Israel exports of printed matter to countries other than the United States increased by 21 percent overall, rising from $8 million in 1978 to a high of $12 million in 1980, but then dropping to $10 million in 1982. In 1982, the leading markets for such exports were West Germany (receiving 21 percent of such printed matter exports) and France (receiving 16 percent).

Israel exports of veneers, plywood, and similar articles to countries other than the United States increased from $9 million in 1978 to $22 million in 1980 and then declined to $10 million in 1982. In 1982, the leading markets for such exports were the Netherlands (receiving 63 percent of such exports) and the United Kingdom (receiving 25 percent).

Probable Effects of Duty-Free Imports From Israel

The implementation of a free-trade agreement with Israel would result in no increase in the level of forest products imports and would have a nil or negligible effect on the domestic industry and on U.S. consumers. U.S. imports of forest products from Israel declined by 38 percent during 1979-83, from $8 million to $5 million, and were equivalent to less than 0.5 percent of total U.S. imports from all sources during the period. Israel produces only small quantities of forest products compared with production of the United States, and, in terms of trade with the United States, is a net importer of forest products. The Israel deficit in forest products trade with the United States increased by 41 percent, from $27 million in 1979 to $38 million in 1983. The chief U.S. export to Israel was kraft linerboard, which accounted for 46 percent of total U.S. forest products exports to Israel in 1983.

TEXTILES, APPAREL, AND FOOTWEAR 1/

U.S. Sector Profile and Conditions of Competition

The major industries covered here include (1) the textile industry, manufacturing yarns, fabrics, and furnishings such as carpets, sheets, and towels; (2) the apparel industry, making clothing and accessories from textile materials, feathers (e.g., down), fur, leather, rubber, and plastics; and (3) the footwear industry, producing rubber footwear (made primarily from rubber, plastics, and fabric) and nonrubber footwear (made primarily from leather and vinyl). 2/ Also included is the textile fiber industry, which consists of cotton and wool growers and manmade fiber producers.

U.S. textile and apparel sector

The textile and apparel sector, including fiber producers, plays a major role in the U.S. economy, but its importance relative to the overall industrial sector continues to decline. Between 1979 and 1983, the total value of its shipments rose at an average annual rate of 3.8 percent, from $101 billion to nearly $117 billion (table 15). However, its share of the nation's industrial activity remained fairly stable during the period at 5 percent. Total employment in the textile and apparel sector of 1.97 million

1/ Included here are the commodities classified in the following portions of the Tariff Schedules of the United States: Schedule 3 (Textile fibers and textile products), and pts. 1(A), 1(B), 1(C), 12(C (pt.)), 12 (D (pt.)), and 13(B) of Schedule 7 (Specified products; miscellaneous and nonenumerated products).

2/ It should be noted that textile and apparel items subject to trade agreements, which account for the bulk of the imports, and virtually all footwear are excluded from duty-free treatment under the Generalized System of Preferences, pursuant to sec. 503(c)(1) of the Trade Act of 1974 and under the Caribbean Basin Economic Recovery Act of 1983 (Caribbean Basin Initiative).

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Table 15.--Textiles and apparel (including textile fibers and miscellaneous leather products): U.S. producers' shipments, imports, exports, apparent consumption, and employment, 1979-83

Item	1979	1980	1981	1982	1983
Producers' shipments 1/--------million dollars--	100,804	105,956	114,129	108,805	117,176
U.S. exports:					
Total--------do--	7,107	8,714	8,207	6,519	5,753
To Israel--------do--	48	41	61	48	31
U.S. imports:					
Total--------do--	8,106	9,082	10,843	11,270	13,272
From Israel:					
Total--------do--	26	18	18	19	24
Duty free under GSP--------percent--	9.1	14.5	17.0	17.0	10.9
Duty free under col. 1--------do--	.1	.8	.3	.2	.2
Dutiable--------do--	90.8	84.7	82.7	82.8	88.9
Apparent consumption--------million dollars--	101,803	106,324	116,765	113,556	124,695
Ratio of--					
Imports from Israel to total U.S. imports percent--	0.3	0.2	0.2	0.2	0.2
Total U.S. imports to consumption--------do--	8.0	8.5	9.3	9.9	10.6
Imports from Israel to consumption--------do--	2/	2/	2/	2/	2/
Total employment 3/--------1,000 workers--	2,285	2,200	2,153	1,996	1,978

1/ Partly estimated by the staff of the U.S. International Trade Commission.
2/ Less than 0.05 percent.
3/ Compiled primarily from official statistics of the U.S. Bureau of Labor Statistics; does not include employment in production of cotton and wool fibers.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

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workers during 1983 was almost 14 percent lower than the 1979 level of 2.29 million workers, resulting in a decline in its share of the nation's industrial workforce from 10.9 to 10.3 percent.

U.S. consumption of textiles and apparel increased at an average annual rate of 5.2 percent during 1979-83, from about $92.0 billion to $112.5 billion (table 16). Imports climbed by about 13 percent annually during 1979-83, from $7.8 billion to $12.7 billion, thereby expanding their share of the domestic market from 8.5 to 11.3 percent. 1/ However, import penetration varies considerably by individual products, ranging from negligible to 50 percent or higher for certain apparel items. U.S. exports, on the other hand, decreased from slightly more than $4.1 billion in 1979-81 to $3.1 billion in 1983.

