

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

COT/56

24 November 1965

Special Distribution

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LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN
COTTON TEXTILES

Agreement Between Hong Kong and the United States

The following communication has been received by the Director-General from the United States mission for notification to the Cotton Textiles Committee.

I am transmitting herewith copies of letters exchanged between representatives of the United States and of Hong Kong and a Memorandum of Understanding, which documents constitute the agreement¹ between the United States and Hong Kong for the third year of the Long-Term Cotton Textiles Arrangement.

¹See documents COT/22 and COT/30/Rev.1.

Commerce and Industry Department,
Fire Brigade Building,
Hong Kong.

7 November 1964

Sir,

I have the honour to acknowledge with thanks the receipt of your letter of 4 November 1964 about the arrangements for the export of cotton textile products from Hong Kong to the United States during the third year of the Long-Term Cotton Textiles Arrangement, that is from 1 October 1964-30 September 1965.

I am glad to be able to confirm that the few points which were outstanding when you wrote your letter have now, I think, been resolved, and I enclose for your consideration the text of a Memorandum of Agreement which I hope represents comprehensively and clearly the terms of the final understanding that has been reached. This Memorandum has been carefully studied by officers of your Consulate-General and of my department, and I shall be glad if you will now confirm at your convenience that the United States authorities are in agreement with its terms.

We note with satisfaction from your letter under reference that your Government is in agreement with our views on the question about the importance of reaching an early accord on all matters relating to these restrictions. On the second point, the disruption that results from delay in the resolution of such matters is felt chiefly by the exporting countries, and we shall address you at an early date about such arrangements as may still be necessary for the year 1965-66; we are grateful for your assurance that you are as ready as we are to give this question early consideration.

I have the honour to be,

Sir,

Your obedient servant,

(signed) D.R. Holmes
Director of Commerce and Industry

Edward E. Rice, Esq.,
The Consul General,
American Consulate-General,
26 Carden Road,
Hong Kong.

MEMORANDUM OF UNDERSTANDING

1. Following negotiations between the Hong Kong and United States Governments to determine the arrangements under which the Hong Kong Government will continue to exercise restraint over exports of the categories of cotton textiles listed and described in columns one and two of Appendix 1 to this Memorandum, to the United States during the third year of the Long-Term Cotton Textiles Arrangement (hereinafter called the Arrangement) commencing 1 October 1964, the Hong Kong Government has set out in this Memorandum its understanding of the restraint levels which the Hong Kong and United States Governments have agreed will apply to the products concerned during the third year of the Arrangement. This Memorandum also clarifies a number of additional points of agreement arrived at between the two Governments.
2. It is agreed by the Hong Kong and the United States Governments:
 - (1) That the restraint levels shown in column three of Appendix 1 shall apply during the third year of the Arrangement, i.e. from 1 October 1964 to 30 September 1965. This being so, these levels will be used in computation of the minimum restraint levels which may be requested by the United States Government, under paragraph 3 of Annex B of the Arrangement in relation to exports from Hong Kong to the United States during the fourth year of the Arrangement, i.e. from 1 October 1965 to 30 September 1966, should such restraints be continued.
 - (2) That the restraint levels shown in column three of Appendix 1 are deemed for all purposes to have been negotiated under Article 3 of the Arrangement.
 - (3) That, recognizing that this Memorandum aligns to the best knowledge of our two Governments, Hong Kong's export control practices and United States classification practices as far as it is practicable to do so (unless agreed otherwise), each Government will consult with the other, at the earliest possible opportunity, if it comes to the notice of either Government that any problem in the classification of specific products may be developing, and that both Governments will seek by all means at their disposal to resolve any problems of classification practice which may be found to exist, in a manner compatible with the interests of both Governments.

