

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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COTTON TEXTILES COMMITTEE

Statement by the Representative of the United Kingdom for Hong Kong at the Meeting of 29 September 1966

Background

Hong Kong has contributed both to the major review and to the series of informal discussions which took place in 1965 on the future of the Long-Term Arrangement. These discussions began with the personal initiative you took, Sir, as Chairman of this Committee. But agreement could not be reached on your suggested basis for a negotiation for an overall settlement of the problem of international trade in cotton textiles; largely because certain importing countries would not agree to each of the three elements of your package deal being equally negotiable. The United States, for instance, took the view that the Long-Term Arrangement itself should, for the purpose of negotiating an overall settlement, be taken as given while the possibility of expanding trading opportunities via tariff cuts and more liberal administration of the Arrangement was explored.

Hong Kong found this attitude unnecessarily rigid but when you, Sir, took a further initiative at the end of last year to start negotiations on the basis of your proposed package by circulating the offers which importing countries had made for tariff cuts on cotton textiles in the Kennedy Round and by inviting exporting countries:

- (i) to suggest improvements in these offers;
- (ii) to propose suggestions as to the length of the period for which the Arrangement should be renewed;
- (iii) to submit proposals for more flexible application of the Arrangement by importing countries;

Hong Kong joined certain other countries in responding to this invitation; our response was circulated.

But the response generally to your invitation was such that grave doubts were cast on the feasibility of an agreed basis being found for a multilateral negotiation on a package deal combining tariff cuts and the future of the Long-Term Arrangement. As we understand it the position now is that negotiations in the textiles sector of the Kennedy Round will not be resumed (if they can be said to have started) until after the future of the Long-Term Arrangement is settled.

Future of the Long-Term Arrangement

The question is, Mr. Chairman, how is it to be settled? How can exporting countries, in particular, form a judgement as to whether in all the allegedly special circumstances of trade and industry in cotton textiles, a continuation of the Long-Term Arrangement in its present form would be the best course to decide upon? Mr. Chairman: Hong Kong is prepared to support an extension of the Arrangement in its present form for a period of three years (only) provided we can be assured that it will be applied and administered in a reasonably liberal manner.

It has not been our experience that the Arrangement is so applied and administered. Our support for an extension (of the Arrangement) is contingent upon our receiving specific and concrete assurances (i) that existing restrictions will be progressively relaxed to the maximum extent consistent with the objectives of the Long-Term Arrangement; (ii) that new restrictions will be sought only if they really are unavoidable in the context of those objectives. Although it is an international agreement we are concerned with, Hong Kong does not necessarily seek a multilateral negotiation as a means of establishing these specific and concrete assurances. But prior to bilateral contacts being made between individual importing and exporting countries with a view to subsequent negotiations, it is the Hong Kong Government's view that there should be at least a multilateral exchange of ideas as to the manner in which the Arrangement should be applied and administered. This would provide, we would hope, useful guidelines for the bilateral negotiations and would lay down common standards of behaviour relating to greater flexibility and expanded access which participating (importing) countries might be expected to try to follow. In addition, such an exchange would provide some safeguard against newly participating countries applying and administering the Arrangement in a less liberal manner.

Hong Kong's ideas, Mr. Chairman, on these common standards of behaviour have already been made known and are contained in our submission. They relate to swing, growth, carryover, categorization, export controls, and Article 2 restrictions.

Time is short, Mr. Chairman, for the bilateral negotiations which must follow or take place alongside this multilateral exchange of ideas. If the nature of the post-1967 arrangements for controlling international trade in cotton textiles is not to be so uncertain that grave market disruption is not generated, these bilateral negotiations must be arranged expeditiously. It might not be too easy to do this without some central clearing house and perhaps the GATT secretariat could assist in this respect. The Hong Kong Government for its particular part would make every possible effort to settle on mutually convenient dates. In fact, during recent negotiations for an Article 4 bilateral agreement we had certain preliminary discussions with the United States Government on their ideas for the more liberal administration of the Arrangement and we concluded these will be satisfactory to us. But the United States is only one of a number of countries applying (or conceivably likely to apply) the Long-Term Arrangement against Hong Kong and before we can take a final decision on the future of this multilateral waiver of our GATT most-favoured-nation rights of entry we must have a clear idea as to their intentions as well. Importing countries, Mr. Chairman, should not assume that the mere efflux of time will bring its own rewards in the shape of a renewal perforce of the Long-Term Arrangement. It is true that in return for importing countries having special unilateral rights to discriminate against individual exporting countries, access has been multilateralized under the Arrangement. If importing countries argue that these rights must be retained for the time being this is presumably because they do not wish to return to an untidy bilateral world in which they would, in any case, be in breach of their obligations under the General Agreement. A bilateral world would probably serve the cause of expanding trade in cotton textiles less well in present circumstances than a continuation of the Long-Term Arrangement. But if a decision not to extend the Arrangement deprived the exporting countries of multilateralized access, there would be consequences too for importing countries. There would almost certainly be a collapse of the price structure as a result of the speculative pressures which would build up as the trading system adjusted itself.

And so, Mr. Chairman it is important that the question of the future of the Arrangement is examined both in this Committee and in bilateral consultations as a matter of urgency during the next two to three months so that all participating countries - importing and exporting countries - can come to a judgment one way or the other well before the present term expires.