

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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LONG-TERM ARRANGEMENT REGARDING TRADE
IN COTTON TEXTILES

Action under Article 3

Attached are notifications in connexion with Article 3 of the Long-Term Arrangement transmitted to the secretariat by the delegation of the Federal Republic of Germany and the delegation of Canada, comprising:

- (i) three notes verbales from the Federal Republic of Germany to the United Kingdom requesting restraint on exports of three specific commodities from Hong Kong;
- (ii) communications concerning requests for restraint on exports to Canada and arrangements concluded with Israel and Portugal on exports of yarn.

INFORMATION TRANSMITTED BY THE DELEGATION
OF THE FEDERAL REPUBLIC OF GERMANY

Note Verbale No. 1 (Transmitted to the Secretariat on 30 October 1962)

Translation
115-80.00-2712/62

Verbal Note

The German Federal Foreign Office presents its compliments to Her Britannic Majesty's Embassy and, with reference to the importation of cotton textiles from the British Crown Colony of Hong Kong to the Federal Republic of Germany, has the honour to communicate the following:

Further to the consultations opened with the Department of Commerce and Industry in Hong Kong on 22 August 1962 in connexion with the short-term arrangements concerning international trade in cotton textiles, the Federal Government requests herewith under paragraph 1 of Article 3 of the Long-Term Cotton Textiles Arrangement that, in order to prevent disruption in the market, imports to the Federal Republic of Germany of cotton shirts (No. 6103 50 on the list of commodities for foreign trade statistics) from Hong Kong be restricted for a period of twelve months, beginning on 1 October 1962 to the quantity imported by the Federal Republic of Germany from Hong Kong during the period specified as the period of reference under paragraph 1 (a) of Annex B to the Long-Term Cotton Textiles Arrangement.

This period covers the time from 1 May 1961 to 30 April 1962. Within that period 2,498,700 kgs. = 625,250 dz. shirts made of cotton - to the value of DM.27,837,000 - were imported to the Federal Republic of Germany from Hong Kong.

The Federal Government proposes to restrict imports of these articles from Hong Kong to 700,000 dz. for the period from 1 October 1962 until 30 September 1963.

It gives the following reasons for this step:

1. For some considerable time the Federal Government has been observing with concern the constant deterioration in the situation of the textile industry, particularly the cotton industry and its subsequent stages of processing in the Federal Republic.
2. Imports from Hong Kong to the Federal Republic have been fully liberalized since 1956 for all textile products as is the case for all industrial products. They are subject neither to quantitative restrictions nor to government sanction. These imports of textiles have developed as follows between 1958 and 1961:

1958 = 31,204,000 DM
1959 = 55,486,000 DM
1960 = 77,037,000 DM
1961 = 66,013,000 DM

Her Britannic Majesty's Embassy

3. Cotton shirts represent the largest individual item among imports of textiles from Hong Kong. The clearly foreseeable future development of these imports gives rise to the greatest anxiety on the part of the Federal Government.

Whereas the entries inwards submitted to the banks by importers in accordance with German import procedures amounted to DM.19,235,381 between January and August 1961, they have reached a total of DM.32,677,901 during the same period in 1962. That is an increase of 69 per cent.

4. The production of cotton shirts in the Federal Republic decreased from 63,555,000 shirts in 1960 to approximately 41,410,000 in 1961. That is a decrease of roughly 35 per cent. According to the results up to date, production will decrease even more in 1962 and will at no event exceed 40,000,000 shirts.

The proportion of imports from Hong Kong in relation to home production increased from 14.6 per cent in 1960 to 18.1 per cent in 1961. If the second half-year of 1960 is compared with that of 1961, the appropriate percentages are 18.8 and 26.7 respectively.

5. The prices of shirts imported from Hong Kong are between 30 and 50 per cent below the corresponding German prices.

6. Hence there exist all the elements threatening to cause a market disruption as described in Annex C to the Long-Term Cotton Textiles Arrangement of 9 February 1962, viz.:

- I. a clearly foreseeable sharp increase of imports of particular products from particular sources;
- II. these products are offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- III. there is a serious damage to domestic producers of these goods;
- IV. the price differentials referred to in sub-paragraph II above do not arise from government intervention in the fixing or formation of prices or from dumping practices.

7. The Federal Government regards the Long-Term Cotton Textiles Arrangement as a suitable basis for implementing necessary measures. It is prepared in this respect to give consideration to the special situation in Hong Kong.

