ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Bilateral Agreement between the European Economic Community
and Hong Kong

Attached is the text of the bilateral agreement concluded between the European Economic Community and Hong Kong concerning trade in cotton textiles. This agreement was signed on 22 July 1971 for a period of three years beginning 1 January 1971.

The text of this agreement has been transmitted to the Director-General by the Council of the European Communities for notification to the Cotton Textiles Committee.
THE COUNCIL OF THE EUROPEAN COMMUNITIES,

on the one hand, and

THE GOVERNMENT OF HONG KONG,

on the other hand,

DESIRING to ensure the orderly development of trade in cotton textiles between Hong Kong and the European Economic Community, hereinafter referred to as the Community, in accordance with the provisions contained in the Long-Term Arrangement Regarding International Trade in Cotton Textiles, hereinafter referred to as the Geneva Arrangement, and in particular Article 4 thereof,

HAVE DECIDED, in a spirit of mutual co-operation, to conclude this Agreement, and to this end have designated as Plenipotentiaries:

THE COUNCIL OF THE EUROPEAN COMMUNITIES:

THE GOVERNMENT OF HONG KONG:

WHO HAVE AGREED UPON THE FOLLOWING PROVISIONS:

Article 1

This Agreement shall apply to those cotton textiles of Hong Kong origin listed in the Annex which have been despatched from Hong Kong.

Article 2

For the duration of this Agreement and by virtue of the provisions contained therein or annexed thereto, the Community undertakes not to introduce new quantitative restrictions and to suspend the application of any at present in force and agrees not to invoke the provisions of Article 3 of the Geneva Arrangement as long as imports into the Community of cotton textiles originating in and despatched from Hong Kong do not exceed such quantities as have been agreed upon.

The Government of Hong Kong undertakes to take the appropriate measures to ensure that the ceilings agreed upon are respected, and to co-operate with the Community in implementing the measures recognized as necessary for this purpose.
Article 3

(a) Ceilings by groups of categories

The total quantity per year shall be apportioned as follows between the two groups of categories of products indicated below:

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
<th>Metric tons</th>
<th>(to be determined under agreed conditions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>Cotton fabrics, grey or bleached, whether or not mercerized</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group II</td>
<td>Other cotton fabrics, made-up articles and miscellaneous articles of cotton</td>
<td>15,490</td>
<td></td>
</tr>
</tbody>
</table>

(b) Specific ceilings

Within the ceilings by groups of categories established under (a) above, specific ceilings may be agreed upon on the basis of the list annexed to this Agreement, in order to prevent excessive concentration of trade in certain products.

If, in the course of one of the twelve-month periods, the Community notes a rapid and substantial growth in imports of certain sub-categories of products which are not covered by specific ceilings, it may request that a specific ceiling be fixed. Where such a request is made, consultations shall be held forthwith between the two parties with a view to reaching agreement upon a specific ceiling for the product in question.

Article 4

1. Up to 10 per cent of the quantities fixed for Group II may be swung to Group I.

   Unused portions of any specific ceilings may be swung to another specific ceiling provided the quantity thus swung does not exceed 10 per cent of the specific ceiling to which the swing is made.

   Unused portions of specific ceilings for sub-categories may be swung within the group to other sub-categories not subject to specific ceilings.

2. Portions of the ceilings not used during any twelve-month period can be carried over and added to the corresponding ceiling in the following twelve-month period up to a maximum of 10 per cent of the ceiling in question, provided no such transfer or carryover has been effected on other grounds.
3. Within a limit of 10 per cent of each of the ceilings agreed upon, advance deliveries shall be authorized from the ceiling established for the following twelve-month period, if the Government of Hong Kong so requests in writing in good time; the Government of Hong Kong shall, however, endeavour to ensure that exports of cotton textiles of all categories are spaced out as regularly as possible over each of the twelve-month periods, due account being taken, in particular, of seasonal factors. Amounts delivered in advance shall be deducted from the ceilings for the following twelve-month period.

Article 5

The two Parties agree that the ceilings shown in the present Agreement shall be managed under a system of double checking, which consists of export control and automatic counterpart import licensing.

