

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

TEX.SB/1168*

20 September 1985

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Additional Report on Matters Examined Under Articles 11:4 and 11:5

Hong Kong/United States

Note by the Chairman

As requested by the TSB,¹ attached is a report received from Hong Kong relating to matters examined by the TSB under Articles 11:4 and 11:5.²

¹ COM.TEX/SB/1089

² COM.TEX/SB/1037

* English only/Anglais seulement/Inglés solamente



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

18 September 1984

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

Our Ref TSB/5
GVA/3/1/5

Sir,

I have the honour to refer to the request made under "any other business" at the meeting of the TSB held on 11 and 12 July 1985 that all participants concerned should provide reports on a number of cases the TSB has reviewed under Article 11.4 and 11.5.

Notifications under Article 11.4

2. At the meeting of the TSB held on 12-14 December 1984, the TSB reviewed two notifications under Article 11.4 from Hong Kong, concerning cases of actions related to Categories 637, 650, 651 and 652, taken by the United States under paragraph 7E(i) of the bilateral agreement between Hong Kong and the United States.

3. The TSB recommended that the United States rescind the restrictions established on Categories 637, 650 and 651.

4. My Government is pleased to report that pursuant to the TSB recommendations, the United States notified Hong Kong on 9 January 1985 that the requests for consultations made by the United States during 1984 on Categories 637, 650 and 651 had been withdrawn.

Notification under Article 11.5

5. At the meeting of the TSB held on 12-14 December 1984, the TSB reviewed a notification under Article 11.5 from Hong Kong, concerning an embargo on certain shipments of wool sweaters (Category 445/6) resulting from the new interim customs regulations on rules of origin for textiles and clothing introduced in the United States.

6. The TSB concluded that the introduction of the interim customs regulations had had the effect of upsetting the balance of rights and obligations under the bilateral agreement between the United States and Hong Kong, thus affecting its economic content and creating uncertainty.

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7. The TSB recommended that
- (a) the parties hold consultations as soon as possible with a view to restoring such a balance;
 - (b) in the meantime, the parties co-operate to avoid disruption to the orderly and equitable development of Hong Kong's trade; and
 - (c) the results be reported by both parties to the TSB no later than 20 February 1985.

8. Hong Kong submitted a report to TSB on 19 February 1985 in which it reported the lack of progress on consultations held on 4-6 February 1985. The TSB noted Hong Kong's concern at "the failure of the United States, so far," to address the TSB's recommendation. The TSB reiterated the recommendations it made during its previous review of the matter. The TSB, noting that the parties intended to resume their consultations shortly, decided to defer its consideration of the matter until further reports were received.

9. The United States announced the final regulations on 5 March 1985 to take effect on 4 April 1985. In Hong Kong's view the final regulations have not addressed the TSB's recommendations.

10. I reported at the 25-27 March meeting of TSB that consultations with the US on 12-14 March were unsatisfactory but the process was continuing. No further consultations have been held since then; but it is Hong Kong's understanding that the US is prepared to enter further consultations at an appropriate time.

11. Hong Kong industry has made considerable investments in order to adjust to the new regulations. Hong Kong intends to continue the consultation process with a view to restoring the balance of rights and obligations under the agreement and obtaining satisfactory redress.

12. In the meantime, Hong Kong wishes to reserve its rights on the whole issue under the bilateral agreement, the MFA and the GATT.

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

Yours faithfully



(M. D. Cartland)
Counsellor (Hong Kong Affairs)