The largest impact of imports on this sector has been confined primarily to apparel, which accounted for all the sector's trade deficit during the last 5 years, with the exception of 1983, when textiles recorded its first deficit in at least 5 years. The sector's deficit reached a record $9.5 billion in 1983, 160 percent greater than the 1979 deficit of $3.7 billion. The deficit for apparel in 1983 totaled $8.8 billion, compared with $4.8 billion in 1979. Textiles incurred a deficit in 1983 of $762 million after having enjoyed a favorable trade balance of slightly more than $1.0 billion in 1979 and 1980 and $692 million in 1982. The textile and apparel industries are linked economically, since about 40 percent of U.S. textile output is consumed in domestic apparel production. Thus, changes in U.S. apparel production levels significantly affect overall demand for U.S.-produced textiles.

The deteriorating trade balance during the 1980's stemmed primarily from increased imports of apparel, generated primarily by the "Big Four" suppliers

1/ The import value used in the calculations is the customs value, which excludes U.S. import duties, freight, insurance, and other charges incurred in bringing the goods to the United States.

Table 16.—Textiles and apparel (excluding textile fibers and miscellaneous leather products): U.S. producers' shipments, imports, exports, apparent consumption, and employment, 1979-83

Item	1979	1980	1981	1982	1983
Producers' shipments 1/——million dollars—	88,318	93,326	100,243	97,266	102,987
U.S. exports:					
Total——do—	4,101	4,839	4,824	3,714	3,145
To Israel——do—	41	31	33	37	26
U.S. imports:					
Total——do—	7,777	8,695	10,332	10,826	12,686
From Israel:					
Total——do—	25	18	18	18	23
Duty free under GSP——percent—	7.9	13.1	15.5	15.5	10.3
Duty free under col. 1——do—	.1	.8	.4	.2	.2
Dutiable——do—	92.0	86.1	84.1	84.3	89.5
Apparent consumption——million dollars—	91,994	97,182	105,751	104,378	112,528
Ratio of—					
Imports from Israel to total U.S. imports percent—	0.3	0.2	0.2	0.2	0.2
Total U.S. imports to consumption——do—	8.5	8.9	9.8	10.4	11.3
Imports from Israel to consumption——do—	2/	2/	2/	2/	2/
Total employment 1/——1,000 workers—	2,193	2,115	2,071	1,918	1,906

1/ Covers SIC 22 (textile mill products), SIC 23 (apparel and other textile products), and SIC 3151 (leather gloves and mittens); partly estimated by the staff of the U.S. International Trade Commission.
2/ Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

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(Hong Kong, Taiwan, the Republic of Korea (Korea), and China). Their shipments of textiles and apparel rose by 57 percent during 1980-83, to a total of $7.3 billion, representing 55 percent of total imports. However, because their shipments were concentrated in apparel, their share of total apparel imports averaged 67 percent in 1983.

Most of the Big Four's shipments are covered by quotas under bilateral agreements that expire at the end of 1987. The allowable annual growth for the quota items was limited to 1 percent for Hong Kong, Taiwan, and Korea and just under 4 percent for China. However, a significant share of their increased shipments in 1983 came in unrestricted categories, prompting the administration to initiate steps to establish additional quotas.

The increasingly tighter restrictions being placed on the Big Four not only encouraged them to move into unrestricted product categories and trade up to higher value-added goods to maximize export earnings, but also spurred many new and secondary suppliers to accelerate their shipments to the U.S. market. Japan, the fifth largest single supplier, whose own domestic apparel market has recently shown little growth, increased its shipments of textiles and apparel to the United States from just under $800 million in 1981 and 1982 to almost $928 million in 1983. The EC, benefiting from favorable exchange rates, no U.S. restrictions on its shipments, and fashion expertise, expanded its exports to the United States of textiles and apparel from an annual average of $1.1 billion during 1980-82 to $1.3 billion in 1983. In addition, several smaller but growing suppliers, such as Sri Lanka, Thailand, Malaysia, Indonesia, Mauritius, Maldives, and Peru, concentrated their production in only a few items, thereby increasing their importance in the U.S. marketplace. To further control such imports, the administration took steps to set additional quotas on shipments from several new and small suppliers during 1983.

U.S. imports of most textiles and apparel have been subject to control under the Multifiber Arrangement (MFA) since 1974. 1/ Sanctioned by the General Agreement on Tariffs and Trade, the MFA provides a framework within which importing countries can negotiate agreements with exporting countries to limit their shipments of textiles and apparel of cotton, wool, and manmade fibers. The United States has such agreements with 25 countries, 22 of which are MFA signatories. 2/ Generally, the agreements in effect during 1979-81 provided for annual quota growth of 6 percent, although exports of certain high-volume apparel items from major suppliers were held to lower growth rates. In addition, exports could be increased significantly under the so-called flexibility provisions which allowed the supplying countries to "carryover" unused quota from the preceding year, "carryforward" or borrow quota from the following year, and "swing" or shift unused quota between product categories in a given year. 3/

More recently, the administration has pledged to relate growth of textile and apparel imports to domestic market growth, which was estimated to be between 1 and 2 percent in unit volume in recent years. The greatest impact thus far has been on the Big Four, with more restrictive 6-year agreements being concluded with Hong Kong, Taiwan, and Korea retroactive to January 1,

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1/ Officially known as the Arrangement Regarding International Trade in Textiles, the MFA went into effect in January 1974 for 4 years, was extended twice, and now runs through July 1986.

