

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

COT/176

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ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Bilateral Agreement between the United States and Hong Kong

Attached is the text of the United States note relating to a new cotton textiles agreement between Hong Kong and the United States.¹

The text of this note has been transmitted to the Director-General by the United States mission for notification to the Cotton Textiles Committee.

¹For previous agreement see COT/73 and add.1.

American Consulate General,
Hong Kong, B.C.C.

17 December 1970

Sir:

I refer to the Long-Term Arrangement Regarding International Trade in Cotton Textiles (hereinafter referred to as the LTA), done in Geneva on 29 February 1962, and to the Protocol extending the LTA until 30 September 1973.

I refer also to recent discussions between our two Governments concerning the export of cotton textiles from Hong Kong to the United States. As a result of these discussions I propose, on behalf of my Government, under Article 4 of the LTA, the following agreement relating to trade in cotton textiles between Hong Kong and the United States:

1. The term of this agreement shall be from 1 October 1970, through 30 September 1973. 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 Annex A, adjusted in accordance with the growth formula set out in paragraph 7.
2. For the first agreement year, constituting the twelve-month period beginning 1 October 1970, the aggregate limit shall be 429,833,398 square yards equivalent.
3. Within the aggregate limit, the following group limits shall apply for the first agreement year:

<u>Groups</u>	<u>Limits</u> (in square yards equivalent)
I. Yarn and fabric	182,206,290
II. Apparel	208,093,956
III. Made-up goods and miscellaneous	39,533,152

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.
5. Within the aggregate limit, the limits for Groups I and III may be exceeded by not more than 10 per cent, and the limit for Group II 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.

The Honourable J. Cater, H.B.E., J.P.,
Director,
Commerce and Industry Department,
Hong Kong.

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 agreement year the limit on corduroy apparel shall be 9,380,670 square yards equivalent. Exports of corduroy apparel shall also be counted against all other pertinent limits provided in this agreement.

7. In the second and third twelve-month periods for which any limitation is in force under paragraphs 1,2,3,4 (including Annex A), 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 provisions of this agreement.

8. (a) For any agreement year immediately following a year of 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, under this agreement or the agreement effected by exchange of notes dated 31 May 1967) the Government of Hong Kong may permit exports to exceed the aggregate, group and specific limits by carry-over in the following amounts and manner:

(i) The carry-over 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 (or combination of categories) subject to specific limits, the carry-over shall not exceed 5 per cent of the specific limit in the year of the shortfall and shall be used in the same category (or combination of categories) in which the shortfall occurred; and

(iii) In the case of shortfalls not attributable to categories (or combination of categories) subject to specific limits, the carry-over 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 or the special "pool" provisions of Annex A, and shall not affect any consultation arrangements made pursuant to paragraph 14.

(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 A.

(c) The carry-over provided in sub-paragraph (a) of this paragraph shall be in addition to the exports permitted by paragraph 5 of the agreement or under the special "pool" provisions in Annex A where applicable.

9. The two Governments recognize that the successful implementation of this agreement depends in large part upon mutual co-operation on statistical questions. The Government of the United States shall promptly supply the Government of Hong Kong with data on monthly imports of cotton textiles from Hong Kong. The Government of Hong Kong shall promptly supply the Government of the United States with pertinent data on anticipated exports in categories not subject to specific limits and data on monthly exports of cotton textiles to the United States. Each Government agrees to supply promptly any other available statistical data requested by the other Government.
10. In the implementation of this agreement the system of categories listed in Annex B shall apply. Recognizing that this agreement aligns, to the best knowledge of the two Governments, Hong Kong's export control practices and United States classification practices as far as 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 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. Any adjustment which cannot be made during an agreement year will be considered at the annual consultations provided for in paragraph 13.
11. In the implementation of this agreement the rates of conversion into square yard equivalents listed in Annex B hereto shall apply.
12. Any article exported from Hong Kong to the United States which is considered to be a cotton textile according to either the weight criterion provided for in Article 9 of the LTA or the chief value criterion used by the Government of the United States (in accordance with paragraph 2 of Annex E of the LTA) shall be considered to be a cotton textile under this agreement.
13. The two Governments agree to consult annually during the last quarter of each agreement year to review this agreement and whenever there is any question arising in the implementation of this agreement.
14. In the event of undue concentration in exports from Hong Kong to the United States of cotton textiles in any category not given a specific limit, the Government of the United States may request consultation with the Government of Hong Kong to determine an appropriate course of action. During the course of such consultation the Government of Hong Kong will not license further exports of the particular product in question.
15. If the Government of Hong Kong considers that, as a result of limits specified in this agreement, Hong Kong is being placed in an inequitable position vis-à-vis a third country, the Government of Hong Kong may request consultation with the Government of the United States with a view to taking appropriate remedial action such as a reasonable modification of this agreement.

16. Mutually satisfactory administrative arrangements or adjustments may be made to resolve minor problems arising in the implementation of this agreement, including differences in points of procedure or operation.

17. The Government of Hong Kong shall use its best efforts to space exports from Hong Kong to the United States within each category or combination of categories evenly throughout the agreement year, taking into consideration normal seasonal factors.

