

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/40

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Special Distribution

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## ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

### Article 3 Notifications

#### Agreement Between Australia and Hong Kong

The TSB has received from the Government of Australia a notification of an agreement between Australia and Hong Kong concerning trade in certain textile items. This agreement has been notified by Australia under Article 3, paragraph 4, of the Arrangement.

The TSB has examined the relevant documentation<sup>1</sup>, and has found that this agreement is in conformity with the provisions of the Article under which it is notified, as well as with the other provisions of the Arrangement.

The TSB is circulating this notification to participating countries in the Arrangement for their information.

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<sup>1</sup>In reviewing the notification the TSB had before it the supporting evidence for the restraints negotiated which was provided by Australia.

MEMORANDUM OF UNDERSTANDING

1. This Memorandum of Understanding sets out the arrangements that have been made between the Government of Australia and the Government of Hong Kong regarding the limits that the Government of Hong Kong will apply to exports of certain garments for importation into Australia, and details of the Export Authorization System which will apply to exports of certain other garments from Hong Kong for importation into Australia.

2. In making these arrangements, both Governments have had regard to the provisions of the Arrangement Regarding International Trade in Textiles and in particular to Article 3 of that Arrangement.

Annex I 3. The restraint arrangements apply to Hong Kong's exports to Australia of the items listed in Annex I to this Memorandum during the period 1 July 1974 to 30 June 1975. The Government of Hong Kong will limit exports of these items to Australia to the levels set out in Annex I, save as provided for in paragraphs 4 and 8.

4. For administrative reasons in the application of these arrangements, during the period from 1 August 1974 to 30 June 1975, the Government of Hong Kong will limit exports to Australia of the items listed in Annex I to eleven twelfths of the levels set out therein, save as provided for in paragraph 8.

Annex II  
Annex III 5. The Export Authorization System described in Annex II to this Memorandum applies to Hong Kong's exports to Australia of the items listed in Annex III to this Memorandum until 30 June 1975.

6. The Government of Hong Kong notes, in respect of the items set out in Annex III, that the Government of Australia sought quantitative limitations on exports from Hong Kong in terms of the levels of imports into Australia during the twelve months ended 30 April 1974.

7. For the purposes of these arrangements:

- (a) the products listed in Annexes I and III will be classified as if each product consists wholly of that fibre which predominates by weight;
- (b) where two or more fibres are of equal highest weight the fibre of equal highest weight which is subject to these arrangements will be deemed to predominate and to determine the classification of the product.

8. Exports may exceed the limits for any item by not more than seven and one half per cent; provided that corresponding reductions are applied in other items, it being understood that the total exports subject to restraint will not exceed

the aggregate level for all products so restrained on the basis of a common unit. For this purpose the square yard conversion factors listed in Column (f) of Annex I will apply.

9. The Government of Australia may refuse to admit imports of the items of Hong Kong origin listed in Annex I unless such imports are covered by a Hong Kong export licence endorsed by the Commerce and Industry Department, Hong Kong, to the effect that the consignments concerned have been debited to the limits set out in Annex I.
10. The Government of Hong Kong will provide the Government of Australia with fortnightly statistics of exports of the items listed in Annex I that have been licensed for export to Australia and debited to the limits let out in Annex I.
11. The Government of Australia will provide the Government of Hong Kong with monthly statistics of total imports, and imports from Hong Kong and from other significant suppliers, of each of the items listed in Annex I.
12. The Government of Hong Kong will forward to the Australian Commission in Hong Kong fortnightly returns showing the quantities covered by Export Authorizations issued to Hong Kong exporters for the items listed in Annex III.
13. The Commerce and Industry Department, Hong Kong will notify the Australian Commission prior to the issue of any Export Authorization should the Department consider that the quantities involved are exceptional having regard to normal trade volumes to Australia.
14. The Government of Australia and the Government of Hong Kong will consult together, at the request of either, on any matter arising from the implementation of these arrangements, and either Government may, at any time, propose revisions to their terms.
15. In particular, if the Government of Australia in the light of its desire to ensure the orderly and equitable development of trade with Australia in textiles, considers that, as a result of the application of the arrangements, there is undue concentration of exports, or the possibility thereof, in any particular product, the Government of Australia may request the Government of Hong Kong to consult with a view to remedial action such as a reasonable modification of these arrangements.
16. If the Government of Hong Kong considers that, as a result of the implementation of these arrangements, Hong Kong is being placed in an inequitable position vis-à-vis any third country, the Government of Hong Kong may request the Government of Australia to consult with a view to appropriate remedial action.
17. The Annexes to this Memorandum shall be considered as an integral part of it.

