02	Record per 31-May-03	Change (%)
Quantities (in doz)	7,631,000	9,149,000	19.89%
Dutiable Value (US$)	343,072,000	472,376,000	37.69%
Calculated Duties (US$)	54,568,000	74,771,000	37.02%
Average Effective Duty Rate	15.91%	15.83%	

Source: USITC, DataWeb Generated Report (*NAIC 315*)

* *Source:* Ministry of Commerce – GSP Dept

** *Source:* USITC, DataWeb Generated Report (*NAIC 315*)

There is an increase in trade between 2002 and 2003 measured as:

- Quantities: by 19.9%
- Value: by 37.7%

This is an indication that higher priced garments are shipped into the US in 2003 with an effective import duty of 16% overall.

It is therefore incumbent upon Cambodia to negotiate for duty free access for its garment exports into the USA in order for this commodity to remain competitive and attractive for its current corps of buyers to continue to source from Cambodia. With a tax free status, Cambodia could benefit from additional USD 180 million of import duties forfeited by the US (which is insignificant considering the poll of revenues generated by the US Treasury) that could translate into increased orders…

Cambodia now has 192 garment factories regularly monitored by ILO and general working conditions are found satisfactory with constant improvement throughout the years (no child labor, no harassment, no discrimination, freedom of association, etc)

However, while Cambodia strives to enhance its capacity building and to implement poverty reduction policies, she is faced with a hurdle in as she is imposed with the highest tariffs in her imports to the US (***85 or more of her top 100 exports have high rates or tariff peaks into the US***)

The chart herewith displays this fact as extracted from PPI (Progressive Policies Institute) website.

U.S. Tariffs: On Top 100 Goods Imported From World & Selected Trading Partners, 2002

	Top 100 Products as % of Total Imports	Duty-free Products	Tariffs 0.1%-4.9%	Tariffs 5%-15%	Tariffs >15%
Cambodia [2]	98%	4	2	41	53
Bangladesh [3]	96%	6	6	43	45
Mongolia [4]	99.8%	8	8	40	44
Micronesia [5]	100%	11	2	17	33
Sri Lanka [6]	88%	20	3	32	45
Maldives [7]	100%	13	3	22	44
Pakistan [8]	86%	10	5	62	23
Nepal [9]	98%	23	13	38	26
Oman [10]	99.5%	32	6	23	39
Guatemala [11]	93%	48	6	9	38
Tunisia [12]	96%	30	10	26	34
Vietnam	89%	33	7	21	39
Bulgaria [13]	85%	33	21	20	26
Egypt [14]	96%	29	24	24	23
Armenia [15]	99%	56	8	13	23
Turkey [16]	78%	30	20	31	19
India [17]	71%	43	13	32	12
Indonesia [18]	69%	51	9	21	19
Philippines [19]	83%	55	7	15	23
Morocco [20]	96%	38	24	21	17
ASEAN	73%	60	12	13	15
Peru [21]	94%	68	4	15	13
Thailand [22]	70%	64	6	17	13
Mali [23]	100%	45	12	24	8
Lebanon [24]	95%	45	26	21	8
Ethiopia [25]	100%	54	20	11	6
Antigua [26]	100%	31	9	10	3
China	52%	56	19	21	4
Brazil [27]	77%	59	21	18	2
Russia [28]	92%	66	15	12	7
Korea	76%	50	31	12	7
Saudi Arabia	99.9%	57	25	14	4
World	**51%**	**60**	**26**	**8**	**6**
New Zealand	97%	50	32	16	2
Uganda [29]	100%	36	3	3	1
Haiti [30]	98%	81	3	3	13
Jamaica [31]	98%	84	1	6	9
Singapore	93%	69	18	6	7

Striving to maintain competitiveness in post ATC era

On the issue of producing empirical data to gauge the impact, negative or otherwise, of China's competitiveness on Cambodia's garment exports to USA after 2004, one could envisage the following two approaches:

Alternative 1.

