

RESTRICTED

GENERAL AGREEMENT ON  
TARIFFS AND TRADE

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ARRANGEMENT REGARDING INTERNATIONAL TRADE  
IN COTTON TEXTILES

Bilateral Agreement between the Governments of the  
United States and Hong Kong

Addendum

Attached is the text of the notes exchanged between the Government of the United States and the Government of Hong Kong amending the bilateral agreement concluded between the two countries, concerning trade in cotton textiles.

This information has been transmitted to the Director-General by the United States Mission for notification to the Cotton Textiles Committee.

Note No. 1

AMERICAN CONSULATE GENERAL  
HONG KONG, B.C.C.

31 May 1967

Sir,

I refer to the decision of the Cotton Textiles Committee of the General Agreement on Tariffs and Trade approving a Protocol<sup>1</sup> to extend through 30 September 1970, the Long-Term Arrangement Regarding International Trade in Cotton Textiles done in Geneva on 9 February 1962 (hereinafter referred to as "the Long-Term Arrangement"). I also refer to recent discussions between representatives of our two Governments and to the Agreement between our two Governments concerning exports of cotton textiles from Hong Kong to the United States effected by an exchange of notes dated 26 August 1966<sup>2</sup> (hereinafter referred to as the Agreement). I confirm, on behalf of my Government, the understanding that the Agreement is amended as provided in the following numbered paragraphs. This amendment is based on our understanding that the above-mentioned Protocol will enter into force for our two Governments on 1 October 1967.

1. Paragraphs 1 through 7 are amended to read as follows:

"1. The term of this Agreement shall be from 1 October 1965 through 30 September 1970. During the term of this Agreement the Government of Hong Kong shall limit annual exports of cotton textiles from Hong Kong to the United States to aggregate, group and specific limits at the levels specified below and in Annexes A and C. It is noted that new levels are established for the second agreement year with a special adjustment for that year only. The levels set forth in paragraphs 2 and 3 and in Annex C for the third agreement year are 5 per cent higher than the limits for the preceding year without this special adjustment. The growth factor provided for in paragraph 7 has already been applied in arriving at the levels for the second and third agreement years.

"2. For the first agreement year, constituting the twelve-month period beginning 1 October 1965, the aggregate limit shall be 322,500,000 sq.yds. equivalent. For the second and third agreement years, the aggregate limit shall be 343,625,000 sq.yds. equivalent and 371,306,250 sq.yds. equivalent, respectively.

<sup>1</sup>Done at Geneva 1 May 1967.

<sup>2</sup>See document COT/73.

The Honourable T.D. Sorby,  
Director,  
Commerce and Industry Department,  
Hong Kong.

"3. Within the aggregate limit, the following group limits shall apply for the first, second and third agreement years:

<u>Groups</u>	(in sq.yds. equivalent)		
	1st Agreement Year	2nd Agreement Year	3rd Agreement Year
I. Yarn	7,338,841	7,705,783	8,091,072
II. Fabric	126,853,127	136,195,783	149,305,572
III. Apparel	158,189,916	167,799,412	179,759,383
IV. Made-up goods and miscellaneous	30,118,116	31,924,022	34,150,223

"4. Within the aggregate limit and the applicable group limits, the specific limits provided for in Annex A shall apply for the first agreement year and those provided for in Annex C shall apply for the second and third agreement years.

"5. Within the aggregate limit, the limits for Groups I, II and IV may be exceeded by not more than 10 per cent, and the limit for Group III may be exceeded by not more than 5 per cent. Within the applicable group limit (as it may be adjusted under this provision) specific limits may be exceeded by not more than 5 per cent.

"6. During the term of this Agreement, the Government of Hong Kong shall limit exports of corduroy apparel from Hong Kong to the United States. For the first, second and third agreement years this limit on corduroy apparel shall be 7,350,000 sq.yds. equivalent, 7,717,500 sq.yds. equivalent, and 8,103,375 sq.yds. equivalent, respectively. Exports of corduroy apparel shall also be counted against all other pertinent limits provided in this Agreement.

"7. In the fourth and fifth twelve-month periods for which any limitation is in force under paragraphs 1, 2, 3, 4 (including Annex C) and 6 of this Agreement, the level of exports permitted under such limitation shall be increased by 5 per cent over the corresponding level for the preceding twelve-month period, the latter level not to include any adjustments under any other provision of this Agreement.