- (4) That the Hong Kong Government will continue, during the third year of the Arrangement, the voluntary export spacing arrangements for the restrained categories in the manner and in the proportions applied during the second year of the Arrangement.
- (5) That the Hong Kong Government will provide the United States Government periodically with such information on exports in restrained and unrestrained categories as has been provided during the second year of the Arrangement, and such other information as may be mutually agreed upon.
- (6) That exports in category 52 during the third year of the Arrangement, and thereafter, shall be confined to cotton woven blouses and that the nomenclature for this category shall be changed accordingly to "Blouses, not knit", in all official communications and for the purposes of the Hong Kong export controls. Knit blouses shall be classified and reported in a separate product sub-category of category 62.
- (7) That the non-blouse components of blouse sets shall be classified, during the third year of the Arrangement and thereafter, in the categories in which they would be classified if exported separately, e.g. ladies' slacks will be classified in category 51 and ladies' skirts in category 63.
- (8) That the Hong Kong Government will forego the 5 per cent growth for 1964/65 provided under the terms of the Arrangement in respect of category 51.
- (9) That the Hong Kong Government will forego the right to swing into category 51 in respect of the transfer increase of 325,000 dozens described in paragraph 2(13) of this Memorandum. Category 51 will therefore be restricted during 1964/65 to a swing increase amounting to 5 per cent of the 1963/64 restraint level, i.e. 5 per cent of 1,280,858 dozens equal to 64,043 dozens.
- (10) That exports of duck within category 26 during the third year of the Arrangement shall be restricted to a level not greater than 21.5 million square yards.

- (11) That an export shortfall equivalent to 1.4 million square yards (using United States conversion factors) shall be induced during the third year of the Arrangement in the restrained made-ups and apparel categories, i.e. those categories from 28 to 64(1) inclusive as listed in Appendix 1. It is expected that a substantial proportion of this shortfall will occur in the apparel categories, but no assurance as to the proportions into which it will be divided can be given by the Hong Kong Government.
- (12) The Hong Kong Government confirms that, where under United States classification procedures components of matching sets (not "entireties") are classifiable in separate categories, it classifies such components in the separate categories applicable to each part.
- (13) That the agreed 1963/64 restraint level for category 51, i.e. 1,280,858 dozens, shall be increased for the third year of the Arrangement by 325,000 dozens in order to take partial account of export performance in non-blouse components of blouse sets exported during the second year of the Arrangement under category 52. The agreed restraint level for category 51 for the third year of the Arrangement shall therefore be as shown in column three of Appendix 1, i.e. 1,605,858 dozens.
- (14) That the restraint level for corduroy apparel during the third year of the Arrangement shall be 7 million square yards. This represents an increase of 3 million square yards over the agreed restraint level for the second year of the Arrangement.
- (15) That categories 41 and 42 shall be amalgamated with a combined restraint level during the third year of the Arrangement. The agreed restraint level is shown in column three of Appendix 1.
- (16) That category 45 shall be increased, and category 46 shall be correspondingly reduced, by a quantity equivalent to the quantity of short-sleeved dress shirts which shall prove to have been shipped from Hong Kong to the United States during the period 1 October 1963 to 30 September 1964 inclusive under category 46 quotas.

- (17) That the export restraint in category 62 shall be confined to sweat-shirts which shall be isolated in a sub-category of category 62 and restrained during the third year of the Long-Term Arrangement at the level shown in column three of Appendix 1. The remainder of category 62 shall be derestrained, without prejudice to the right of the United States Government to request restraint in further product sub-categories under the terms of the Arrangement. As indicated in paragraph 2(6) of this Memorandum, it is agreed by both Governments that knit blouses shall be classified and recorded in a separate product sub-category of this miscellaneous category.
- (18) That the Hong Kong Government shall have the option of permitting "swing" transfers freely between categories 15, 16, 18, 19, 23, 24 and 25, provided that the maximum export level in any one of these categories during the third year of the Arrangement shall not exceed 2 million square yards.
- (19) The terms of this Memorandum of Understanding shall not be altered except by mutual agreement of both Governments.

3. This Memorandum sets out all the main points of agreement between the Hong Kong and United States Governments in relation to exports of cotton textiles from Hong Kong to the United States during the third year of the Arrangement. It is recognized, however, that there may still be differences in minor points of procedure or operation and it is agreed that these should be dealt with, as they arise, by discussion and exchange of correspondence between the Commerce and Industry Department, Hong Kong Government and the United States Consulate-General in Hong Kong.

Commerce and Industry Department,
Hong Kong Government.

