

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

**Exchange of notes constituting an agreement relating to trade in cotton textiles (with annexes and related notes). Hong Kong, 26 August 1966**

**Exchange of notes constituting an agreement amending the above-mentioned Agreement (with annex). Hong Kong, 31 May 1967**

*Authentic texts: 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 notes constituant un accord relatif au commerce des textiles de coton (avec annexes et notes connexes). Hong-kong, 26 août 1966**

**Échange de notes constituant un accord portant modification de l'Accord susmentionné (avec annexe). Hong-kong, 31 mai 1967**

*Textes authentiques: anglais.*

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

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup>  
BETWEEN THE UNITED STATES OF AMERICA AND  
HONG KONG RELATING TO TRADE IN COTTON  
TEXTILES

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I

*The American Consul-General to the Hong Kong Director, Commerce  
and Industry Department*

AMERICAN CONSULATE GENERAL

HONG KONG, B.C.C.

No. 37

August 26, 1966

Sir :

I refer to the recent discussions in Hong Kong between representatives of our two Governments concerning exports of cotton textiles from Hong Kong to the United States and to the Long-Term Arrangements Regarding International Trade in Cotton Textiles done at Geneva on February 9, 1962.<sup>2</sup>

As a result of these discussions, I propose, on behalf of my Government under Article 4 of the Long-Term Arrangements, the following agreement relating to exports of cotton textiles from Hong Kong to the United States.

1. The term of this Agreement shall be from October 1, 1965 through September 30, 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 Annex A.

2. For the first agreement year, constituting the twelve-month period beginning October 1, 1965 the aggregate limit shall be 322,500,000 square yards equivalent.

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<sup>1</sup> Came into force on 26 August 1966 with retroactive effect from 1 October 1965, in accordance with the provisions of the said notes.

<sup>2</sup> United Nations, *Treaty Series*, vol. 471, p. 296.

3. Within this aggregate limit, the following group limits shall apply for the first agreement year :

<i>Groups</i>	<i>In square yards equivalent</i>
I. Yarn . . . . .	7,338,841
II. Fabric . . . . .	126,853,127
III. Apparel . . . . .	158,189,916
IV. Made-up goods and Miscellaneous . . . . .	30,118,116

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

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 this limit on corduroy apparel shall be 7,350,000 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 succeeding 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 percent over the corresponding level for the preceding twelve-month period, the latter level not to include any adjustments under paragraph 5.

8. 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 of America 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.

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

10. The two Governments recognize that the successful implementation of this Agreement depends in large part upon mutual cooperation on statistical questions. The Government of the United States of America 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 of America 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.

11. 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.

12. In the implementation of this Agreement the rates of conversion into square yard equivalents listed in Annex B hereto shall apply.

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. 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 of America with a view to taking appropriate remedial action such as a reasonable modification of this Agreement.

15. 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.

16. 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 90 days prior to the end of such agreement year. Either Government may at any time propose revisions in the terms of this Agreement.

17. During the term of this Agreement, the Government of the United States of America 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 Long-Term Arrangements Regarding International Trade in Cotton Textiles done at Geneva on February 9, 1962. The applicability of the Long-Term Arrangements to trade in cotton textiles between Hong-Kong and the United States shall otherwise be unaffected by 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 shall constitute an agreement between our Governments.

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

Edward E. RICE

Enclosures :

1. Annex A.
2. Annex B.

The Honorable D. R. Holmes, C.B.E., M.C., E.D.  
Director, Commerce and Industry Department  
Hong Kong