Cambodia has 13 items under quota, of which only 2 categories matter. For **338/339** and **347/348**, we intend to adopt a "capture" and "lost" guesstimate method to try to find out the possible increase or decrease in orders to Cambodia for these two items on 1 January 2005. Nonetheless, the criteria used are quite arbitrary and may not stand the demand of strict scrutiny.

Chart 1 for "338/339"

	338 & 339		Possible Capture Targets						
			2001	2002	2003 (Jan-Jun)				
	St	Country	dz	dz	dz	Amount-m	UP	R	Capture
1		Italy	380,166	331,447	154,707	32.893	212.61	47	
2	Q	S Korea	1,577,608	1,384,454	579,187	49.196	84.94	52	target
3	Q	Macau	2,884,909	3,113,847	1,690,049	127.308	75.33	28	
4	Q	China	2,638,782	4,849,149	1,254,873	85.952	68.49	18	
5	Q	Hong Kong	4,725,901	5,800,366	2,764,589	188.571	68.21	11	target
6	Q	Taiwan	1,151,335	970,335	547,950	37.321	68.11	37	target
7	Q	India	4,743,332	7,277,202	3,517,155	223.302	63.49	30	
8	Q	Indonesia	1,785,826	3,038,355	1,180,786	74.424	63.03	19	
9	Q	Sri Lanka	2,430,591	4,230,653	1,168,176	73.367	62.80	24	target
10	Q	Thailand	2,503,229	5,221,136	1,673,531	101.414	60.60	29	target
11	Q	Philippines	2,977,959	5,225,143	2,023,280	117.492	58.07	12	target
12	Q	Malaysia	1,582,728	4,150,852	1,239,423	67.705	54.63	26	target
13		Peru	5,560,999	6,183,356	3,925,133	205.654	52.39	48	
14	Q	Cambodia	3,469,185	4,619,018	1,769,103	91.614	51.79	10	
15	Q	Singapore	1,699,918	2,922,979	965,429	48.355	50.09	32	target
16		Jordan	1,223,860	4,484,086	1,774,963	88.163	49.67	39	
17		Maldive	74,782	86,753	2,213	0.107	48.35	44	
18	Q	Nepal	708,067	655,690	502,395	22.080	43.95	25	target
19		Israel	1,597,870	2,553,338	781,091	34.139	43.71	55	
20	Q	Turkey	6,424,684	7,666,484	4,525,282	193.998	42.87	21	
21	Q	Bangladesh	2,254,879	4,571,581	1,598,438	66.796	41.79	8	
22		Syria	210,465	188,983	138,168	5.705	41.29	45	
23		Madagascar	878,833	823,191	447,776	18.386	41.06	41	
24		Brunei	3,779,519	4,618,152	1,727,017	70.761	40.97	49	target

