

No. 9749

**UNITED STATES OF AMERICA
and
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND
(ON BEHALF OF HONG KONG)**

**Exchange of letters constituting an arrangement relating
to trade in cotton textiles (with Memorandum of
Understanding). Hong Kong, 7 and 16 November 1964**

Authentic text: English.

Registered by the United States of America on 6 August 1969.

**ÉTATS-UNIS D'AMÉRIQUE
et
ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD
(AU NOM DE HONG-KONG)**

**Échange de lettres constituant un arrangement relatif au
commerce des textiles de coton (avec Mémorandum
d'accord). Hong-kong, 7 et 16 novembre 1964**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 6 août 1969.

EXCHANGE OF LETTERS CONSTITUTING AN ARRANGEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND HONG KONG RELATING TO TRADE IN COTTON TEXTILES

I

The Hong Kong Director of Commerce and Industry to the American Consul General

COMMERCE & INDUSTRY DEPARTMENT

HONG KONG

Our ref. : CR.11/5905/56.IX

7th November 1964

Sir,

I have the honour to acknowledge with thanks the receipt of your letter of 4th November 1964² about the arrangements for the export of cotton textile products from Hong Kong to the United States during the third year of the Long Term Cotton Textiles Arrangement,³ that is from 1st October 1964-30th September 1965.

I am glad to be able to confirm that the few points which were outstanding when you wrote your letter have now, I think, been resolved, and I enclose for your consideration the text of a Memorandum of Agreement which I hope represents comprehensively and clearly the terms of the final understanding that has been reached. This Memorandum has been carefully studied by officers of your Consulate-General and of my department, and I shall be glad if you will now confirm at your convenience that the United States authorities are in agreement with its terms.

We note with satisfaction from your letter under reference that your Government is in agreement with our views on the question how problems of product classification should be handled, and also about the importance of reaching an early accord on all matters relating to these restrictions. On the second point, the disruption that results from delay in the resolution of such matters is felt chiefly by the exporting countries, and we shall address you at an early date about such arrangements as may still be necessary for

¹ Came into force on 16 November 1964 by exchange of the said letters.

² Not printed.

³ United Nations, *Treaty Series*, vol. 471, p. 296.

the year 1965-1966; we are grateful for your assurance that you are as ready as we are to give this question early consideration.

I have the honour to be, Sir, your obedient servant.

D. R. HOLMES

Director of Commerce and Industry

Edward E. Rice, Esq.
The Consul General
American Consulate-General
Hong Kong

MEMORANDUM OF UNDERSTANDING

Following negotiations between the Hong Kong and United States Governments to determine the arrangements under which the Hong Kong Government will continue to exercise restraint over exports of the categories of cotton textiles listed and described in columns one and two of Appendix 1 to this Memorandum, to the United States of America during the third year of the International Long Term Cotton Textiles Arrangement (hereinafter called the Arrangement) commencing 1st October 1964, the Hong Kong Government has set out in this Memorandum its understanding of the restraint levels which the Hong Kong and United States Governments have agreed will apply to the products concerned during the third year of the Arrangement. This Memorandum also clarifies a number of additional points of agreement arrived at between the two Governments.

2. It is agreed by the Hong Kong and the United States Governments :

(1) That the restraint levels shown in column three of Appendix 1 shall apply during the third year of the Arrangement, i.e. from 1st October 1964 to 30th September 1965. This being so these levels will be used in computation of the minimum restraint levels which may be requested by the United States Government, under paragraph 3 of Annex B of the Arrangement in relation to exports from Hong Kong to the United States during the fourth year of the Arrangement, i.e. from 1st October 1965 to 30th September 1966, should such restraints be continued.

(2) That the restraint levels shown in column three of Appendix 1 are deemed for all purposes to have been negotiated under Article 3 of the Arrangement.

(3) That, recognizing that this Memorandum aligns to the best knowledge of our two Governments, Hong Kong's export control practices and United States classification practices as far as it 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 that 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.

(4) That the Hong Kong Government will continue, during the third year of the Arrangement, the voluntary export spacing arrangements for the restrained categories in the manner and in the proportions applied during the second year of the Arrangement.

(5) That the Hong Kong Government will provide the United States Government periodically with such information on exports in restrained and unrestrained categories as has been provided during the second year of the Arrangement, and such other information as may be mutually agreed upon.

(6) That exports in category 52 during the third year of the Arrangement, and thereafter, shall be confined to cotton woven blouses and that the nomenclature for this category shall be changed accordingly to "Blouses, not knit" in all official communications and for the purposes of the Hong Kong export controls. Knit blouses shall be classified and reported in a separate product sub-category of category 62.

