

Textiles Surveillance Body

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral agreement between the United States and Costa Rica

The Textiles Surveillance Body received a notification from the United States of a bilateral agreement with Costa Rica covering Category 340/640 (cotton and man-made fibre shirts) for the period 1 June 1987 to 31 December 1988.¹

The TSB, pursuant to its² procedures regarding bilateral agreements notified under Article 4,² has examined the relevant documentation and is forwarding the text of the notification to participating countries for information.³

¹The other agreement with the parties covering Category 649 is contained in COM.TEX/SB/1033. The agreement was notified under Articles 7 and 8.

²See COM.TEX/SB/35, Annex B

³For the TSB's observation on this notification see COM.TEX/SB/1391.

*English only/Anglais seulement/Inglés solamente

UNITED STATES NOTE

San José, November 25, 1987

Excellency:

I have the honor to refer to President Reagan's speech in Grenada on February 20, 1986. I also refer to discussions between representatives of the Government of Costa Rica and the Government of the United States of America concerning textile products manufactured in Costa Rica and exported to the United States. As a result of these discussions, I propose on behalf of the Government of the United States the following agreement relating to trade in cotton and man-made fiber textiles and textile products between the Government of Costa Rica and the Government of the United States.

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

Deane R. Hinton
Ambassador

AGREEMENT TERM

1. The term of this agreement will be the period from June 1, 1987 through December 31, 1988. The first "agreement period" shall be a seven month period from June 1, 1987 to December 31, 1987. The second "agreement period" shall be the twelve month period from January 1, 1988 to December 31 of the same year.

COVERAGE OF AGREEMENT/CLASSIFICATION

2. A. This agreement covers textiles and textile products set forth in Annex A.

B. For the purposes of this agreement, and until such time as the United States of America adopts the Harmonized Commodity Code, textiles and textile products shall be classified as cotton, wool, or man-made fiber textiles if wholly or in chief value of any of these fibers. Any products covered by paragraph 2 but not in chief value of cotton, wool, or man-made fiber shall be classified as:

- (I) cotton textiles if containing 50 percent or more by weight of cotton, or if the cotton component exceeds by weight the wool and/or the man-made fiber components;
- (II) wool textiles if not cotton, and wool equals or exceeds 17 percent by weight of all component fibers; and
- (III) man-made fiber textiles if neither of the foregoing applies.

C. For purposes of computing limits and charges to Guaranteed Access Levels and specific limits, the rates of conversion listed in Annex A shall apply in implementing this agreement, except as provided for in paragraph 2(D) below.

D. For purposes of this agreement, the categories listed below are merged and treated as a single category as indicated:

<u>Categories</u>	<u>Designation</u>	<u>Conversion Factor (SYD)</u>	<u>Unit of Measure</u>
340 and 640	340/640	24.0	Dozen

GROUP I - GALs

3. The category and products in Group I are those which the Government of Costa Rica intends to export to the United States under the Caribbean Basin Textile Special Access Program. These products which will be assembled in Costa Rica of United States-formed fabrics cut in the United States are subject to the annual Guaranteed Access Levels (GALs) specified in Annex B.

A. If the Government of Costa Rica wishes to apply for a new Guaranteed Access Level (GAL) or to export textile products to the United States under the Caribbean Basin Textile Special Access Program in excess of the existing GAL, the Government of Costa Rica shall submit a request for a new or increased level. The Government of the United States shall consider such requests sympathetically and respond promptly within 30 U.S. working days of the receipt of the initial request in Washington. Among other factors the U.S. will take into consideration export performance, current levels of exports, unused production capacity, expected new investment, and the potential for market disruption, taking into account the United States content of the product.

B. If the Government of the United States fails to reply within 30 U.S. working days, the request of the Government of Costa Rica becomes the new Guaranteed Access Level. If the Government of the United States is unable to comply fully with the request due to problems of market disruption, or the real risk thereof, in a category or product subject to such request, the Government of the United States will so inform the Government of Costa Rica within 30 U.S. working days. The Government of the United States will supply data which form the basis of the position it has taken. Either government may request consultations to discuss such requests for increases in GALs. Until a mutually satisfactory change in the GAL in question is established, shipments shall not exceed the existing GAL.

GROUP II SPECIFIC LIMITS

4. The category and products in Group II are those which the Government of Costa Rica intends to export to the U.S., which are not eligible for the Caribbean Basin Textile Special Access Program, subject to the Specific Limits (SLs) listed in Annex C.

