

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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LONG-TERM ARRANGEMENT REGARDING TRADE
IN COTTON TEXTILES

Agreement between Hong Kong and the United States

The following communication, concerning an agreement between the Governments of Hong Kong and the United States under Article 3 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, has been received by the Executive Secretary from the United States Mission:

"This is to inform you that agreement was reached on 14 May with the Government of Hong Kong that exports of cotton textiles in category 55 (dressing gowns, including bathrobes and beachrobes, lounging gowns, housecoats and dusters, not knit) from Hong Kong to the United States would not exceed 111,500 dozen for the twelve-month period beginning 1 October 1963. This level is based upon a restraint level of 93,000 dozen plus an additional 18,500 dozen to be permitted for export outside of the restraint level during the same twelve-month period. The attached description of the disrupted state of the domestic market for category 55 goods has been made available to the Hong Kong Government in justification of the restraint request.

"It was also agreed that if the United States Government renews the restraint for a further twelve-month period the level would be increased by 5 per cent to 97,650 dozen."

ANNEX

Market Disruption Data for Category 55 Restraint Request to Hong Kong

The most recent United States production information available (1962) indicates that domestic production of category 55 robes has been significantly depressed in recent years. The domestic industry's production of 1.9 million dozen robes in 1958 and 2.0 million dozen in 1959 was followed by a decline to 1.7 million dozen in 1960 and just under 1.8 million dozen in 1961. In 1962, United States production of these robes increased only fractionally, by less than 20,000 dozen, over the 1961 level.

Hong Kong's category 55 exports to the United States totalled 52,114 dozen in the Short-Term Arrangement year, and 54,761 dozen in the first year of the Long-Term Arrangement. As of 27 February 1964 category 55 exports from Hong Kong since 1 October 1963, and outstanding export authorizations issued by the Hong Kong authorities for category 55 goods, totalled 78,817 dozen.

Total United States category 55 imports have also increased although not as dramatically as have Hong Kong's exports and export authorizations. A total of 133,460 dozen items in category 55 were imported from all sources in calendar year 1963, compared to 123,239 dozen in the first year of the Long-Term Arrangement. The 1963 level exceeded imports in such representative earlier periods as fiscal years 1961 and 1962 and the Short-Term Arrangement year.

Hong Kong is the leading supplier of category 55 goods to this country. Exports of goods in this category from all other countries shipping significant quantities to the United States have been placed under effective restraint. One other country, from which there were recently imported just under 10,000 dozen category 55 robes, has been warned that future shipments of large quantities might result in a request for restraint of exports.

Women's wrap-arounds and dusters from Hong Kong are currently being sold in New York City at from \$1.25 to \$1.50 each, wholesale, and are retailed at from \$2.19 to \$2.49 per garment. These goods are of a quality and styling comparable to American made dusters that sell at from \$4.29 to \$4.99 each, retail. Children's robes from Hong Kong are also moving in the New York market at similar price differentials.

Men's apparel in category 55 from Hong Kong is also offered in the United States at prices significantly lower than those of comparable domestically produced goods. During the six months from 1 July through 31 December 1963, for example, the average declared value of men's and boys' other than corduroy cotton dressing gowns, not ornamented and not valued over \$2.50 each, was \$9.25 per dozen; 4,746 dozen of these garments were imported from Hong Kong during the period in question. During the same six-month period, there were imported some 25,000 dozen

women's, girls' and infants' dressing gowns including bathrobes and beachrobes, valued not over \$2.50 each and other than velveteen and corduroy, not ornamented, of which approximately 13,000 dozen were from Hong Kong. The average declared value of these Hong Kong robes was \$6.30 per dozen.

The prices of the Hong Kong made robes are significantly lower than those for similar imports from other sources, as well as under-selling domestically made items. For example, men's cotton lounging robes from Jamaica are being retailed in New York City at \$3.99 and \$4.99, and are comparable to domestically made goods retailed at \$6.98 and \$7.98 of similar material and styling. However, competitive men's robes are offered by Hong Kong exporters at prices so much lower than those for the American and even the Jamaican goods that the higher freight costs involved in shipping from the Far East do not offset the differential in price ex-factory.

These various elements, outlined in the foregoing, have contributed, in the judgment of the United States Government, to undue pressure on price and marketing patterns in an important segment of the United States cotton textile market and compelled the United States Government to make this request for restraint.