ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4

Bilateral Agreement between Austria and Macao

Note by the Chairman

Attached is a notification received from Austria of a bilateral agreement concluded with Macao for the period 1 January 1987 to 31 December 1990.1

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1The previous bilateral agreement between the parties is contained in COM.TEXT/SB/938.

*English only/Anglais seulement/Inglés solamente
Sir,

With reference to Article 4 of the ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (hereinafter referred to as the ARRANGEMENT), as extended, I have the honour to transmit the following notification by which the bilateral agreement between Austria and Macao of 7 November 1983 has been prolonged. The renewed agreement, entered into force on 1 January 1987.

In the recent past the economic conditions of the Austrian textiles industry has continued to deteriorate. Although production in 1985 increased slightly by 2.4% compared with 1986 the production level is still below that of 1971. The production figures for the first half of 1986 indicate already, that 1986 as a whole will again show a negative development.

The number of factories in 1985 declined by 2.4% compared with the previous year. From 1980 to 1985 about 14% of textile factories had to close down and 19% of the jobs were lost.

At the same time the textile industry is confronted with a steadily rising import penetration (1985 imports reached already a share of more than 85% of the Austrian production) and with increasing expenditures (for example 5.3% increase in labour costs). As a consequence profits were substantially curtailed. The situation of the Austrian garment industry is particular severe in certain sectors, such as the production of slacks, jeans and shirts. Factories producing such goods are situated mostly in depressed regions having

Mr. Marcelo RAFFAELLI
Chairman
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virtually no other industries and where they are the main source of in-
dustrial employment. Such textiles as well as other textiles are extremely
sensitive to disruptive market forces. Experience has shown, that imports
of low price textiles exert an enormous downward pull on prices, forcing
domestic producers to operate at the break even point or even at a loss.

Notwithstanding the problems in the Austrian garment industry
Austria agreed to lift the quota for blouses of synthetic fibres or of
cotton contained in the agreement of 7 November 1983 and to transfer
this product to the statistical surveillance system. Furthermore woven under
garments of synthetic fibres, which had been under surveillance were fully
liberalized.

Austria and Macao agreed to maintain only a quota for slacks,
shorts, jeans and shirts.

The development of imports from Macao into Austria of the respec-
tive products is shown in the following table (in pieces):

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1984</th>
<th>1985</th>
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<tbody>
<tr>
<td>Slacks, shorts, jeans</td>
<td>51.218</td>
<td>89.299</td>
<td>185.796</td>
</tr>
<tr>
<td>Shirts</td>
<td>261.696</td>
<td>210.470</td>
<td>116.597</td>
</tr>
</tbody>
</table>

Production of woven slacks, shorts, jeans, trousers and divided
skirts increased by 8.6% in 1985 compared with the previous year whereas
imports from Macao increased substantially (plus 108.1%). The ratio of
imports from Macao to total imports increased from 0.6% in 1983 to 1.9% in 1985.
The ratio of imports from Macao to domestic production increased in the same period from 1.3% to 4.1%.

The average price of slacks, shorts and jeans imported from Macao was 72.35 A.S. whereas the average import price from all sources was 172.65 A.S. The price of such a product made in Austria amounted to 219.98 A.S.

Production of woven shirts of synthetic fibres and/or of cotton decreased by 2% in 1985 compared with 1983.

The average price of woven shirts of cotton imported from Macao in 1985 was 73.59 A.S., the average price of woven shirts of synthetic fibres 50.61 A.S.

The average import price for shirts of cotton from all sources was in 1985 114.15 A.S., and 61.66 A.S. for shirts of synthetic fibres.

The average price of such products namely shirts of cotton and/or synthetic fibres made in Austria was 208.13 A.S.

The agreed export levels in pieces for the twelve-months period beginning 1 January 1987 are:

<table>
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</thead>
<tbody>
<tr>
<td>slacks, shorts, jeans:</td>
<td>340.636</td>
<td>349.152</td>
<td>357.881</td>
<td>366.828</td>
</tr>
<tr>
<td>shirts:</td>
<td>235.232</td>
<td>237.584</td>
<td>239.960</td>
<td>242.360</td>
</tr>
</tbody>
</table>

In view of the existing exceptional circumstances in terms of Annex B of the ARRANGEMENT in these highly sensitive products a lower than 6% growth has been agreed upon between both parties. In determin-
ning growth and flexibility special considerations have been taken into account such as the above mentioned lifting of the quota for blouses of the previous agreement, a full liberalization of woven undergarment, and an increase of carry over and carry forward from 5/10 % in the superseded agreement to 6/11 % in the present.