Article 6

The two Parties agree to exchange all information on exports of cotton textiles from Hong Kong to the Community and on the corresponding imports of the Community. For this purpose each Party shall apply whatever classification it has available and shall co-operate with the other Party in facilitating comparison of the information supplied.

Article 7

Should the Community inform the Government of Hong Kong that the application of the Agreement has given rise to difficulties regarding the maintenance of existing commercial relations between importers in the Community and their suppliers in Hong Kong, the two Parties shall take all the necessary measures to ensure that these commercial relations are maintained.

Article 8

The two Parties undertake to consult each other, at the request of either, on all problems arising from the implementation of the Agreement.

Article 9

This Agreement shall be concluded for a period of three years from 1 January 1971.

Either Party may propose the revision of the Agreement or denounce it provided that notice is given at least 120 days before the expiry of any twelve-month period; in the latter event the Agreement will come to an end on the expiry of the said twelve-month period.

The Annexes to this Agreement shall form an integral part thereof.

Article 10

This Agreement shall be drawn up in two copies in the German, French, Italian, Dutch and English languages, each of these texts being equally authentic.
# Annex 1

## LIST OF COTTON TEXTILE PRODUCTS REFERRED TO IN ARTICLE 1 OF THE AGREEMENT

<table>
<thead>
<tr>
<th>Group of categories</th>
<th>Categories</th>
<th>Subcategories</th>
<th>Description of products</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP I</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td></td>
<td>COTTON FABRICS, GREY OR BLEACHED MERCERIZED OR NOT</td>
</tr>
<tr>
<td></td>
<td>B 1</td>
<td></td>
<td>COTTON FABRICS, GREY</td>
</tr>
<tr>
<td></td>
<td>B 2</td>
<td></td>
<td>Terry towelling and similar terry fabrics</td>
</tr>
<tr>
<td></td>
<td>B 3</td>
<td></td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, containing less than 85 per cent by weight of cotton</td>
</tr>
<tr>
<td></td>
<td>B 4</td>
<td></td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, containing at least 85 per cent by weight of cotton, plain weave, weighing more than 70 grs. but not more than 130 grs. per square metre, of a width of more than 115 cms. but not more than 165 cms. only with a yarn numbered less than 55,000 m/kg. (English number 32)</td>
</tr>
<tr>
<td></td>
<td>B 5</td>
<td></td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, containing at least 85 per cent by weight of cotton, plain weave, weighing not more than 130 grs. per square metre, other than those under B 3</td>
</tr>
<tr>
<td></td>
<td>B 6</td>
<td></td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, containing at least 85 per cent by weight of cotton, plain weave, weighing per square metre more than 130 grs. but not more than 200 grs., of a width of more than 115 cms.</td>
</tr>
<tr>
<td>Group of categories</td>
<td>Categories</td>
<td>Subcategories</td>
<td>Description of products</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------</td>
<td>---------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>GROUP I (cont'd)</td>
<td></td>
<td>B 7</td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, containing at least 85 per cent by weight of cotton, of a width of at least 85 cms. other than plain weave</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B 8</td>
<td>Other woven fabrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 1</td>
<td>Bleached, mercerized or not</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 2</td>
<td>Gauze other than grey or bleached</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 3</td>
<td>Terry towelling and similar terry fabrics, other than grey or bleached</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 4</td>
<td>Woven pile fabrics and chenille fabrics (other than terry towelling or similar terry fabrics of cotton falling within Heading No. 55.08 and fabrics falling within Heading No. 58.05)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 5</td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, dyed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 6</td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, printed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>C 7</td>
<td>Woven fabrics other than gauze or terry towelling and similar terry fabrics, made with yarns of various colours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D 1</td>
<td>Bed linen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D 2</td>
<td>Table linen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D 3</td>
<td>Terry toilet linen and terry kitchen linen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D 4</td>
<td>Other household articles</td>
</tr>
<tr>
<td>Group of categories</td>
<td>Category</td>
<td>Sub-category</td>
<td>Description of products</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------</td>
<td>--------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>GROUP II (cont'd)</td>
<td>E</td>
<td></td>
<td>COTTON CLOTHING</td>
</tr>
<tr>
<td></td>
<td>E 1</td>
<td></td>
<td>Gloves, mittens and mitts, knitted or crocheted, not elastic or rubberized</td>
</tr>
<tr>
<td></td>
<td>E 2</td>
<td></td>
<td>Undergarments, knitted or crocheted, not elastic or rubberized</td>
</tr>
<tr>
<td></td>
<td>E 3</td>
<td></td>
<td>Outergarments and other articles, knitted or crocheted, not elastic or rubberized. Articles other than knitted or crocheted fabrics and articles thereof, elastic or rubberized</td>
</tr>
<tr>
<td></td>
<td>E 4</td>
<td></td>
<td>Woven trousers and breeches, for men and boys</td>
</tr>
<tr>
<td></td>
<td>E 5</td>
<td></td>
<td>Other woven outergarments for men and boys</td>
</tr>
<tr>
<td></td>
<td>E 6</td>
<td></td>
<td>Woven outergarments for women, girls and infants</td>
</tr>
<tr>
<td></td>
<td>E 7</td>
<td></td>
<td>Shirts and bodices for men and boys</td>
</tr>
<tr>
<td></td>
<td>E 8</td>
<td></td>
<td>Other woven undergarments for men and boys</td>
</tr>
<tr>
<td></td>
<td>E 9</td>
<td></td>
<td>Woven undergarments for women, girls and infants</td>
</tr>
<tr>
<td></td>
<td>E 10</td>
<td></td>
<td>Handkerchiefs</td>
</tr>
<tr>
<td></td>
<td>E 11</td>
<td></td>
<td>Other articles of apparel and clothing accessories</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td></td>
<td>MISCELLANEOUS COTTON FABRICS AND MADE-UP ARTICLES</td>
</tr>
<tr>
<td></td>
<td>F 1</td>
<td></td>
<td>Travelling rugs and blankets</td>
</tr>
<tr>
<td></td>
<td>F 2</td>
<td></td>
<td>Floor-cloths, dish-cloths, dusters, and the like</td>
</tr>
<tr>
<td></td>
<td>F 3</td>
<td></td>
<td>Pneumatic mattresses</td>
</tr>
<tr>
<td></td>
<td>F 4</td>
<td></td>
<td>Others</td>
</tr>
</tbody>
</table>
Annex II