For the Government of Australia

For the Government of Hong Kong

Hong Kong, 23 August 1974

ANNEX I  
Restrained Items and Limits

(a) Item number	(b) Australian tariff item number	(c) Hong Kong classification number	(d) Description	(e) Limit in pieces	(f) Conversion factor from dozen to equivalent square yards
1	ex 60.05.1	ex 841 430 ex 841 431 ex 841 832	(i) SHIRTS, knit, outerwear, wholly or mainly of cotton or man-made fibres or wool, men's and boys' with		
	ex 60.05.1	ex 841 461 ex 841 462 ex 841 464 ex 841 465 ex 841 863 ex 841 866	(ii) JACKETS (other than tailored jackets), CARDIGANS, JUMPERS, SWEATERS and the like, knit, wholly or mainly of cotton or man-made fibres or wool, women's and girls', men's and boys'	4,116,944	29.1 sq.yds./doz.
2	ex 60.05.1	ex 841 369	DRESSES, knit, wholly or mainly of man-made fibres, women's and girls'	243,700	45.3 sq.yds./doz.
3	ex 60.05.1	ex 841 451 ex 841 452 ex 841 470 ex 841 482 ex 841 485 ex 841 494 ex 841 853 ex 841 860 ex 841 861 ex 841 872 ex 841 884 ex 841 887	PLAYSUITS, ROMPERSUITS, and TRACKSUITS, knits, wholly or mainly of cotton or man- made fibres, children's including infants (i.e. garments with a chest measurement less than 86 cm)	872,000 (subject to confirmation)	23.15 sq.yds./doz.

(a)	(b)	(c)	(d)	(e)	(f)
4	ex 61.02.2	841 130 ex 841 131 ex 841 149 ex 841 152 ex 841 155 841 156 ex 841 157 ex 841 159 ex 841 163 ex 841 151 ex 841 154	COATS, RAINCOATS and JACKETS, woven, wholly or mainly of cotton, or man-made fibres, women's and girls' and infants' (agreed description)	741,000	41.25 sq. yds./doz.
5	ex 61.02.3	ex 841 139 ex 841 142 ex 841 154	BLOUSES, woven, wholly or mainly of man-made fibres, women's and girls' and infants'	395,935	14.53 sq. yds./doz.

ANNEX II

Hong Kong Export Authorization System

- Att. A 1. All exports of textiles from Hong Kong are subject to export licensing. A specimen is at Attachment A. These licences are issued freely on application where no restraint or Export Authorization System with the importing country exists. They are valid for shipments within twenty-eight days of the date of issue.
- Att. B 2. An Export Authorization, a specimen of which is at Attachment B, guarantees the issue of an export licence or licences for the quantity authorized within a period of three months. The goods so authorized must, therefore, be exported within four months of the date of the issue of the Export Authorization. When an Export Authorization System is operating for a particular sector of trade, no export licences are issued unless an Export Authorization has first been obtained; and Export Authorizations are issued only against evidence produced by the applicant that a firm contract has been concluded.
3. The object of the Export Authorization System is to provide an accurate forward picture of export trends in circumstances where Hong Kong and the importing country both have cause to keep the trade under review. The inducement to an exporter to apply in advance for an Export Authorization is that it gives him an assurance that he will be able to obtain an export licence for contracted shipments. This assurance is of only limited value unless the shipments can also gain entry to the importing country; and an essential feature of an Export Authorization System is that it is operated only on the understanding that the importing country will, all normal conditions of entry being satisfied, accept the exports authorized in Hong Kong. In return for such an understanding, the importing country is provided with fortnightly returns showing quantities for which Export Authorizations have been issued.
4. At any time during the currency of the Export Authorization System, the importing country has the right to insist on the suspension of issue of Export Authorizations pending the holding of consultations, within a reasonable period of time, to determine whether a case for restraint exists in terms of Article 3 of the Arrangement Regarding International Trade in Textiles. The Hong Kong Government for its part, undertakes to suspend the issue of Export Authorizations immediately

and to consult at the earliest convenient date. Export Authorizations already issued but not yet fully utilized before such suspension would be unaffected; that is to say, the Hong Kong Government would continue to issue export licences against these Export Authorizations until the quantities were exhausted or the validity period expired.

