

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/498

7 December 1979.

Special Distribution

Textiles Surveillance Body

Original: English

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral Agreement between the United States and Japan

The Textiles Surveillance Body has received a notification from the United States of a new three-year comprehensive agreement covering textile products, concluded between the United States and Japan, under Article 4 of the Arrangement.^{1/}

The TSB, pursuant to its procedure regarding bilateral agreements notified under Article 4^{2/}, has examined the relevant documentation and is circulating the text of the notification to participating countries for their information.

^{1/} For details of the original agreement and subsequent amendments, see COM.TEX/SB/47, 171, 233 and 398.

^{2/} See COM.TEX/SB/35, Annex B.

Excellency,

I have the honour to acknowledge receipt of Your Excellency's letter of 17 August 1979 and the Record of Understanding attached thereto relating to the discussions leading to the conclusion of the Arrangement between the Government of Japan and the Government of the United States concerning Trade in Cotton, Wool and Man-Made Fiber Textiles between Japan and the United States effected by the Exchange of Notes today.

I wish to confirm the Record of Understanding referred to above.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State

(signed) Ann R. Berry

H.E. Mr. Pumihiro Togo
Ambassador of Japan

17 August 1979

Excellency,

With reference to the Arrangement between the Government of Japan and the Government of the United States concerning Trade in Cotton, Wool and Man-Made Fiber Textiles between Japan and the United States effected by the Exchange of Notes today, I wish to confirm the Record of Understanding attached hereto which contains the views and intentions expressed by the representatives of the two Governments in the discussions leading to the conclusion of the said Arrangement.

I further wish to request Your Excellency to be good enough to confirm the Record of Understanding referred to above.

Sincerely yours,

(signed) Fumihiko Togo
Ambassador Extraordinary and
Plenipotentiary of Japan

The Honorable Cyrus R. Vance
The Secretary of State

Attachment

RECORD OF UNDERSTANDING

With respect to paragraph 4 of this Arrangement:

1. The Government of the United States, when invoking the provisions of sub-paragraph (4) of paragraph 4, will give full and sympathetic consideration to the views presented by the Government of Japan.
2. As paragraph 4 is implemented in the form of export restraint, the Government of the United States will honour, in principle, the export licences already issued, while the Government of Japan will endeavour to avoid exceptionally large issuance of export licences, particularly extraordinary concentration in one category.
3. If the consultations referred to in sub-paragraph (1) of paragraph 4 would result in an immediate and complete stoppage of issuance of export licences, a certain reasonable degree of further issuance of export licences will be considered in such consultations. The contracts which have been entered into by the time of the request for consultations will be duly taken into account in such consultations.
4. If requested, the Government of Japan will provide to the Government of the United States, promptly, information on export licences and, as soon as practicable, information on licence applications for any category during the year in question, and such additional information on contracts for exports in such category as may be available. Such information may be requested prior to the making of a formal request for consultations, and a request for such information will not constitute a request for consultations.

UNITED STATES AND JAPAN
SIGN RECORD OF DISCUSSION
DEALING WITH TRADE IN
TEXTILE PRODUCTS

22 August 1979

RECORD OF DISCUSSION

1. During the course of talks between the representatives of the Government of Japan and the United States of America on trade in textile products held in Tokyo in January 1979, Japanese exports to the United States of eleven items in the list attached were discussed.

2. The representative of the Government of the United States explained the overall import situation with respect to the said items, and requested Japanese co-operation by limiting exports from Japan of these items. The representative of the Government of Japan expressed the Government's readiness and intention to see to it that the exports of the said items from Japan to the United States not exceed the respective levels set forth in the list, and the representative of the Government of the United States concurred.

