

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/55

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## LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

### Restraint Request Made by Canada Under Article 3

The following communication has been received by the Director-General from the permanent representative of Canada to the European Office of the United Nations for notification to the Cotton Textiles Committee.

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I have the honour to enclose a copy of a note to the Government of Hong Kong dated 1 October 1965, concerning a request by the Government of Canada, acting in accordance with Article 3 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, that the Government of Hong Kong restrain exports to Canada of such categories of cotton fabrics as are indicated in the note during the twelve-month period beginning 1 October 1965 to the levels specified therein.

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Acting in accordance with Article 3 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, the Government of Canada requests the Government of Hong Kong to restrain exports to Canada of such categories of cotton fabrics as are indicated below, during the twelve-month period beginning 1 October 1965, to the levels specified below.

First, the Government of Canada requests that the categories of cotton fabrics, the exports of which have been under restraint during the year ending 30 September 1965<sup>1</sup>, should continue to be restrained for the twelve-month period beginning 1 October 1965. The reasons advanced by the Canadian Government, and accepted by the Hong Kong Government, in bringing these categories of fabrics under restraint remain valid. The Hong Kong Government will be aware that it is the view of the Canadian Government that any sharp increase in imports of cotton fabrics at prices substantially below those prevailing in the Canadian market threatens disruption of the Canadian cotton fabric market. The prices at which fabrics produced in Hong Kong are offered are substantially below those prevailing in the Canadian market and thus increases in imports of fabrics from Hong Kong threaten disruption of the Canadian market.

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<sup>1</sup>See document COT/37, page 4.

In accordance with the relevant Protocol to the Long-Term Arrangement, the Government of Canada requests that the levels of these restraints for the next twelve-month period should be the same as those agreed upon for the last twelve-month period, subject to certain changes in the categorization of these restraints which it is suggested would more accurately reflect the degree of interchangeability of these fabrics.

Existing restraints

Square yards

1. Corduroy, other than grey	500,000
2. Twills, sateens, jeans, drills, cords, other than grey	1,000,000 plus existing restraint on jeans, drills and cords, other than grey, during year ending 30 September 1965
3. Drills, twills, sateens, jeans, grey	2,250,000 plus existing restraint on jeans, grey during year ending 30 September 1965
4. Denim, other than grey	Existing quotas to be combined with quotas requested for these fabrics in the grey
5. Flannelettes, other than grey	Existing quotas to be combined with quotas requested for these fabrics in the grey
6. Sheeting, grey	1,000,000.

New restraints requested

1. Terry fabrics and other towelling, finished and in the grey: (Hong Kong export statistical categories 652-121, 652-122, 652-221, 652-222). Imports from Hong Kong in the first six months of 1965 increased to 53,000 lbs. from 25,000 lbs. in the first six months of 1964. This increase is more than four times the rate of increase of total imports. Making allowances for differences in quality, the landed, duty-paid prices of these fabrics imported from Hong Kong are 15 per cent lower than Canadian prices. At these prices, the three domestic producers see no possibility of being able to compete and are therefore threatened with the loss of a substantial portion of their existing market.

2. Poplin and broadcloth, finished and in the grey: (652-134, 652-247). Imports from Hong Kong in the first six months of 1965 were 152,000 lbs.; there were no imports in the first half of 1964. These new imports from Hong Kong accounted for 50 per cent of the increase in total imports. Canadian shipments had declined by 25 per cent in 1964 as compared with 1963. Canadian

prices have been declining under the impact of imports from low-cost suppliers; nonetheless, the landed, duty-paid prices of Hong Kong fabrics are between 10 per cent and 20 per cent lower than Canadian prices for equivalent fabrics.

3. Canvas and ducks, finished and in the grey: (654-141, part of 652-299(B)). Imports from Hong Kong increased to 107,000 lbs. in the first half of 1965 from 38,000 lbs. in the first half of 1964, a three-fold increase. Total imports increased by 25 per cent. Over the three-year period 1962-64 Canadian shipments have remained virtually the same. The landed, duty-paid prices of Hong Kong fabrics vary quite widely in relation to Canadian prices, but are almost always significantly lower, on the average, by 15 per cent to 17½ per cent. These particular products are sold on the basis of price, for comparable qualities, and Canadian mills are therefore particularly vulnerable to competition at these price differentials.

4. Yarn-dyed fabrics, including gingham, finished and in the grey: (652-241, 652-253). Imports of gingham from Hong Kong have increased to 77,000 lbs. in the first half of 1965 from 12,000 lbs. in the first half of 1964. The machinery installed in Canadian plants to produce such fabrics cannot easily be used for other purposes. Moreover, in several important sectors of the market, Hong Kong fabrics compete directly with dyed or printed domestically produced fabrics, which they displace because of price differentials as high as 15 per cent to 20 per cent.

5. Flannelettes, grey: (part of 652-149(b)). Canadian import statistics do not separate unbleached from bleached flannelettes. Imports of bleached and unbleached fabrics together rose to 133,000 lbs. in the first half of 1965 from 12,000 lbs. in the first half of 1964, and it is believed that a substantial part of this increase was of unbleached fabric. Canadian shipments of all flannelettes have declined for the past two years. The landed, duty-paid prices of imports from Hong Kong are averaging 20 per cent lower than Canadian prices. These fabrics are bought in the needed quantities on a price basis in quantity and domestic mills have virtually no advantages to offset the existing price differentials. It is requested that the existing restraint on flannelette other than grey be combined with the new restraint requested.

6. Denims, grey (part of 652-142). The Canadian Government is of the view that the Hong Kong Government having accepted the necessity for a restraint on exports of finished denims, should extend this restraint to include grey denims, which are virtually the same product and are usually used for the same purposes. The fact that the prices of Hong Kong unfinished denims are about 20 per cent lower than Canadian prices tends to depress the prices of all denims, including those finished denims now under restraint. There is now only one Canadian producer, the other one having gone out of business. The warp dyeing equipment in the remaining plant is, of course, not readily adaptable to the production of other types of fabrics. It is requested that the existing restraint on finished denims be combined with the new restraint requested.

7. Finished sheeting: (652-244). The Canadian Government is of the view that it is illogical not to restrain exports of finished sheeting when exports of grey sheeting are under restraint. The conversion from grey to finished sheeting is a simple matter and thus the existing restraint can easily be circumvented.

The Hong Kong Government will be aware that exports to Canada of all these types of fabrics are under restraint by the Governments of Japan, China (Taiwan) and mainland China. The restraints applied by these other exporting countries are overall restraints, and it remains the view of the Canadian Government that an overall restraint on cotton fabric exports from Hong Kong with only a minimum number of sub-quotas would be preferable to the restraints now being requested, but it is understood that the Hong Kong authorities are not prepared in principle to accept such a proposal.

The Government of Canada has noted that the Government of Hong Kong has agreed to restrain exports of these fabrics, in categories similarly defined, to the United States in quantities which appear, for many of such categories, to be considerably smaller, on a pro rata basis.

The Government of Canada requests that the levels of restraint to be applied during the twelve-month period beginning 1 October 1965, shall be the minimum levels as defined under the provisions of sub-paragraph (A) of paragraph 1 of Annex B to the Long-Term Arrangement.

The Government of Canada will be communicating this request to the Cotton Textiles Committee forthwith.

The Government of Canada is prepared to enter into such consultations as may be necessary at once in Hong Kong.

Office of the Canadian Government  
Trade Commissioner,  
Hong Kong.

1 October 1965.