

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL
TEX.SB/954*
11 April 1984

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 11:4

Restraints under the Hong Kong/United States Agreement

Note by the Chairman

The attached notification from Hong Kong made under Article 11:4 has requested the TSB to consider the restraints introduced for 1984 on imports of mmf underwear (Category 652) and mmf playsuits, sunsuits, washsuits, etc. (Category 637) under the provisions of paragraph 7(e)I of the agreement between Hong Kong and the United States.

*English only/Anglais seulement/Inglés solamente



UNITED KINGDOM MISSION
HONG KONG GOVERNMENT OFFICE
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Ambassador M. Raffaelli
Chairman
Textiles Surveillance Body
GATT Secretariat
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1211 Genève 21

For	Action	Comment	Inf.
OPER DEPT. A			<input checked="" type="checkbox"/>
Non Tar M Div.			
Development Div.			
Tech. Coon. Div.			
Trade Pol. Div.			
Spec. Proj. Div.	<input checked="" type="checkbox"/>		
OPER. DEPT. B			<input checked="" type="checkbox"/>
Econ. R/Anal. Unit			
Agriculture Div.			
Tariff Div.			
Tech. Bar. T. Div.			
Ext. Rel. Div.			
DEPT. CONF. AFF/ADM			
Adm. / Fin. Div.			
Trans. / Doc. Div.			
Training Div.			
Personnel Off.			
Conference Off.			

6 April 1984

ANSWERED	DOC. ISSUED	FOLIO	
	TEX. 88/954		
REG - 9 APR 1984			
For	Action	Comment	Inf.
Cabinet of DG			
Info. Service			<input checked="" type="checkbox"/>
OFFICE LEGAL AFF.			
Sec. / Council Aff. Div.			
CHAIRMAN TSB			

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 637 -- Man-Made Fiber Playsuits

U.S. imports of Category 637 from Hong Kong were 34,967 dozens in 1983, nearly two and one-half times the imports of 10,086 dozens in 1982. This was a sharp and substantial increase of low-priced imports which, if continued, create a real threat of market disruption.

Hong Kong, through February 27, 1984, had issued export authorizations for 40,810 dozens or 91.04 percent of the maximum formula level. These issuances were in excess of the 1983 imports of 34,967 dozens.

U.S. domestic production of Category 637 was 5,354,000 dozens. While this was above the 1981 level of 4,872,000 dozens, it was will below the levels of 1978 through 1980.

Imports of Category 637 from all sources were 818,000 dozens in 1983, up 43.8 percent from 1982 and the highest level of the decade ending in 1983.

The ratio of imports to domestic production dropped from 13.2 percent in 1981 to 10.6 percent in 1982. However, the substantial increase in 1983 imports indicate that the 1983 ratio was about 15 percent or higher than any ratio since 1975.

Leonard A. Mobley

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

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Approximately 24 percent of the Category 637 imports from Hong Kong entered under TSUSA No. 383.2330 -- infants' ornamented playsuits and 36 percent under TSUSA No. 383.8645 -- women's, girls' and infants' non-ornamented playsuits. These garments are being entered at duty-paid landed values below the U.S. producer prices for comparable garments.

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Category 637: U.S. Production, Imports and
Imports to Production Ratios
-1,000 Dozens-

<u>Period</u>	<u>Production</u>	<u>Imports</u>	<u>Ratio</u>
1980	5,811	716	12.3
1981	4,872	642	13.2
1982	5,354	569	10.6
1983		818	

Category 637: Duty-Paid Landed Values and
U.S. Producer Prices
-U.S. Dollars per Dozen-

<u>TSUSA No. & Source</u>	<u>Value/Price</u>
<u>383.2330</u>	
Hong Kong	\$ 11.14
Haiti	12.38
U.S. Producer Price	\$ 13.75 - 14.25
<u>383.8645</u>	
Hong Kong	\$ 45.38
Philippines	43.07
U.S. Producer Price	\$ 55.00 - 60.00

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CATEGORY = 637 PLAYSUITS

IP = 0.11 IP-YEAR = 1982

SYDFAC = 21.30 FOR SYE

OFFICE OF TEXTILES --INTERNATIONAL AGREEMENTS & MONITORING

12/1983 DATA

UNITS = DOZ

C 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	
9 -WORLD-	641924	568839	568839	818190	43.8	818190	765543	737607	568839	43.8	100.00
1 PHIL R	238992	256509	256509	308330	20.2	308330	300491	306415	256509	20.2	37.68
1 CHINA T	247629	203006	203006	286514	41.1	286514	264490	231273	203006	41.1	35.02
0 CHINA M	8987	33367	33367	107894	223.4	107894	87606	86039	33367	223.4	13.19
1 HG KONG	11778	10086	10086	34967	246.7	34967	32658	28686	10086	246.7	4.27
OTHERS	134538	65871	65871	80485	22.2	80485	80298	85194	65871	22.2	9.84
CONTRL	622564	517450	517450	682444	31.9	682444	647886	620186	517450	31.9	83.41
DECD	5558	5647	5647	7609	34.7	7609	7494	7686	5647	34.7	0.93
UNCTRL	19340	51389	51389	135746	164.2	135746	117657	117421	51389	164.2	16.59

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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.

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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.

UNCLASSIFIED

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	

UNCLASSIFIED

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

MAJOR SHIPPERS REPORT NO. 1

CATEGORY = 652 UNDERWEAR

IP = 0.06 IP-YEAR = 1982

SYDFAC = 16.00 FOR SYE

OFFICE OF TEXTILES --INTERNATIONAL AGREEMENTS & MONITORING

12/1983 DATA

UNITS = DOZ

C COUNTRY	CALENDAR_YR		YR-TO-DATE		YTD 12/1983 % CHANGE	YEAR		ENDING		YEAR ENDING 12/1983 % CHANGE % OF TOTAL CATEGORY	
	1981	1982	12/1982	12/1983		12/1983	11/1983	10/1983	12/1982		
9 -WORLD-	3971183	3670574	3670574	4668328	27.2	4668328	4334222	4009501	3670574	27.2	100.00
1 HIG KONG	1252101	1159234	1159234	1499434	29.3	1499434	1334766	1152666	1159234	29.3	32.12
1 HAITI	422414	453093	453093	630146	39.1	630146	602780	565232	453093	39.1	13.50
1 CHINA T	250876	287549	287549	579504	101.5	579504	540186	514599	287549	101.5	12.41
1 PHIL R	240897	302915	302915	507619	67.6	507619	491919	438785	302915	67.6	10.87
1 MEXICO	1040795	697233	697233	457435	-34.4	457435	397339	390927	697233	-34.4	9.80
0 LW WW I	273460	255165	255165	388023	52.1	388023	377489	368304	255165	52.1	8.31
0 DOM REP	257271	295829	295829	381418	28.9	381418	360350	359503	295829	28.9	8.17
0 CHINA M	6729	14433	14433	69229	379.7	69229	64645	61742	14433	379.7	1.48
OTHERS	226640	205123	205123	155520	-24.2	155520	164746	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