

# GENERAL AGREEMENT ON

CONFIDENTIAL

TEX.SB/2010\*

5 April 1993

## TARIFFS AND TRADE

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Textiles Surveillance Body

### ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

#### Notification under Article 4

#### Modification of the bilateral agreement between Canada and Hong Kong

#### Note by the Chairman

Attached is a notification received from Canada of a modification of its agreement with Hong Kong for the period 1 January 1993 to 31 December 1993.<sup>1</sup>

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<sup>1</sup>The bilateral agreement and extension are contained in COM.TEX/SB/1409 and 1732.

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The Permanent Mission of Canada  
to the United Nations



La Mission Permanente du Canada  
auprès des Nations Unies

29 March, 1993

37-10-3-3-ASIA


Ambassador Marcelo Raffaelli  
Chairman  
Textiles Surveillance Body  
General Agreement on Tariffs and Trade  
154 rue de Lausanne  
1211 Genève  
SUISSE

Dear Ambassador Raffaelli:

Pursuant to Article 4 of the Arrangement Regarding International Trade in Textiles (MFA), done at Geneva, December 20, 1973, and to its 1986, 1991 and 1992 Protocols of Extension and Maintenance in Force, I have the honour to provide you with documentation relative to a modification to the Canada/Hong Kong Memorandum of Understanding (MOU) relative to exports of textiles and textile products from Hong Kong to Canada. The relevant exchange of notes and "Agreed Record of Discussions" are attached.

As you will recall from the submission which was reviewed at the Fourth TSB Meeting of 1992 (ref. documents COM.TEX/SB/1748 & COM.TEX/SB/1732), the current term of validity of the restraints pursuant to the MOU is two years, running through the end of this year. The amendments to the MOU outlined in the attached diplomatic exchanges are entirely related to the changeover of product restraint definitions to the new HS based categorization system which, since 1 January 1993, has become characteristic of all of Canada's bilateral textile and clothing agreements. Also included in the revisions to the MOU are some arrangements for facilitating the transition to the new categorization system, whereby additional flexibility is provided in the form of revised provisions relative to swing, including the addition of provisions for special swing and reversion.

Yours sincerely,

  
John F. Donaghy,  
Counsellor

Director-General of Trade

Ref : CR EIC 191/3/8/1

The Trade Department of the Government of Hong Kong presents its compliments to the Commission for Canada and has the honour to refer to the Arrangement Regarding International Trade in Textiles (MFA), done at Geneva on 20 December 1973, as extended by the protocol adopted on 31 July 1986 and maintained in force by the protocol of 31 July 1991, and the Commission's Note XBTD3083 of 24 December 1992 proposing an amendment to the Memorandum of Understanding between the Government of Hong Kong and the Government of Canada relating to the export from Hong Kong of certain textiles and textile products for import into Canada dated 17 January 1987 as extended to 31 December 1993 (the MOU). The Trade Department further refers to the Agreed Record of Discussions signed in Ottawa on 23 October 1992 (the Agreed Record).

2. The Trade Department has the honour to confirm that the amendment proposed by the Government of Canada as set out in the Agreed Record and amended/clarified by the Commission's Note XBTD3083 of 24 December 1992 is acceptable to the Government of Hong Kong, and that the Commission's Note together with this reply constitute an amendment to the MOU effective from 1 January 1993.

3. The Trade Department avails itself of this opportunity to renew to the Commission for Canada the assurances of its highest consideration.



Trade Department  
Hong Kong  
19 January 1993

DIPLOMATIC NOTE FROM THE CANADIAN COMMISSION, HONG KONG  
24 DECEMBER 1992

"The Commission for Canada presents its compliments to the Trade Department of Hong Kong and has the honour to refer to the Agreed Record of Discussions of October 23, 1992, in Ottawa, Canada, regarding the HS conversion of the Memorandum of Understanding between the Government of Hong Kong and the Government of Canada relating to the export from Hong Kong of certain textiles and textile products for import into Canada ("the MOU").

The Canadian Authorities propose that the new paragraph 13(B)(II) of the MOU, as set out in Paragraph 2.V of the Agreed Record be amended to read as follows: 'swing of 2% into Item 3/4A from item 1B'.