## ANNEX A

### CATEGORIES SUBJECT TO SPECIFIC LIMITS AND OTHER CATEGORIES

<i>Group and Category</i>	<i>Unit</i>	<i>Limit</i>	
		<i>Quantity</i>	<i>Equivalent Sq. yds.</i>
<b>GROUP I, Yarns :</b>			
Cotton yarns (Categories 1-4) . . . . .	lb.	1,595,400	7,338,841
<b>GROUP II, Fabrics :</b>			
Ginghams (Categories 5-6) . . . . .	Sq. yd.	4,385,172	4,385,172
Sheeting (Categories 9-10) . . . . .	Sq. yd.	55,504,621	55,504,621
Twill and Sateen (Categories 22-23) . .	Sq. yd.	19,400,000	19,400,000
Yarn-dyed fabrics, n.e.s. (Categories 24-25) . . . . .	Sq. yd.	952,381	952,381
Duck fabric (Categories 26 (1) and 27 (2) . . . . .	Sq. yd.	28,000,000	28,000,000
*All other fabrics (Categories 7, 8, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 26 (2), 27 (1), 27 (3)) . . . . .	Sq. yd.	18,610,953	18,610,953
<b>GROUP III, Apparel :</b>			
Knit T-shirts (Categories 41-42) . . . . .	Doz.	413,438	2,990,808
Other knit shirts (Category 43) . . . . .	Doz.	428,571	3,100,282
Dress Shirts (Category 45) . . . . .	Doz.	568,765	12,618,624
Sport Shirts (Category 46) . . . . .	Doz.	543,708	13,297,468

Group and Category	Unit	Limit	
		Quantity	Equivalent Sq. yds.
Raincoats, 3/4 length and over (Category 48) . . . . .	Doz.	11,942	597,095
Other coats (Category 49) . . . . .	Doz.	45,330	1,473,239
Trousers, men and boys (Category 50) .	Doz.	810,338	14,421,585
Trousers, women, misses etc. (Category 51) . . . . .	Doz.	1,686,151	30,008,429
Blouses (Category 52) . . . . .	Doz.	1,119,036	16,259,593
Dresses (Category 53) . . . . .	Doz.	60,637	2,746,860
Playsuits, etc. and entireties (Categories 54 and 63 (1)) . . . . .	Doz.	289,443	7,236,064
Dressing gowns, etc. (Category 55) . . .	Doz.	97,650	4,980,169
Pajamas and other nightwear, (Category 60) . . . . .	Doz.	496,124	25,778,617
Brassieres and body-supporting garments n.e.s. (Category 61) . . . . .	Doz.	1,549,011	7,357,801
Sweatshirts (Category 62 (1)) . . . . .	lb.	314,212	1,445,376
Knit blouses (Category 62 (2)) . . . . .	lb.	382,000	1,757,200
*All other apparel (Categories 39, 40, 44, 47, 56, 57, 58, 59, 62 (3), 63 (2)) . . .	Sq. yd.	12,120,706	12,120 706

The Hong Kong Government may distribute 4 million square yards from "all other apparel" *pro rata* among categories in Group III given specific limits, other than categories 50 and 51. 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 of America.

Group and Category	Unit	Limit	
		Quantity	Equivalent Sq. yds.
GROUP IV, <i>Made-up Goods and Miscellaneous</i> :			
Pillowcases, plain (Categories 28-29) . .	No.	686,675	744,356
Towels, except shop towels (Categories 30-31 (2)) . . . . .	No.	11,339,430	3,946,122
Shop Towels (Category 31 (1)) . . . . .	lb.	3,677,096	16,914,643
Sheets, plain (Categories 34-35) . . . . .	No.	580,000	3,596,000
*All other made-up goods and miscellaneous (Categories 32, 33, 36, 37, 38, 64) . . . . .	Sq. yd.	4,916,995	4,916,995

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.

<i>Category</i>	<i>Maximum Combed</i>
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.

## ANNEX B

### COTTON TEXTILE CATEGORIES AND CONVERSION FACTORS

<i>Category</i>	<i>Description</i>	<i>Unit</i>	<i>Conversion Factor to square yards</i>
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

<i>Category</i>	<i>Description</i>	<i>Unit</i>	<i>Conversion Factor to square yards</i>
16.	Poplin and broadcloth, combed . . . . .	Sq. yd.	1.0
17.	Typewriter ribbon cloth . . . . .	Sq. yd.	1.0
18.	Print cloth, shirting type, 80 × 80 type, carded . .	Sq. yd.	1.0
19.	Print cloth, shirting type, other than 80 × 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.	Twil 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.	0.348
31.	Other towels . . . . .	No.	0.348
	(1) Shop towels (industrial wiping cloths) . . . . .	Lb.	4.6
	(2) Other towels, n.e.s. . . . .	No.	0.348
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. Prs.	3.527
40.	Hose and half hose . . . . .	Doz. Prs.	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.	Sweaters and cardigans . . . . .	Doz.	36.8
45.	Shirts, dress, not knit, men's and boys' . . . . .	Doz.	22.186



<i>Category</i>	<i>Description</i>	<i>Unit</i>	<i>Conversion Factor to square yards</i>
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, $\frac{3}{4}$ 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, housecoats, 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
59.	All other underwear, not knit . . . . .	Doz.	16.0
60.	Pajamas and other nightwear . . . . .	Doz.	51.96
61.	Brassieres 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 . . . . .	Lb.	4.6
	(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  
separate categories of the component items.

