

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

COT/201

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ARRANGEMENT REGARDING INTERNATIONAL TRADE IN COTTON TEXTILES

Bilateral Agreement between the United States and Mexico

Attached is the text of the United States notes concerning a new cotton textile agreement between the Governments of the United States and Mexico.¹

This information has been transmitted to the Director-General by the United States mission for notification to the Cotton Textiles Committee.

¹For previous agreement see COT/78

Note No. 1

29 June 1971

Excellency:

I have the honour to refer to the recent discussions held in Washington and Mexico City between representatives of our two Governments. In accordance with these discussions I propose the following agreement concerning exports of cotton textiles from Mexico to the United States.

1. The term of this agreement shall be from 1 May 1971 through 30 April 1976. During the term of this agreement, the Government of Mexico shall limit annual exports of cotton textiles from Mexico to the United States to aggregate, group and specific limits at the levels specified in the following paragraphs.
2. For the first agreement year, constituting the twelve-month period beginning 1 May 1971, there shall be an aggregate limit of 98.1 million square yards equivalent which shall apply to cotton textiles, exclusive of "Mexican items" and a separate limit of 3.4 million square yards equivalent which shall apply to "Mexican items".
3. Within the aggregate limit, the following group limits shall apply for the first agreement year:

| <u>Groups</u> | <u>In sq.yds equivalent</u> |
|---|---|
| I. Yarn (Categories 1-4) | 49,050,000 |
| II. Fabric (Categories 5-27 and 64 (1)) | 41,650,000 |
| III. Made-up goods, apparel and miscellaneous (Categories 28-63 and 64 (2)) | 7,400,000 (of which not more than 3,700,000 sq.yds. equivalent shall be in apparel, Categories 39-63) |

4. Within the aggregate limit and the applicable group limits, the following specific limits shall apply for the first agreement year:

Group II, Fabric

| | |
|-----------------------------|--|
| Categories 9/10 | 12,262,500 sq.yds. |
| Categories 22/23 | 12,262,500 sq.yds. |
| Categories 26/27 and 64 (1) | 17,125,000 sq.yds. (but not more than 6,750,000 sq.yds. in Categories 26 and 27 shall be in duck, and not more than 625,000 sq.yds. equivalent shall be in knit fabric, TSUSA Nos. <u>3451020</u> , <u>3451040</u> , <u>3464560</u> , <u>3535014</u> , and <u>3591040</u>). |

Group III, Made-up goods, apparel and miscellaneous

Category 64 (2) 2,800,000 (of which not more than 1,800,000 sq.yds.
equivalent shall be in zipper tape).

5. Within the aggregate limit, the limits for Group I and Group II may be exceeded by not more than 10 per cent and the limit for Group III may be exceeded by not more than 5 per cent. Within the applicable group limits, as they may be adjusted under this provision, specific limits may be exceeded by not more than 5 per cent.

6. In the second and succeeding agreement years for which this agreement is in force, the level of exports permitted under each limitation in this agreement, including the limitation for "Mexican items", shall be increased by 5 per cent of the corresponding level for the preceding agreement year, the latter level not to include any adjustments under paragraphs 5 and 8.

7. Within the group limits for each group the square yard equivalent of any shortfalls occurring in exports in the categories subject to specific limits may be used in any category not subject to a specific limit. In the event Mexico desires to export during any agreement year more than the consultation levels established herein in any category in Groups II and III not subject to a specific limit, the Government of Mexico shall request consultations with the Government of the United States of America on this question. The Government of the United States of America shall agree to enter into such consultations and during the course thereof, shall provide the Government of Mexico with information on the condition of the United States market in the category in question. Until agreement is reached, the Government of Mexico shall limit its exports in the category in question to the consultation level. During the first agreement year, the consultation levels for categories not subject to specific limits shall be 607,754 square yards for such categories in Group II and 425,427 square yards for such categories in Group III.