Furthermore, the Federal Government is prepared first of all to hold further consultations on this subject to try to reach agreement with the Government of the Crown Colony of Hong Kong. Provision for such consultations is made in the Long-Term Cotton Textiles Arrangement which entered into force on 1 October 1962.

The first discussion regarding imports of cotton shirts from Hong Kong took place on 22 August 1962 between the Consulate-General of the Federal Republic of Germany and the Government of Hong Kong. On 17 and 18 September 1962 representatives of the Federal Government thoroughly discussed this subject with the Department of Commerce and Industry. The Federal Government therefore considers that consultations were opened on 22 August 1962 in accordance with paragraph 3 of Article 3 of the Long-Term Cotton Textiles Arrangement.

Accordingly, the reference period provided for in the Long-Term Cotton Textiles Arrangement is authoritative as the basis for stabilizing Hong Kong exports of cotton shirts, i.e. in this case, the level of actual imports of cotton shirts during the twelve-month period which terminated three months preceding the month in which the request for consultation was made, i.e. the period from 1 May 1961 until 30 April 1962.

Taking as a basis the above-mentioned levels of imports shown by the statistics for this period and their conversion from kilograms to dozens, the Federal Government proposes a stabilization of imports of cotton shirts by restricting such imports to 700,000 dz. for the period from 1 October 1962 until 30 September 1963.

On 27 September 1962 the Federal Government issued an ordinance enabling it constantly to control imports of cotton shirts from Hong Kong.

For the time being there is no intention to fix an import quota, on the contrary, the restriction will be subject to the entry into force of the envisaged regulation.

The Federal Foreign Office avails itself of this opportunity to renew to Her Britannic Majesty's Embassy the assurances of its highest consideration.

(L.S.)

Note Verbale No. 2 (Transmitted to the Secretariat on 4 September 1963)

Translation
ZA 5-80.00-2357/63

ad III A 2-84.03/5

Verbal Note

The German Federal Foreign Office presents its compliments to Her Britannic Majesty's Embassy and has the honour to communicate the following.

Pursuant to paragraph 1 of Article 3 of the Long-Term Arrangement regarding International Trade in Cotton Textiles of 9 February 1962 the Federal Government herewith requests the Government of the Crown Colony of Hong Kong to restrain, in order to avoid market disruption, exports to the Federal Republic of Germany of cotton nightwear for men, women and children (Nos. 8410 50, 8410 52 and 8410 54 on the list of commodities for foreign trade statistics of Hong Kong) for a period of twelve months beginning on 1 August 1963 to the quantity exported to the Federal Republic of Germany from Hong Kong during the period specified as the period of reference - in this case the period from 1 May 1962 to 30 April 1963 - in paragraph 1 a of Annex B to the Long-Term Cotton Textiles Arrangement.

According to official Hong Kong export statistics the following quantities (with values) have been exported to the Federal Republic of Germany within the specified period:

No. 8410 50	- Nightwear, other than knitted, made wholly or mainly of cotton, men's wear	179 083 dozen = 15,747,655 HK\$
No. 8410 52	- Nightwear, other than knitted made wholly or mainly of cotton, women's wear	67 239 dozen = 4,070,265 HK\$
No. 8410 54	- Nightwear, other than knitted, made wholly or mainly of cotton, children's wear	<u>43 161 dozen = 2,317,798 HK\$</u>
	Total	289 483 dozen = 22,135,718 HK\$

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Majesty's
Embassy

The Federal Government requests the Government of the Crown Colony of Hong Kong to restrain exports of the above-mentioned articles - i.e. each item separately - to the Federal Republic of Germany for the period from 1 August 1963 to 31 July 1964 to the above quantities exported during the period of reference.

The Federal Government gives the following reasons for proposing this arrangement:

(1) For some considerable time the Federal Government has been observing with concern the constant deterioration in the situation of the textile industry, particularly the cotton industry and its subsequent stages of processing in the Federal Republic.

(2) Imports of textile products from Hong Kong to the Federal Republic have been fully liberalized since 1956; they are subject neither to quantitative restrictions nor to Government sanction. Only in the case of cotton shirts has the Government of Hong Kong, at the request of the Federal Government, restrained exports to 700,000 dozen during the period from 1 October 1962 to 30 September 1963.

The Federal Republic's total imports of textiles from Hong Kong have meanwhile risen in value from approximately 31.2 million DM in 1958 to approximately 108 million DM in 1962.