2/ U.S. authority to enter into agreements with signatory and nonsignatory countries is provided under sec. 204 of the Agricultural Act of 1956 (7 U.S.C. 624). The MFA signatories include Brazil, China, Colombia, the Dominican Republic, Haiti, Hong Kong, Hungary, India, Indonesia, Japan, Korea, Macau, Malaysia, Mexico, Pakistan, the Philippines, Poland, Romania, Singapore, Sri Lanka, Thailand, and Yugoslavia. The nonsignatories include Taiwan, Costa Rica, and Mauritius, agreements with whom are similar to those negotiated with MFA signatories.

3/ Most agreements provide that carryover and carryforward cannot exceed 11 percent of the receiving category's quota and that no more than 7 percent can come from carryforward. Swing was usually limited to not more than 7 percent.

1982, and a 5-year agreement with China retroactive to January 1, 1983. In addition, on December 16, 1983, the administration announced new guidelines with respect to administering the textile and apparel trade agreements program that resulted in an increased number of actions being taken to negotiate additional quotas on U.S. textile and apparel imports. During the remaining 15 days of 1983, requests for consultations leading to the establishment of quotas were made to Hong Kong covering nine product categories; Taiwan, eight categories; Korea and China, four categories each; Egypt and Indonesia, two categories each; and India, Thailand, and Turkey, one category each. 1/

Apparel industry.--Although apparel shipments increased at an average annual rate of 4.7 percent between 1979 and 1983, from $43 billion to almost $52 billion, no real growth occurred. Output for SIC 23 (predominantly apparel) in 1983, measured in terms of 1972 dollars, decreased by 3 percent compared with the 1979 level. The increased value of shipments reflected primarily higher prices stemming largely from higher manufacturing and material costs, which represent about two-thirds of apparel-manufacturing costs, and higher interest expense.

Apparel production takes place in more than 23,000 establishments, with less than 15 percent employing 100 or more workers in 1981, according to official statistics of the U.S. Department of Commerce. Slightly more than one-half of the establishments are located in the Northeast, especially in New York. However, the South, which has half as many plants as the Northeast, is the largest employer, with about 40 percent of the industry's workforce

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1/ Slightly more than 100 product categories are used to monitor textile and apparel imports for quota purposes. The imports are grouped under three-digit category numbers according to their fiber content (cotton, wool, or manmade fibers), product group (yarn, apparel, or furnishings) and fabric construction (knit or not knit).

compared with about 30 percent in the Northeast. Apparel plants in the South employ, on the average, more than twice as many workers as those in the Northeast, reflecting primarily the South's newer and larger plants and its greater number of producers of men's apparel, which usually operate on a larger scale than the more fashion-oriented women's apparel producers.

Average employment in the apparel industry declined from 1.30 million in 1979 to 1.17 million in 1983. Moreover, official statistics of the U.S. Bureau of Labor Statistics show that the unemployment rate for apparel workers in 1983 rose to 12.4 percent from 9.8 percent in 1979; for all manufacturing, the unemployment rate increased to 11.2 from 5.5 percent.

The hourly wage of apparel production workers during 1983 averaged $5.37, compared with $8.84 for all manufacturing; nevertheless, it remained considerably higher than the hourly rates of $1.50 or less paid in Hong Kong, Taiwan, Korea, and China. This disparity is significant since labor, on the average, accounts for about one-third of the wholesale value of U.S.-produced apparel.

Although productivity in the apparel industry has increased by about 2 percent annually in recent years, this improvement has not sufficiently closed the price gap between U.S. and Asian producers. In the short run, the industry will probably have limited productivity improvement, because many manual operations are involved, fabric handling currently cannot be fully automated, and fashion and seasonal changes often dictate small production runs. Moreover, the industry's fragmented structure, consisting of a large number of small companies that often lack adequate capital, limits its use of capital-intensive technology. The latest data of the U.S. Department of Commerce indicate that annual capital expenditures in the industry averaged almost $600 per production worker, compared with about $5,800 for all manufacturing. The industry's labor intensity, as measured by the ratio of payroll to value added by manufacture, was 46 percent in 1981 versus 41 percent for all manufacturing.

Textile industry.--Textile shipments increased by 13 percent during 1979-83, from $45 billion to $51 billion. In terms of 1972 dollars, the industry's (SIC 22) output decreased by 14 percent between 1979 and 1982 and then rose by 9 percent in 1983.

The number of textile mills totaled more than 6,000, about two-thirds of which employed fewer than 100 workers each. In addition, more than 6,000 establishments cut and sewed fabric into curtains, draperies, and other furnishings. The mills are located primarily in the Southeast, especially in the Carolinas and Georgia.