## II

*The Hong Kong Director, Commerce and Industry Department,  
to the American Consul-General*

COMMERCE & INDUSTRY DEPARTMENT  
HONG KONG

Our Ref. : CR. 5905/66

26th August, 1966

Sir,

I refer to your note of 26th August, 1966, proposing an Agreement between the Governments of the United States of America and Hong Kong under Article 4 of the Long Term Arrangements Regarding International Trade in Cotton Textiles and confirm that it is acceptable to my Government.

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

D. R. HOLMES

Director of Commerce and Industry

Mr. E. E. RICE  
Consul-General  
American Consulate General  
Hong Kong

## RELATED NOTES

## I

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

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

No. 38

August 26, 1966

Sir :

I refer to the Agreement between our two Governments concerning trade in cotton textiles signed to day and confirm my Government's understanding with respect to the exports of cotton textiles that are to be counted against the limitations in the Agreement.

In view of the special circumstances discussed by the representatives of our two Governments during the negotiations from which the Agreement resulted, the Government of the United States of America agrees that during the first year of the Agreement only,

- (i) the Government of Hong Kong 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 shall not exceed 2 million square yards; and
- (ii) exports of cotton textiles shall not be counted against the limitations of the Agreement as follows<sup>1</sup>:

A. *Aggregate Limit* . . . . . 29,607,078 sq. yds.\*

B. *Group Limits*

Group I — Yarns . . . . .	2,602,288 sq. yds.*
Group II — Fabrics . . . . .	15,589,307 sq. yds.
Group III — Apparel . . . . .	8,961,903 sq. yds.*
Group IV — Made-up Goods and Misc. . . . .	2,453,580 sq. yds.*

C. *Specific Limits*

	<i>Unit</i>	<i>Limit</i>	
		<i>Quantity</i>	<i>Equivalent Sq. Yds.</i>
<i>Group I, Yarns</i>			
Cats. 1-4 . . . . .	Ib.	565,715	2,602,288
<i>Group II, Fabrics</i>			
Cats. 5-6 . . . . .	Sq. Yd.	219,263	219,263
Cats. 9-10 . . . . .	Sq. Yd.	2,775,290	2,775,290
Cats. 26 (1)-27 (2) . . . . .	Sq. Yd.	9,482,944	9,482,944
All other fabrics . . . . .	Sq. Yd.	3,804,438	3,804,438

<sup>1</sup> It is noted that the sum of the amounts provided for specific categories in each of Groups II, III and IV in 2(ii) C hereof exceeds the amounts provided for such groups in 2(ii)B and the total amount for the four groups provided for in 2(ii)C exceeds the amount provided for in 2(ii)A. It is recognized that the total of exports of cotton textiles from Hong Kong to the United States during the first agreement year shall not exceed the total of the amounts provided for in paragraph 2 of the Agreement and 2(ii) A hereof, or the amounts provided for in paragraph 3 of the Agreement (as they may be adjusted under paragraph 5 of the Agreement) and 2(ii)B hereof.

\* Equivalent Square Yards.

	Unit	Limit	
		Quantity	Equivalent Sq. Yds.
<i>Group III, Apparel</i>			
Cats. 41-42 . . . . .	Doz.	20,672	149,544
Cat. 45 . . . . .	Doz.	28,439	630,944
Cat. 46 . . . . .	Doz.	27,186	664,887
Cat. 48 . . . . .	Doz.	597	29,855
Cat. 49 . . . . .	Doz.	2,267	73,664
Cat. 52 . . . . .	Doz.	55,953	812,997
Cat. 53 . . . . .	Doz.	3,032	137,346
Cats. 54-63 (1) . . . . .	Doz.	14,472	361,811
Cat. 55 . . . . .	Doz.	4,883	249,014
Cat. 60 . . . . .	Doz.	24,807	1,288,958
Cat. 61 . . . . .	Doz.	77,452	367,898
Cat. 62 (1) . . . . .	Ib.	15,711	72,270
Cat. 62 (2) . . . . .	Ib.	90,950	418,370
All other apparel . . . . .	Sq. Yd.	3,870,025	3,870,025
<i>Group IV, Made-up goods and Miscellaneous</i>			
Cats. 28-29 . . . . .	No.	46,334	50,226
Cats. 30 & 31 (2) . . . . .	No.	566,983	197,310
Cat. 31 (1) . . . . .	Ib.	183,859	845,750
Cats. 34-35 . . . . .	No.	231,812	1,437,234