11 November 1964.

MEMORANDUM OF UNDERSTANDING

APPENDIX

(1)	(2)	(3)	(4)
Category No.	Description	Unit	1964/65 Restraint Levels Equivalent Square Yardage
1	Cotton yarn, carded, singles, not ornamented, etc.	lbs.	216,300 994,980
YARN SUB-TOTAL:			994,980
5	Ginghams, carded yarn	sq.yds.	3,628,126 3,628,126
6	Ginghams, combed yarn	"	757,050 757,050
9	Sheeting, carded yarn	"	50,500,051 50,500,051
15	Poplin and broadcloth, carded yarn	"	1,622,250 1,622,250
16	Poplin and broadcloth, combed yarn	"	594,825 594,825
18	Print cloth type shirting, 80 x 80 type, carded yarn	"	118,965 118,965
19	Print cloth type shirting, other than 80 x 80 type, carded yarn	"	675,938 675,938
22	Twill and sateen (including jean, drill and denim), carded yarn	"	17,517,701 17,517,701
23	Twill and sateen (including jean, drill and denim), combed yarn	"	702,975 702,975
24	Yarn-dyed fabrics, except gingham, carded yarn	"	254,153 254,153
25	Yarn-dyed fabrics, except gingham, combed yarn	"	248,745 248,745
26	Fabrics (including duck) n.e.s., carded yarn	"	31,080,177 31,080,177
27(1)	Oxford type cloth, combed yarn	"	1,081,500 1,081,500
PIECE-GOODS SUB-TOTAL			108,782,456

MEMORANDUM OF UNDERSTANDING (cont'd)

APPENDIX

(1)	(2)	(3)	(4)
Category No.	Description	Unit	1964/65 Restraint Levels
28	Pillow-cases, plain, carded yarn	Nos.	486,675
30	Dish towels	"	848,890
31	Towels other than dish towels	"	10,490,550
36	Bedspreads	"	54,075
64(1)	Industrial wiping cloths	lbs.	3,677,100
MADE-UFS SUB-TOTAL:			21,761,458
39	Gloves	Doz.	237,037
41	Men's and boys' all white T-shirts, knit or crocheted	"	132,300
42	Other T-shirts	"	413,438 (see para. 2(15))
43	Knitshirts other than T-shirts and sweatshirts (including infants)	"	281,138
45	Men's and boys' shirts, dress, not knit or crocheted	"	386,350
46	Men's and boys' shirts, sport, not knit or crocheted	"	286,650
48	Raincoats, 3/4 length or over	"	Subject to adjustment (see para. 2(16))
49	All other coats	"	825,825
50	Men's and boys' trousers, slacks and shorts (outer) not knit or crocheted	"	11,942
51	Women's, misses' and children's trousers, slacks and shorts (outer) not knit or crocheted	"	45,330
52	Blouses, not knit	"	771,750
		"	1,605,858
		"	1,119,037
			13,734,835
			28,579,455
			16,259,615

MEMORANDUM OF UNDERSTANDING (cont'd)

APPENDIX

(1)	(2)	(3)	(4)
Category No.	Description	Unit	1964/65 Restraint Levels
53	Women's, misses', children's and infants' dresses (including nurses' and other uniform dresses), not knit or crocheted	Doz.	60,637
54	Playsuits, sunsuits, washsuits, creepers, rompers, etc. (except blouse and skirts, blouse and trousers, or blouse, shorts and skirt sets)	"	132,300
55	Dressing gowns including bath robes, beach robes, lounging gowns, dusters and housecoats, not knit or crocheted	"	97,650
60	Nightwear and pyjamas	"	496,125
61	Brassieres and other body supporting garments	"	1,549,012
62(1)	Knitted sweatshirts	lbs.	314,212
			APPAREL SUB-TOTAL: 139,439,075

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SUB-TOTAL SUMMARY	
Yarn	944,980
Piece-goods	108,782,456
Made-ups	21,761,458
Apparel	139,439,075
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Total Equivalent	
Yardage:	270,977,969
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American Consulate-General,
Hong Kong, BCC.

16 November 1964

Dear Mr. Holmes,

I have the honour to acknowledge the receipt of your letter of 7 November 1964, and the Memorandum attached thereto concerning the exportation of cotton textile products from Hong Kong to the United States during the third year of the Long-Term Cotton Textiles Arrangement, that is, for the period from 1 October 1964 through 30 September 1965.

I am pleased to inform you that the undertakings of the Government of Hong Kong and the United States as set forth in the Memorandum attached to your letter, and the annex thereto establishing export restraint levels, are satisfactory to the United States Government.

I am gratified to note the successful completion of this year's negotiations between the Governments of the United States and of Hong Kong, and I wish to offer on behalf of my Government our sincere appreciation for the Hong Kong Government's most valued co-operation in achieving this understanding.

Sincerely yours,

(signed) Edward E. Rice,
Consul General

The Honorable D.R. Holmes,
Director,
Commerce and Industry Department,
Fire Brigade Building,
Hong Kong.