(3) According to the official foreign trade statistics of the Crown Colony of Hong Kong exports of the above-mentioned three items of cotton nightwear from Hong Kong to the Federal Republic increased as follows in 1963 as compared with 1961:

	<u>1961</u>		<u>1962</u>	
	Quantity in dozens	value in 1000 HK\$	Quantity in dozens	value in 1000 HK\$
No. 8410 50	86,744	7,589	162,048	14,122
No. 8410 52	22,970	1,491	47,323	3,083
No. 8410 54	13,516	671	35,248	1,873
Total	123,230	9,751	244,619	19,078

This table shows that there has been an increase in quantity and in value of almost 100 per cent for a period of twelve months.

(4) The abrupt increase in imports of cotton nightwear from Hong Kong at prices far below those for similar goods of comparable quality manufactured by home producers has already led to considerable damage to the textile industry in the Federal Republic. Thus, since the beginning of 1962 six factories with a total of 685 employees (three factories with 30-75 employees and three with 150-220 employees) have been closed down. Other medium-sized factories have met with financial difficulties and lost their independence. After dismissing employees they are kept in operation provisionally as branch establishments of large enterprises. Their continued existence is, however, jeopardized, since the damage described earlier is already being felt even in several of the large enterprises. In general there has been an alarming decrease in returns in the German textile industry, particularly in numerous small and medium-sized firms.

(5) The Federal Government commissioned a neutral institute of science and technology to make a comparison of prices for a pair of men's pyjamas which are imported in large quantities from Hong Kong. The institute established the costs incurred by a German textile factory, equipped for mass production, in manufacturing a pair of pyjamas of the same quality and measurements. The result of this comparison is as follows:

(a) Cost price of the Hong Kong article (including customs and other import duties) for the market 7.75 DM each.

(b) Price of the same article ex German factory 16.66 DM each.

Accordingly, the difference between the German and the Hong Kong price is 8.91 DM = 53.5 per cent. The German textile industry cannot compete with products that are imported from Hong Kong at such a low price.

(6) Hence there are all the elements of a market disruption as described in Annex C of the Long-Term Cotton Textile Arrangement of 9 February 1962, viz.:

- I. A clearly foreseeable sharp increase of imports of a particular product from a particular source;
- II. This product is offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- III. There is serious damage to domestic producers of these goods;
- IV. The price differentials referred to in sub-paragraph II above do not arise from Government intervention in the fixing or formation of prices or from dumping practices.

(7) The Federal Government is prepared to hold consultations on this subject in accordance with paragraph 1 of Article 3 of the Long-Term Cotton Textiles Arrangement. It considers that consultations are opened in accordance with paragraph 3 of Article 3 of the aforementioned Arrangement with the communication of this Note to the British Embassy in Bonn.

(8) In view of the need for a prompt settlement of this matter, the Federal Government would be grateful to the Government of Hong Kong for an early reply to its request, and would also appreciate it if the Government of Hong Kong could authorize the British Embassy in Bonn to carry out direct negotiations for a final settlement.

The Federal Foreign Office avails itself of this opportunity to renew to her Britannic Majesty's Embassy the assurances of its high consideration.

Bonn, 15 August 1963

(L.S.)

Note Verbale No. 3 (Transmitted to the Secretariat on 7 September 1963)

Translation

ZA 5-80.00-2357/63

ad III A 2-84.03/5

Verbal Note

The Germany Federal Foreign Office presents its compliments to Her Britannic Majesty's Embassy and has the honour to communicate the following.

Pursuant to paragraph 1 of Article 3 of the Long-Term Arrangement regarding International Trade in Cotton Textiles of 9 February 1962 the Federal Government herewith requests the Government of the Crown Colony of Hong Kong to restrain, in order to avoid market disruption, exports to the Federal Republic of Germany of cotton towels (No. 6560 67 on the list of commodities for foreign trade statistics of Hong Kong) for a period of twelve months beginning on 1 August 1963 to the quantity imported by the Federal Republic of Germany from Hong Kong during the period specified as the period of reference - in this case the period from 1 May 1962 to 30 April 1963 in paragraph 1 a of Annex B to the Long-Term Cotton Textiles Arrangement.

According to official Hong Kong export statistics the following quantities (with values) have been exported to the Federal Republic of Germany within the specified period:

No. 6560 67	- Towels, cotton other than dish towels, not embroidered:	98 508 dozen = 1,188,126 HK\$
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The Federal Government requests the Government of the Crown Colony of Hong Kong to restrain exports of the above-mentioned articles to the Federal Republic of Germany for the period from 1 August 1963 to 31 July 1964 to the above quantities exported during the period of reference.

The Federal Government gives the following reasons for proposing this arrangement:

(1) For some considerable time the Federal Government has been observing with concern the constant deterioration in the situation of the textile industry, particularly the cotton industry and its subsequent stages of processing in the Federal Republic.