Letter Nos. 1 and 2 - Export authorization system (Group II)

Letter Nos. 3 and 4 - Definition of "carryover"

Letter Nos. 5 and 6 - Definition of "anticipation"

Letter Nos. 7 and 8 - Transit and freedom to trade
Letter No. 1

Brussels,

Sir,

At the conclusion of the negotiations between the Government of Hong Kong and the Community which led to the signature of the Agreement dated the two Parties agreed as follows:

It is understood that the Community will request a specific ceiling to be fixed in accordance with Article 3(b) of the Agreement only when rapid and substantial growth in deliveries of the product concerned causes or threatens to cause disruption of the market.

In the course of these negotiations I also put forward the proposal that the Government of Hong Kong should institute a system of "Export Authorizations" for categories in Group II which are not subject to specific ceilings, in order to provide the Commission with advance information on the development of trade in those categories.

Before setting out the proposal in detail, I should explain that under the Export Authorization system no export licence for the categories of goods subject to the system will be issued unless an Export Authorization has previously been obtained in respect of the consignment concerned. Export Authorizations are issued only on production of evidence of a firm contract for the supply of the goods in respect of which the applicant seeks such an Authorization.

As you will note from the Specimen Export Authorization form attached, application for an Export Licence for the particular goods in respect of which an Export Authorization is issued must be made before the expiry of the Export Authorization. Export Authorizations are normally valid for a period of three months; Export Licences are valid for twenty-eight days. The goods covered must therefore be exported within three months and twenty-eight days from the issue of the Export Authorization.

I now formally propose:

(a) that the Commerce and Industry Department of the Hong Kong Government should regulate exports in the categories concerned (i.e., those not subject to a specific ceiling) by means of an Export Authorization system;

(b) that the Department should forward fortnightly returns to the Commission showing by category the quantities covered by Export Authorizations issued to Hong Kong exporters;
(c) that the Hong Kong Government will at the request of the Commission, suspend the issue of Export Authorizations in respect of such products pending the holding of the consultations provided for in Article 3(b) of the Agreement.