5. One advantage of this arrangement is that consultations can be held without, for instance, a speculative surge of exports developing and trade being dislocated. This is obviously of benefit to manufacturers and exporters in Hong Kong and to importers and distributors in the importing country.

ANNEX III

Items Subject to the Export Authorization System

(a)	(b)	(c)	(d)
Item number	Australian tariff item number	Hong Kong classification number	Description
1	ex 60.05.1	841 488 841 890	BLOUSES, knit, wholly or mainly of cotton or man-made fibres, women's and girls'
2	ex 60.05.1	ex 841 458 ex 841 482 ex 841 494 ex 841 860 ex 841 861 ex 841 884	PLAYSUITS, ROMPERSUITS, and TRACKSUITS, knit, wholly or mainly of cotton or man-made fibres, adults' (i.e. garments with a chest measurement of 86 cm or more)
3	ex 61.02.3	ex 841 137 ex 841 140 ex 841 152	BLOUSES, woven, wholly or mainly of cotton, women's and girls' and infants'
4	60.04.6	ex 841 430 ex 841 431 ex 841 832	SHIRTS, knit, "Dress/Business", "Tailored", wholly or mainly of cotton or man-made fibres or wool, men's and boys'
5	ex 61.02.1	ex 841 134 ex 841 736	* DRESSES, woven, wholly or mainly of cotton or man-made fibres women's and girls'

\* As it is the view of the Government of Australia that this item should be subject to export restraint, the Government of Australia proposes to continue consultations on this item with the Government of Hong Kong. Until such time as these consultations are concluded, the Government of Australia and the Government of Hong Kong recognize the need to keep exports of this item under surveillance by means of the Export Authorization System. The rights and obligations of both Governments arising from that system continue to apply.



9 September 1974

Sir,

I refer to the Memorandum of Understanding of 23 August 1974 setting out the arrangements made between our two Governments regarding the limits that the Government of Hong Kong will apply to exports of certain garments for importation into Australia, and details of the Export Authorization System which will apply to exports of certain other garments from Hong Kong for importation into Australia. Following discussions in Hong Kong between representatives of our two Governments on 23 August 1974, I wish to propose that the Memorandum of Understanding referred to above be amended in the following manner:

- (1) Item number 2, columns (b), (c), (d) and (e) in Annex I shall be amended to read:

(b)	(c)	(d)	(e)
ex 60.05.1	ex 841 134	DRESSES, knit or woven,	371,000
ex 61.02.1	ex 841 467	wholly or mainly of	
	ex 841 736	cotton or man-made	
	ex 841 869	fibres, women's and	
		girls'	

- (2) Item 5 in Annex III, and the relative explanatory note, shall be deleted.

I would appreciate your confirmation that the foregoing is acceptable to the Government of Hong Kong and represents the understanding reached between our two Governments.

Accept, sir, the renewed assurance of my high consideration.

(signed) P.B. Clare  
Acting Commissioner for Australia

The Honourable D.H. Jordan, M.B.E., J.P.,  
Director of Commerce and Industry,  
Fire Brigade Building,  
Hong Kong.

9 September 1974

Sir,

I refer to your letter of today's date proposing that the Memorandum of Understanding of 23 August 1974 be amended in the following manner:

- (1) Item number 2, columns (b), (c), (d) and (e) in Annex I shall be amended to read:

(b)	(c)	(d)	(e)
ex 60.05.1	ex 841 134	DRESSES, knit or woven,	371,000
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	ex 841 736	cotton or man-made	
	ex 841 869	fibres, women's and	
		girls'	

- (2) Item 5 in Annex III, and the relative explanatory note, shall be deleted.

I confirm that the foregoing is acceptable to my Government and represents the understanding reached between our two Governments.

Accept, sir, the renewed assurance of my high consideration.

(signed) (D.H. Jordan)

P.B. Clare Esq.,  
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