

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

RESTRICTED

COT/21

9 April 1964

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Original: English

LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE  
IN COTTON TEXTILES

Agreement Between Hong Kong and the Federal Republic of Germany

Attached is a memorandum of understanding which sets out the terms of an agreement reached between the Government of Hong Kong and the Government of the Federal Republic of Germany following negotiations arising from requests by the Federal Government during August 1963 under Article 3 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles to restrain exports of cotton woven nightwear and cotton towels.<sup>1</sup>

This agreement has been transmitted to the secretariat by the United Kingdom delegation for transmission to the Cotton Textiles Committee.

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<sup>1</sup>See document COT/6 (pages 6-12).

EXPORT OF COTTON TEXTILES FROM HONG KONG TO THE  
FEDERAL REPUBLIC OF GERMANY

Memorandum of Understanding

1. Arising from negotiations entered into by the Hong Kong Government and the Government of the Federal Republic of Germany following requests made to the Hong Kong Government by the Federal Government during August 1963 under Article 3 of the International Long-Term Cotton Textiles Arrangement, to restrain further exports of cotton woven nightwear and cotton towels from Hong Kong to the Federal Republic of Germany, the arrangements set out in this Memorandum have been agreed between the two Governments.

Cotton towels

2. The Federal Government agrees to withdraw the request for quantitative restraint on exports of cotton towels contained in its note No. 111 B7-84.02/1-92.08 of 15 August 1963.
3. The Federal Government, however, reserves the right to renew the request to the Hong Kong Government to restrain further exports of cotton towels at some future date, if, in the opinion of the Federal Government it appears that imports from Hong Kong have caused or threaten to cause market disruption in Germany to the extent defined in Annex C to the Long-Term Arrangement.
4. Notwithstanding the reservation in paragraph 3 above the Federal Government agrees that it is in the interests of both territories that any further request to restrain exports of cotton towels made to the Hong Kong Government should, as far as this may be practicable, contain provisions to minimize disruption to the existing pattern of trade and to avoid serious contractual difficulties between Hong Kong shippers and German importers.
5. In order that the Federal Government shall be able to assess the future volume of imports of cotton towels from Hong Kong, the Hong Kong Government undertakes to provide the Federal Government twice monthly with returns showing the quantities of cotton towels licensed for export to the Federal Republic of Germany and the quantities which have been contracted between Hong Kong shippers and German importers for shipment during a period up to six months in advance of the closing date of the period covered by each return.

6. In return, the Federal Government undertakes to provide periodically to the Hong Kong Government, information on German imports, production and exports of cotton towels in such form as will enable the Hong Kong Government to determine the share of German consumption of towels represented by imports from Hong Kong. The Federal Government assures the Hong Kong Government that it is not the intention that the share of the German market which has been achieved by Hong Kong shall be reduced proportionately by virtue of any future agreement to restrain exports of towels.

7. To obtain information on future shipments of towels, the Hong Kong Government will introduce an administrative system under which export authorizations will be issued to Hong Kong shippers against evidence of firm contracts with German importers. These documents will be valid for six months or such lesser period as the Hong Kong Government may deem convenient, but, in any event, each export authorization will guarantee the subsequent issue of export licences by the Hong Kong Government for the full quantity of cotton towels whose export has been authorized.

8. In these circumstances, the Federal Government agrees that, should a further request for export restraint on cotton towels be made in the future to the Hong Kong Government which is based to some extent on the forward contract figures provided by the Hong Kong Government, all cotton towels whose export has been authorized by the Hong Kong Government under export authorizations issued prior to receipt of the restraint request by the Hong Kong Government will be permitted import into the Federal Republic of Germany.

#### Nightwear

9. The Hong Kong Government agrees to restrain exports of cotton woven nightwear to the Federal Republic of Germany to the following levels, during the twelve-month periods shown.

1 October 1963 to 30 September 1964	350,000 dozens
1 October 1964 to 30 September 1965	380,000 dozens

Should it be necessary to continue this restraint into future years, the Federal Government firmly envisages an annual growth factor of 10 per cent unless there should be a significant change in market conditions in Germany in which case consultations would be held with a view to agreeing upon an annual growth factor of not less than 5 per cent.

10. In consideration of the possibility that the maintenance of a quota control by the Hong Kong Government to ensure that these agreed annual restraint levels are not exceeded, may prevent Hong Kong shippers from fully utilizing the quantities available for shipment during the annual periods shown in paragraph 9 above, the Federal Government agrees that any shortfall not shipped during any of these annual periods may be shipped during the first three months of the succeeding annual period.

11. The Hong Kong Government agrees to provide periodically such statistical information on exports of cotton woven nightwear to the Federal Government as may be necessary to enable the Federal Government to remain fully informed on the progressive utilization of the quantities available for shipment during each annual period.
12. The Federal Government assures the Hong Kong Government that it is not intended that the share of the German market which Hong Kong has already achieved should be proportionately reduced by virtue of the agreement by the Hong Kong Government to restrain further exports. The Federal Government is therefore prepared to establish administrative machinery to determine the actual proportion of German consumption of nightwear which imports from Hong Kong during 1964 represents and to make such information available to the Hong Kong Government. The Federal Government will also periodically supply statistical data on imports, production and exports to the Hong Kong Government in such form as may be used to determine the continuing share of German consumption of nightwear represented by imports from Hong Kong.
13. It is agreed that either Government may seek consultations with the other Government with a view to modifying the arrangements for nightwear set out in paragraphs 9 to 12 above should changed economic or other circumstances in the requesting country make such consultations necessary.

Hong Kong.  
20 February 1964