18. During the term of this agreement, the Government of the United States will not request restraint on the export of cotton textiles from Hong Kong to the United States under the procedures of Article 3 of the LTA. The applicability of the LTA to trade in cotton textiles between Hong Kong and the United States shall otherwise be unaffected by this agreement.

19. Either Government may terminate this agreement, effective at the end of an agreement year, by written notice to the other Government, to be given at least ninety days prior to the end of such agreement year. Either Government may at any time propose revisions in the terms of this agreement.

If this proposal is acceptable to the Government of Hong Kong, this note and your note of acceptance on behalf of the Government of Hong Kong will constitute an agreement between our two Governments.

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

Enclosures:

1. Annex A
2. Annex B

Annex A

CATEGORIES SUBJECT TO SPECIFIC LIMITS AND OTHER CATEGORIES

<u>Group and category</u>	<u>Unit</u>	<u>Quantity</u>	<u>Limit</u>	<u>Square yard equivalent</u>
<u>Group I - Yarn and fabric</u>				
A. <u>Categories</u>				
Yarn (categories 1-4)	lb.	2,036,180		9,366,428
Gingham (categories 5/6)	sq.yd.			5,596,714
Sheeting (categories 9/10)	sq.yd.			73,270,536
Twill and sateen (categories 22/23)	sq.yd.			27,190,375
Yarn-dyed fabric, n.e.s. (categories 24/25)	sq.yd.			1,215,506
Duck (categories 26(1) and 27(2))	sq.yd.			40,597,909
*All other fabrics (categories 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 26(2), 27(1) and 27(3))	sq.yd.	No specific limits		24,968,322
B. The Hong Kong Government may distribute a pool from "all other fabrics" <u>pro rata</u> among categories given specific limits in Group I 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. For the first year of the agreement, the pool shall be 4,680,000 square yards, with growth thereafter at 5 per cent per annum as provided in paragraph 7 of the agreement.				

Group II - Apparel

A. <u>Categories</u>				
Knit T-shirts (categories 41/42)	doz.	539,306		3,901,340
Other knit shirts and knit blouses (categories 43 and 62(2))	doz.	391,443		6,448,698
Dress shirts (category 45)	doz.	741,920		16,460,237
Sport and work shirts (categories 46/47)	doz.	Variable ¹		17,957,224
Raincoats 3/4 length and over (category 48)	doz.	16,010		800,500

<u>Group and category</u>	<u>Unit</u>	<u>Quantity</u>	<u>Limit</u>	<u>Square yard equivalent</u>
<u>Group II - Apparel (cont'd)</u>				
Other coats (category 49)	doz.	60,774		1,975,155
Trousers, men's and boys' (category 50)	doz.	1,086,418		19,334,981
Trousers, women's misses, etc. (category 51)	doz.	2,199,483		39,144,199
Blouses (category 52)	doz.	1,459,716		21,209,673
Dresses (category 53)	doz.	81,296		3,682,709
Playsuits, etc. and entireties (categories 54 and 63(1))	doz.	377,560		9,439,000
Dressing gowns, etc. (category 55)	doz.	127,379		6,496,329
Pajamas and other nightwear (category 60)	doz.	665,157		34,561,246
Brassières and body-supporting garments n.e.s. (category 61)	doz.	2,020,594		9,597,822
Sweatshirts (category 62(1))	lb.	409,871		1,885,407
*All other apparel (categories 39, 40, 44, 56, 57, 58, 59, 62(3) and 63(2))	doz./lb.	No specific limits		15,199,436

B. The Hong Kong Government may distribute a pool from "all other apparel" pro rata among categories given specific limits in Group II. 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. For the first year of the agreement, the pool shall be 6 million square yards equivalent with growth thereafter at 5 per cent per annum as provided in paragraph 7 of the agreement.

Group III - Made-up goods and miscellaneous

A. Categories

Pillowcases, plain (categories 28/29)	No.	906,199		982,320
Towels, except shop towels (categories 30/31(2))	No.	14,964,540		5,207,660
Shop towels (category 31(1))	lb.	4,852,629		22,322,093
Sheets, plain (categories 34/35)	No.	765,421		4,745,610
*All other made-up goods and miscellaneous (categories 32, 33, 36, 37, 38 and 64)	Variable	No specific limits		6,275,469

Group III - Made-up goods and miscellaneous (cont'd)

- B. The Hong Kong Government may distribute a pool from "all other made-up goods and miscellaneous" pro rata among categories given specific limits in Group III. 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. For the first year of the agreement, the pool shall be 1,080,000 square yards equivalent with growth thereafter at 5 per cent per annum as provided in paragraph 7 of the agreement.

* The "all other" 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 (or combination of categories) with specific limits may be used in these categories.

¹The component categories have different conversion factors. The total square yard equivalents shall be computed by using the applicable conversion factor for the category in which the exported products are classified.

