

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Restraint Request Made by Australia Under Article 3

The following communication has been received by the Director-General from the Australian mission.

I have the honour to inform you that the Australian Government, acting under the authority of Article 3 of the Long-Term Cotton Textiles Arrangement, has requested the Government of Hong Kong to hold consultations with a view to limiting exports to Australia of cotton drills, denims, dungarees and jeans (falling within paragraph 55.09.49 in the First Schedule to the Australian Customs Tariff).

Detailed statistical information relating to the Australian Government's request is contained in the attached paper.

THREAT OF DISRUPTION OF THE AUSTRALIAN MARKET FOR
COTTON DENIMS, DRILLS, DUNGAREES AND JEANS

It is the view of the Australian Government that the Australian market for cotton denims, drills, dungarees and jeans is being threatened with disruption through increased imports from Hong Kong and the likelihood of a further substantial increase in imports from that source in the light of present prices on offer to Australian users.

The fabrics concerned are woven fabrics, wholly of cotton or containing more than 50 per cent by weight of cotton and less than 20 per cent by weight of wool and less than 20 per cent by weight of man-made fibres, weighing not less than 6 ounces per square yard and not more than 15 ounces per square yard, whether unbleached, bleached, printed, dyed or coloured, and known as drills, denims, dungarees or jeans.

Total imports of these fabrics in the twelve-months period October 1965 to September 1966 were 3,000,400 square yards - of which Hong Kong supplied 1,067,200 square yards, or 35.6 per cent.

In the period October 1966 to September 1967 total imports increased to 3,449,000 square yards and imports from Hong Kong increased to 1,337,700 square yards, representing a share for Hong Kong of 38.8 per cent of the total. The increase of 25 per cent in imports from Hong Kong accounted for 60 per cent of the total increase in imports.

Apart from the increase in imports from Hong Kong which has already taken place, agents have been offering Hong Kong fabrics of this kind to Australian users at a landed duty paid price of \$0.50 per square yard. This is considerably below the price of the comparable Australian product, which is priced at \$0.743 per square yard.

There is a very limited number of users of these fabrics in Australia and one of the major users has already transferred a substantial part of its order from Australian to Hong Kong manufacturers and has indicated its intention of purchasing the whole of its future requirements from Hong Kong. If one of the major users was to transfer his purchases wholly to Hong Kong fabrics at a lower price, it is likely that for competitive reasons the others would be forced to follow suit.

In this situation the transfer of any significant proportion of the end-users' requirements has an immediate and detrimental effect on the local suppliers' position.

Woven cotton fabrics at present receiving tariff protection represent only 15 per cent of the total Australian market. The remaining share of the market is taken up mainly by imports at minimal rates of duty. Locally produced drills, denims, dungarees and jeans account for approximately 22,000,000 square yards, or almost 40 per cent of the total Australian production of 57,400,000 square yards of woven cotton fabrics of all types.

Australian production of denims, drills, dungarees and jeans is not large in overall terms, but represents a most important part of Australian cotton fabrics production. The present situation therefore poses a threat of serious disruption which would have adverse repercussions throughout the whole of the Australian cotton textile industry.