

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/1052*

19 November 1984

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 11:4

Hong Kong/United States Agreement

Note by the Chairman

The attached communication has been received from Hong Kong, concerning the bilateral consultations held between Hong Kong and the United States in accordance with the TSB's recommendation of May 1984 on Category 652 (mmf underwear).

¹ The TSB's recommendation is contained in COM.TEX/SB/953

* English only/Anglais seulement/Inglés solamente



ANSWERED	DOC. ISSUED	FOLIO
REG	15 NOV 1984	1856/1052
For	Comment	Inf.
Cabinet of D.		
Info. Service		
OFFICE LEGAL AFF.		
Secs. / Council Aff. Div.		
CHAIRMAN TSB		

UNITED KINGDOM MISSION
HONG KONG GOVERNMENT OFFICE

67-38, rue de Vermont, 1211 Geneva 20

14 November 1984

Ambassador M. Raffaelli
Chairman
Textiles Surveillance Body
GATT Secretariat
Centre William Rappard
154 rue de Lausanne
1211 Geneva 21

For		
Chanc. Sec.		
Sec. Gen.		
Sec. Asst. Gen.		
Sec. Asst. Gen. (Adm.)		
Sec. Asst. Gen. (Ext. Aff.)		
Sec. Asst. Gen. (Fin. & Econ.)		
Sec. Asst. Gen. (Int. Law)		
Sec. Asst. Gen. (Legal Aff.)		
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Sec. Asst. Gen. (Ext. Rel. Div.)		
Sec. Asst. Gen. (Adm. / Fin. Div.)		
Sec. Asst. Gen. (Trans. / Doc. Div.)		
Sec. Asst. Gen. (Training Div.)		
Sec. Asst. Gen. (Personnel Off.)		
Sec. Asst. Gen. (Conference Off.)		

Sir,

Hong Kong/United States Bilateral Textiles Agreement
Category 652 (mmf underwear)

I have the honour to refer to my letter of 6 April 1984 and to the Textiles Surveillance Body's recommendation of 4 May 1984 concerning certain matters between Hong Kong and the United States.

2. For easy reference copy of my letter of 6 April is attached and copy of the TSB's recommendation is given below:

"With regard to Category 652, the TSB concluded that, while the information provided, which included some data relating to 1983, did not depict a situation of market disruption caused by imports from Hong Kong, imports resulting from the increase in export authorizations issued by Hong Kong in 1984 would pose a real risk of market disruption to United States producers, if other elements confirmed the existence of such a risk.

The TSB recommended that both parties hold consultations before the end of 1984 in order to decide, on the basis of more recent data on United States production and other appropriate factors, whether the restraint should be maintained. In making this recommendation, the TSB noted that the restraint level of Hong Kong in 1984 was more than twice Hong Kong imports into the United States during 1983."

3. On 3 October 1984 the US provided by letter fresh data as regards production in 1982 and 1983. Copy of the letter is enclosed.

4. On 30 October consultations were held in Washington as recommended by the TSB. At that time the US provided certain updated information as regards prices and imports, certain new

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information as regards employment, but no further information as regards 1984 production, profits or other appropriate data.

5. In Hong Kong's view, the new production data indicates that production has stabilised in 1983. The lack of production data in 1984 is unfortunate, but the new data as regards employment although not fully related to US production in this category indicates an increase in production in 1984.

6. The other features of Hong Kong's submission at the time of the 4 May TSB hearing remain unchanged.


7. Accordingly it is Hong Kong's view that the increase in export authorizations issued by Hong Kong at the time of call does not pose a real risk of market disruption to United States producers.

8. It will be seen that the Government of Hong Kong still considers the US action as regards Category 652 to be unjustified and unreasonable. The Government of Hong Kong accordingly requests the Textiles Surveillance Body to conduct a thorough and prompt consideration of these matters.

