

GENERAL AGREEMENT  
ON TARIFFS AND  
TRADE

ACCORD GENERAL SUR  
LES TARIFS DOUANIERS  
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/271

13 December 1977

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Textiles Surveillance Body

Organe de surveillance des textiles

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Communication from Hong Kong

Note by the Chairman

Attached are replies from Hong Kong regarding my letter of 4 August 1977, which communicated the TSB's recommendations<sup>1</sup> regarding the dispute between Canada<sup>2</sup> and Hong Kong.

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<sup>1</sup>For TSB's recommendations see document COM.TEX/SB/260, paragraphs 5 to 7.

<sup>2</sup>For the Canadian reply see document COM.TEX/SB/249.

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ARRANGEMENT CONCERNANT LE COMMERCE INTERNATIONAL DES TEXTILES

Communication de Hong-kong

Note du Président

Les membres de l'OST trouveront ci-joint les réponses de Hong-kong à ma lettre du 4 août 1977, qui contenait les recommandations<sup>1</sup> formulées par l'OST au sujet du différend entre le Canada<sup>2</sup> et Hong-kong.

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<sup>1</sup>En ce qui concerne les recommandations de l'OST sur cette question, voir le document COM.TEX/SB/260, paragraphes 5 à 7.

<sup>2</sup>Pour la réponse du Canada, voir le document COM.TEX/SB/249.



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**UNITED KINGDOM MISSION**  
**(HONG KONG OFFICE)**  
37-39 rue de Vermont, 1211 GENEVA

**Telex: 22956**  
**Telegrams: Prodrome, Geneva**  
**Telephone: (022) 34 90 40**

30 November 1977

For:	Action	Comment
TRADE POLICY DT:		
Gen. Div.		
Agri. Div.		
Special Proj:		
TRADE DEVELOP. DT.:		
Sp. Asst. Tr. Negs		
Dev. Div.		
Int. Div.		
CHAIR TSB:	X	
OFFICE OF D-G:		X
Consultant (AD-)		
Com. Div.		Body
Mr. E. H. H. H. H.		
Info/Lib. Serv.		
Training Prog.		

*[Handwritten signatures]*

Mr P Wurth  
Chairman  
Textiles Surveillance  
Centre William Bagnard  
154 Rue de Lancy  
Geneva

Sir

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I have the honour to refer to your letter of 4 August 1977 conveying the conclusion reached by the Textiles Surveillance Body on 28 July 1977 following consideration of a notification by Canada of two restraint actions taken under Article 3.5 of the arrangement regarding international trade in textiles with respect to imports from Hong Kong of bedsheets and polyester filament fabrics.

In accordance with the conclusion and recommendation of the TSB, I am to report, on behalf of the Hong Kong Government, that consultations were resumed between representatives of Canada and Hong Kong in Ottawa on 7 November 1977. During these consultations, with respect to bedsheets :

- (a) Hong Kong indicated its willingness to negotiate a one-year agreement having regard to Article 4 of the arrangement regarding international trade in textiles, whereby Hong Kong would limit its exports of bedsheets to Canada on mutually acceptable terms;
- (b) Canada indicated its willingness to explore the possibility of such an agreement;
- (c) the two sides reached certain tentative understandings on some of the terms, including the restraint period and the restraint limit, which might be included in such an agreement;
- (d) Canada indicated, however, that it had issued a number of import permits, which remained valid until 10 March 1978, covering imports of bedsheets from Hong Kong; that, as far as the Canadian authorities could ascertain, a total

quantity of 269,442 pieces remained outstanding against these permits (i.e. had not been imported into Canada) as of 10 November 1977; that, if an Article 4 agreement was reached providing for export restraint by Hong Kong, Canada would discontinue its Article 3.5 restraint action as soon as the agreement came into effect; but that Canada would ask Hong Kong to ensure that the trade commitments represented by these outstanding import permits would continue to be honoured;