The Canadian Authorities also wish to clarify that the restraint level in respect of Item 14 set out in Appendix I to the Agreed Record is expressed in adult units; shipment of babies' garments will be covered by Item 14 units on a three-for-five basis.

The Canadian Authorities further propose that this Note, together with the reply from the Hong Kong Authorities confirming their acceptance of the amendment to the MOU as set out in the Agreed Record of October 23, 1992, respecting the HS conversion of the MOU, and as amended and clarified by this Note, shall constitute an amendment to the MOU which shall take effect from 1 January, 1993 ..."

Canada-Hong Kong Textile and Clothing Consultations

Agreed Record of Discussions

1. Representatives of the Government of Canada and the Government of Hong Kong met on October 21 to 23, 1992, in Ottawa, to conclude discussions on the effects of a new categorisation system for textiles and textile products based on the Harmonized Commodity Description and Coding System on the Memorandum of Understanding between the Government of Canada and the Government of Hong Kong relating to the export from Hong Kong of certain textiles and textile products into Canada (the MOU), 1987-1991, as extended to 31 December 1993. Canada will introduce the new categorisation system from 1 January 1993.

2. During the consultations, agreement has been reached on the following:

I. Paragraph 3 of the MOU shall be amended as follows:

"3. For the purpose of classifying textiles and textile products in the appropriate category, the definitions and notes set out in Part A of Annex II will apply in the six calendar year period commencing 1 January 1987 and ending on 31 December 1992; and the category structure set out in Part B of Annex II will apply with effect from 1 January 1993, except where agreed to the contrary by both Governments or as may be amended in future by mutual consent."

II. Paragraph 4 of the MOU shall be amended to read as follows:

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"4. These arrangements will apply for seven calendar years commencing on 1 January 1987 and ending on 31 December 1993."

III. Paragraph 6 of the MOU shall be amended to read as follows:

"6(a). For the five calendar year period commencing 1 January 1988 and ending on 31 December 1992, the Government of Hong Kong will restrain its exports to Canada of the textiles and textile products listed in Part A of Annex I to the limits specified therein advanced on an annual basis by the growth rate specified in column (D).

6(b). For the calendar year 1993, the Government of Hong Kong will restrain its exports to Canada of the textiles and textile products listed in Part B of Annex I to the limits specified therein."

IV. The title that appeared before paragraph 13 of the MOU shall be amended to read as "Swing and Reversion".

V. Paragraph 13 of the MOU shall be amended to read as follows:

"13(a). Subject to the specific limitations set out in Part A and Part B of Annex I, any restraint limit may be exceeded by the percentage shown in column (E) provided that an equivalent amount is deducted from any other restraint limit. With regard to swing from Group II (textiles) to Group I (garments), the total

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deduction from the restraint limits of the textiles items may not exceed 1% of the total of the restraint limits of the garment items. When any restraint limit is exceeded by the application of swing, the Government of Hong Kong will so indicate in subsequent monthly returns.

13(b). Notwithstanding paragraph 13(a), the following special swings will be provided for from January 1, 1993:

- (i) swing of 2% into Item 1a from Item 1b;
- (ii) swing of 2% into Item 1b from Item 3/4a;
- (iii) swing of 1% into Item 7/8a from Item 6;
- (iv) swing of 308,971 pieces (NMB) from Item 7/8 into Item 7/8a;
- (v) swing of 308,971 pieces (NMB) from Item 7/8 into Item 11, on a 1:1 basis without reference to conversion factors;
- (vi) swing of 20% into Item 7/8b from Item 3/4a;
- (vii) swing of 20% into Item 14 on a 1:1 basis from other categories provided that this swing is in respect of exports of baby garments of the same kind as those in the Item from which the swing originates; and

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(viii) the provisions set out in (i) to (vii) herein are not subject to the provisions set out in paragraph 19 or the percentages indicated in column (G) of Part B of Annex I.