25	Q	Arab Em	720,393	827,224	562,363	22.924	40.76	46	
26	Q	Pakistan	9,212,557	9,810,979	6,469,077	250.536	38.73	15	
27		Mauritius	780,616	1,086,036	778,134	30.070	38.64	23	
28		Mongolia	399,265	748,767	423,669	15.795	37.28	40	
29		Canada	3,987,170	4,113,237	2,591,891	95.827	36.97	33	
30		Macedonia	136,164	165,278	83,360	3.073	36.86	64	
31		Fiji	1,290,774	1,038,467	686,993	24.711	35.97	57	target
32	Q	Vietnam	713,132	6,067,673	10,038,875	351.000	34.96	3	
33	Q	Guatamala	15,597,666	19,237,785	12,988,587	426.162	32.81	7	
34		Swaziland	752,375	1,242,333	778,042	25.144	32.32	35	
35		Nicaragua	2,197,424	3,840,973	1,816,913	57.548	31.67	5	
36		Kenya	926	231,346	406,343	12.785	31.46	27	
37	Q	Oman	572,192	433,340	293,446	8.882	30.27	31	
38		Lesotha	2,524,053	4,895,447	1,969,656	58.970	29.94	14	
39		Colombia	865,008	619,763	557,357	16.598	29.78	16	
40		Bulgaria	591,370	675,119	474,027	13.916	29.36	54	
41	Q	Dominica	6,858,858	6,116,636	3,689,950	105.878	28.69	2	
42		S Africa	2,798,814	4,527,085	1,128,573	31.023	27.49	20	
43	Q	Qatar	565,540	322,396	120,696	3.223	26.70	42	
44		Russia	2,370,906	5,390,849	2,291,283	60.793	26.53	17	
45		Mexico	44,944,977	46,561,468	25,555,102	665.132	26.03	1	
46		Egypt	2,609,298	5,001,769	2,191,885	50.421	23.00	6	
47		Turkmen	441,377	401,055	349,107	7.467	21.39	43	
48		Salvador	17,983,790	20,842,583	13,451,185	283.795	21.10	13	
49	Q	Brazil	1,400,213	1,197,215	1,072,788	21.319	19.87	50	
50		Honduras	39,799,402	43,510,173	26,001,568	508.487	19.56	4	
51		Haiti	2,726,879	4,000,134	3,183,602	58.439	18.36	36	
52	Q	Costa Rica	957,261	541,208	218,895	3.555	16.24	9	
53		Bahrain	370,257	264,946	20,746	-	-	22	
54		Namibia	-	159,350	226,463	-	-	65	
55		Uzbek			-	2.935		58	
56	Q	Romania			-	2.666		60	
57		S Arabia			-	22.924		61	target
58		Micronesia			-	2.683		62	
59		Myanmar			-	-		63	target

Chart 2 for "347/348"

		347 & 348	2001	2002	Possible Capture Targets	2003 (Jan-Jun)			
	St	Country	dz	dz	dz	Amount	UP	R	Capture
1		France	56,433	47,754	22,141	6,974	314.98	66	
2		Italy	349,679	350,414	196,034	61,176	312.07	47	
3		Canada	1,129,663	1,177,339	558,653	86,346	154.56	33	
4	Q	Hong Kong	6,502,519	7,724,904	2,908,715	321,329	110.47	11	Target
5	Q	China	2,607,084	2,787,423	1,611,621	177,968	110.43	18	
6	Q	S Korea	670,452	598,398	239,995	26,409	110.04	52	Target
7	Q	Macau	1,219,647	1,470,702	994,853	107,133	107.69	28	
8	Q	India	926,040	1,366,871	581,990	60,867	104.58	30	
9		Macedonia	44,496	77,356	41,340	4,308	104.21	64	
10	Q	Thailand	830,544	1,635,374	715,796	73,722	102.99	29	Target
11	Q	Indonesia	2,724,634	2,686,242	1,673,522	148,955	89.01	19	
12	Q	Taiwan	1,182,312	1,515,077	729,210	63,478	87.05	37	Target
13		Maldive	561,509	686,408	238,113	20,194	84.81	44	
14		Mexico	35,206,977	35,225,113	15,573,208	1,305,727	83.84	1	
15	Q	Dominica	8,455,775	8,505,340	4,063,856	337,117	82.95	2	
16		Colombia	1,463,128	1,601,449	1,203,031	99,565	82.76	16	
17		Mauritius	1,372,625	1,653,698	1,013,107	83,139	82.06	23	
18	Q	Sri Lanka	2,224,032	2,214,264	1,099,182	89,871	81.76	24	Target
19		Peru	303,347	264,901	164,249	13,205	80.40	48	
20	Q	Cambodia	2,584,861	3,967,276	2,673,577	210,859	78.87	10	
21	Q	Philippines	2,947,563	3,793,819	2,344,339	176,588	75.33	12	Target
22		Poland	20,815	28,472	33,169	2,476	74.65	67	
23	Q	Qatar	709,972	777,922	409,836	30,040	73.30	42	
24		Bahrain	1,921,079	2,191,269	1,227,356	89,662	73.05	22	
25	Q	Malaysia	629,083	992,425	676,720	49,350	72.93	26	Target
26	Q	Singapore	948,748	832,590	514,511	35,822	69.62	32	Target
27		Morocco	907,655	515,047	235,805	16,295	69.10	38	
28	Q	Guatamala	3,729,075	4,723,494	2,823,560	187,320	66.34	7	
29		Jordan	744,657	1,292,713	1,240,144	81,820	65.98	39	
30	Q	Bangladesh	3,524,097	4,349,367	2,837,557	176,112	62.06	8	
31		Myanmar	56,044	61,496	72,823	4,472	61.41	63	Target
32	Q	Romania	157,697	135,964	78,628	4,810	61.17	60	
33		Israel	904,270	700,612	572,162	34,939	61.06	55	
34	Q	Turkey	4,261,306	3,993,877	2,774,216	162,931	58.73	21	
35	Q	Arab Em	610,262	665,539	573,101	33,637	58.69	46	
36	Q	Oman	1,097,646	1,284,904	1,023,858	59,456	58.07	31	
37		Madagascar	851,096	485,321	580,052	33,656	58.02	41	