(e) Hong Kong proposed, in view of the exceptional circumstances of the case, that it would suspend the issue of export licences covering exports of bedsheets from Hong Kong to Canada from the date agreement was reached; that it would not resume the issue of such export licences until 1 December 1977, the proposed starting date of the export restraint agreement; and that this agreement should contain a clause concerning transitional arrangements to the effect that Hong Kong would set aside from the restraint limit a quantity not in excess of 269,442 pieces to cover the trade commitments represented by the outstanding Canadian import permits referred to in sub-paragraph (d) above, including any shipments which had been licensed for export from Hong Kong prior to 1 December 1977 but which were imported into Canada during the period 1 December 1977 to 10 March 1978;

(f) Canada rejected Hong Kong's proposal regarding a "transitional arrangements" clause on the grounds that, in its view, the principle should be that the restraint limit specified in any agreement should apply to shipments imported into Canada during the restraint period; and that this principle could not be encumbered by the introduction into the agreement of a second specific figure relating to some such shipments imported into Canada during part of the restraint period;

(g) Hong Kong explained that its view was, and always had been, that the restraint limit specified in any agreement must apply to shipments exported during the restraint period; that its proposals set out in sub-paragraph (e) above were designed to ensure a smooth transition from one form of control to another and would in practice meet Canada's needs; but that Hong Kong would need to establish a specific and finite maximum on the commitments for which it had assumed responsibility, as it would otherwise be unable to meet its obligations under the agreement to restrain exports;

(h) no solution could be found to reconcile the difference of opinion reflected in sub-paragraphs (f) and (g) above.

3. During the same consultations, with regard to polyester filament fabrics :

(a) Canada indicated that it would withdraw immediately its request that Hong Kong restrain its exports to Canada of such fabrics; that the import restraint measure imposed by Canada

under Article 3.5(i) of the arrangement regarding international trade in textiles would be permitted to expire on 31 December 1977; but that Canada would continue to monitor imports of such fabrics from Hong Kong;

(b) Hong Kong indicated that it would continue to license exports and re-exports of such fabrics from Hong Kong to Canada and would be willing to continue to provide the Canadian authorities with certain information, on a monthly basis, relating to such licences; and that it would consult with Canada, at the request of the latter, should, in the opinion of the Canadian Government, Hong Kong's exports of polyester filament fabrics threaten to disrupt the Canadian market;

(c) No formal exchange of notes in regard to these arrangements took place and Hong Kong awaits a communication from the Canadian Government to confirm the removal of import restrictions from 1 January 1978.

I am sending a copy of this letter to the Permanent Mission of Canada in Geneva.

Please accept, Sir, the assurance of my highest consideration.

A handwritten signature in black ink, appearing to read 'P. K. Y. Tsao', written in a cursive style.

P K Y TSAO  
Counsellor (Hong Kong Affairs)

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in Brinner



see previous letter on subject. *W*

TSB/Canada *W*

Mr P Wurth  
Chairman  
Textiles Surveillance Body  
Centre William Rappard  
154 rue de Lausanne  
Geneva

No. \* 1231

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For:	Action	Comment	Inf.
TRADE POLICY DT:			
Gen. Div.			
Agri. Div.			
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TRADE DEVELOP. DT.:			
Sp. Asst. Tr. Negs			
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CHAIR, TSB	<input checked="" type="checkbox"/>		
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*W*

2 December 1977

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Sir

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I have the honour to refer to my letter of 30 November 1977 regarding the consultations between representatives of Canada and Hong Kong in Ottawa on 7 November 1977.

I am instructed to clarify, on behalf of the Hong Kong Government, the report with respect to bedsheets. The difference of opinion referred to in paragraph 2 sub-paragraph (h) of my letter of 30 November regarding transitional arrangements was that, whereas Hong Kong proposed a specific maximum figure, ie 269,442 pieces, to cover the trade commitments represented by the outstanding Canadian import permits, Canada insisted that there should be no such specific figure setting a maximum limit to these commitments.

This difference of opinion arose from the different views held by Canada and Hong Kong on the principle of administering restraints. Even though Canada was prepared to consider an Article 4 agreement whereby Hong Kong would limit its exports, Canada's view was that shipments should be debited against the agreed restraint limit by reference to shipments entering Canada during the restraint period rather than by reference to shipments leaving Hong Kong during the restraint period.

I am sending a copy of this letter to the Permanent Mission of Canada in Geneva.

Please accept, Sir, the assurance of my highest consideration.

*P K Y Tsao*

P K Y Tsao  
Counsellor (Hong Kong Affairs)