

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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LONG-TERM ARRANGEMENT REGARDING INTERNATIONAL
TRADE IN COTTON TEXTILES

Request Made by the Benelux Countries in Accordance
with Article 3

Attached is a copy of an aide memoire delivered on 31 December 1965 by the Benelux countries to the United Kingdom Government, setting out the Benelux request for consultation with the Government of Hong Kong, in conformity with Article 3 of the Long-Term Arrangement, regarding imports of shirts from Hong Kong.

The text of this aide memoire has been received by the Director-General from the Governments of Belgium, Luxemburg and the Netherlands.

AIDE MEMOIRE

By aide memoire of 18 May 1965 the Benelux countries, acting commonly in virtue of the Treaty Establishing the Benelux Economic Union, informed the Government of Hong Kong of their growing anxiety owing to low priced, sharply and substantially increased imports of shirts from Hong Kong, by which the Benelux industry faced serious difficulties.

On that occasion the Benelux countries proposed the Government of Hong Kong to consult with a view to remedy the situation and to agree on a mutually acceptable solution to the problem in accordance with Article 4 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles, concluded in Geneva on 9 February 1962.

During the discussions following this action, the Benelux countries provided the Government of Hong Kong with data relating to the imports of shirts into the Benelux, which showed that a sharp and substantial increase of those imports had taken place, in particular in the first half of 1964, if compared with the second half of 1963. The high level of imports was continued in the second half of 1964, whereas the returns concerning the first part of 1965 point to a further increase of the imports in this field.

The Benelux countries wish to note with regret that the discussions with the Government of Hong Kong on the removal of the disturbance have reached a stage which makes it clear that the Government of Hong Kong is not willing to consider the conclusion of an agreement on the basis of Article 4 of the Long-Term Arrangement, unless the Benelux countries would be prepared to meet certain conditions, pertaining i.c. to the level of export restraint, which the Benelux countries cannot accept. This situation necessitates the Benelux countries to have recourse to Article 3 of the above Arrangement, and to lodge this formal request for consultation with the Government of Hong Kong on the removal of the disturbance on the Benelux market, created by the exports of shirts from Hong Kong.

The Benelux countries wish to state that the imports of shirts from Hong Kong have created a situation wherein market disruption is taking place and part of the shirt industry of the Benelux is threatened with serious harm. The difficulties have been created initially by sharply and substantially increased imports of cotton shirts, especially from the second half of 1963 to the first half of 1964, but they have been aggravated by increasing imports of shirts partly made of cotton, produced and sold however by the same industries, and directly competing with shirts classified as cotton products.

With regard to the quantities imported from Hong Kong into the Benelux, the statistics show that imports in 1963 totalled 0.529 million pieces, whereas 1964 yielded a total of 1.226 million pieces. This trend continued during 1965, the imports in the first half of that year totalling already 0.886 million pieces for the Benelux as a whole.

These data show that the imports from Hong Kong in 1964 increased by approximately 130 per cent over 1963, whereas the imports in 1965 are estimated to give an increase of more than 200 per cent over the imports in 1963.

According to the official statistics of Hong Kong, a sharp and substantial increase in exports of shirts to the Benelux countries took place in the course of 1964 to be continued in 1965. These statistics show that the exports of cotton shirts to the Benelux totalled 1.19 million pieces in 1964, (1963: 1.0 million pieces) whereas 0.891 million pieces were shipped to the Benelux in the first half of 1965.

According to these statistics, also the exports of directly competitive shirts, partly made of cotton, have increased substantially, in particular in the first half of 1965, compared with the second half of 1964. These exports which totalled 0.304 million pieces during the first half of 1965 against 0.087 million pieces over the year 1964 as a whole, contribute to worsen the situation.

Regarding the trend of the production of shirts in the Benelux, an investigation was made at the industry concerned, which revealed that part of this industry, in particular that part which produces a variety of shirts comparable in quality and make-up with that sold by Hong Kong, had to restrict the production, owing to difficulties in maintaining the level of sales to their traditional customers. Five industries had even to be closed. The level of production by the shirt industry showed a decrease especially if the results of the first half of 1965, which amount to approximately 9 million pieces, are put against the total of 1964, which was approximately 19 million pieces, notwithstanding the fact that the market is in expansion.

The Benelux countries assess that the share of Hong Kong in the Benelux consumption of shirts, which can be put at approximately 3 per cent in 1963, has risen to approximately 10 per cent in the first half of 1965.

With regard to the price level at which Hong Kong exporters are selling to the Benelux market, an examination took place, in which a number of shirts made in Hong Kong and shipped by different exporters, were compared with shirts of the same quality and make-up, produced by the Benelux industry. This examination disclosed that the average price of the Hong Kong product lies approximately 17 to 40 per cent below the price at which a modernly equipped factory in the Benelux is able to produce shirts of comparable quality and make-up.

The Benelux countries reserve their right to invoke Article 3, paragraphs 2 and 3 of the aforementioned Arrangement, authorizing them to take provisional measures to protect their market against excessive imports.

If in the course of the consultation a basis could be found on which a mutually acceptable solution to the problem could be constructed, the Benelux countries are prepared to discuss the relevant aspects pertaining to such a solution.

London, 31 December 1965.