

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/52/Add.1

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LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Request made by Canada in Accordance with Articles 3 and 6(b)

Addendum

The following communication has been transmitted to the Director-General by the United Kingdom mission on behalf of the Hong Kong Government for circulation to the members of the Cotton Textiles Committee.

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1. The Government of Hong Kong have submitted the following statement in reply to the Canadian Government's request that Hong Kong should restrain exports of shirts of woven synthetic fibre to Canada during the period beginning 1 October 1965 (COT/52).
 2. The Hong Kong Government notes the statement by the Government of Canada that this request is in accordance with Articles 3 and 6(b) of the Long-Term Arrangement Regarding International Trade in Cotton Textiles. In the opinion of Hong Kong the Canadian Note does not establish a prima facie case that Article 6(b) may be applicable to the situation described. The Note contains no "detailed factual statement of the reasons and justification" for seeking to invoke Article 6(b). The provision of such a statement is mandatory under the Article cited, and in the opinion of the Government of Hong Kong should be furnished before investigation and consultation within the meaning of the Article; it is considered that the sixty day consultation period contemplated in the Article should not start to run until after this information has been submitted.
 3. The Government of Hong Kong invites the attention of the Canadian authorities to the text of Article 6(b) of the Long-Term Arrangement which in the view of the Hong Kong Government makes it clear that the following facts have to be established before a request for investigation and consultation can be made, namely:

- (a) that "there exists a situation or threat of market disruption";
- (b) that "deliberate substitution for cotton of directly competitive fibres" has taken place; and
- (c) that "imports of products in which this substitution has taken place have increased abnormally, that is that this substitution had taken place wholly in order to circumvent the provisions of this Arrangement".

4. The Canadian Note does not substantiate the charge that deliberate substitution has taken place. The Hong Kong Government does not accept any implication that once cotton shirts are restricted under Article 5 the import of polyester shirts automatically represents "deliberate substitution" within the meaning of Article 6(b). The reference in the Canadian Note to the increase in the import from Hong Kong of polyester shirts could therefore be relevant only after the existence of deliberate substitution had been proved, and it should be necessary to show that the increase was abnormal. The Hong Kong Government does not accept the relevance of imports from countries other than Hong Kong in this context.

5. The attention of the Canadian Authorities is drawn to the fact that the export of cotton woven shirts to Canada from Hong Kong was at a level approximately 20 per cent below the restraint level agreed for the third year of the Long-Term Arrangement ending 30 September 1965 and is at present proceeding at an annual rate substantially lower than the agreed restraint level for the current textile year. In the Hong Kong view it is very doubtful whether it can be argued that a restraint has been circumvented if the trade to which it relates is effectively restricted by commercial or trading conditions to a level lower than that negotiated or imposed under the Long-Term Arrangement; and that they have no case to answer.