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A Return to Quotas

By JAMES KANTER and KEITH BRADSHER

LONDON, Nov. 8 - The trade agreement that the United States and China announced Tuesday, limiting China's clothing exports for the next three years, makes official what had already been happening: the return of quotas, at least for the world's largest textile and apparel power.

Even before Tuesday's pact, the United States had unilaterally imposed a series of emergency limits on 19 categories of garments and textiles, curtailing growth in exports to 7.5 percent a year despite an end to the global system of quotas last Jan. 1. The European Union reached its own agreement with China in the summer to limit exports.

The last-minute deal on Tuesday removed a persistent thorn in Chinese-American relations shortly before President Bush is to visit Beijing at the end of next week. And it ended the uncertainties that have caused multinational retailers like Wal-Mart to hold back on big purchases from Chinese suppliers for fear the shipments would be stopped by American customs officials.

The agreement, concluded in London by Commerce Minister Bo Xilai of China and Rob Portman, the United States trade representative, allows China to increase its exports slightly each year until 2008, but puts limits on the growth and includes a wider range of products than those already affected by restrictions.

Later on Tuesday, President Bush called the United States trade imbalance with China "bothersome" to some people and said that Beijing should do more to open the country's markets and promote greater currency flexibility.

Mr. Bush said in an interview with Asian journalists in Washington that the revaluation of the Chinese yuan in July was a "strong step forward" but that China "should continue to advance toward market-based evaluation of their currency, for the sake of the world, not just for the sake of bilateral relations."

The textile deal negotiated in London specifically covers 34 categories, replacing limits on 19 categories and adding 15 more. All of these would be allowed to grow by 10 percent in 2006, by 12.5 percent in 2007 and by 15 to 16 percent in 2008. Chinese exports surged as much as tenfold in some categories at the beginning of this year.

The impact of the agreement on consumers is expected to be small. Even before the quotas expired last year, Wal-Mart was buying less clothing from China than from Bangladesh, for example, where seamstresses earn a third of what their counterparts in China do.

Poorer nations like Bangladesh and India, which have had no quotas on their exports since January, are expected to continue to increase their shipments.

Clothing manufacturers have also spread their risk by producing in different countries. Willie Fung, the chairman of Top Form, the world's largest bra manufacturer, said on Sunday that export limits on his company's factories in China would compel him to export more from Top Form factories in the Philippines.

Manufacturers are also likely to take the initial steps of cutting and sewing garments in China and then ship them elsewhere for final assembly, thereby bypassing quotas. This was a common practice before the expiration of global quotas on Jan. 1, and a practice that American unions frequently denounced.

Some companies have said that they will use excess capacity in their Chinese factories to supply the domestic market in China and the rest of the world outside the United States and the European Union.

Chinese officials have said that they will try to use quotas for certain garments to push their manufacturers into the production of, say, more expensive shirts and away from T-shirts. This trend has started, with Bangladesh already emerging as a big T-shirt manufacturer.

Just as quotas on Japanese cars in the 1980's resulted in Japanese manufacturers like Toyota and Honda introducing luxury lines and challenging Detroit in a more profitable market, Chinese companies have been setting their sights on the market for more fashionable apparel and are expected to challenge European and American producers even more directly in years to come.

The limits are expected to only slow the loss of apparel jobs in the United States, especially in labor-intensive manufacturing like bras.

James Schollaert, the Washington representative for the domestic manufacturing committee of the Hosiery Association, said it took hard work to persuade trade negotiators to pay attention to the concerns of the dwindling number of domestic sock makers.

"We know we have three years to come up with other strategies to deal with predatory imports," Mr. Schollaert said.

Mr. Portman said at the signing ceremony that the deal was "fair to our retailers and our consumers" and that it would help resolve future trade disputes with China.

Mr. Bo, the commerce minister, took a critical tone toward quotas at the ceremony and called on developed countries to be more sensitive to China's need to prosper through free trade.

"Ambassador Portman has shown some flexibility at the end of the day, but I don't think that's enough - actually, that's still a far cry from our original expectations," Mr. Bo said.

The agreement took five months and seven rounds of talks. The uncertainty in the meantime had turned many in China's textile and apparel industry into unlikely supporters of a deal, even a deal that would limit Chinese exports.

"For me, it is very good. The most important thing is we know what will happen in the market," said Henry Ye, the chairman of Smartex Far East, which is based in Xiamen, China, and makes windbreakers for the American and Chinese markets. .

In many ways, the big negotiating breakthrough in textiles and apparel came not this week in London but in June in Shanghai, when Chinese negotiators reluctantly agreed to limit shipments of clothing and apparel to the European Union.

After that decision, trade experts said, a similar deal with the United States was only a question of time and of ironing out the many small details.

In one important detail, the United States obtained an even more stringent agreement than the European Union did. The American pact limits Chinese exports through 2008, whereas European negotiators were able to obtain a deal only through 2007.

Tuesday's agreement clears away a festering irritant in Sino-American relations. But many remain, including China's rapid military buildup in coastal provinces facing Taiwan, China's reluctance to let its currency appreciate more than a few hundredths of a percent each week, and China's rising trade surplus with the United States that includes a long and growing list of products.

The American trade deficit with China widened to $126.2 billion in the first eight months of this year, compared with $98.76 billion in the period last year. Chinese exports to the United States have exceeded Chinese purchases of American goods by nearly seven to one this year.

Textiles and garments do not even represent the biggest category of the American trade imbalance with China; bigger deficits have appeared for trade in machinery, electronics and furniture. But textiles and garments became an especially large thorn in bilateral trade relations because American manufacturers and their workers in the industry have unusual political influence in Washington and because international trade in textiles and apparel has long been covered by special rules.

The textile and garment industry is heavily concentrated in the South and has flirted over the years with both political parties.

Chinese officials have denounced limits on their exports as protectionism, and strongly objected to American and European pressure on them to impose limits. But the United States and other countries allowed China to join the World Trade Organization in November 2001, only after China agreed that other W.T.O. members would be allowed to restrict Chinese textile and apparel exports through 2008 if these exports surged and disrupted markets.

James Kanter reported from London for this article, and Keith Bradsher from Hong Kong. David Cay Johnston contributed reporting from New York.