13(c). Notwithstanding paragraph 19, the following "reversion" arrangements will apply as from 1993. In respect of 1993, the relevant quantities are set out below:

a) Hong Kong will be allowed to revert back to Item 3/4a up to 83,450 units that will be provided, on the basis of 1 top unit and 1 bottom unit, from the following categories. The top units will be provided by Items 1b, 3b, 3/4a, 7/8, 7/8a, and 11. The bottom units will be provided from Items 4b, 5 and 5a.

b) Hong Kong will be allowed to revert back from Item 14 up to 575,157 units on a 1:1 basis, without reference to conversion factors, into the following items, up to the limits specified below:

-into Item 2,	up to	3,573 pieces
-into Item 5,	up to	49,901 pieces
-into Item 11,	up to	2,584 pieces
-into Item 4b,	up to	14,592 pieces
-into Item 3/4a,	up to	269,461 pieces
-into Item 9,	up to	80,944 pieces
-into Item 12,	up to	61,083 pieces
-into Item 1a,	up to	23 pieces
-into Item 1b,	up to	3,334 pieces
-into Item 7/8,	up to	89,662 pieces"

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VI. The special swings and reversion arrangements provided in paragraphs 13(b) and 13(c) will be reviewed after 2 years with a view to consider whether or not the restraint levels for the affected categories could be stabilized.

VII. Paragraph 19 of the MOU shall be amended to read as follows:

"19. Further to paragraphs 13(a) and 18 above, where applicable, the restraint limits in column (C) of Annex I may not be increased by the combined use of swing, carry-over and carry-forward by more than the percentages indicated in column (G) of Annex I. Notwithstanding this, the use of special swing and other provisions set out in paragraphs 13(b) and 13(c) will not be taken into account when determining the maximum permissible level in combined use of swing, carry-over and carry-forward."

VIII. Appendix I of this Agreed Record will be Part B of Annex I to the MOU. The current Annex I will be Part A of Annex I to the MOU.

IX. Appendix II of this Agreed Record will be Part B of Annex II to the MOU. The current Annex II will be Part A of Annex II to the MOU.

X. Review

Pursuant to the introduction of the new categorisation system based on the Harmonized Commodity Description

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and Coding System by Canada effective from 1 January 1993, the Government of Hong Kong and the Government of Canada agree to hold consultations, upon request by either Government, at any time after 1 January 1993 to review the arrangement of the new categorisation system.

For the Government of Hong  
Kong



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Mr. Clement C.H. Mak  
Leader of the Hong Kong  
Delegation

For the Government of Canada



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Mr. Jean Saint-Jacques  
Leader of the Canadian  
Delegation

Ottawa, Canada  
October 23, 1992



# ANNEX I - RESTRAINT LEVELS

# APPENDIX I

## HONG KONG

### GROUP I

(A) Agreement Item No.	(B) Product Coverage		(C) 1993 Restraint Level(NMB)	(D) Growth	(E) Swing	(F) Carry-over/ Carry Forward	(G) Combined Flexibility (E) & (F)	(H) Conversion Factor (m2/unit)
	Category	Short Description						
1a (Note 1)	1.1 1.3	Coats: Rainwear	201.917	0.85 %	5 %	10%(5%)	12 %	3.8
1b	1.2*	Jackets	777.523	0.85 %	5 %	8%(5%)	10 %	3.0
2 (Note 1)	2.0	Winter outerwear	454.464	0.75 %	5 %	10%(5%)	11 %	2.9
3/4a	3.2* 4.1* 4.2*	Ensembles, MBC; Suits & ensembles, WGC; Jackets & blazers, WGC	1,229.628	1.40 %	5 %	10%(5%)	11 %	2.7
4b (Note 2)	3.1 3.3	Suits, MB; Jackets & blazers, MB	96.370	0.85 %	5 %	10%(5%)	12 %	3.8
4b	4.3* 4.4*	Dresses; Skirts	1,947.669	1.3 %	5 %	10%(5%)	11 %	2.7
5	5.0*	Trousers, overalls & shorts	6,680.175	0.75 %	5 %	8%(5%)	10 %	1.6
5a	5.1* 5.2*	- of which: Trousers, MB; Trousers, WG	5,371.893	0.75 %	5 %	8%(5%)	10 %	1.6
6 (Note 3)	6.0*	Tailored collar shirts, MBC	3,081.531	0.75 %	5 %	8%(5%)	10 %	1.8
7/8	7.0*  8.0*	Woven shirts, blouses & similar articles; Athletic wear, (k/c) shirts, blouses & similar articles, T-shirts & sweatshirts	14,301.505	1.3 %	5 %	10%(5%)	11 %	1.5
7/8a  (Note 4)	7.1*  7.2*  8.1*	- of which: Woven shirts & similar articles, MB; Woven blouses & similar articles, WG; k/c shirts, blouses & similar articles, MBWG	9,756.462	1.3 %	5 %	10%(5%)	11 %	1.5
7/8b	8.4*	- of which, Athletic wear	93.395	1.3 %	5 %	10%(5%)	11 %	1.5
9	9.0*	Underwear	8,712.430	1.5 %	5 %	10%(5%)	11 %	0.8
10a	10.1*	Sleepwear, MBWG	404.026	1.5 %	5 %	10%(5%)	12 %	2.8
10b (Note 5)	10.2*	Bathrobes, MBWG	-	-	-	-	-	3.3
10c (Note 5)	10.3*	Sleepwear & bathrobes, C	-	-	-	-	-	1.3