Accept, Sir, the assurances of my highest consideration.

Richard HOCHÖRTLER
Deputy Permanent Representative

Encl.
Excellency,

1. I have the honour to refer to the ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES (hereinafter referred to as the ARRANGEMENT), done at Geneva on 20 December 1973, in particular its paragraph 4 and to the PROTOCOL EXTENDING THE ARRANGEMENT, done at Geneva on 31 July 1986.

2. I further wish to refer to the consultations which took place between representatives of Austria and Macao on 17 and 18 December 1986 in Vienna. As a result of these consultations Austria and Macao have reached the following understanding.

3. Macao shall restrict exports to Austria of the textile products listed in the Annex to the levels set out in that Annex.

4. Upon presentation of certificates of origin (Certificados de Origem), issued by the Direcção dos Serviços de Economia de Macao, with an endorsement that the consignment has been debited to the respective export level, the competent Austrian authority will license the corresponding imports within and up to the agreed export levels.

5. Certificates of origin mentioned in paragraph 4 above shall cease to be valid after the expiration of 6 months after the end of the restraint period.
6. Transfer (swing) between the categories of the Annex to this Agreement may be made, after notification by Macao, up to an amount of 5 per cent of the export limits for each of the receiving categories, provided that a corresponding reduction is applied in the export limits from which the transfer is made.

7. For the products mentioned in the Annex carry-over and carry forward taken together shall not exceed 11 per cent of which carry forward shall not represent more than 6 per cent.

8. If nothing is heard from Austria within 8 weeks from the date of such notification the proposed flexibility (carry-over, carry forward and swing) will apply automatically.

9. Austria will provide Macao with statistics on a monthly and cumulative basis of import licenses and Macao will provide Austria with statistics on the same basis of certificates of origin issued in accordance with paragraph 4 above.

10. If necessary, at the request of Austria, Macao will provide more detailed information in respect of specific exports to Austria of the products listed in the Annex, showing the name of the exporters, the numbers and dated of certificates of origin issued, the dates of shipments as well as the quantities of the products covered by these certificates of origin.

11. In respect of woven blouses of man made fibres or of cotton CCCN.No.ex 61.02 the competent Austrian authority will upon presentation of certificates of origin (Certificados de Origem), issued by the Direcção dos Serviços de Economia de Macao automatically issue import licenses and will provide Macao with information concerning such import licenses on a monthly basis.
Should imports of the above mentioned products from Macao to Austria develop in such a manner which, in the view of Austria, causes real risks of market disruption, Austria may request consultations with a view to reaching a restraint agreement on mutually acceptable terms.

11. Consultations regarding the conduct of exports of the products listed in the Annex will be held if so desired by either party.

If this proposal is acceptable to Macao, this note and your note of confirmation of Macao shall constitute an agreement between Austria and Macao.

Accept, Excellency, the assurances of my highest consideration.

Dr. Helmut KRBHLIK  
Counsellor

Enclosure: Annex

His Excellency  
Carlos Augusto Pulido Valente Monjardino  
Under Secretary for  
Economy Finance and Tourism  
Government of Macao  
Macao
<table>
<thead>
<tr>
<th>Category</th>
<th>Description of product</th>
<th>1 January 1987</th>
<th>1 January 1988</th>
<th>1 January 1989</th>
<th>1 January 1990</th>
<th>Conversion factor for swing purposes (pieces per kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Slacks, shorts, jeans trousers and divided skirts, not knitted or crocheted, wholly or mainly of cotton, CCCN. Nos. ex 61.01, ex 61.03</td>
<td>340.636</td>
<td>349.152</td>
<td>357.881</td>
<td>366.828</td>
<td>1.76</td>
</tr>
<tr>
<td>(2)</td>
<td>Woven shirts, wholly or mainly of discontinuous synthetic fibres or of cotton, CCCN. No. ex 61.03</td>
<td>235.232</td>
<td>237.584</td>
<td>239.960</td>
<td>242.360</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Dear Dr. Krehlik!

I have the honour to acknowledge receipt of your note dated 18 December 1986 regarding the understanding reached following consultations held between Austria and Macao on 18th December 1986 in Vienna.

I have taken due notice of its contents and I wish to inform you that the Macao Authorities are able to accept the understanding expressed in your note and that with the present letter I subscribe and agree that these shall constitute an agreement between Austria and Macao.

Accept, Sir, the assurance of my highest consideration.

Carlos Augusto Pulido Valente Monjardino

Mr. Dr. Helmut KREHLIK
Counsellor
Federal Ministry of Commerce, Trade & Industry
Republic of Austria