

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/1081*
22 February 1985

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Report on matter examined under Article 11:5

Hong Kong/United States

Note by the Chairman

Attached is a report received from Hong Kong on the consultations held between Hong Kong and the United States¹, in accordance with the TSB's recommendations made in December 1984.

¹ See COM.TEX/SB/1037, TSB's report of its twentieth meeting (1984)

* English only/Anglais seulement/Inglés solamente



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HONG KONG GOVERNMENT OFFICE
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TSB/5
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19 February 1985

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

Sir,

I have the honour to refer to my letter of 15 November 1984 (TEX.SB/1057) and to the Textiles Surveillance Body's recommendations of 14 December 1984 (para 17 in COM.TEX/SB/1037) concerning certain matters between Hong Kong and the United States relating to the effect of new interim US customs regulations.

Report on consultations held in Washington on 4-6 February 1985

2. The Hong Kong delegation expressed its deep concern that the US had been unable to meet with Hong Kong at an earlier date, despite repeated requests for an early meeting in accordance with the TSB recommendation of 14 December 1984. The delegation noted that a survey of the order book position of leading HK exporters of sweaters had revealed an average 55% drop in orders in December 1984 in comparison to December 1983.

3. The Hong Kong delegation approached the consultations in the spirit of the MFA and the Agreement, with a view to reaching a mutually satisfactory solution. It asked the US to make proposals to address paragraphs 5(a) and (b) of the TSB recommendations. It was surprised and disappointed that the US had no proposals to make.

4. In order to address the problem in a constructive manner, and in the absence of any proposals from the US, the Hong Kong delegation proposed :

- (a) as regards paragraph 5 (a) of the TSB recommendation, that the regulations as regards assembly by looping and linking should be interpreted so that such processes, if accompanied by all subsequent finishing

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processes, should be considered as conferring origin on relevant products; and

- (b) as regards paragraph 5(b) of the TSB recommendation, that in the meantime, to overcome the disruption caused by the new rules and the continuing uncertainty, the US should honour previous arrangements as regards imports of relevant products from Hong Kong against 1985 quota.

5. The US response was that it could not respond to Hong Kong's proposals during the consultations but that they would be reported to the relevant authorities involved in the current review of the regulations. Even proposal (b), which addressed the immediate problem without prejudice to the outcome of the review, could not be considered further. No constructive discussion of the matter was possible. Hong Kong made clear its frustration at the absence of any attempt at a dialogue on this issue and that it regarded this response (or absence of response) as unreasonable and unhelpful.

6. In the absence of any response from the US it was agreed that the consultations should be adjourned. The Hong Kong delegation proposed that the consultation should resume as soon as the US was in a position to give a substantive response to Hong Kong's proposals and in any event before a final decision was published. Provisionally the week commencing 11 March was agreed as appropriate for resuming consultations, although this could be changed by mutual agreement if the pace of the US review process altered substantially.

Conclusion

7. The Hong Kong Government considers the situation to be highly unsatisfactory. The TSB findings in this matter are clear. The absence of any US attempt to address the TSB recommendations within the time frame initially indicated by the TSB can hardly be regarded as an adequate response to the TSB conclusions. Of particular concern to Hong Kong is the failure of the US, so far, to address paragraph 5(b) of the TSB recommendation, which is intended to relieve the immediate problems facing Hong Kong industry.

8. The Hong Kong Government hopes to be in a position to submit a final report to the TSB following the next round of bilateral consultations mentioned in paragraph 6 above; the report should be available for the TSB in time for its meeting at the end of March.

9. Accept, Sir, the assurance of my highest consideration.


(M.D. Cartland)

Counsellor (Hong Kong Affairs)