9. To assist the Textiles Surveillance Body in its consideration, the Government of Hong Kong is preparing to send representatives to appear before the Body to elaborate on Hong Kong's position.

10. I am sending a copy of this letter to the Office of the US Trade Representative in Geneva.

Accept, Sir, the assurance of my highest consideration.



(M. D. Cartland)
Counsellor
Hong Kong Affairs



UNITED KINGDOM MISSION
HONG KONG GOVERNMENT OFFICE
37-39 rue de Vermont, 1211 Geneva 20

Ambassador M. Raffaelli
Chairman
Textiles Surveillance Body
GATT Secretariat
Centre William Rappard
154 Rue de Lausanne
1211 Genève 21

6 April 1984

Sir,

I have the honour to refer to paragraph 4 of Article 11 of the Arrangement Regarding International Trade in Textiles (MFA), as extended by the Protocol adopted on 22 December 1981, and paragraphs 7 and 17 of the Bilateral Textiles Agreement between the Governments of Hong Kong and the United States dated 23 June 1982; and to request, on behalf of the Government of Hong Kong, the Textiles Surveillance Body urgently to consider the following matters between Hong Kong and the United States and to make any recommendations which it may deem appropriate.

2. Paragraph 7 of the Hong Kong/United States Textiles Agreement (the Agreement) provides that the Government of the United States may request consultations with the Government of Hong Kong with a view to reaching agreement on an appropriate level of restraint for any category subject to export authorisation (EA) for any agreement year whenever, in the view of the Government of the United States, a limitation on further trade in any such category is necessary in order to eliminate a real risk of market disruption. Immediately upon receipt of such a request the Government of Hong Kong must suspend issuance of EAs or restrict them to a specified level pending the outcome of the consultations. Such a request must be supported by a statement of the market conditions in the United States which make necessary the request for consultations. The statement must include data similar to that contemplated in paragraphs I and II of Annex A of the Arrangement.

3. The Government of the United States requested consultations on Category 652 (mmf underwear) and Category 637 (mmf playsuits, sunsuits, washsuits, etc) on 15 and 27 February 1984 respectively, and provided market statements to support

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the case for market disruption in each category on 1 March 1984. Copies of the statements are at enclosure 1. Consultations were held on 15 and 16 March 1984 in Washington to discuss the US case for restraint.

4. The consultations did not result in agreement in either case. The US exercised its right under paragraph 7(e)I of the Agreement to request Hong Kong to limit exports in both categories during 1984 to the minimum level provided by the Agreement. In accordance with the Agreement Hong Kong honoured the US requests for limits in each category and reserved its rights under the Agreement and the MFA.

5. The present request to the Textiles Surveillance Body concerns the disagreement arising from the consultations between the US and Hong Kong on Category 652 and Category 637.

Category 652 (mmf underwear)

6. The main reasons why Hong Kong considers that a situation of real risk of "market disruption" has not been established are summarised below :-

I Serious damage or actual threat thereof (para I of Annex A)

The main "appropriate factor" for which the US provided statistics was US production for 1979-82. These statistics, particularly when account is also taken of published US export statistics, reveal either a static or an improving situation in the domestic industry, and do not therefore provide the necessary evidence of serious damage, or actual threat thereof.

II Factors causing market disruption (para II of Annex A)

The main weakness relates to price data which derive from questionable sources and are of only limited coverage and comparability and are thus inadequate to demonstrate that Hong Kong products in cat. 652 are offered at prices substantially below those prevailing in the US domestic market.

7. Accordingly, it is the view of the Government of Hong Kong that the case for restraint has not been made and that the Government of the United States should rescind its request for restraint made under paragraph 7(e)I of the Hong Kong/United States Textiles Agreement.

Category 637 (mmf playsuits, sunsuits, washsuits, etc.)