38		Zambabwe	163,892	111,276	45,524	2,633	57.84	53	
39		Lesotha	1,740,139	2,255,701	1,425,227	79,916	56.07	14	
40	Q	Pakistan	1,258,007	1,691,434	980,089	54,921	56.04	15	
41	Q	Costa Rica	2,434,002	2,702,796	1,296,996	72,462	55.87	9	
42	Q	Brazil	454,016	699,594	497,645	27,617	55.50	50	
43		Nicaragua	3,253,078	3,451,026	2,068,051	113,077	54.68	5	
44		Kenya	980,572	1,337,265	1,107,262	60,000	54.19	27	
45	Q	Vietnam	126,932	3,734,942	8,095,273	426,289	52.66	3	
46	Q	Nepal	845,739	990,785	755,276	39,693	52.55	25	Target
47		Ukraine	30,280	47,944	11,115	513	46.15	69	
48		Brunei	468,201	461,521	204,603	9,362	45.76	49	Target
49		Salvador	3,498,928	3,500,232	2,052,135	93,713	45.67	13	
50		S Africa	939,774	862,292	1,052,697	47,838	45.44	20	
51		Mongolia	647,509	792,392	615,968	27,937	45.35	40	
52		Bulgaria	666,665	728,419	346,317	15,676	45.26	54	
53		Swaziland	211,877	428,956	389,009	17,395	44.72	35	
54		Egypt	3,667,862	4,011,046	2,680,100	113,702	42.42	6	
55		Russia	1,586,787	1,889,592	1,535,097	63,496	41.36	17	
56		Malta	6,267	67,172	84,312	3,464	41.09	51	
57		Turkmen	294,254	339,422	308,581	12,573	40.74	43	
58		Malawi	76,853	87,140	91,923	3,679	40.02	59	
59		Honduras	5,525,264	4,704,418	2,918,921	112,866	38.67	4	
60		Fiji	329,969	201,791	130,210	4,880	37.48	57	Target
61		Namibia	-	5,392	71,977	2,417	33.58	65	
62		Uzbek	93,847	109,315	166,566	5,543	33.28	58	
63		Kuwait	319,013	674,819	465,130	14,667	31.53	34	
64		Haiti	879,352	716,240	574,896	15,654	27.23	36	
65		Ecudor	125,937	72,424	33,995	868	25.53	56	
66		S Lucia	78,963	49,763	17,241	278	16.12	68	
67		Syria	329,699	317,222	252,091	3,291	13.05	45	
68		S Arabia	600,413	213,189	233	3	12.88	61	Target
69		Micronesia	89,252	116,599	76,848	-	-	62	

Alternative 2.

An attempt was made to obtain the 10 top non-quota garment categories export figures of Cambodia from 1999-2003 (June), together with their corresponding HTSUS codes, by comparing the actual performance of this group of 10 against the under quota combo of 338/347, we can compare the growth rates of non-quota against under quota items and come to some definitive conclusions.