It is, as I explained, an essential part of this system that the importing country should undertake to admit imports of all goods in respect of which Export Authorizations have been issued, thus giving manufacturers, exporters and importers a degree of contractual security while allowing the authorities of the importing countries the opportunity to request the cessation of additional exports in a particular category some four months in advance of the date at which in their view shipments can be expected to reach a level which threatens actual disruption of the market.

We should be grateful if you would be good enough to confirm that the Community is in agreement with the introduction of this Export Authorization system on the basis described in this letter.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.
IMPORTATION AND EXPORTATION ORDINANCE (CAP. 50)

EXPORT OF TEXTILE MANUFACTURES TO ........................................

(country)

EXPORT AUTHORIZATION

1. DECLARATION BY EXPORTER

I ........................................ on behalf of ........................................

(name)

(name and address of shipper)

hereby apply to the Director of Commerce and Industry for an Export Authorisation in
respect of the textiles goods described below to be exported to ........................................

(country)

(A) ..............................................................................................................

(full description of goods)

(B) ..............................................................................................................

(manufacturer)

3. (A) ........................................ (B) ........................................ (C) ........................................

(quantity) (units) (category or classification number)

4. ........................................

(consignee's name and address)

5. I have entered into a firm contract with an overseas buyer for the supply of the
goods described above and I am aware that failure to ship any part of these goods for any reason
whatsoever, including cancellation or revision of my contract within the validity period
of this authorisation may result in the denial of further authorisations and licences to
my company. I declare that the above and any other information which I have given in
support of this application is true to the best of my knowledge.

DATE ........................................ TEL. NO. ........................................

(signature and chop of shipper)

DECLARATION BY MANUFACTURER

I ........................................ on behalf of ........................................

(name)

(name and address of factory)

hereby declare that my factory is registered with the Commerce and Industry Department
under registration No. ............... for certification purposes in respect of the category of
goods described in para. 2 above. I have contracted to deliver these goods in the total
quantity shown in para. 3 to permit export within the validity period of this authorisation.
I am aware that failure to deliver the goods in time for shipment within this period may
result in the refusal of further authorisations, licences and certificates for products of
my registered factory.

DATE ........................................ TEL. NO. ........................................

(signature and chop of manufacturer)

IMPORTANT NOTES

(a) Shippers must attach the relevant Export Authorisation to individual applications for
export licences. Details of each shipment will be recorded by an authorised officer
of the Commerce and Industry Department before this document is returned to the
shipper together with the approved export licence.

(b) This authorisation, when approved by the Director or an authorised officer is a form
of export licence and it is an offence for any unauthorised person to make any alteration,
deletion or addition to it after issue.

(c) No extension of validity period will be granted and failure to ship any part of the
goods for which this authorisation has been approved within the period of validity
may result in the denial of further export authorisations, licences and certificates
to the shipper and/or manufacturer for such period as the Director in his absolute
discretion may determine.

FOR APPROVAL AND SHIPMENT RECORD SEE OVERLEAF
APPROVAL (To be completed by Commerce and Industry Department)

The Director of Commerce and Industry hereby agrees to issue export licences as and when required during the period of validity of this authorisation in respect of the goods described in para. 2 overleaf, provided each such export is made in accordance with general or specific instructions issued by the Director in connection with the export of such goods to the country concerned and provided that the manufacturer and shipper have complied with all other statutory or administrative requirements under current importation and exportation legislation.

Date..................................................
(for Director of Commerce and Industry)

This authorisation is valid until..............
Total quantity approved..........................

