

United States. In such cases there is competitive search for unused quota since shares of quotas are divided up among individual trading companies in the case of Japan, or among individual manufacturers in the case of Taiwan and Hong Kong, by industry organizations or by industry-government consultation. In some cases the governments initially hold back a portion of the quota to guard against accidental overshipments and the risk that goods ordered by the retailer will be embargoed on arrival in the United States.

But in most other countries such as Brazil, Korea, Poland, Portugal, Republic of China, and Yugoslavia, shipments are directly controlled by the United States at ports of entry. Permission for entry must be granted for each shipment. In the case of these shipments, the retailer faces the prospect of embargo of his goods and the impossibility of filling orders as planned. This happens if, unknown to the retailer, the quota in a particular category of cotton products allotted to a country is suddenly filled before the end of a year.

What problems arise for the retailer in a situation such as this? In most cases he will have surveyed consumer preferences, made buying trips, or covered all the various markets, planned his offerings for an up-coming selling season, and placed his orders far in advance. In some cases he will have issued printed promotions, with the expectation that goods he has ordered will be shipped and will be in demand by the consumer. If, during that considerable time, the quota for a category of cotton products allocated to an exporting country has become filled, and the goods have been shipped, what happens? The retailer finds that his order is embargoed by the Customs Bureau at the port of entry. He has already incurred the cost of shipping the goods. He now must pay storage fees to the Government for goods embargoed. If they cannot be transshipped, they must sit in storage until quota reopens. Having already promoted the goods to the public, in expectation of offering them, the retailer must now search quickly for some domestic source of replacements, usually at increased costs. Finally, when the embargoed products are released, they may well be obsolete in a rapidly changing, seasonal fashion market.

Since there is only an absolute amount of quota available for each product category with minimal flexibility, it is almost a rule of thumb that the more popular an item, the more difficult it is for competing retailers to purchase sufficient imports to justify marketing the product, and satisfy customer demand.

PROJECTED PROBLEMS IF NEW QUOTAS WERE ADOPTED

Adoption of quotas on additional consumer product imports into the United States would carry over many administrative difficulties into the full range of products now available to the American consumer.

Quota systems tend to freeze the relative proportion of imports of broad product areas as well as individual types of products in terms of a past-base period.

Therefore, if there is a particular market trend toward fashion products of manmade fibers, as an example, and if apparel of man-made fiber is subjected to quota restrictions, the retailer would be faced with one of two choices:

- (1) Cut short the supply of such items offered to the consumer,

or