8. (a) For any agreement year immediately following a year of shortfall (i.e. a year in which cotton textile exports from Mexico to the United States were below the applicable aggregate limit and any group and specific limits applicable to the category concerned) the Government of Mexico may permit exports to exceed these limits by carry-over in the following amounts and manner:

- (i) The carry-over shall not exceed the amount of the shortfall in either the applicable aggregate limit or any applicable group or specific limit and shall not exceed either 5 per cent of the applicable aggregate limit or 5 per cent of the applicable group limit in the year of the shortfall; and
- (ii) In the case of shortfalls in the categories subject to specific limits the carry-over shall not exceed 5 per cent of the specific limit in the year of the shortfall, and shall be used in the same category in which the shortfall occurred, and

(iii) In the case of shortfalls not attributable to categories subject to specific limits, the carry-over shall be used in the same group in which the shortfall occurred, shall not be used to exceed any applicable specific limit except in accordance with the provisions of paragraph 5, and shall not be used to exceed the limits in paragraph 7 of the Agreement.

(b) The limits referred to in sub-paragraph (a) of this paragraph are without any adjustments under this paragraph or paragraph 5.

(c) Except as otherwise provided in sub-paragraph (a)(iii) of this paragraph, the carry-over shall be in addition to the exports permitted in paragraph 5.

9. For any agreement year immediately following a year of a shortfall in exports of "Mexican Items" from Mexico to the United States, the Government of Mexico may permit exports of "Mexican Items" to exceed the applicable limit determined under paragraphs 2 and 6 by carry-over in an amount not to exceed the amount of the shortfall and not to exceed 5 per cent of the applicable limit determined under paragraphs 2 and 6 for the year of the shortfall.

10. For the purposes of this agreement, "Mexican Items" are defined as articles of cotton textiles which are uniquely the products of the cottage industry of Mexico. A comprehensive list of such items is attached as Annex B.

11. In the implementation of this agreement, the system of categories and the rates of conversion into square yard equivalents as listed in Annex A hereto shall apply. In any situation where the determination of an article to be a cotton textile would be affected by whether the criterion provided for in Article 9 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles done at Geneva on 9 February 1962, as extended, or the criterion provided for in paragraph 2 of Annex E of the Long-Term Arrangement is used, the chief value criterion used by the Government of the United States of America in accordance with paragraph 2 of Annex E shall apply.

12. The Government of Mexico shall use its best efforts to space exports from Mexico to the United States within each category evenly throughout the agreement year, taking into consideration normal seasonal factors.

13. The two Governments recognize that the successful implementation of this agreement depends in large part upon mutual co-operation on statistical questions. The Government of the United States of America shall promptly supply the Government of Mexico with data on monthly imports of cotton textiles from Mexico. The Government of Mexico shall promptly supply the Government of the United States of America with data on monthly exports of cotton textiles to the United States. Each Government agrees to supply promptly any other available relevant statistical data requested by the other Government.

14. The Government of the United States of America and the Government of Mexico agree to consult on any question arising in the implementation of this agreement.
15. Mutually satisfactory administrative arrangements or adjustments may be made in the implementation of this agreement.
16. If the Government of Mexico considers that, as a result of limitations specified in this agreement, Mexico is being placed in an inequitable position vis-à-vis a third country, the Government of Mexico may request consultation with the Government of the United States of America with the view to taking appropriate remedial action such as a reasonable modification of this agreement.
17. During the term of this agreement, the Government of the United States of America will not request restraint on the export of cotton textiles from Mexico to the United States under the procedures of Article 3 of the Long-Term Arrangement. The applicability of the Long-Term Arrangement to trade in cotton textiles between Mexico and the United States shall otherwise be unaffected by this agreement.
18. Both Governments shall take appropriate measures of export and import control to implement the limitation provisions of the agreement. The nature of these measures may be a matter of discussion pursuant to paragraph 15.
19. Either Government may terminate this agreement effective at the end of an agreement year by written notice to the other Government to be given at least ninety days prior to the end of such agreement year. Either Government may at any time propose revisions in the terms of this agreement.

If these proposals are acceptable to your Government, this note and Your Excellency's note of acceptance on behalf of the Government of Mexico shall constitute an agreement between the Government of Mexico and the Government of the United States of America.

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

For the Secretary of State

(Signed) Philip H. Trezise

His Excellency Dr. Jose Juan de Olloqui,
Ambassador of Mexico

Enclosure: Annex A

Note No. 2

29 June 1971

Excellency:

I have the honour to refer to the exchange of notes of today's date constituting a new cotton textile agreement between our two Governments, and, in particular to numbered paragraph 10 of that Agreement which refers to an "Annex B" concerning "Mexican Items".

