

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

RESTRICTED

COM.TEX/SB/1512\*  
15 December 1989

Special Distribution

---

Textiles Surveillance Body

## ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

### Notification under Article 4

#### Amendment of the Bilateral Agreement between the United States and Peru

The Textiles Surveillance Body received a notification from the United States of amendments of its agreement with Peru resulting from the implementation by the United States of the Harmonized Comodity Code.<sup>1</sup>

The TSB pursuant to its procedures regarding notifications made under Article 4,<sup>2</sup> has examined the relevant documentation and is forwarding the text of the notification to participating countries for their information.<sup>3</sup>

---

<sup>1</sup>The bilateral agreement and previous amendments are contained in COM.TEX/SB/1066 and Corr.1, 1148 and 1292.

<sup>2</sup>See COM.TEX/SB/35, Annex B

<sup>3</sup>For the TSB's observation on this notification see COM.TEX/SB/1523

\* English only/Anglais seulement/Inglés solamente



## Proposed Changes in Specific Categories

### 1. HCC Categories 226 and 213

The quota as originally negotiated for current category 313 included all sheeting products contained therein, including batistes, cheesecloth, lawns, and violes. Based on 1986 trade, Peru shipped a significant amount of this type of sheeting. These products will be classified in a separate category number 226 under the HCC.

To retain current access and coverage for Peru, the United States proposes merging HCC category 226 and 313 at an annual specific limit of 24,996,370 square yards, which includes the migration from current category 320.

### 2. HCC Category 314

If agreement is reached on the adjustments to the other specific limits, the United States would agree to not establish a specific limit on this category.

### 3. HCC Category 315

The United States agrees to retain the current annual specific limit for HCC category 315.

### 4. HCC Categories 317 and 326

The United States agrees to Peru's proposal to merge categories 317 and 326 to an annual limit of 19,845,739 square yards with a sublimit on category 326 at 6,014,574 square yards.

### 5. HCC Category 219

Because the change to the Harmonized Code is designed to be a trade neutral conversion of current specific limits, the United States is not in a position at this time to respond to your Government's proposal to negotiate a reduction in the specific limit for HCC category 219 in exchange for an increase to other categories. This issue would more appropriately be raised at a future renegotiation of our bilateral agreement.

The United States therefore reiterates its proposal to establish a specific limit on HCC category 219 at 26,312,017 square yards.

### 6. HCC Category 220

97 percent of the trade in HCC category 220 is migrating from current category 320, which is controlled by a specific limit. As stated in your Government's proposal, Peru's trade in current

category 320 has been low in recent years. In addition, Peru's shipments in the man-made fiber portion of this product have also been low. The U.S. proposed specific limit on HCC category 220 is therefore a trade neutral conversion of current controlled trade and allows for growth in this product.

The United States reiterates its proposal to establish a specific limit on HCC Category 220 at 12,975,789 square yards.

#### Proposed Change in Quota Periods

Because the United States intends to implement a new category structure and, pending Congressional approval, the Harmonized Code Tariff Schedule, it is necessary to adjust quota periods for all our non-calendar year agreements affected by these changes. Beginning January 1, 1988, U.S. Customs will only monitor imports under the new system. Taking into consideration the concerns of the Government of Peru regarding its seasonal shipping patterns the Government of the United States proposes the following:

1. Adjust the current agreement period to end on December 31, 1987. This would result in an eight month agreement period from May 1, 1987 to December 31, 1987.
2. Establish a four month agreement period from January 1, 1988 to April 30, 1988, based on a four month proration of the current specific limits converted to the HCC. The Government of the United States would agree to 100 percent flexibility between the eight month and four month agreement periods.
3. Establish a twelve month agreement period from May 1, 1988 to April 30, 1989 using the specific limits negotiated for this period converted to the HCC.

The table attached at Annex B lists the specific limits as proposed according to these quota periods.

The tables at Annexes A1 and A2 list the conversion factors for the new category system. Annex A1 lists the conversion factors for the new category system under the current tariff schedule. Annex A1 will take effect on January 1, 1988. Upon adoption by the Harmonized Commodity Code, Annex A2 (which lists the new category structure under the Harmonized Code Tariff Schedule) will be implemented.

If these proposals are acceptable to the Government of Peru, then this letter and your Government's letter of acceptance shall constitute an amendment to the bilateral Agreement between our two Governments.

Sincerely,

Elizabeth L. Dibble  
Assistant Chief Textile Negotiator

ELD:tcs

Annex A of Note

Annex A(1)

New Category System and Listings

The 200 series of categories refers to cotton of man-made fibre. The 300 series refers to cotton. The 400 series refers to wool. The 600 series refers to man-made fibres.