Average employment in the textile industry during 1983 totaled 732,100, 17 percent lower than the 1979 level. Average hourly wages of textile production workers remained higher than those of apparel production workers--$6.18 and $5.37, respectively. Because of the recession and the resulting decline in production during 1981 and 1982, the unemployment rate of textile mill production workers rose to 13.5 percent in 1982 from 6.4 percent in 1979 and then declined to 9.6 percent in 1983.

To better compete in both the domestic and foreign markets, the U.S. textile industry has been modernizing its spinning, weaving, and finishing equipment. This has been accompanied by a high degree of specialization, as mills concentrate on high-volume products and deemphasize low-volume items or products which do not lend themselves to new, high-speed production equipment. This modernization, coupled with economies of scale and access to competitively priced fiber, has made U.S. producers cost and product competitive vis-a-vis foreign producers in producing most types of manmade-fiber fabrics as well as many types of medium and better quality cotton fabrics. The lower and medium quality cotton fabrics demanded domestically have come increasingly from countries such as Pakistan and China, which have not only low-cost labor, but locally grown cotton as well. The finer, lightweight manmade-fiber fabrics sought in the U.S. market have been imported primarily from Japan.

Footwear sector

U.S. consumption of rubber and nonrubber footwear increased from $7.6 billion in 1979 to a high of $8.4 billion in 1981 before declining to $7.9 billion in 1982 (table 17). As the economy recovered in 1983, consumption rebounded to an estimated $8.8 billion, for an overall average annual growth of 3.9 percent during 1979-83. Most of this growth was generated by imports, which rose by 8.3 percent annually, from $2.9 billion in 1979 to a record $4.0 billion in 1983. With U.S. producers' shipments showing little growth during the period, imports' share of the domestic market, in terms of value, rose from 38 to 45 percent. U.S. producers' shipments expanded from $4.7 billion in 1979 to $5.4 billion in 1981 and then fell to slightly less than $5.0 billion in 1982 and 1983. U.S. footwear exports, after accelerating from $83 million in 1979 to almost $141 million in 1981, declined to $102 million in 1983, when they represented 2 percent of U.S. producers' shipments.

Nonrubber footwear.--The domestic industry making nonrubber footwear has been contracting in size over the years, with the number of workers employed declining from 149,000 in 1979 to an estimated 133,000 in 1983. U.S. production of nonrubber footwear declined steadily during the period, from 399 million pairs in 1979 to an estimated 341 million pairs in 1983, marking a continuation of a long-term downward trend since the 1960's, when the industry

Table 17.—Footwear: U.S. producers' shipments, imports, exports, apparent consumption, and employment, 1979-83

Item	1979	1980	1981	1982	1983
Producers' shipments——million dollars—	4,746.2	5,166.1	5,406.6	4,616.4	1/ 4,922.1
U.S. exports:					
Total——do——	83.1	130.8	140.6	119.6	102.2
To Israel——do——	0.3	0.1	0.4	1.0	0.4
U.S. imports:					
Total——do——	2,908.6	2,957.1	3,141.2	3,433.6	4,007.3
From Israel:					
Total——do——	0.2	0.3	0.3	0.2	0.4
Duty free under GSP——percent—	–	–	–	–	–
Duty free under col. 1——do——	–	–	–	–	–
Dutiable——do——	100.0	100.0	100.0	100.0	100.0
Apparent consumption——million dollars—	7,571.7	7,992.4	8,407.2	7,930.4	1/ 8,827.2
Ratio of—					
Imports from Israel to total U.S. imports percent—	2/	2/	2/	2/	2/
Total U.S. imports to consumption——do——	38.4	37.0	37.4	43.3	45.4
Imports from Israel to consumption——do——	2/	2/	2/	2/	2/
Total employment——1,000 workers—	169	165	165	156	1/ 152

1/ Partly estimated by the staff of the U.S. International Trade Commission.
2/ Less than 0.05 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

annually produced more than 600 million pairs. By contrast, imports, after dropping from 405 million pairs in 1979 to an average of 370 million pairs in 1980 and 1981, increased to 480 million pairs in 1982 and to a record 582 million pairs in 1983. 1/ Consequently, imports' market share reached almost 64 percent in 1983 compared with 51 percent in 1979.

Imports of nonrubber footwear from the major suppliers--Taiwan and Korea--were controlled under orderly marketing agreements (OMA's) that were in effect for 4 years, expiring on June 30, 1981. Although imports from these countries in 1978-81 were lower than their 1977 highs, imports from uncontrolled countries increased significantly in 1978 and 1979 before returning to lower levels in 1980 and 1981. Since the OMA's expired in mid-1981, imports have increased significantly, with most of the growth being generated by Taiwan and Korea, which supplied 42 and 20 percent, respectively, of total imports in 1983. From 1981 to 1983, imports from Taiwan climbed by 105 percent to a record 243 million pairs, and those from Korea rose by 170 percent to a high of 119 million pairs. Significant increases were also recorded in imports from Brazil, whose shipments rose from about 32 million pairs in 1979 and 1980 to about 42 million pairs in 1981 and 1982, and then to 64 million pairs in 1983.