OTHER CATEGORIES AND PRODUCTS

5. Each government reserves its rights to take actions with respect to categories and products not included in Annex B (GALs) or Annex C (SLs) and not subject to other textile agreements between the Government of Costa Rica and the Government of the United States.

FLEXIBILITY ADJUSTMENTS

6. A. Specific Limits listed in Annex C do not include any adjustments permitted under this paragraph.

B. (I) The extent to which any Group II Specific Limit may be exceeded in any agreement period by carryforward (borrowing a portion of the corresponding Specific Limit from the succeeding agreement period) and/or carryover (the use of any unused yardage shortfall - of the corresponding Specific Limit for the previous agreement period) is eleven (11) percent, of which carryover shall not constitute more than six (6) percent.

(II) No carryover shall be available for application in the first agreement period. No carryforward shall be available for application in the final agreement period.

C. For purposes of this agreement, a shortfall in a Specific Limit occurs when exports of textiles or textile products from Costa Rica to the United States during any agreement period are below the applicable specific limit as set out in Annex C or, in the case of any limit decreased pursuant to the provisions of this paragraph, when such exports are below the Specific Limit as decreased.

D. The Government of the United States may apply flexibility under this paragraph to Specific Limits on any category or product whenever that adjustment appears appropriate to facilitate the flow of trade and the sound administration of the agreement. To the extent that such adjustments are actually utilized they will be implemented by means of carryover and carryforward in that order. Any unused flexibility will be re-credited to the donor limit. This procedure will not prejudice the outcome of any consultations between our governments concerning the amounts of flexibility available.

OVERSHIPMENT CHARGES

7. A. Exports from Costa Rica in excess of authorized levels in any agreement period may be denied entry into the United States. Any such shipments denied entry into the United States may be permitted entry in the succeeding agreement period and charged to the applicable level. The Government of the United States shall inform the Government of Costa Rica of any such charges.

B. Exports from Costa Rica in excess of authorized levels in any agreement period will, if entered into the United States during that agreement period, be charged to the applicable level in the succeeding agreement period.

C. Any action taken pursuant to this paragraph will not prejudice the rights of either side regarding consultations.

SPACING PROVISIONS

8. The Government of Costa Rica shall use its best efforts to space exports to the United States within each category evenly throughout each agreement period, taking into consideration normal seasonal factors.

U.S. ASSISTANCE IN IMPLEMENTATION OF THE LIMITATION PROVISIONS

9. The Government of Costa Rica shall administer its export control system under this agreement. The Government of the United States may assist the Government of Costa Rica in implementing the provisions of this agreement by controlling imports, by the date of export, of textiles and textile products covered by this agreement.

EXCHANGE OF DATA

10. The Government of the United States shall promptly supply the Government of Costa Rica with statistics on monthly imports of textiles and textile products covered by this Agreement into the United States from Costa Rica. The Government of Costa Rica shall promptly supply the Government of the United States with statistics on monthly exports of textiles and textile products covered by this Agreement from Costa Rica to the United States. Each government agrees to supply promptly any other available statistical data necessary to the implementation of this agreement.

MUTUALLY SATISFACTORY ADMINISTRATIVE ARRANGEMENTS

11. Mutually satisfactory administrative arrangements or adjustments may be made to resolve minor problems arising in the implementation of this agreement, including difference in points of procedure or operation.

CONSULTATION ON IMPLEMENTATION QUESTION

12. The Government of Costa Rica and the Government of the United States agree, upon request of the other, to consult on any question in the implementation of this agreement.

RIGHT TO PROPOSE ADMENDMENTS TO THE AGREEMENT

13. The Government of Costa Rica and the Government of the United States may at any time propose amendments in the terms of this agreement. Each agrees to consult promptly with the other about such proposals with a view to making such amendments to this agreement, or taking such other appropriate action as may be mutually agreed upon.

CONSULTATIONS IN CASE OF INEQUITY VIS-A-VIS A THIRD COUNTRY

14. If either government considers that as a result of any provisions of this agreement, it is being placed in an inequitable position in relation to a third country, either government may request consultations with the other with a view to taking appropriate remedial actions, such as a reasonable modification of this agreement.

VISA AND CERTIFICATION SYSTEM

15. Both governments agree to establish a correct category/correct quantity visa and certification system for items covered by this agreement.