This is more interesting if we can compare one non-restraint Chinese garment category with one of the 10 non-quota items enjoying similar status (non quota) in Cambodia. If there is one, then the myth of the invincible Chinese might can either be confirmed or disproved.

After 1 Jan 2005, the effect of the expiry of ATC on the non-quota items should theoretically be zero as they are already quota free before 1 Jan 2005, we can then ask why we cannot maintain the old export volumes or even improve upon them for these categories after 2005. The exceptions will be items from China that are under quota before 1 Jan 2005 and become quota free after 1 Jan 2005. Then China most probably will take orders away from Cambodia.

However, Ministry of Commerce in Cambodia was not able to provide categorized breakdown of the non quota items from their ELVIS system in place. Only generalized non quota items were released for the study.

Year		USA Non Quota	USA Quota	EU	Canada	Rest of the World	Total
1999	Qty (dz)	2,503,615	9,837,411	2,892,416		269,409	15,502,851
	Value (US$)	82,842,499	433,263,737	136,672,809		7,327,863	660,106,908
	UP ($/dz)	33.09	44.04	47.25		27.20	42.58
	Qty %	16.15%	63.46%	18.66%		1.74%	100.00%
	Value %	12.55%	65.64%	20.70%		1.11%	100.00%
2000	Qty (dz)	7,612,454	9,597,762	4,854,481		368,817	22,433,514
	Value (US$)	226,845,242	524,455,016	220,822,802		14,256,719	986,379,779
	UP ($/dz)	29.80	54.64	45.49		38.66	43.97
	Qty %	33.93%	42.78%	21.64%		1.64%	100.00%
	Value %	23.00%	53.17%	22.39%		1.45%	100.00%
	Qty Growth%	204.06%	-2.44%	67.83%		36.90%	44.71%
2001	Qty (dz)	13,057,509	9,183,758	6,775,655		373,534	29,390,456
	Value (US$)	327,213,141	501,360,813	309,113,057		17,886,164	1,155,573,175
	UP ($/dz)	25.06	54.59	45.62		47.88	39.32
	Qty %	44.43%	31.25%	23.05%		1.27%	100.00%
	Value %	28.32%	43.39%	26.75%		1.55%	100.00%
	Qty Growth%	71.53%	-4.31%	39.58%		1.28%	31.01%
2002	Qty (dz)	14,355,589	11,409,531	7,521,901		632,477	33,919,498
	Value (US$)	327,055,026	626,466,919	356,400,535		28,729,405	1,338,651,885
	UP ($/dz)	22.78	54.91	47.38		45.42	39.47
	Qty %	42.32%	33.64%	22.18%		1.86%	100.00%
	Value %	24.43%	46.80%	26.62%		2.15%	100.00%
	Qty Growth%	9.94%	24.24%	11.01%		69.32%	15.41%
2003	Qty (dz)	11,579,451	7,894,301	6,054,750	758,053	281,766	25,810,268
(9 mths)	Value (US$)	283,306,364	496,695,338	277,120,514	43,133,907	10,193,778	1,067,315,994
(Jan-Sep)	UP ($/dz)	24.47	62.92	45.77	56.90	36.18	41.35
	Qty %	44.86%	30.59%	23.46%	2.94%	1.09%	100.00%
	Value %	26.54%	46.54%	25.96%	4.04%	0.96%	100.00%
	Qty Growth%						
2003	Qty (dz)	15,439,268	10,525,735	8,073,000	1,010,737	375,688	35,424,428
Full Year	Value (US$)	377,741,819	662,260,451	369,494,019	57,511,876	13,591,704	1,480,599,868
(Estimate)	UP ($/dz)	24.47	62.92	45.77	56.90	36.18	41.80
	Qty %	43.58%	29.71%	22.79%	2.85%	1.06%	100.00%
	Value %	25.51%	44.73%	24.96%	3.88%	0.92%	100.00%
	Qty Growth%	7.55%	-7.75%	7.33%		-40.60%	4.44%

Source: Ministry of Commerce – GSP Department

Non-quota garment production grew from 2,503,615 dz in 1999 to 14,355,589 dz in 2002. Despite its spectacular quantity increase, the price actually fell from an average of \$33.09/dz in 1999 to \$22.78/dz in 2002. This represents a nearly 31% price drop and confirms the continuous worldwide downward price trend for non-quota items.