Rubber footwear.--U.S. production of rubber footwear, occurring in approximately 60 establishments, fluctuated within a narrow range in recent

1/ On the basis of a petition filed on Jan. 23, 1984, on behalf of the Footwear Industries of America, Inc., the Amalgamated Clothing & Textile Workers Union, AFL-CIO, and the United Food & Commercial Workers International Union, AFL-CIO, the Commission on Feb. 3, 1984, instituted an investigation on nonrubber footwear (No. TA-201-50) under sec. 201 of the Trade Act of 1974. The Commission will determine whether imports of nonrubber footwear are a substantial cause or threat of serious injury to the domestic industry, with the determination scheduled to be made during the week of June 4, 1984.

years, declining from 112 million pairs in 1980 to 103 million pairs in 1982. Imports, after totaling 220 million pairs in 1978, decreased to just under 150 million pairs in 1979 and 1980 before increasing to 166 million pairs in 1981. They continued to decline in 1982, to 128 million pairs, before rebounding somewhat to 132 million pairs in 1983. Imports supplied slightly more than 60 percent of the domestic market, in terms of quantity, in recent years.

The widely fluctuating import levels during 1979-83 largely reflected changing trade patterns with Korea and Taiwan, which together supplied 72 percent of the rubber footwear imports during the period. Partly as a result of the expiration of the OMA's on nonrubber footwear, imports of rubber footwear from Korea and Taiwan dropped by 28 percent from 1981 to 1983, whereas their shipments of nonrubber footwear climbed by 122 percent. This shift was made largely because the expiration of the OMA's provided them with the opportunity to increase their shipments of nonrubber footwear and to avoid the significantly higher U.S. duties on rubber footwear. The rates of duty on rubber footwear range from 20 to about 67 percent ad valorem compared with an average of less than 10 percent ad valorem for nonrubber footwear.

Israel Sector Profile

The textile, apparel, leather products, and footwear sector plays an important role in Israel's economy, generating approximately 12 percent of the total revenue and employing 18 percent of the work force of the industrial sector 1/ during 1980-82. During the mid-1950's, Israel, like other developing

1/ Excludes persons employed in the diamond industry, which employs approximately 9,500 persons.

countries without an established industrial base, developed the textile and apparel industry as a readily available source of employment. Israel continues to promote further development of the industry as a source of employment for unskilled and semiskilled immigrants and for the local Arab workers. 1/ Howevur, the industry is affected by Israel's shortage of professional manpower.

The textiles, apparel, leather products, and footwear sector consists of about 1,500 companies with over 2,000 establishments (i.e., factories, textile mills, and tanneries), with employment remaining fairly stable at about 50,000 in the last 3 years. The sector's largest industry in terms of plants and employment is the apparel industry, consisting of approximately 1,300 establishments and 34,000 employees. The textile industry employs about 22,000 persons in 400 establishments, and footwear and leather products employ over 3,000 persons in 375 plants. 2/

The textile and apparel industries are characterized by many small firms and a few large vertically integrated companies, including Polgat Enterprises, considered to be among the most efficient textile and apparel producers in the world. 3/ The company, which began production in 1963 with 200 employees, employed 8,000 in 1981. Polgat Enterprises exports 98 percent of its apparel production, with its exports having increased from $5.5 million in 1963 to $80 million in 1981. The largest markets for its products are the United Kingdom and West Germany. 4/

1/ Report from U.S. Embassy, Tel Aviv, Aug. 17, 1982.
2/ Central Bureau of Statistics, Statistical Abstract of Israel 1983, No. 34, pp. 451-52, and data supplied by the Embassy of Israel, Washington, D.C.
3/ "Israel," New York Times Magazine, sec. 6, Sept. 11, 1983, p. 17-1.
4/ "Survey of Israel," Leather, June 1983, p. 23.

Wages in the Israel textile and apparel industry, averaging $2.78 per hour in April-June 1983, 1/ are higher than the hourly wages of $1.50 or less earned in some of the principal producing countries (i.e., Hong Kong, Korea, and Taiwan), but are lower than the estimated $5.75 per hour earned during the same period in the United States. Productivity in Israel's apparel industry is, reportedly, lower than in the U.S. apparel industry; productivity per hour in terms of U.S. dollars in 1982 averaged $11.65 in the U.S. industry compared with $4.89 in the Israel industry. 2/ Israel Embassy sources stated that one reason for Israel's low productivity is that extra employees must be kept on company payrolls to make up for those that must serve the country's mandatory military service of approximately 6 weeks per year. Because of increased competition from the low-wage supplying countries, Israel's textile and apparel industry concentrates on producing higher quality, more expensive merchandise, especially for export.

Textile industry

Revenue earned by Israel's textile industry increased from $613.2 million in 1980 to $794.7 million in 1982; however, much of this increase reflects inflation. 3/ According to Israel's Central Bureau of Statistics, the textile production index, in terms of fixed prices, increased by 7 percent from 1980 to 1982, with the increase generated entirely by weaving and knitting operations, as shown in the following tabulation (1978=100): 4/

1/ Werner Managment Consultants, Inc., New York.

2/ Productivity per hour data were supplied to the Commission staff by the Embassy of Israel, Washington, D.C.