8. The main reasons why Hong Kong considers that a situation of real risk of "market disruption" has not been established are summarised below :

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I Serious damage or actual threat thereof (para I of Annex A)

The main "appropriate factor" for which the US provided statistics was US production for 1979-82. No US export statistics are available, so the extent to which fluctuations in production result from fluctuations in US exports cannot be assessed. Nevertheless, the US production statistics reveal an improving situation in the domestic industry, and do not therefore provide the necessary evidence of serious damage, or actual threat thereof.

II Factors causing market disruption (para II of Annex A)

There are two main weaknesses in the US case. The first is that imports from Hong Kong are insignificant, and hence that "serious damage" can hardly be caused by such small imports, nor can such small increases in imports be described as "substantial". The second weakness relates to price data, where the same considerations as those summarised in para 6 II above apply also to category 637.

III Other Factors

Clearly a case for restraint of one supplier, even if substantiated on other grounds, is not made if other substantial suppliers are allowed to fill the gap in supply created by restraining the first supplier. In the case of Category 637, two suppliers with a larger market share than Hong Kong are not subject to specific restraint : of these, one is subject to a designated consultation level which is much larger than recent trade, and the US is seeking to establish limits with regard to the other but the outcome is not known. Unless the US can clarify the position of other larger suppliers, it is Hong Kong's view that the US has failed on this ground also to establish a case.

9. Accordingly, it is the view of the Government of Hong Kong that the case for restraint has not been made and that the Government of the United States should rescind its request for restraint made under paragraph 7(e)I of the Hong Kong/United States Textiles Agreement. Furthermore, it is proposed that the need to provide adequate and accurate relevant specific factual information in support of requests under Articles 3 and 4 of the Arrangement should be emphasised.

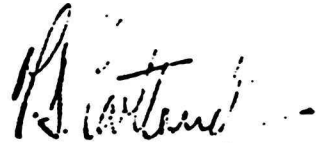
10. It will be seen that the Government of Hong Kong considers the US action as regards Category 652 and Category 637 to be unjustifiable and unreasonable. The Government of Hong Kong accordingly requests the Textiles Surveillance Body to conduct a thorough and prompt consideration of these matters.

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11. . To assist the Textiles Surveillance Body in its consideration, the Government of Hong Kong is preparing to send representatives to appear before the Body to elaborate on Hong Kong's position.

12. I am sending a copy of this letter to the Office of the US Trade Representative in Geneva.

Accept, Sir, the assurance of my highest consideration.



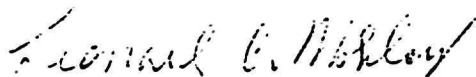
(M.D. Cartland)
Counsellor
Hong Kong Affairs

Category 652 -- Man-Made Fiber Underwear

U.S. imports of Category 652 from Hong Kong were 1,499,000 dozens in 1983 up 29.3 percent from the 1,159,000 dozens imported in 1982. Hong Kong was the largest supplier of Category 652, accounting for 32 percent of the total imports in 1983. The import increase from Hong Kong in 1983 was sharp and substantial; the imports were low-priced; and continuation of the increase creates a real risk of market disruption.

Hong Kong, through February 4, 1984 had issued export certifications for 2,847,670 dozens, 116.55 percent of the maximum formula level.

U.S. production of Category 652 declined steadily from 1979 through 1983. Production in 1983 was 62,973,000 dozens compared with 64,206,000 dozens in 1981 and 70,220,000 dozens in 1979. Imports increased from 2,732,000 dozens in 1979 to 3,971,000 dozens in 1982. In spite of the decline, the 1983 imports were the second highest on record. Imports expanded sharply by 27.2 percent, to 4,668,000 dozens in 1983. The ratio of imports to domestic production increased from 3.9 percent in 1979 to 6.2 percent in 1981 but declined to 5.8 percent in 1982. The ratio for 1983 probably was between 7.0 and 7.5 percent.