In view of the substantial amount of preparation necessary to compile an agreed list of Mexican Items, it was not possible to complete an "Annex B" at this time for inclusion in the aforementioned agreement. It is my understanding that discussions will continue between representatives of our two Governments on this matter and that an agreed "Annex B" will be completed and included in the aforementioned agreement by amendment at the earliest possible time.

It is further my understanding that, until an "Annex B" is included in the aforementioned agreement, all cotton textile exports from Mexico to the United States will be subject to the aggregate limit and the applicable group and specific limits.

If the foregoing conforms with your understanding, this note and Your Excellency note of confirmation shall constitute an agreement between our two Governments.

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

For the Secretary of State

(Signed) Philip H. Trezise

His Excellency Dr. Jose Juan de Olloqui,
Ambassador of Mexico

Note No. 3

29 June 1971

Excellency:

I have the honour to acknowledge the receipt of Your Excellency's note of today's date, which reads as follows:

"Excellency:

"I have the honour to refer to the cotton textile agreement entered into by our two Governments by exchange of notes of today's date (hereinafter referred to as the 'New Agreement') and to discussions leading to the conclusion of that New Agreement. During these discussions it was decided that, as soon as the necessary arrangements could be completed, our two Governments would exchange notes establishing a visa system applicable to exports of cotton textiles from Mexico to the United States.

"Pending the establishment of such a visa system, I propose the following arrangement:

- "(a) The Government of the United States shall control imports of cotton textiles from Mexico in Group III of the New Agreement on a month-by-month basis. For the period extending from 1 May 1971 through 30 June 1971, special import controls shall be imposed for Group III and for categories within Group III at amounts equal to one sixth of the annual group limit, specific limits, and consultation levels applicable to those categories under the Agreement dated 2 June 1967 (hereinafter referred to as the 'Old Agreement'). For each succeeding month, the cumulative amount of imports permitted entry under these special import controls shall be increased by one twelfth of the applicable annual limits of the Old Agreement.
- "(b) The amount of imports permitted entry under this arrangement may be increased, up to the level of the applicable annual limits provided in the New Agreement, at the request of the Government of Mexico.
- "(c) This arrangement is without prejudice to the rights and obligations of the Government of Mexico and of the Government of the United States under the provisions of the New Agreement.
- "(d) Either Government may terminate this arrangement by written notice to the other Government, to be given at least thirty days prior to the effective date of termination.

"If the foregoing proposal is acceptable to the Government of the United States, it is proposed that this note and Your Excellency's note of acceptance shall constitute an administrative arrangement between our two Governments.

"Accept, Excellency, the renewed assurances of my highest and most distinguished consideration.

"Jose Juan de Olloqui

Ambassador"

I have further the honour to inform Your Excellency that the proposals set forth in Your Excellency's note are acceptable to the Government of the United States of America and to confirm that Your Excellency's note and this reply thereto constitute an agreement between our two Governments on this subject.