3/ Israel's Central Bureau of Statistics, op. cit., p. 454. Revenue reported in Israel shekels was coverted into U.S. dollars using the International Monetary Fund's exchange rates of 5.1243 shekels per dollar in 1980 and 24.266 shekels per dollar in 1982.

4/ The production index utilizes the added value at fixed prices produced by the industry.

Industry segment	1980	1981	1982
Spinning and winding, including cotton gins	103.8	96.1	95.8
Weaving of fabric and manufacture of synthetic yarn and fabrics	88.2	92.2	102.5
Dyeing, bleaching, printing, and finishing	74.3	72.5	67.6
Knitting mills	126.2	147.4	158.7
Other	116.1	111.3	111.8
Total	95.5	95.8	101.8

Raw cotton cultivation, which began at the same time as the development of the textile industry during the 1950's, consists largely of a high-quality, medium staple length cotton; it totaled 95,700 tons in 1982. 1/ Only about a third of the crop is purchased by the local textile industry; the remainder is exported. Production of manmade-fiber staple was much less than that of cotton, totaling 7,700 tons in 1982.

Israel's production of yarn decreased during 1979-82, declining from 41 million tons in 1979 to 34 million tons in 1981 before rebounding to 38 million tons in 1982. A significant part of the decline came in cotton yarn production, which more than offset the increase in manmade-fiber yarn output, as shown in the following tabulation (in millions of tons): 2/

1/ The International Cotton Advisory Committee, Cotton-World Statistics, October 1983, p. 22.

2/ Cotton yarn statistics are taken from Cotton World Statistics, January 1984, published by the International Cotton Advisory Committee; manmade-fiber yarn statistics are taken from The Textile Organon, June 1983, published by the Textiles Economics Bureau, Inc; and wool yarn statistics are taken from the Statistical Abstract of Israel, 1983, published by Israel's Central Bureau of Statistics.

Yarn type	1979	1980	1981	1982
Cotton	20.9	17.6	15.4	18.7
Manmade-fiber	10.9	11.6	11.6	12.7
Wool	9.6	8.4	7.8	7.1
Total	41.4	37.6	34.8	38.5

Although manmade-fiber yarn production increased during 1979-82, the industry operated at a capacity utilization rate of about 72 percent in 1982. 1/

Despite showing little overall growth during 1980-82, Israel's textile industry increased its investment in new plants and equipment. In terms of 1976 dollars, it spent $115 million in 1982 compared with $87 million in 1976. 2/ In addition, a large manufacturer, Dimona, opened a refurbished plant in May 1982 and announced plans to export towels and yarns to the U.S. market. 3/

Apparel industry

Israel apparel production totaled $810 million in 1982. 4/ This represented a slight decline from the 1981 level but a 10-percent increase from the 1980 level, in terms of fixed prices, according to the apparel production index shown in the following tabulation (1978=100): 5/

Item	1980	1981	1982
Outerwear	98.7	111.2	106.0
Underwear	120.0	120.1	133.3
Finished textile goods and other apparel	111.2	110.1	138.4
Total	104.3	114.3	114.0

1/ Textile Economics Bureau, Inc., The Textile Organon, June 1983, p. 85.
2/ Predicasts, Inc., PTS International Forecasts, 1983.
3/ Report from the U.S. Embassy, Tel Aviv, Aug. 17, 1982.
4/ "Israel," Aushandel, West Germany, Mar. 29, 1983, p. 1.
5/ Compiled by Israel's Central Bureau of Statistics.

The apparel industry operated at a capacity utilization rate of only 70 percent in 1982, 1/ primarily because of decreased demand for apparel in Israel's major export market, the EC. The health of Israel's apparel industry is largely dependent on exports, since about one-half of Israel's apparel output is exported. Approximately 300 of the 1,000 apparel firms in Israel export, with the 10 largest companies together accounting for 50 percent of the exports. 2/

The industry and the Israel Government are promoting exports of apparel as a means of strengthening the industry. The Government offers designer fellowships and low-interest loans to apparel producers. 3/ The industry is attempting to compete effectively with the Asian producers by investing in modern computer-controlled technology, emphasizing quality and design creativity in its exported products, and establishing international distribution networks. 4/ Plant and equipment investment in the apparel industry totaled $55 million in 1981 and 1982. 5/

The Israel glove industry is small, consisting of less than five firms. 6/ Production of leather and textile dress and work gloves totaled approximately $340,000 in 1982, and none of these gloves were exported. However, Israel supplied the U.S. market with 6,000 dollars' worth of rubber and plastic gloves in 1983.