PROVISION FOR TEXTILE AGREEMENTS
HARMONIZED COMMODITY CODE

16. A. Both parties recognize that adoption by the Government of the United States of the Harmonized Commodity Code may result in some changes in the United States category system of textile products as presently covered by this agreement. If such changes are made during the term of this agreement, the Government of the United State and the Government of Costa Rica will consult with the view of reaching a satisfactory resolution of issues concerning categories covered by this agreement. The Government of Costa Rica recognizes that, should there be no resolution in such consultations, the Government of the United States reserves its rights to make such adjustments to the annexes as necesseary to bring it into conformity with the new category system and with the Harmonized Commodity Code. The intent of this conversion on the part of the Government of the United States is solely to align the current category system and limits with the Harmonized Commodity Code; it is not to diminish or alter overall trade in textiles and apparel with Costa Rica.

B. Changes in the implementation and interpretation of this agreement (such as changes in practices, rules, procedures, categorization, etc.) which have the effect of upsetting the balance of rights and obligations between the parties, or which affect the economic content of this agreement, or which affect the ability of either party to use or benefit fully from this agreement, or which result in any disruption to trade shall normally be avoided. The party initiating the relevant change shall endeavor to consult prior to the time that such action may affect trade between Costa Rica and the United States of America with a view toward making appropriate adjustments to this agreement, should consultation prior to implementation not be feasible, both parties agree to consult at the request of either party at the soonest possible date, with a view toward reaching a mutually satisfactory solution within 30 days of the request.

COOPERATION IN THE PREVENTION OF CIRCUMVENTION

17. A. Subject to domestic laws, the Government of Costa Rica shall cooperate with the competent authorities of the United States in ensuring that the agreement is not circumvented by transshipment, rerouting, misdescription, underinvoicing or by whatever means. To this end, the competent authorities of Costa Rica and those of the United State: shall assist each other:

- (I) in securing from parties documents, correspondence and reports considered relevant to investigations;
- (II) by providing for plant visits and inspections, whether by prior notification or impromptu, by authorized personnel; and
- (III) by facilitating personal interviews designed to ascertain needed facts.

B. Where information available to the Government of Costa Rica or to the Government of the United States, as a result of investigations, constitutes evidence that products subject to this agreement have been transshipped, rerouted, misdescribed or otherwise traded in circumvention of this agreement, either government may request consultations with a view to taking remedial measures, including, as relevant:

- (I) an equivalent adjustment of the corresponding agreed levels established under the agreement;
- (II) the prohibition, in accordance with any relevant domestic laws, whether on a temporary or permanent basis, of any person natural or juridical in respect of whom there is evidence of the commission of fraud or other circumstances.

EXCHANGE OF INFORMATION

18. Each government agrees to supply promptly any information reasonably believed to be necessary to the enforcement of this agreement requested by the other government.

RIGHT TO TERMINATE THE AGREEMENT

19. Either government may terminate this agreement effective at the end of an agreement period, by written notice to the other government at least 90 days prior to the end of such agreement period.

If the foregoing conforms with the understanding of the Government of Costa Rica, this note and Your Excellency's note of confirmation on behalf of the Government of Costa Rica shall constitute an agreement between our two governments.

ANNEX A
(CURRENT U.S. CATEGORY SYSTEM)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor</u> (Square yards)	<u>Unit of Measure</u>
Cotton-340	Shirts, not knit, for men and boys	24.0	Dozen
Manmade fiber-640	Shirts, not knit, for men and boys	24.0	Dozen

ANNEX B
GALs
FOR PRODUCTS OF THE CARIBBEAN BASIN TEXTILE
SPECIAL ACCESS PROGRAM

<u>Category</u>	<u>January 1, 1988 - December 31, 1988</u>
340/640	450,000 Dozens

ANNEX C
SPECIFIC LIMITS

<u>Category</u>	<u>June 1, 1987 - December 31, 1987</u>	<u>January 1, 1988 - December 31, 1988</u>
340/640	500,000 Dozens	450,000 Dozens

COSTA RICA NOTE

(Unofficial Translation)

San José, December 14, 1987

Excellency:

I have the honor to acknowledge receipt of note No. 298 of November 25, 1987, in which Your Excellency refers to talks held between representatives of the Government of the United States of America and the Government of Costa Rica concerning textiles products and which proposes on behalf of Your Excellency's Government the enclosed agreement relating to trade in cotton and man-made fiber textiles and textile products between the Government of Costa Rica and the Government of the United States.

With regard to this matter, I am pleased to inform Your Excellency of my Government's approval of the above-mentioned text.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

[Signature]

Carlos Revera Bianchini
Minister ad interim