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

For the Secretary of State

(Signed) Philip H. Trezise

His Excellency Dr. Jose Juan de Olloqui,
Ambassador of Mexico

ANNEX A

| Category number | Description | Unit | Conversion factor to sq.yds. |
|-----------------|---|---------|------------------------------|
| 1 | Cotton yarn, carded, singles | lb. | 4.6 |
| 2 | Cotton yarn, carded, plied | lb. | 4.6 |
| 3 | Cotton yarn, combed, singles | lb. | 4.6 |
| 4 | Cotton yarn, combed, plied | lb. | 4.6 |
| 5 | Gingham, carded | sq.yds. | Not required |
| 6 | Gingham, combed | sq.yds. | Not required |
| 7 | Velveteen | sq.yds. | Not required |
| 8 | Corduroy | sq.yds. | Not required |
| 9 | Sheeting, carded | sq.yds. | Not required |
| 10 | Sheeting, combed | sq.yds. | Not required |
| 11 | Lawns, carded | sq.yds. | Not required |
| 12 | Lawns, combed | sq.yds. | Not required |
| 13 | Voile, carded | sq.yds. | Not required |
| 14 | Voile, combed | sq.yds. | Not required |
| 15 | Poplin and broadcloth, carded | sq.yds. | Not required |
| 16 | Poplin and broadcloth, combed | sq.yds. | Not required |
| 17 | Typewriter ribbon cloth | sq.yds. | Not required |
| 18 | Print cloth, shirting type, 80 x 80 type, carded | sq.yds. | Not required |
| 19 | Print cloth, shirting type, other than 80 x 80 type, carded | sq.yds. | not required |
| 20 | Shirting, Jacquard or dobby, carded | sq.yds. | Not required |
| 21 | Shirting, Jacquard or dobby, combed | sq.yds. | Not required |
| 22 | Twill and sateen, carded | sq.yds. | Not required |
| 23 | Twill and sateen, combed | sq.yds. | Not required |
| 24 | Woven fabric, n.e.s., yarn dyed, carded | sq.yds. | Not required |
| 25 | Woven fabric, n.e.s., yarn dyed, combed | sq.yds. | Not required |
| 26 | Woven fabric, n.e.s., other, carded | sq.yds. | Not required |
| 27 | Woven fabric, n.e.s., other, combed | sq.yds. | Not required |
| 28 | Pillowcases, not ornamented, carded | Nos. | 1.084 |
| 29 | Pillowcases, not ornamented, combed | Nos. | 1.084 |
| 30 | Towels, dish | Nos. | .348 |
| 31 | Towels, other | Nos. | .348 |
| 32 | Handkerchiefs, whether or not in the piece | Doz. | 1.66 |
| 33 | Table damask and manufactures | lb. | 3.17 |

| Category number | Description | Unit | Conversion factor to sq.yds. |
|-----------------|---|-----------|------------------------------|
| 34 | Sheets, carded | Nos. | 6.2 |
| 35 | Sheets, combed | Nos. | 6.2 |
| 36 | Bedspreads and quilts | Nos. | 6.9 |
| 37 | Braided and woven elastic | lb. | 4.6 |
| 38 | Fishing nets and fish netting | lb. | 4.6 |
| 39 | Gloves and mittens | Doz. prs. | 3.527 |
| 40 | Hose and half hose | Doz prs. | 4.6 |
| 41 | T-shirts, all white, knit, men's and boys' | Doz. | 7.234 |
| 42 | T-shirts, other knit | Doz. | 7.234 |
| 43 | Shirts, knit, other than T-shirts and sweatshirts | Doz. | 7.234 |
| 44 | Sweaters and cardigans | Doz. | 36.8 |
| 45 | Shirts, dress, not knit, men's and boys' | Doz. | 22.186 |
| 46 | Shirts, sport, not knit, men's and boys' | Doz. | 24.457 |
| 47 | Shirts, work, not knit, men's and boys' | Doz. | 22.186 |
| 48 | Raincoats, 3/4 length or longer, not knit | Doz. | 50.0 |
| 49 | Coats, other, not knit | Doz. | 32.5 |
| 50 | Trousers, slacks, and shorts (outer), not knit, men's and boys' | Doz. | 17.797 |
| 51 | Trousers, slacks and shorts (outer) not knit, women's, girls' and infants' | Doz. | 17.797 |
| 52 | Blouses, not knit | Doz. | 14.53 |
| 53 | Dresses (including uniforms) not knit | Doz. | 45.3 |
| 54 | Playsuits, sunsuits, washsuits, creepers rompers, etc., not knit, n.e.s. | Doz. | 25.0 |
| 55 | Dressing gowns, including bathrobes and beachrobes, lounging gowns, housecoats, and dusters, not knit | Doz. | 51.0 |
| 56 | Undershirts, knit, men's and boys' | Doz. | 9.2 |
| 57 | Briefs and undershorts, men's and boys' | Doz. | 11.25 |
| 58 | Drawers, shorts and briefs, knit, n.e.s. | Doz. | 5.0 |
| 59 | All other underwear, not knit | Doz. | 16.0 |
| 60 | Pajamas and other nightwear | Doz. | 51.96 |
| 61 | Brassières and other body supporting garments | Doz. | 4.75 |
| 62 | Wearing apparel, knit, n.e.s. | lb. | 4.6 |
| 63 | Wearing apparel, not knit, n.e.s. | lb. | 4.6 |
| 64 | All other cotton textiles | lb. | 4.6 |