Quota items grew much slower (from 9,837,411 dz to 11,409,531 dz) than non-quota items, but the price improved from \$44.04/(1999) dz to \$54.91/dz in 2002.

Garment export growth to EU countries is steady from 2,892,416 dz (1999) to 7,521,901 dz in 2002. Price is also steady at around the \$46/dz range.

The average quota garment price in 2003 was \$62.92/dz. This price "hike" was due to increased value added in the main export garment commodity – cotton pants. Sand blasting, embroidery and color dyes are now common features in many pants.

The price discrepancy between the non-quota and under quota items indicated that made-in-Cambodia garments are still competitive at the \$22/dz level (with buyers having to pay for US import duty). If after the expiry of ATC, this floor price could be maintained, then it augurs well for Cambodia's future. However, if this floor price is breached, then at what lower level can the Cambodian garment industry continues to maintain its present position in the world's T&C supply chain will be subject to close scrutiny.

The garment industry output grew from 15,233,000 dz in 1999 to 33,287,000 dz in 2002, achieving a 118% advance. Over the same period, employment increased from 150,000 persons (1999) to 220,000 persons (2002), notching a 46% growth. These figures reflect a marked improvement in both productivity and skills levels.

The number of factories is maintained at around 200, but worker headcounts have increased. This confirms that established factories are expanding although fewer new factories are being set up. This gradual consolidation phenomenon is a good sign as it buttresses the industry with big factories and prepares the industry to weather any adverse consequence arising from the ATC expiry. This is assuming that big operators with their deeper vested interests in Cambodia are more likely to stay and overcome any temporary negative market conditions than smaller factories with weaker financial resources.

In an earlier section of this study an estimate was made of the US import duties that Cambodia-made garments have to pay to gain entry into USA. Should this obstacle be removed, we are more assured of keeping Cambodia's competitiveness in the worldwide T&C supply chain.

F.2 – Potential Loss of Market Share if ATC is not applicable by end 2004

The original TOR stipulated an analysis on potential loss of market share for Cambodian textile exports should the termination of the ATC does not apply as scheduled globally by end 2004, but instead, the process of ATC integration is made to commence only after the date of Cambodia's accession to WTO. As of the study's completion date, August 2003, it has been confirmed that Cambodia has been endorsed in Geneva to be officially admitted into WTO by September 2003 at WTO Ministerial Conference in Cancùn (Mexico). Final negotiations were concluded on July 22 2003 in Geneva between the Cambodian government and WTO officials.

The FOB price differential between a made-in-Cambodia garment with a similar garment made in Bangladesh (not to mention China & India) is too wide to be narrowed by drastic cost cutting measures achievable by the Cambodian industry within the 18 months left when the ATC will be abolished. The industry may have to look nearer to home than farther afield to seek temporary solutions to cushion the anticipated slow down in orders from its traditional mass volume buyers.

There are only two large ready-made garment importers in the world – USA and Europe. Both regions import more than 80% of their consumer grade apparel requirements in 2000. With China being since a WTO member, the figure for USA has gone even higher. The scope for fast developing new markets sprouting out from these two regions is practically non existent.

Who supply them?

Europe is served primarily by North Africa and the former Soviet bloc states of central Europe, many of them in the process of joining the EU. Next come SAARC, ASEAN and China.

The United States imports its garments quota free, duty from Mexico (NAFTA), Central America and the Caribbean island states. Increasing quantities are coming in under the same terms from African beneficiaries covered by AGOA and South American states. Then comes the new crop of FTA partner like Singapore and Chile.. Despite these neighborly suppliers, substantial quantities come in from China, ASEAN and SAARC.

As we can see from the above, ASEAN suppliers are at a disadvantage vis-à-vis both markets as far as distance is concerned. To remain competitive in the post ATC era, ASEAN garment suppliers must look towards regional integration.