2. The following new numbered paragraphs shall be added to the Agreement:

"18. Any article exported from Hong Kong to the United States on or after 1 June 1967 which is considered to be a cotton textile according to either the weight criterion provided for in Article 9 of the Long-Term Arrangement or the chief value criterion used by the Government of the United States in accordance with paragraph 2 of Annex E of the Long-Term Arrangement shall be considered to be a cotton textile under this Agreement.

"19. (a) After the second agreement year, for any agreement year immediately following a year of a shortfall (i.e., a year in which cotton textile exports from Hong Kong to the United States were below the aggregate limit and any group and specific limits applicable to the category concerned) the Government of Hong Kong may permit exports to exceed the aggregate, group and specific limits by carryover in the following amounts and manner:

- (i) The carryover shall not exceed the amount of the shortfall in either the aggregate limit or any applicable group or specific limit and shall not exceed either 5 per cent of the aggregate limit or 5 per cent of the applicable group limit in the year of the shortfall, and
- (ii) In the case of shortfalls in the categories subject to specific limits the carryover shall not exceed 5 per cent of the specific limit in the year of the shortfall, and shall be used in the same category in which the shortfall occurred, and
- (iii) In the case of shortfalls not attributable to categories subject to specific limits, the carryover shall be used in the same group in which the shortfall occurred, shall not be used to exceed any applicable specific limit except in accordance with the provisions of paragraph 5 and the special 'pool' provisions in Annex C, and shall not affect any consultation arrangements made pursuant to paragraph 8.

(b) The limits referred to in sub-paragraph (a) of this paragraph are without any adjustments under this paragraph or paragraph 5 above or the special 'pool' provisions in Annex C.

(c) The carryover shall be in addition to the exports permitted in paragraph 5 of the Agreement and under the special 'pool' provisions in Annex C."

3. Annex C, attached hereto, shall be added to the Agreement.

If the above conforms with the understanding of your Government, this note and your note of confirmation on behalf of the Government of Hong Kong shall constitute an amendment to the Cotton Textile Agreement of 26 August 1966, between our Governments.

Accept, Sir, the renewed assurance of my high consideration.

(signed) Edward E. Rice

Attachment: Annex C.

ANNEX C

Levels of Limits for Second and Third Agreement Years for Categories Subject to Specific Limits and Other Categories

<u>Group and Category</u>	<u>Second Agreement Year</u>		<u>Third Agreement Year</u>	
	<u>Units as Indicated</u>	<u>Equivalent sq.yds.</u>	<u>Units as Indicated</u>	<u>Equivalent sq.yds.</u>
<u>lb.</u>		<u>lb.</u>		
I. <u>Group I. Yarns:</u>				
Cotton Yarns (1-4)	1,675,170	7,705,783	1,758,929	8,091,072
II. <u>Group II. Fabrics:</u>	<u>sq.yds.</u>		<u>sq.yds.</u>	
A. <u>Categories</u>				
Ginghams (5-6)	4,604,431	4,604,431	4,834,652	4,834,652
Sheeting (9-10)	58,946,519	58,946,519	63,293,844	63,293,844
Twill and Sateen (22-23)	21,036,666	21,036,666	23,488,500	23,488,500
Yarn-dyed fabrics, n.e.s. (24-25)	1,000,000	1,000,000	1,050,000	1,050,000
Duck fabric (26(1)) and (27(2))	30,733,333	30,733,333	35,070,000	35,070,000
*All other fabrics (7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 26(2), 27(1), 27(3))	19,874,834	19,874,834	21,568,576	21,568,576
B. The Hong Kong Government may distribute a pool of 3.9 million sq.yds. from "all other fabrics" <u>pro rata</u> among categories in Group II given specific limits, other than duck fabric (Categories 26(1) and 27(2)). A distribution other than on a <u>pro rata</u> basis may be made upon consultation and mutual agreement between the Governments of Hong Kong and the United States.				
III. <u>Group III. Apparel</u>	<u>doz.</u>		<u>doz.</u>	
A. <u>Categories:</u>				
Knit T-shirts (41-42)	437,303	3,163,450	465,873	3,370,125
Other knit shirts (43)	457,571	3,310,069	496,348	3,590,581
Dress shirts (45)	601,595	13,346,987	640,898	14,218,963
Sport shirts (46)	575,092	14,065,025	612,663	14,983,899