<table>
<thead>
<tr>
<th>LICENCE NUMBER</th>
<th>DATE SHIPPED</th>
<th>CATEGORY OR CLASSIFICATION</th>
<th>CODING</th>
<th>PRESENT SHIPMENT</th>
<th>PREVIOUS SHIPMENT</th>
<th>TOTAL SHIPMENTS</th>
<th>LOCATION</th>
<th>BALANCE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Day Month</td>
<td>Subcaty Origin of Matl.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Sir,

I have the honour to acknowledge receipt of your letter of which reads as follows:

(See letter No. 1)

I have the honour to inform you that the Community is in agreement with the foregoing.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

On behalf of the Council
of the European Communities

Head of the Hong Kong Delegation
Brussels,

Sir,

At the conclusion of the negotiations between the Government of Hong Kong and the Community which led to the signature of the Agreement dated the two Parties agreed that the wording of Article 4, paragraph 2, of the Agreement should be interpreted as follows:

- a shortfall is a situation where cotton textiles exports from Hong Kong to member States of the Community in any agreement year fall below the aggregate limit and any other limits established for that year;

- in any agreement year immediately following a year in which a shortfall occurs, the Government of Hong Kong may permit the export of additional quantities in the following amounts and manner:

(a) in respect of each sub-category with a specific limit, a quantity equal to the shortfall in that sub-category or to 10 per cent of the limit for the sub-category in the year in which the shortfall occurs, whichever is the less, may be shipped in that sub-category in addition to the specific limit for that sub-category in the year immediately following the year in which the shortfall occurs;

(b) in respect of any limits other than those referred to in (a) above, quantities equal to the shortfall in those limits or to 10 per cent of the limits established for the year in which the shortfall occurs, whichever is the less, may be shipped in addition to the limits established for the year immediately following the year in which the shortfall occurs, save that such quantities may not be shipped in any sub-category with a specific limit.

It is understood that the above arrangements and provisions shall also apply, with retroactive effect, to shortfalls against the ceilings set out in the bilateral Agreements between the Governments of Benelux and of Hong Kong and between the Governments of the Federal Republic of Germany and of Hong Kong, with the effect that such shortfalls as may occur in the final periods of those expiring bilateral Agreements may be shipped to the member State concerned within the first year of this Agreement up to the ceiling and in the manner stipulated above.

We should be grateful if you would be good enough to confirm, on behalf of the Community, the above-mentioned understandings.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

Head
of the Hong Kong Delegation
Letter No. A

Brussels,

Sir,

I have the honour to acknowledge receipt of your letter of which reads as follows:

(See letter No. 3)

On behalf of the Community I have the honour to confirm the above-mentioned understandings.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

On behalf of the Council of the European Communities

Head of the Hong Kong Delegation
Brussels,

Sir,

At the conclusion of the negotiations between the Government of Hong Kong and the Community which led to the signature of the Agreement dated

the two Parties agreed that the wording of Article 4, paragraph (3) of the Agreement should be interpreted as follows:

- in the first and second agreement years additional quantities may be shipped at the discretion of the Government of Hong Kong and following the giving of reasonable notice to the Community; such additional quantities are to be limited to a maximum of 10 per cent of the first agreement year limits in the first agreement year, and to a maximum of 10 per cent of the second agreement year limits in the second agreement year;

- any such additional quantities shipped shall be deducted from the ceilings established for the year immediately following the year in which the additional quantities were shipped.

We should be grateful if you would be good enough to confirm, on behalf of the Community, the above-mentioned understandings.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

Head
of the Hong Kong Delegation
Letter No. 6

Brussels,

Sir,

I have the honour to acknowledge receipt of your letter of which reads as follows:

(See letter No. 5)

On behalf of the Community I have the honour to confirm the above-mentioned understandings.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

On behalf of the Council of the European Communities

Head of the Hong Kong Delegation
At the conclusion of the negotiations between the Government of Hong Kong and the Community which led to the signature of the Agreement dated, the two Parties agreed on the following:

This Agreement shall in no way hinder merchants in Community countries from freely engaging as they have done in the past, in trade with third countries.

This principle shall apply both to operations carried out under transit arrangements and to operations involving goods that do not enter the Community's customs territory.

We should be grateful if you would be good enough to confirm that the Government of Hong Kong is in agreement with the foregoing.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

On behalf of the Council of the European Communities

Head of the Hong Kong Delegation
Letter No. 8

Brussels,

Sir,

I have the honour to acknowledge receipt of your letter of today's date reading as follows:

(See letter No. 7)

On behalf of the Government of Hong Kong I have the honour to confirm the above-mentioned understandings.

I avail myself, Sir, of this opportunity to renew the assurance of my highest consideration.

Head
of the Hong Kong Delegation