(2) Imports of textile products from Hong Kong to the Federal Republic have been fully liberalized since 1956; they are subject neither to quantitative restrictions nor to Government sanction. Only in the case of cotton shirts has the Government of Hong Kong, at the request of the Federal Government, restrained exports to 700,000 dozen during the period from 1 October 1962 to 30 September 1963.

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The Federal Republic's total imports of textiles from Hong Kong have meanwhile risen in value from approximately 31.2 million DM in 1958 to approximately 108 million DM in 1962.

(3) According to the official foreign trade statistics of the Crown Colony of Hong Kong exports of cotton towels to the Federal Republic have developed as follows:

No. 6560 67 Towels, cotton, other
than dish towels,
not embroidered

Period	Quantity in dozens	Value in HK\$	Ave. price per dozen in HK\$
Jan.-Dec. 1962	58,746	872,059	14.84
Jan.-Apr. 1962	10,880	156,004	14.34
Jan.-Apr. 1963	50,642	472,071	9.32

This table shows that, compared with the same period in 1962, exports during the first four months of the current year increased in quantity by 365 per cent, and in value by 203 per cent, the average price per dozen cotton towels being over 3 HK\$ lower than in 1962.

According to information acquired by the Federal Government a further increase in exports of this article from Hong Kong is to be expected in the months to come.

(4) A calculation carried out by a neutral body at the request of the Federal Government of the cost of manufacturing a cotton towel of the same quality and size as the article imported from Hong Kong for sale in the Federal Republic of Germany revealed that the factory with the most modern equipment in the Federal Republic cannot manufacture such an article at a cost price lower than 2.90 DM. On the other hand, cotton towels imported from Hong Kong are offered and sold at 2.95 DM in retail shops in the Federal Republic.

The rapid growth of imports of cotton towels from Hong Kong at such low prices that even the best-equipped factory in the Federal Republic cannot compete with them, has already led to a disruption of the market which threatens to cause serious damage to the branch of industry concerned in the Federal Republic.

(5) Hence there are all the elements of a market disruption as described in Annex C of the Long-Term Cotton Textiles Arrangement of 9 February 1962, viz.:

- I. A clearly foreseeable sharp increase of imports of a particular product from a particular source;

- II. This product is offered at prices which are substantially below those prevailing for similar goods of comparable quality in the market of the importing country;
- III. There is a serious damage to domestic producers of these goods or threat thereof;
- IV. The price differentials referred to in sub-paragraph II above do not arise from Government intervention in the fixing or formation of prices or from dumping practices.

(6) The Federal Government is prepared to hold consultations on this subject in accordance with paragraph 1 of Article 3 of the Long-Term Cotton Textiles Arrangement. It considers that consultations are opened in accordance with paragraph 3 of Article 3 of the afore-mentioned Arrangement with the communication of this Note to the British Embassy in Bonn.

(7) In view of the need for a prompt settlement of this matter, the Federal Government would be grateful to the Government of Hong Kong for an early reply to its request, and would also appreciate it if the Government of Hong Kong could authorize the British Embassy in Bonn to carry out direct negotiations for a final settlement.

The Federal Foreign Office avails itself of this opportunity to renew to Her Britannic Majesty's Embassy the assurances of its high consideration.

Bonn, 23 August 1963

(L.S.)

INFORMATION TRANSMITTED BY THE DELEGATION OF CANADA

The following is the text of a communication from the delegation of Canada dated 4 June 1963:

"I have been requested by my authorities to inform you that the Canadian Government has recently requested Israel, Portugal and Hong Kong to apply export restraints on certain cotton textile items exported to Canada pursuant to Article III of the Long-Term Arrangement for Trade in Cotton Textiles. A similar request has been made of Taiwan although it is not yet party to the Long-Term Arrangement.

"I am advised that the secretariat will be provided with further details when consultations with the above countries have been concluded."

By letter dated 10 October 1963, the following summary of the arrangements concluded with Israel and Portugal has been transmitted to the secretariat by the delegation of Canada:

Israel

Pursuant to the provisions of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, Canada and Israel have agreed that Israel will restrain exports to Canada of all types of cotton yarn, both singles and plied, to a level not exceeding 1,900,000 pounds for the calendar year 1963.

Portugal

Pursuant to the provisions of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, Canada and Portugal have agreed that Portugal will restrain exports to Canada of all types of cotton yarn, both singles and plied, to a level not exceeding 1,900,000 pounds for the calendar year 1963.