D. In addition to the foregoing amounts, exports in an aggregate of 6,000,000 square yards equivalent shall be permitted to be distributed among categories 8, 13, 20, 21, 29, 32, 33, 35, 44, 47, 56, 57, 62 (3), 63 (2) and 64.

E. In addition, within the aggregate limit specified in 2 (ii) A above, exports may exceed the quantities shown in 2 (ii) B and 2 (ii) C above by not more than 5 % in Groups I, II, III and IV and in categories 1-4, 5-6, 9-10, 26 (1)-27 (2), the fabrics basket ("all other fabrics"), 41-42, 45, 46, 48, 49, 52, 53, 54-63 (1), 55-60, 61, 62 (1), the apparel basket ("all other apparel") 28-29, 30-31 (2) and 31 (1).

I shall appreciate receiving your confirmation of the above understanding. Accept, Sir, the renewed assurances of my high consideration.

Edward E. RICE

The Honorable D. R. Holmes, C.B.E., M.C., E.D.  
 Director, Commerce and Industry Department  
 Hong Kong

## II

*The Hong Kong Director, Commerce and Industry Department  
to the American Consul-General*

COMMERCE & INDUSTRY DEPARTMENT  
HONG KONG

Our Ref. : CR. 5905/66

26th August, 1966

Sir,

I refer to your note of 26th August, 1966, concerning permitted swing transfers and exports of cotton textiles which, during the first year of the Agreement, shall not be counted against the limitations of the Agreement.

2. As requested in paragraph 3 of your note, I confirm that your Government's understanding regarding these matters accords with the understanding of the Government of Hong Kong.

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

D. R. HOLMES  
Director of Commerce and Industry

Mr. E. E. Rice  
Consul-General  
American Consulate General  
Hong Kong

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT<sup>1</sup>  
BETWEEN THE UNITED STATES OF AMERICA AND  
HONG KONG AMENDING THE AGREEMENT OF  
26 AUGUST 1966 BETWEEN THE UNITED STATES OF  
AMERICA AND HONG KONG RELATING TO TRADE  
IN COTTON TEXTILES

I

*The American Consul-General to the Hong Kong Director, Commerce  
and Industry Department*

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

No. 53

May 31, 1967

Sir :

I refer to the decision of the Cotton Textiles Committee of the General Agreement on Tariffs and Trade<sup>2</sup> approving a Protocol<sup>3</sup> to extend through September 30, 1970, the Long-Term Arrangement Regarding International Trade in Cotton Textiles done in Geneva on February 9, 1962<sup>4</sup> (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 August 26, 1966<sup>5</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 October 1, 1967.

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

"1. The term of this Agreement shall be from October 1, 1965 through September 30, 1970. During the term of this Agreement the

<sup>1</sup> Came into force on 31 May 1967 with retroactive effect from 1 October 1965, in accordance with the provisions of the said notes.

<sup>2</sup> United Nations, *Treaty Series*, vol. 55, p. 187; for subsequent actions relating to this Agreement, see references in Cumulative Indexes Nos. 1 to 8, as well as Annex A in volumes 609, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 640, 651, 661, 662, 663, 664, 665 and 668.

<sup>3</sup> *Ibid.*, vol. 620, p. 276.

<sup>4</sup> *Ibid.*, vol. 471, p. 296.

<sup>5</sup> See p. 325 of this volume.

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 percent 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 October 1, 1965, the aggregate limit shall be 322,500,000 square yards equivalent. For the second and third agreement years, the aggregate limit shall be 343,625,000 square yards equivalent and 371,306,250 square yards equivalent, respectively.

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

Groups	In square yards 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 & 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 percent, and the limit for Group III may be exceeded by not more than 5 percent. Within the applicable group limit (as it may be adjusted under this provision) specific limits may be exceeded by not more than 5 percent.