For the delegation of Japan:

For the delegation of
the United States:

Enclosures: List of eleven items

JAPAN'S EXPORT RESTRAINTS ON
SPECIFIC CATEGORIES

Category	Level of limit, growth	Swing and others
1. TQ348	Total of 4.6 million doz. over 4 years (1978-81).	<p>Orderly spacing</p> <p>No swing among these three categories in 1979. Subject concerning swing among these 3 categories with respect to 1980 and 1981 will be raised during consultations late in 1979</p>
2. TQ435	Total of 1,125,000 units, over 4 years (1978-81), of which not more than 468,000 units in 1979	
3. TQ442	Total of 825,000 units, over 4 years (1978-81), of which not more than 296,000 units in 1979	
4. TQ448	Total of 1,260,000 units, over 4 years (1978-81), of which not more than 365,000 units in 1979	
5. TQ331	Not more than 1,646,816 doz. pairs in 1979. Standstill in 1980, 1981. The USG shall consult with the GOJ when the latter requests the consultations on the size of quotas for 1980 and 1981	
6. TQ339	Not more than 1,967,300 doz. in 1979. 3% annual growth shall be given to the limits for 1980 and 1981	
7. TQ612	Not more than 206,040,000 sq. yds. in 1979. The two governments will consult on quotas for 1980 and 1981 during 1979 and 1980, respectively	

Category	Level of limit, growth	Swing and others
8. TQ410	Not more than 14 million sq. yds in 1979. 1% annual growth in 1980 and 1981. Annual export level will not exceed 6 million sq. yds over previous year's export level during the period of 1979-81.	5% swing from the part of TQ614 (TSUSA 338-3010, 338-3015) during the period of 1979-81
9. Part of TQ614 (TSUSA 338-10, 338-15)	Not more than 17 million sq. yds., 6% annual growth in 1980 and 1981	7% swing from TQ410 during the period of 1979-81
10. Part of TQ604 (TSUSA 310-5049)	Not more than 7,750,000 lbs. in 1979	
11. TQ335	Total of 522,000 doz. over 3 years, (1979-1981)	Orderly spacing. Swing from other categories under restrictions will be raised if necessary

UNITED STATES AND JAPAN
SIGN TEXTILE AGREEMENT

The United States and Japan exchanged notes on 17 August 1979, to effect a new bilateral agreement on trade in cotton, wool, and man-made fibre textiles between the two countries. Texts of the notes follow:

JAPANESE NOTE

17 August 1979

Excellency,

I have the honour to refer to the Arrangement Regarding International Trade in Textiles done in Geneva on 20 December 1973 and extended by the Protocol done in Geneva on 14 December 1977 (hereinafter referred to as "the Arrangement Regarding International Trade in Textiles").

I have further the honour to refer to the recent discussions held between the representatives of the Government of Japan and the Government of the United States concerning trade in cotton, wool and man-made fibre textiles between Japan and the United States and to confirm, on behalf of the Government of Japan, the understanding reached between the two Governments that, pursuant to the provisions of Article 4 of the Arrangement Regarding International Trade in Textiles and with a view to providing for orderly development of trade in cotton, wool, and man-made fibre textiles between Japan and the United States, the arrangement attached hereto will be applied by the two Governments.

I have further the honour to request Your Excellency to be good enough to confirm the foregoing understanding on behalf of the Government of the United States.

Accept, Excellency, the renewed assurances of my highest consideration.

(signed) Fumihiko Togo
Ambassador Extraordinary and
Plenipotentiary of Japan

The Honorable Cyrus R. Vance
The Secretary of State

LETTER NO. 1

Arrangement between the Government of Japan
and the Government of the United States
Concerning Trade in Cotton, Wool and Man-Made Fiber
Textiles between Japan and the United States

Pursuant to the provisions of Article 4 of the Arrangement Regarding International Trade in Textiles permitting bilateral agreements consistent with the basic objectives and principles thereof "on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption in importing countries and disruption to the textile trade of exporting countries, and on the other hand, to ensure the expansion and orderly development of trade in textiles ...", the following provisions will be applied by the two Governments.