Leather products industry

Israel's production of footwear, leather, and leather products increased by 12 percent from 1980 to 1982 on the basis of the industrial production

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1/ Supplied by the Embassy of Israel, Washington, D.C.
2/ "Israeli Knitters Rely on Exports," Knitting Times, Vol. 51, No. 28, Sept. 13, 1982, p. 41.
3/ Aushandel, Nov. 15, 1982, p. 3.
4/ Textile Week, Jan. 27, 1983, p. 70.
5/ Aushandel, Mar. 29, 1983, p. 1.
6/ Data supplied by the Embassy of Israel, Washington, D.C.

index for this industry. 1/ Footwear and miscellaneous leather products, which includes leather apparel, accounted for this overall increase, as shown in the following tabulation (1978=100):

Item	1980	1981	1982
Leather	97.8	97.6	81.2
Footwear	91.3	95.4	109.3
Other leather products (including apparel)	58.9	62.9	68.2
Total	84.6	87.9	94.5

The leather apparel industry in Israel is relatively small, consisting of 30 manufacturers. However, the industry is growing and is employing higher levels of automation in production and promoting exports. 2/ Approximately 80 percent of its output of leather garments, which totaled between 250,000 to 300,000 garments in 1982, was exported. The five largest manufacturers accounted for most of the output and are the only firms to export. The value of Israel leather apparel production declined from $19.5 million in 1977 to $19.0 million in 1981, when six firms went out of business and the most well-known leather garment producer, Beged Or, was saved from bankruptcy by Polgat Enterprises. Because of intense price competition from Korea, the Israel leather apparel industry concentrates on production of high quality and fashion products. Although some high-quality leather is tanned in Israel, large quantities are imported to meet local demand.

The Israel footwear industry consists of 20 modern, automated manufacturers, which together supply 40 percent of Israeli footwear consumption,

1/ Industrial production index taken from Israel's Central Bureau of Statistics.
2/ "Survey of Israel," Leather, June 1983, p. 22.

and 600 small workshops, which together also supply 40 percent of the Israeli market. The remaining 20 percent of the market is supplied by imports. 1/ The number of firms decreased from the 1,000 small workshops which existed in 1977, as the footwear industry has been consolidating and adopting modern machinery and advanced techniques and investing in the training of skilled designers.

Production of footwear in 1981 totaled 10.5 million pairs, representing an increase of 8 percent over the 9.8 million pairs produced in 1977. 2/ According to Israel's Central Bureau of Statistics' production index, footwear production increased by 15 percent in 1982 over the 1981 level. 3/

Israel Exports

Israel's exports of textiles, apparel, leather products, and footwear after increasing from $439 million in 1979 to an alltime high of $576 million in 1980, decreased by 11 percent in 1981 to $511 million and by another 7 percent in 1982 to $474 million, according to statistics of the United Nations. Israel's exports of these products were largely influenced by market conditions in the EC, where 71 percent of its exports went during 1979-82 and which has had a free-trade agreement with Israel since 1977. Since that time, the relative importance of the United States as a market for these products has diminished, with its share of Israel's exports, having amounted to almost 12 percent in 1978, declining to 6 percent in 1979 and to about 4 percent during 1980-82.

On a product basis, apparel was by far the most important item exported by Israel, accounting for almost one-half of the sector's exports during

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1/ Ibid., p. 19.
2/ Ibid.
3/ Israel's Central Bureau of Statistics, op. cit., p. 458.

1979-82. Slightly more than one-half of the apparel exports consisted of knit garments. Textile fibers were the second most important export item, representing a one-fourth of the exports during the period and consisting mostly of raw cotton. The remainder of the exports during 1979-82 were concentrated in textile furnishings, such as floor coverings, sheets, towels, and yarn and thread.

Exports to the United States

Israel's exports of textiles, apparel, leather products, and footwear to the United States declined during 1979-83, according to official import statistics of the U.S. Department of Commerce. U.S. imports of these products from Israel declined from $26 million in 1979 to an annual average of slightly less than $19 million in 1980-82 before increasing to almost $24 million in 1983 (table 15). In 1983, apparel represented 48 percent of the imports; textiles, 26 percent; textile furnishings, 24 percent; and footwear, 2 percent. Knit garments accounted for 88 percent of the apparel shipments and consisted primarily of manmade-fiber swimsuits, hosiery, and sweaters.

Women's swimwear from Israel, averaging $5 million annually during 1979-83, accounted for 22 percent of the value but only 4 percent of the quantity of total U.S. women's swimwear imports in 1983. The Israel swimsuits were valued at $140 per dozen (customs value), compared with $22 per dozen for women's swimwear imports from all other countries. The majority of "better" women's swimsuits sold in the U.S. market in 1983 retailed between $28 and $38 each, but the high fashion "Gottex" Israeli swimsuits were priced between $45 and $66 each. In 1982, imports from all sources accounted for about 16 percent of U.S. consumption of women's swimwear, in terms of quantity, and those from Israel represented 1 percent of the total.

Pantyhose imports from Israel decreased significantly, from $5 million in 1979 to $2 million in 1983, when they represented 22 percent of the value and 36 percent of the quantity of total U.S. pantyhose imports. The Israeli hosiery was valued at $3.64 per dozen (customs value) compared with $5.88 per dozen for all pantyhose imports. Approximately two-thirds of the quantity of pantyhose shipments from Israel were imported under TSUS item 807.00, containing a U.S.-made component of negligible value. Industry sources indicate that the Israel products were used primarily to cover consumer demand surges in both branded and private-label hosiery sold to drug and food chains. Overall, the quantity of pantyhose imports from all sources in 1983 amounted to less than 1.4 percent of U.S. consumption, with imports from Israel accounting for 0.5 percent of consumption.

Of all the textile, apparel, leather products, and footwear imported from Israel in 1983, 89 percent were subject to duties, and the remainder were entered duty-free. Most of the duty-free imports were entered under the GSP and consisted primarily of coated fabrics and fur apparel.