Deepening the supply value chain has been brandied around for some time now. However, no concrete policy has materialized. AFTA is only a half measure. More drastic solutions should be forthcoming. In Cambodia's context, with no sizable upstream (textile) industry in place, the RGC should seriously consider the setting up of bonded warehouse to store fabrics, say, made in Indonesia. This measure, if adopted, will cut down turnaround time for new orders and reduce the raw material carrying costs of Cambodian manufacturers as long as the Indonesian textile mills are willing to take the risks. Granted that the Indonesians or other fabric suppliers are willing and capable, the onus is now left to the RGC to deliver the necessary legislation.

With transport infrastructure improving over time, sourcing fabrics from Thailand and Vietnam and delivering them by trailers (road) or through barges (river) become feasible. *A Taiwanese-owned shipping firm has just established a feeder service between Ho Chi Minh City and Phnom Penh through the Mekong River channel, as an extension of its regular service between Taiwan/Hong Kong and Ho Chi Minh City Port.* These incremental developments will contribute to cutting down raw material costs.

Cambodia's predominant garment products are T-shirts and trousers. Regional integration does not preclude the concept of specialization. Cambodia's trousers has gained wide acceptance in the ready-made consumer market in America. Can we take this goodwill one level higher and concentrate on manufacturing pants and trousers? Specialization brings with it standardization of machinery, therefore more focused maintenance know-how. Concentration on making pants will improve individual skill/proficiency and consequently increase productivity. These factors cumulatively will contribute to reduce production costs.

APPENDIX

Extract of Report of the Working Party on the Accession of China – Special Textile and Clothing Safeguards Against China

11. Textiles

241. Some members of the Working Party proposed and the representative of China accepted that the quantitative restrictions maintained by WTO Members on imports of textiles and apparel products originating in China that were in force on the date prior to the date of China's accession should be notified to the Textiles Monitoring Body ("TMB") as being the base levels for the purpose of application of Articles 2 and 3 of the WTO Agreement on Textiles and Clothing ("ATC"). For such WTO Members, the phrase "day prior to the date of entry into force of the WTO Agreement", contained in Article 2.1 of the ATC, should be deemed to refer to the day prior to the date of China's accession. To these base levels, the increase in growth rates provided for in Articles 2.13 and 2.14 of the ATC should be applied, as appropriate, from the date of China's accession. The Working Party took note of these commitments.

242. The representative of China agreed that the following provisions would apply to trade in textiles and clothing products until 31 December 2008 and be part of the terms and conditions for China's accession:

(a) In the event that a WTO Member believed that imports of Chinese origin of textiles and apparel products covered by the ATC as of the date the WTO Agreement entered into force, were, ***due to market disruption***, threatening to impede the orderly development of trade in these products, such Member could request consultations with China with a view to easing or avoiding such market disruption. The Member requesting consultations would provide China, at the time of the request, with a detailed factual statement of reasons and justifications for its request for consultations with current data which, in the view of the requesting Member, showed: (1) the existence or threat of market disruption; and (2) the role of products of Chinese origin in that disruption;

(b) Consultations would be held within 30 days of receipt of the request. Every effort would be made to reach agreement on a mutually satisfactory solution within 90 days of the receipt of such request, unless extended by mutual agreement;

(c) Upon receipt of the request for consultations, China agreed to hold its shipments to the requesting Member of textile or textile products in the category or categories subject to these consultations ***to a level no greater than 7.5 per cent (6 per cent for wool product categories) above the amount entered during the first 12 months of the most recent 14 months preceding the month in which the request for consultations was made;***

(d) If no mutually satisfactory solution were reached during the 90-day consultation period, consultations would continue and the Member requesting consultations could continue the limits under subparagraph (c) for textiles or textile products in the category or categories subject to these consultations;

(e) The term of any restraint limit established under subparagraph (d) would be effective for the period beginning on the date of the request for consultations and ***ending on 31 December of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for consultations, for the period ending 12 months after the request for consultations;***

(f) ***No action taken under this provision would remain in effect beyond one year, without reapplication, unless otherwise agreed between the Member concerned and China***; and
(g) Measures could not be applied to the same product at the same time under this provision and the provisions of Section 16 of the Draft Protocol.