(7) That the non-blouse components of blouse sets shall be classified, during the third year of the Arrangement and thereafter, in the categories in which they would be classified if exported separately, e.g. ladies' slacks will be classified in category 51 and ladies' skirts in category 63.

(8) That the Hong Kong Government will forgo the 5 % growth for 1964/65 provided under the terms of the Arrangement in respect of category 51.

(9) That the Hong Kong Government will forgo the right to swing into category 51 in respect of the transfer increase of 325,000 dozens described in paragraph 2 (13) of this Memorandum. Category 51 will therefore be restricted during 1964/65 to a swing increase amounting to 5 % of the 1963/64 restraint level, i.e. 5 % of 1,280,858 dozens equal to 64,043 dozens.

(10) That exports of duck within category 26 during the third year of the Arrangement shall be restricted to a level not greater than 21.5 million square yards.

(11) That an export shortfall equivalent to 1.4 million square yards (using U.S. conversion factors) shall be induced during the third year of the Arrangement in the restrained made-ups and apparel categories, i.e. those categories from 28 to 64 (1) inclusive as listed in Appendix 1. It is expected that a substantial proportion

of this shortfall will occur in the apparel categories, but no assurance as to the proportions into which it will be divided can be given by the Hong Kong Government.

(12) The Hong Kong Government confirms that, where under United States classification procedures components of matching sets (not "entireties") are classifiable in separate categories, it classifies such components in the separate categories applicable to each part.

(13) That the agreed 1963/64 restraint level for category 51, i.e. 1,280,858 dozens, shall be increased for the third year of the Arrangement by 325,000 dozens in order to take partial account of export performance in non-blouse components of blouse sets exported during the second year of the Arrangement under category 52. The agreed restraint level for category 51 for the third year of the Arrangement shall therefore be as shown in column three of Appendix 1, i.e. 1,605,858 dozens.

(14) That the restraint level for corduroy apparel during the third year of the Arrangement shall be 7 million square yards. This represents an increase of 3 million square yards over the agreed restraint level for the second year of the Arrangement.

(15) That categories 41 and 42 shall be amalgamated with a combined restraint level during the third year of the Arrangement. The agreed restraint level is shown in column three of Appendix 1.

(16) That category 45 shall be increased, and category 46 shall be correspondingly reduced, by a quantity equivalent to the quantity of short-sleeved dress shirts which shall prove to have been shipped from Hong Kong to the United States during the period 1st October 1963 to 30th September 1964 inclusive under category 46 quotas.

(17) That the export restraint in category 62 shall be confined to sweatshirts which shall be isolated in a sub-category of category 62 and restrained during the third year of the Long Term Arrangement at the level shown in column three of Appendix 1. The remainder of category 62 shall be derestrained, without prejudice to the right of the United States Government to request restraint in further product sub-categories under the terms of the Arrangement. As indicated in paragraph 2 (6) of this Memorandum, it is agreed by both Governments that knit blouses shall be classified and recorded in a separate product sub-category of this miscellaneous category.

(18) That the Hong Kong Government shall have the option of permitting "swing" transfers freely between categories 15, 16, 18, 19, 23, 24 and 25, provided that the maximum export level in any one of these categories during the third year of the Arrangement shall not exceed two million square yards.

(19) The terms of this Memorandum of Understanding shall not be altered except by mutual agreement of both Governments.

3. This Memorandum sets out all the main points of agreement between the Hong Kong and United States Governments in relation to exports of cotton textiles from Hong Kong to the United States during the third year

of the Arrangement. It is recognized, however, that there may still be differences in minor points of procedure or operation and it is agreed that these should be dealt with, as they arise, by discussion and exchange of correspondence between the Commerce and Industry Department, Hong Kong Government and the United States Consulate General in Hong Kong.