## ANNEX I - RESTRAINT LEVELS

## APPENDIX I

## HONG KONG

## GROUP I

(A) Agreement Item No.	(B) Product Coverage		(C) 1993 Restraint Level(NMB)	(D) Growth	(E) Swing	(F) Carry-over/ Carry Forward	(G) Combined Flexibility (E) & (F)	(H) Conversion Factor (m <sup>2</sup> /unit)
11	11.0*	Sweaters	8,773,473	0.75%	5%	10%(5%)	11%	1.2
11a	11.1*	- of which, Sweaters, MB	1,451,840	0.75%	5%	10%(5%)	11%	1.2
12	12.0	Swimwear	1,129,897	1.5%	5%	10%(5%)	12%	1.3
13	13.0	Foundation garments (NMB)	1,125,773	1.4%	5%	10%(5%)	12%	0.3
14 (Note 5) (Note 6)	14.0	Babies' garments	759,088	1.35%	5%	10%(5%)	12%	0.7

\* Includes silk and other vegetable fibres

Note 1: Excludes HS codes for linings of subcategory 1.1 and category 2.0, of headings 01.17 & 62.17.

Note 2: Excludes HS codes for children of subcategories 3.1 & 3.3.

Note 3: Excludes HS codes for children of category 6.0, of less than size 4.

Note 4: Excludes HS codes for children of subcategory 8.1.

Note 5: Export authorization for subcategories 10.2, 10.3 & 14.6 and bathrobes of subcategory 14.9.

Note 6: Excludes tailored collar shirts of subcategory 14.3.

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# ANNEX I - RESTRAINT LEVELS

APPENDIX 1

## HONG KONG

### GROUP II

(A) Agreement	(B) Product Coverage		(C) 1993 Restraint Level(unit)	(D) Growth	(E) Swing	(F) Carry-over/ Carry- Forward	(G) Combined Flexibility (E) & (F)	(H) Conversion Factor m2/unit
No.	Category	Short Description						
30b (Note 7)	32.1	Cotton fabric, unbleached(MTK):	35,009,910	6.0%	5%	10%(5%)	11%	1.0
	32.2	Cotton fabric, finished (MTK):						
	36	Poly/cotton fabric(MTK)						
32a (Note 7)	32.3	Denim Fabric(MTK)	6,769,402	6.0%	5%	10%(5%)	11%	1.0
41a (Note 8)	41.1	Bed sheets(NMB)	591,453	6.0%	5%	10%(5%)	12%	5.2
42a	42.1	Toilet & kitchen linen, cotton terry, woven (KGM)	285,603	6.0%	5%	10%(5%)	12%	2.8
44a (Note 8)	44.1	Work gloves(PAR)	20,203,620	6.0%	5%	10%(5%)	12%	0.24

Note 7: Excludes headings of Chapter 59.

Note 8: Products of cotton and of man-made fibres.

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