The Working Party took note of these commitments.

EU – Special Safeguard Rules against China

According to the regulation, as soon as a request will be introduced by a member state or directly by EU's Commission, China will be required limiting its exports to the EU at a specified level.

Shipments from China should actually not rise by more than 7.5% (6% for wool products) "in the first 12 months of the most recent 14 months preceding the month in which the request for consultations was made."

Consultations will be held between the EU and China within 30 days of receipt of the request and will last 90 days, "unless extended by mutual agreement".

At the end of the consultation period and in absence of any agreement, EU may impose quotas at the level reached when the receipt was sent to China.

The limits will not apply on products, which have already been sent to the European Union "before the date of notification of the request for consultations".

The quota will be removed by the end of the year or after a 12-month period if the request for consultations was made known less than three months before the end of the year.

A new quota may be later imposed after a new consultation request will have been sent by the EU.

After 2008, the EU may then use another provision, called "transitional product-specific safeguard mechanism" or TPSSM. Another regulation is being proposed by EU's Commission regarding the TPSSM which should soon be adopted by EU's Council of Ministers and published by EU's official journal.

Also included into the WTO's Protocol, the safeguard allows limiting imports from China until December 2013, twelve years after China's accession to the WTO.

EU's draft regulation includes an additional safeguard to offset the impact of so-called "trade diversion", or a surge in imports resulting from new quotas imposed by other WTO members, such as the United States.

United States – Special Safeguard Measures against China

CITA determined that petitions may be filed by trade associations, companies or unions representing entities that produce a product like or directly competitive with the imported product or by trade associations, companies or unions representing entities that produce a *component* that is like or directly competitive with the components of the imported product. That is a very broad standing requirement.
The textile safeguard process includes the following steps:

1. After receiving a petition to impose a new quota on China under the textile safeguard, CITA will have 15 days to decide if the petition meets the minimal standards established for petitions (see below). The receipt of petitions will not be made public.

2. If CITA accepts the petition, it will publish a Federal Register notice requesting public comments. Comments are due within 15 days. The Federal Register notice will include a summary of the petition. However, it is unclear whether the complete petition (other than business confidential information) will be made publicly available.

3. Following the close of the 15 day comment period, CITA will make a determination within 60 days on whether to request consultations with China.

4. **If CITA decides to request consultations, then a Federal Register notice will announce the decision as well as the minimum new quota level.** That quota will be based on the imports from China in the category during the first twelve of the last fourteen months, plus an increase of 6 percent for wool products and an increase of 7.5 percent for all other fiber products. **The date of this Federal Register notice will also be the effective date of the new quota.** The consultation period will follow – a period of 30 days that could be extended to 90 days. Depending on the timing of each petition, there is a formula that will determine whether the new quota on China will last until the end of that calendar year, or will last for one year from the date of imposition. Under paragraph 242 of the Working Party Report for China's accession to the WTO, which created the textile safeguard, "no action taken under this provision would remain in effect beyond one year,

without reapplication, unless otherwise agreed between the Member concerned and China." According to CITA officials, the following information will be required in petitions:

- Product description (expected to be a textile category number or numbers);
- Import data from the past five years that demonstrates that imports from China are increasing rapidly in absolute terms;
- U.S. production data for the same time periods and covering the same products as the import data (or else provide information explaining why different information does match the import data);
- Market share information in category units, including the Chinese imports as a percent of the U.S. market; total imports as a percent of the U.S. market and domestic U.S. production as a percent of the U.S. market. [U.S. market is defined as the sum of U.S. domestic production and total imports.];
- Additional information describing how Chinese imports hurt the U.S. industry.

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* Ministry of Commerce – GSP Dept Data - *as of Nov 2002*