1. The provisions of this Arrangement will be implemented by the two Governments in accordance with the laws and regulations applicable in their respective countries.
2. The two Governments recognize that their rights and obligations under the General Agreement on Tariffs and Trade are not affected by this Arrangement.
3. For the period beginning 1 January 1979 and extending through 31 December 1981, existing cotton categories 300 through 369, existing wool categories 400 through 469, and existing man-made fibre categories 603 through 669, as specified in the United States Correlation of January 1979 (Textile and Apparel Categories with Tariff Schedules of the United States Annotated) and any subsequent technical modifications thereof, will not be subject to numerical limits other than those arising under the provisions of paragraph 4 hereof.
4. (1) If the Government of the United States considers that imports from Japan of one or more of the categories referred to in paragraph 3 hereof are increasing so as to cause a real risk of market disruption in the United States, the Government of the United States may request consultations with the Government of Japan regarding the category or categories affected.

(2) When the Government of the United States requests such consultations, the Government of Japan will meet promptly with the Government of the United States to work out a mutually satisfactory solution to such problems as may exist with the category or categories affected. The consultations will be concluded within thirty days from the date of the request for such consultations by the Government of the United States unless the two Governments agree otherwise.

(3) In the event that such consultations do not result in a mutually satisfactory solution, the Government of the United States may request the Government of Japan to limit the exports of the category or categories affected. In that case, the Government of Japan will limit the exports of such category or categories, for the twelve-month period ending 31 December of the year in which the request for such consultations is made, at levels in no case lower than 120 per cent for cotton and man-made fibre categories or 106 per cent for wool categories of the greater of:

(i) the levels of imports into the United States from Japan of such category or categories during the first twelve months of the fourteen months preceding the month in which the request for such consultations is made, or

(ii) the levels of the average annual imports into the United States in such category or categories from Japan during the first four calendar years of the five calendar years preceding the year in which the request for such consultations is made.

(4) If, in requesting the consultations referred to in sub-paragraph (1) above, the Government of the United States considers that unusual and exceptional market conditions exist in the United States where imports in the category or categories in question will cause serious disruption, the Government of Japan will, notwithstanding the provisions of sub-paragraph (3) above, limit the exports of the category or categories in question by applying the provisions of sub-paragraph (3)(i) above.

(5) Consultations under the provisions of this paragraph 4 will not be requested for any category when imports from Japan in such category are at annual levels not more than 1,000,000 square yards equivalent for each man-made fibre or cotton category other than apparel, 700,000 square yards equivalent for each man-made fibre or cotton apparel category, and 100,000 square yards equivalent for each wool category.

(6) The Government of the United States will provide a detailed factual statement of the reasons and justification for its request for consultations, including data similar to those contemplated in paragraphs I and II of Annex A of the Arrangement Regarding International Trade in Textiles as well as available relevant data on imports from third countries.

(7) The provisions of this paragraph 4 will be implemented in such a manner as to achieve the principles and objectives set out in the Arrangement Regarding International Trade in Textiles, and will only be resorted to sparingly.

(8) In case such consultations take place, the two Governments agree that full and sympathetic consideration will be given to such treatment as specific level, growth rate and flexibility including inter-fibre flexibility accorded to the similar category or categories in question under the arrangement effected by the Exchange of Notes of 27 September 1974 between the two Governments and to the evidence presented by the Government of the United States as to the real risk of market disruption. If the Government of Japan indicates that the level of restraint requested by the Government of the United States would result in undue hardship or inequity, the two Governments will examine such problems on the basis of relevant materials with a view to clarifying the situation and to developing a solution to . . . problems in a spirit of mutual confidence and co-operation and in a manner consistent with the objectives of the Arrangement Regarding International Trade in Textiles.