Classified by Leonard A. Mobley
Director, Industry Assessment Division, OTEXA
Declassified on Receipt by Foreign Government

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Three-fourths of the imports of Category 652 from Hong Kong enter under TSUSA No. 378.6030, which are non-ornamented briefs and bikinis for women. These items are entering at duty-paid landed values below the U.S. producer prices for comparable garments.

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Category 652
U.S. Production, Imports and Import/Production Ratios
-1,000 Dozens-

<u>Period</u>	<u>Production</u>	<u>Imports</u>	<u>Ratio</u>
1979	70,220	2,732	3.9
1980	66,157	3,399	5.1
1981	64,206	3,971	6.2
1982	62,973	3,671	5.8
1983		4,668	

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Category 652
Duty-Paid Value and U.S. Producer Price
-U.S. Dollars Per Dozen-

TSUSA No. and Source

Value/Price

378.6030

Hong Kong

\$ 4.71

China

4.05

Philippines

4.93

U.S. Producer Price

5.50 - 6.00

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CATEGORY = 652 UNDERWEAR

IP = 0.06 IP-YEAR = 1982

SYDFAC = 16.00 FOR 5YE

OFFICE OF TEXTILES --INTERNATIONAL AGREEMENTS & MONITORING

12/1983 DATA

UNITS = DOZ

COUNTRY	CALENDAR_YR		YR-TO-DATE		YTD 12/1983 % CHANGE	YEAR			YEAR ENDING 12/1983		% OF TOTAL CATEGORY
	1981	1982	12/1982	12/1983		12/1983	11/1983	ENDING 10/1983	12/1982	% CHANGE	
-WORLD-	3971183	3670574	3670574	4668328	27.2	4668328	4334222	4005501	3670574	27.2	100.00
HONG KONG	1252101	1159234	1159234	1499434	29.3	1499434	1334766	1152666	1159234	29.3	32.12
HAITI	422414	453093	453093	630146	39.1	630146	602780	565232	453093	39.1	13.50
CHINA T	250876	287549	287549	579504	101.5	579504	540186	514599	287549	101.5	12.41
PHIL R	240897	302915	302915	507619	67.6	507619	491919	438785	302915	67.6	10.87
MEXICO	1040795	697233	697233	457435	-34.4	457435	397339	390927	697233	-34.4	9.80
LW WW I	273460	255165	255165	388023	52.1	388023	377489	368304	255165	52.1	8.31
DOM REP	257271	295829	295829	381418	28.9	381418	360350	359503	295829	28.9	8.17
CHINA M	6729	14433	14433	69229	379.7	69229	64645	41742	14433	379.7	1.48
_OTHERS	226640	205123	205123	155520	-24.2	155520	164748	173743	205123	-24.2	3.33
_CONTRL	3295166	2959409	2959409	3734959	26.2	3734959	3425618	3123506	2959409	26.2	80.01
_OECD	59984	48936	48936	75753	54.8	75753	76567	78787	48936	54.8	1.62
_UNCTRL	676017	711165	711165	933369	31.2	933369	908604	881995	711165	31.2	19.99

UNCLASSIFIED

October 3, 1984

Mr. Peter Lo
Counsellor
Hong Kong Commercial Affairs
British Embassy
3100 Massachusetts Avenue, N.W.
Washington, D.C. 20008

Dear Mr. Lo:

Pursuant to conversations which took place during consultations between our Governments on August 20-22, 1984 in Washington, D.C., the following are the latest production figures in Category 652 for 1982 and 1983 as requested by Hong Kong.

<u>1982 U.S. Production (1,000 Dozen)</u>	<u>1983 U.S. Production</u>
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Category 652, man-made fiber underwear:

62,780

62,100

Category 652 Part, man-made woven underwear:

5,766

5,842

Category 652 Part, man-made knit underwear:

57,014

56,258

These figures reflect final data for U.S. production for 1982 and preliminary data for 1983 in Category 652.

Sincerely,

James T. Schollaert
James T. Schollaert
Acting Chief, Textiles Division
Bureau of Economic and
Business Affairs