"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 square yards equivalent,

7,717,500 square yards equivalent, and 8,103,375 square yards 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 percent 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 June 1, 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 of America 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 percent of the aggregate limit or 5 percent 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 percent 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 subparagraph (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 of the cotton textile agreement of August 26, 1966, between our Governments.

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

Edward E. RICE

Attachment :  
Annex C.

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

## ANNEX C

## LEVELS OF LIMITS FOR SECOND AND THIRD AGREEMENT YEARS FOR CATEGORIES SUBJECT TO SPECIFIC LIMITS AND OTHER CATEGORIES

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

## ANNEX C (continued)

Group and Category	Second Agreement Year		Third Agreement Year	
	Units as Indicated	Equivalent Sq. Yds.	Units as Indicated	Equivalent Sq. Yds.
Raincoats, 3/4 length and over (48) . . . . .	12,750 doz.	637,500	13,830 doz.	691,500
Other coats (49) . . . . .	48,398 doz.	1,572,935	52,499 doz.	1,706,218
Trousers, men and boys (50) . . . . .	865,170 doz.	15,397,430	938,489 doz.	16,702,289
Trousers, women, misses etc. (51) . . . . .	1,783,480 doz.	31,740,594	1,899,997 doz.	33,814,247
Blouses (52) . . . . .	1,183,629 doz.	17,198,129	1,260,958 doz.	18,321,720
Dresses (53) . . . . .	64,740 doz.	2,932,722	70,227 doz.	3,181,283
Playsuits, etc., and entireties (54 and 63(1)) . . . . .	306,150 doz.	7,653,750	326,151 doz.	8,153,775
Dressing gowns, etc. (55) . . . . .	103,287 doz.	5,267,637	110,035 doz.	5,611,785
Pajamas and other nightwear (80) . . . . .	529,694 doz.	27,522,900	574,583 doz.	29,855,333
Brassieres and body-supporting garments n.e.s. (61) . . . . .	1,638,424 doz.	7,782,514	1,745,465 doz.	8,290,959
Sweatshirts (62(1)) . . . . .	332,350 lbs.	1,528,810	354,062 lbs.	1,628,685
Knit blouses (62(2)) . . . . .	404,050 lbs.	1,858,630	430,446 lbs.	1,980,052
*All other apparel (39, 40, 44, 47, 56, 57, 58, 59, 62(3), 63(2)) . . . . .	12,820,330 Sq. Yds.	12,820,330	13,657,969 Sq. Yds.	12,657,969

B. The Hong Kong Government may distribute a pool of 5 million square yards 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 of America.

IV. GROUP IV, *Made-up Goods and Miscellaneous* :A. *Categories* :

Pillowcases, plain (28-29) . . . . .	729,184 pcs.	790,435	782,809 pcs.	848,565
Towels, except shop towels (20-31(2)) . . . . .	12,041,388 pcs.	4,190,403	12,926,931 pcs.	4,498,572
Shop Towels (31(1)) . . . . .	3,904,724 lbs.	17,961,730	4,191,883 lbs.	19,282,662

## ANNEX C (continued)

Group and Category	Second Agreement Year		Third Agreement Year	
	Units as Indicated	Equivalent Syds.	Units as Indicated	Equivalent Syds.
Sheets, plain (34-35) . . . . .	615,905 pcs.	3,818,611	661,199 pcs.	4,099,434
*All other made-up goods and miscellaneous (32, 33, 37, 37, 38, 64) . . . . .	5,162,843 Sq. Yds.	5,162,843	5,420,990 Sq. Yds.	5,420,990

B. The Hong Kong Government may distribute a pool of 900,000 square yards 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 of America.

V. With respect to merged categories given specific 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.

Category	Maximum Combed
1-4 . . . . .	72.5 %
5-6 . . . . .	25 %
9-10 . . . . .	25 %
22-23 . . . . .	25 %
24-25 . . . . .	62.5 %
26-26 (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 the categories.

## II

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

Our Ref : CR 5/5905/66

31st May, 1967

Sir,

I refer to your note of 31st 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 26th 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.

T. D. SORBY  
Director of Commerce & Industry

Mr. E. E. Rice  
Consul-General  
American Consulate General  
Hong Kong