<u>Group and Category</u>	<u>Second Agreement Year</u>		<u>Third Agreement Year</u>	
	<u>Units as Indicated</u>	<u>Equivalent sq.yds.</u>	<u>Units as Indicated</u>	<u>Equivalent sq.yds.</u>
		<u>doz.</u>		<u>doz.</u>
<b>III. Group III, Apparel (cont'd)</b>				
A. Categories (cont'd):				
Raincoats, three-quarter length and over (48)	12,750	637,500	13,830	691,500
Other coats (49)	48,398	1,572,935	52,499	1,706,218
Trousers, men and boys (50)	865,170	15,397,430	938,489	16,702,289
Trousers, women, misses, etc. (51)	1,783,480	31,740,594	1,899,997	33,814,247
Blouses (52)	1,183,629	17,198,129	1,260,958	18,321,720
Dresses (53)	64,740	2,932,722	70,227	3,181,283
Playsuits, etc., and entireties (54 and 63(1))	306,150	7,653,750	326,151	8,153,775
Dressing gowns, etc. (55)	103,287	5,267,637	110,035	5,611,785
Pyjamas and other night-wear (60)	529,694	27,522,900	574,583	29,855,333
Brassieres and body-supporting garments n.e.s. (61)	1,638,424	7,782,514	1,745,465	8,290,959
		<u>lb.</u>		<u>lb.</u>
Sweatshirts (62(1))	332,350	1,528,810	354,062	1,628,685
Knit blouses (62(2))	404,050	1,858,630	430,446	1,980,052
		<u>sq.yds.</u>		<u>sq.yds.</u>
*All other apparel (39, 40, 44, 47, 56, 57, 58, 59, 62(3), 63(2))	12,820,330	12,820,330	13,657,969	13,657,969

B. The Hong Kong Government may distribute a pool of 5 million sq.yds. from "all other apparel" pro rata among categories in Group III given specific limits. A distribution other than on a pro rata basis may be made upon consultation and mutual agreement between the Governments of Hong Kong and the United States.

	<u>Group and Category</u>	<u>Second Agreement Year</u>		<u>Third Agreement Year</u>	
		<u>Units as Indicated</u>	<u>Equivalent sq.yds.</u>	<u>Units as Indicated</u>	<u>Equivalent sq.yds.</u>
IV.	<u>Group IV, Made-up goods and miscellaneous:</u>	<u>pcs.</u>		<u>pcs.</u>	
A.	<u>Categories:</u>				
	Pillowcases, plain (28-29)	729,184	790,435	782,809	848,565
	Towels, except shop towels (30-31(2))	12,041,388	4,190,403	12,926,931	4,498,572
		<u>lb.</u>		<u>lb.</u>	
	Shop towels (31(1))	3,904,724	17,961,730	4,191,883	19,282,662
		<u>pcs.</u>		<u>pcs.</u>	
	Sheets, plain (34-35)	615,905	3,818,611	661,199	4,099,434
		<u>sq.yds.</u>		<u>sq.yds.</u>	
	*All other made-up goods and miscellaneous (32, 33, 36, 37, 38, 64)	5,162,843	5,162,843	5,420,990	5,420,990

B. The Hong Kong Government may distribute a pool of 900,000 sq.yds. from "all other made-up goods and miscellaneous" pro rata among categories in Group IV given specific limits. A distribution other than on a pro rata basis may be made upon consultation and mutual agreement between the Governments of Hong Kong and the United States.

V. With respect to merged categories given specific limits in Groups I, II and IV, except categories 30 and 31, shipments in the combed category (or categories in Group I) may not exceed the following percentages of the applicable combined limit.

<u>Category</u>	<u>Maximum Combed</u>
1-4	72.5%
5-6	25 %
9-10	25 %
22-23	25 %
24-25	62.5%
26-27 (duck)	37.5%
28-29	37.5%
34-35	52.5%

\*These categories are not subject to specific limits. Hence, within the aggregate and the applicable group limits, the square yard equivalent of shortfalls in exports in categories with specific limits may be used in these categories.

Note No. 2

31 May 1967

Sir,

I refer to your note of 31 May 1967 confirming, on behalf of your Government, the understanding that the Agreement between our two Governments concerning exports of cotton textiles from Hong Kong to the United States, effected by an exchange of notes dated 26 August 1966, be amended as provided in your note. I confirm that your Government's understanding conforms with the understanding of my Government.

Accept, Sir, the renewed assurances of my high consideration.

(signed) T.D. Sorby  
Director of Commerce and Industry

Mr. E.E. Rice,  
Consul-General,  
American Consulate General,  
26 Garden Road,  
Hong Kong.