Annex B

COTTON TEXTILE CATEGORIES AND CONVERSION FACTORS

Category	Description	Unit	Conversion factor to square yards
1	Yarn, carded, singles	Lb.	4.6
2	Yarn, carded, plied	Lb.	4.6
3	Yarn, combed, singles	Lb.	4.6
4	Yarn, combed, plied	Lb.	4.6
5	Gingham, carded	Sq.yd.	1.0
6	Gingham, combed	Sq.yd.	1.0
7	Velveteen	Sq.yd.	1.0
8	Corduroy	Sq.yd.	1.0
9	Sheeting, carded	Sq.yd.	1.0
10	Sheeting, combed	Sq.yd.	1.0
11	Lawn, carded	Sq.yd.	1.0
12	Lawn, combed	Sq.yd.	1.0
13	Voile, carded	Sq.yd.	1.0
14	Voile, combed	Sq.yd.	1.0
15	Poplin and broadcloth, carded	Sq.yd.	1.0
16	Poplin and broadcloth, combed	Sq.yd.	1.0
17	Typewriter ribbon cloth	Sq.yd.	1.0
18	Print cloth, shirting type, 80 x 80 type, carded	Sq.yd.	1.0
19	Print cloth, shirting type, other than 80 x 80 type, carded	Sq.yd.	1.0
20	Shirting, jacquard or dobby, carded	Sq.yd.	1.0
21	Shirting, jacquard or dobby, combed	Sq.yd.	1.0
22	Twill and sateen, carded	Sq.yd.	1.0
23	Twill and sateen, combed	Sq.yd.	1.0
24	Woven fabric, n.e.s., yarn dyed, carded	Sq.yd.	1.0
25	Woven fabric, n.e.s., yarn dyed, combed	Sq.yd.	1.0
26	Woven fabrics, other, carded	Sq.yd.	1.0
(1)	Duck fabric, carded	Sq.yd.	1.0
(2)	Woven fabrics, n.e.s.	Sq.yd.	1.0
27	Woven fabrics, other, combed	Sq.yd.	1.0
(1)	Oxford cloth, combed	Sq.yd.	1.0
(2)	Duck fabric, combed	Sq.yd.	1.0
(3)	Woven fabrics, n.e.s., combed	Sq.yd.	1.0
28	Pillowcases, carded	No.	1.084
29	Pillowcases, combed	No.	1.084
30	Dish towels	No.	.348
31	Other towels	No.	.348
(1)	Shop towels (industrial wiping cloths)	Lb.	4.6
(2)	Other towels, n.e.s.	No.	.348

Category	Description	Unit	Conversion factor to square yards
32	Handkerchiefs, whether or not in the piece	Doz.	1.66
33	Table damask and manufactures	Lb.	3.17
34	Sheets, carded	No.	6.2
35	Sheets, combed	No.	6.2
36	Bedspreads and quilts	No.	6.9
37	Braided and woven elastics	Lb.	4.6
38	Fishing nets and fish netting	Lb.	4.6
39	Gloves and mittens	Doz. pairs	3.527
40	Hose and half hose	Doz. pairs	4.6
41	T-shirts, all white, knit, men's and boys'	Doz.	7.234
42	T-shirts, other, knit	Doz.	7.234
43	Shirts, knit, other than T-shirts and sweatshirts	Doz.	7.234
44	Cardigans and sweaters	Doz.	36.8
45	Shirts, dress, not knit, men's and boys'	Doz.	22.186
46	Shirts, sport, not knit, men's and boys'	Doz.	24.457
47	Shirts, work, not knit, men's and boys'	Doz.	22.186
48	Raincoats, 3/4 length or longer, not knit	Doz.	50.0
49	Other coats, not knit	Doz.	32.5
50	Trousers, slacks and shorts (outer), not knit, men's and boys'	Doz.	17.797
51	Trousers, slacks and shorts (outer), not knit, women's, girls' and infants'	Doz.	17.797
52	Blouses, not knit	Doz.	14.53
53	Dresses (including uniforms), not knit	Doz.	45.3
54	Playsuits, washsuits, sunsuits, creepers, rompers, etc., not knit, n.e.s.	Doz.	25.0
55	Dressing gowns, including bathrobes, beach robes, lounge robes, house-coats, and dusters, not knit	Doz.	51.0
56	Undershirts, knit, men's and boys'	Doz.	9.2
57	Briefs and undershorts, men's and boys'	Doz.	11.25
58	Drawers, shorts and briefs, knit, n.e.s.	Doz.	5.0

Category	Description	Unit	Conversion factor to square yards
59	All other underwear, not knit	Doz.	16.0
60	Pajamas and other nightwear	Doz.	51.96
61	Brassières and other body-supporting garments	Doz.	4.75
62	Wearing apparel, knit, n.e.s.	Lb.	4.6
(1)	Sweatshirts, knit	Lb.	4.6
(2)	Blouses, knit	Doz.	7.234
(3)	Other wearing apparel, knit	Lb.	4.6
63	Wearing apparel, not knit, n.e.s.	Lb.	4.6
(1)	Entireties, not knit	Doz.	25.0
(2)	Other wearing apparel, not knit	Lb.	4.6
64	All other cotton textiles	Lb.	4.6

Apparel items exported in sets shall
be recorded under separate categories
of the component items.