Commerce and Industry Department
Hong Kong Government
11th November 1964

APPENDIX

<i>Category No.</i>	<i>Description</i>	<i>Unit</i>	<i>1964/65 Restraint Levels</i>	<i>Equivalent Square Yardage</i>
1	Cotton yarn, carded, singles, not ornamented, etc.	Lbs.	216,300	994,980
<i>Yarn, SUB-TOTAL : 994,980</i>				
5	Ginghams, carded yarn	Sq. yds.	3,628,126	3,628,126
6	Ginghams, combed yarn	Sq. yds.	757,050	757,050
9	Sheeting, carded yarn	Sq. yds.	50,500,051	50,500,051
15	Poplin and broadcloth, carded yarn .	Sq. yds.	1,622,250	1,622,250
16	Poplin and broadcloth, combed yarn .	Sq. yds.	594,825	594,825
18	Pront cloth type shirting, 80 × 80 type carded yarn	Sq. yds.	118,965	118,965
19	Print cloth type shirting, other than 80 × 80 type, carded yarn	Sq. yds.	675,938	675,938
22	Twill and sateen (including Jean, Drill and Denim), carded yarn	Sq. yds.	17,517,701	17,517,701
23	Twill and sateen (including Jean, Drill and Denim), combed yarn	Sq. yds.	702,975	702,975
24	Yarn-dyed fabrics, except ginghams, carded yarn	Sq. yds.	254,153	254,153
25	Yarn-dyed fabrics, except ginghams, combed yarn	Sq. yds.	248,745	248,745
26	Fabrics (including Duck) n.e.s., carded yarn	Sq. yds.	31,080,177	31,080,177
27 (1)	Oxford type cloth, combed yarn . . .	Sq. yds.	1,081,500	1,081,500
<i>Piecegoods, SUB-TOTAL : 108,782,456</i>				

Category No.	Description	Unit	1964/65 Restraint Levels	Equivalent Square Yardage
28	Pillowcases, plain, carded yarn . . .	Nos.	486,675	527,556
30	Dish towels	Nos.	848,890	295,413
31	Towels other than dish towels . . .	Nos.	10,490,550	3,650,711
36	Bedspreads	Nos.	54,075	373,118
64 (1)	Industrial wiping cloths	Lbs.	3,677,100	16,914,660
<i>Made-ups, SUB-TOTAL : 21,761,458</i>				
39	Gloves	Doz.	237,037	836,031
41	Men's and boys' all white T. shirts, knit or crocheted	Doz.	132,300	413,438 (see para. 2 (15))
42	Other T. shirts	Doz.	281,138	
43	Knitshirts other than T. shirts and sweatshirts (including infants) . .	Doz.	386,350	
45	Men's and boys's shirts, dress, not knit or crocheted	Doz.	286,650	Subject to 6,359,617 adjustment 20,197,202 (see para. 2 (16))
46	Men's and boys' shirts, sport, not knit or crocheted	Doz.	825,825	
48	Raincoats, $\frac{3}{4}$ -length or over	Doz.	11,942	597,059
49	All other coats	Doz.	45,330	1,473,234
50	Men's and boys' trousers, slacks and shorts (outer) not knit or crocheted .	Doz.	771,750	13,734,835
51	Women's, misses' and children's trou- sers, slacks and shorts (outer) not knit or crocheted	Doz.	1,605,858	28,579,455
52	Blouses, not knit	Doz.	1,119,037	16,359,615
53	Women's, misses', children's and in- fants' dresses (including nurses' and other uniform dresses), not knit or crocheted	Doz.	60,637	2,746,879
54	Playsuits, sunsuits, washsuits, creepers rompers, etc. (except blouse and skirts, blouse and trousers, or blouse, shorts and skirt sets) . . .	Doz.	132,300	3,307,500
55	Dressing gowns including bath robes, beachrobes, lounging gowns, dusters and housecoats, not knit or croche- ted	Doz.	97,650	4,980,150
60	Nightwear and pyjamas	Doz.	496,125	25,778,655

<i>Category No.</i>	<i>Description</i>	<i>Unit</i>	<i>1964/65 Restraint Levels</i>	<i>Equivalent Square Yardage</i>
61	Brassieres and other body supporting garments	Doz.	1,549,012	7,357,810
62 (1)	Knitted sweatshirts	Lbs.	314,212	1,445,378
<i>Apparel SUB-TOTAL : 139,439,075</i>				

SUB-TOTAL SUMMARY

Yarn	944,980
Piecegoods	108,782,456
Made-ups	21,761,458
Apparel	139,439,075
TOTAL, Equivalent Yardage	<u>270,977,969</u>

II

*The American Consul General to the Hong Kong Director
of Commerce and Industry*

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

November 16, 1964

Dear Mr. Holmes :

I have the honor to acknowledge the receipt of your letter of November 7, 1964, and the Memorandum attached thereto concerning the exportation of cotton textile products from Hong Kong to the United States during the third year of the Long Term Cotton Textile Arrangement, that is, for the period from October 1, 1964, through September 30, 1965.

I am pleased to inform you that the undertakings of the Governments of Hong Kong and the United States as set forth in the Memorandum attached to your letter, and the annex thereto establishing export restraint levels, are satisfactory to the United States Government.

I am gratified to note the successful completion of this year's negotiations between the Governments of the United States and of Hong Kong, and I wish to offer on behalf of my Government our sincere appreciation for the Hong Kong Government's most valued cooperation in achieving this understanding.

Sincerely yours,

Edward E. RICE
Consul General

The Honorable D. R. Holmes
Director
Commerce and Industry Department
Hong Kong