Exports to countries other than the United States

Exports from Israel to countries other than the United States in this sector, after totaling $269 million in 1978, rose to $411 million in 1979 and to $555 million in 1980, and then declined to $450 million in 1982. About 71 percent of Israel's exports during 1979-82 went to the EC. Since the free-trade agreement between the EC and Israel became effective on July 1, 1977, Israel's exports to the EC, after amounting to $194 million in 1978, rose to $317 million in 1979 and to a high of $424 million in 1980, and then, primarily because of adverse economic conditions in the EC, declined by 22 percent to $330 million in 1982.

Individually, the United Kingdom and West Germany were Israel's primary markets, together purchasing 45 percent of the total exports in this sector and 62 percent of the apparel exports in 1982. Overall apparel exports to the EC, after totaling $109 million in 1978, increased to $219 million in 1980 before decreasing to $191 million in 1982. Slightly more than one-half of these apparel exports in 1982 consisted of knit garments.

Position of Interested Parties

The industry is opposed to the granting of duty-free treatment to textile, apparel, leather product, and footwear imports from Israel. Industry representatives testified in public hearings that their business is already being substantially damaged by high import penetration and that additional imports, which would be encouraged by duty-free treatment, would cause injury to domestic manufacturers. Furthermore, they felt that although imports from Israel in this sector are currently at a low level, Israel's export industry could expand rapidly.

In a wider context, the representatives testified that granting Israel special trade status would set a bad precedent, encouraging a host of other nations to demand similar treatment. Also, given the tight quota restrictions on many apparel imports from major exporting countries, they feared that with the elimination of tariffs and therefore less careful examination by U.S. Customs, Israel might become a source of transshippments where the country-of-origin labels would be changed in order to circumvent quotas. (To date, the U.S. Customs Service has found no fraudulent trade coming either from or through Israel.)

If duty-free treatment is granted to imports in general from Israel, the industry representatives ask that imports of textile, apparel, leather product, and footwear be exempted. They cited several precedents for this exemption, including the Generalized System of Preference, which grants duty-free treatment for certain imports from developing countries, and the Caribbean Basin Initiative which grants duty-free treatment to imports from the Caribbean and certain countries of Central and South America. Both the GSP and the Caribbean Basin Initiative exempt most textile, apparel, and leather product imports from their duty-free programs.

Probable Effects of Duty-Free Imports From Israel

If imports of textiles, apparel, leather products, and footwear from Israel are granted duty-free treatment, they can be expected to increase significantly from their currently low levels but not enough to adversely affect the U.S. industry. Israel supplied less than 0.2 percent of U.S. imports of these products in 1983. Nevertheless, surges in imports from Israel could occur in individual products, especially in women's knit manmade-fiber swimsuits, where it already has achieved some success in the high-priced segment of the U.S. market. However, because its swimsuits are priced considerably higher than those produced by the U.S. industry and because consumer demand for such swimwear is fairly limited, the impact of the duty-free imports on the domestic industry should not be adverse. In addition, import increases could occur in other knit manmade-fiber apparel where it has some export production, since the removal of duties on manmade-fiber apparel of approximately 30 percent ad valorem and the absence of any U.S. restrictions on Israel's shipments would significantly enhance its competitive position in the U.S. marketplace.

Following the implementation of the Israel/EC free-trade agreement in 1977, Israel's shipments to the EC expanded from $194 million in 1978 to $424 million in 1980 and then declined during the recession to $330 million in

1982. Although 70 percent of Israel's exports of these products in 1982 went to the EC, Israel supplied only a negligible share of the EC's imports.

Duty savings will most likely benefit both importers/retailers and consumers, which are expected to benefit by lower prices, slower increases in prices, and greater availability of the products.

ENERGY AND CHEMICALS

U.S. Sector Profile and Conditions of Competition

This sector includes natural and synthetic chemicals in addition to coal, crude petroleum and natural gas and their products, and finished products of rubber and plastics. In 1982, there were more than 41,900 firms producing these items, about 0.3 percent more than the number of firms in 1979. These firms together employed about 2.4 million persons in 1982 and about 2.3 million persons in 1983 (table 18).

The value of production in this sector increased from $422 billion in 1979 to $651 billion in 1983. Products derived from petroleum constituted the largest product group in 1983, with a value of $193 billion. Crude petroleum was second largest at $90 billion, followed by natural gas and its products ($51 billion) and coal ($42 billion).

The value of U.S. consumption followed this general pattern, rising from $468 billion in 1979 to $691 billion in 1983. Again petroleum products was the largest group at $201 billion, followed by crude petroleum at $136 billion and natural gas and its products at $56 billion.

The U.S. balance of trade for this sector has been negative in recent years as shown in the following tabulation (in billions of dollars):

Item	1979	1980	1981	1982	1983
Imports	71.0	90.9	93.8	78.1	72.0
Exports	25.0	31.3	33.9	34.9	31.6
Balance of trade	-46.0	-59.6	-59.6	-43.2	-40.5

The balance of trade is dominated by the influence of imports of crude petroleum and natural gas and their products. The balance of trade for the