5. If the Government of Japan considers that as a result of the application of this Arrangement, Japan is, or is threatened to be, placed in an inequitable position vis-à-vis a third country whose exports to the United States of cotton, wool and man-made fibre textiles are subject to restraint, or that Japan is, or is threatened to be, put in a substantially disadvantageous position compared with any other exporting country because of such factors as a remarkable increase of exports by such country to the United States, the Government of Japan may request consultations with the Government of the United States. Such consultations will be held and concluded promptly with a view to taking appropriate remedial action such as a reasonable modification of this Arrangement. The Government of the United States will take such appropriate remedial measures as may be deemed satisfactory by the two Governments in the consultations.

6. During the period referred to in paragraph 3 hereof, the two Governments will exchange current data monthly on exports and imports between Japan and the United States of the textiles covered by this Arrangement as rapidly as possible.

7. The representatives of the two Governments will meet at the request of either Government and at least once a year for a general overall review of this Arrangement and its implementation. Such review will include consideration of changing conditions in the industries, markets and trade of the two countries in the textile field, as well as any particular proposals which may be made under sub-paragraph (2) of paragraph 13 hereof.

8. The Government of Japan will endeavour to space exports as evenly as practicable on a quarterly basis, taking seasonal factors into account.

9. Mutually satisfactory administrative arrangements or adjustments may be made to resolve minor problems arising in the implementation of this Arrangement including differences in points of procedure or operation.

10. (1) For the purposes of this Arrangement, the word "textiles" means tops, yarns, piece-goods, made-up articles, garments and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, man-made fibres, or blends thereof, in which any or all of those fibres in combination represent either the chief value of the fibres or 50 per cent or more by weight (or 17 per cent or more by weight of wool) of the product.

(2) In the implementation of this Arrangement, the system of textile categories and the rates of conversion are set forth in the United States Correlation of January 1979 and any subsequent technical modifications thereof. The assignments of products to categories listed in the Correlation will be determined in accordance with the United States Customs classification and definitions, subject to further clarification where necessary.

(3) Any question arising out of the implementation of the provisions of this paragraph 10 will be subject to consultations between the two Governments which will be promptly held with a view to finding a mutually satisfactory solution. These consultations will take into account the marketing of the textiles in question in the United States.

(4) The representatives of the two Governments will meet as necessary to discuss the application of the above definitions for cotton, wool and man-made fibre textiles to certain articles which the Government of Japan considers to be products of industries other than the textile and apparel industries, and not to be textile or apparel products.

(5) The contents of the letters exchanged between the two Governments on 27 September 1974 concerning the so-called "Japan Items" will be respected by the two Governments.

11. Matters concerning trade in cotton, wool and man-made fibre textiles between Japan and the United States which are not governed by this Arrangement will be governed by the provisions of the Arrangement Regarding International Trade in Textiles. The Government of the United States agrees that, insofar as the exports from Japan of the products governed by this Arrangement are conducted within the framework thereof, the Government of the United States will not invoke the provisions of Article 3 of the Arrangement Regarding International Trade in Textiles with respect to such products.

12. If the two Governments are unable to reach a mutually satisfactory solution within a reasonable period of time on problems which have been the subject of consultations under this Arrangement, either Government may, after notification to the other Government, refer such problems to the Textiles Surveillance Body in accordance with the provisions of Article 11 of the Arrangement Regarding International Trade in Textiles.

13. (1) Either Government may, on or before the thirty-first day of October in any year, give to the other Government, through diplomatic channels, written notice of termination and, in such event, this Arrangement will cease to be effective at the end of the year in which the notice of termination is given.

(2) Each Government may at any time propose modifications of this Arrangement. The other Government will give sympathetic consideration to such proposal.

UNITED STATES NOTE

17 August 1979

Excellency,

I have the honour to acknowledge receipt of Your Excellency's Note of today's date enclosing the Arrangement attached thereto concerning Trade in Cotton, Wool and Man-Made Fiber Textiles between Japan and the United States which reads as follows:

See Letter No. 1

I have further the honour to confirm the foregoing Arrangement on behalf of the Government of the United States.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State

(signed) Ernest Johnston

H.E. Mr. Fumihiko Togo
Ambassador of Japan