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square yards</u>	<u>Unit</u>
<u>Yarn</u>			
200	Sewing thread and yarns, put up for retail sale	3.6	lb
201	Other yarns	3.5	lb
300	Carded yarns	4.6	lb
301	Combed yarns	4.6	lb
400	Wool yarn	2.0	lb
600	Textured filament yarns	3.5	lb
603	Staple artificial yarn	3.4	lb
604	Staple synthetic yarn	4.1	lb
606	Non-textured filament	10.9	lb
607	Staple yarn	3.5	lb
<u>Fabric</u>			
218	Yarns of different colours	1.0	Syd
219	Duck	1.0	Syd
220	Fabric of special weave	1.0	Syd
222	Knit fabric	6.7	lb
223	Non-woven fabrics	7.6	lb
224	Pile and tufted fabrics	1.0	Syd
225	Denim	1.0	Syd
226	Cheesecloth, batistes, etc.	1.0	Syd
227	Oxford cloth	1.0	Syd
229	Special purpose fabric	7.4	lb
313	Sheeting	1.0	Syd
314	Poplin and broadcloth	1.0	Syd
315	Printcloth	1.0	Syd
317	Twills	1.0	Syd
326	Sateens	1.0	Syd
410	Woven fabrics containing 36 per cent or more by weight wool	1.0	Syd
414	Other wool fabrics	1.5	lb
611	Staple artificial fabric, by weight, 85 per cent or more	1.0	Syd
613	Sheeting	1.0	Syd
614	Poplin and broadcloth	1.0	Syd
615	Printcloth	1.0	Syd
617	Twills and sateens	1.0	Syd

ANNEX A(1) (cont'd)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square yards</u>	<u>Unit</u>
<u>Fabric</u> (cont'd)			
618	Cellulosic filament	1.0	Syd
619	Non-cellulosic filament, poly	1.0	Syd
620	Other non-cellulosic filament	1.0	Syd
621	Impression	7.8	lb
622	Filament glass fibre staple/Filament	1.0	Syd
624	Man-made fibre fabric, woven, containing more than 15 per cent but less than 36 per cent wool Staple/Filament Combinations:	1.0	Syd
625	Poplin and broadcloth	1.0	Syd
626	Printcloth	1.0	Syd
627	Sheeting	1.0	Syd
628	Twills and sateens	1.0	Syd
629	Other MMF	1.0	Syd
<u>Apparel</u>			
239	Cotton and man-made infants' wear	3.4	lb
330	Handkerchiefs	1.7	Doz
331	Gloves and mittens	3.5	Dpr
332	Hosiery	4.6	Dpr
333	M and B suit-type coats	36.2	Doz
334	Other M and B coats	41.3	
335	W and G coats	41.3	Doz
336	Dresses	45.3	Doz
337	Playsuits, sunsuits, etc.	25.0	Doz
338	M and B knit shirts	7.2	Doz
339	W and G knit shirts and blouses	7.2	Doz
340	M and B shirts, not knit	24.0	Doz
341	W and G shirts and blouses, not knit	14.5	Doz
342	Skirts	17.8	Doz
345	Sweaters	36.8	Doz
347	M and B trousers, slacks and shorts	17.8	Doz
348	W and G trousers, slacks and shorts	17.8	Doz
349	Brassières and body supporting garments	4.8	Doz
350	Dressing gowns, etc.	51.0	Doz
351	Nightwear and pyjamas	52.0	Doz
352	Underwear	11.0	Doz
353	M and B down-filled coats	41.3	Doz
354	W and G down-filled coats	41.3	Doz
359	Other cotton apparel	4.6	lb
431	Gloves and mittens	2.1	Dpr
432	Hosiery	2.8	Dpr
433	M and B suit-type coats	36.0	Doz
434	Other M and B coats	54.0	Doz

ANNEX A(1) (cont'd)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square yards</u>	<u>Unit</u>
<u>Apparel</u> (cont'd)			
435	W and G coats	54.0	Doz
436	Dresses	49.2	Doz
438	Knit shirts and blouses	15.0	Doz
439	Wool infants wear	3.4	lb
440	Shirts and blouses, not knit	24.0	Doz
442	Skirts	18.0	Doz
443	M and B suits	4.5	Nos
444	W and G suits	4.5	Nos
445	M and B sweaters	14.88	Doz
446	W and G sweaters	14.88	Doz
447	M and B trousers, slacks and shorts	18.0	Doz
448	W and G trousers, slacks and shorts	18.0	Doz
459	Other wool apparel	2.0	lb
630	Handkerchiefs	1.7	Doz
631	Gloves and mittens	3.5	Dpr
632	Hosiery	4.6	Dpr
633	M and B suit-type coats	36.2	Doz
634	Other M and B coats	41.3	Doz
635	W and G coats	41.3	Doz
636	Dresses	45.3	Doz
637	Playsuits, sunsuits, etc.	21.3	Doz
638	M and B knit shirts	15.5	Doz
639	W and G knit shirts and blouses	15.5	Doz
640	M and B shirts, not knit	24.0	Doz
641	W and G shirts and blouses, not knit	14.5	Doz
642	Skirts	17.8	Doz
643	M and B suits	4.5	Nos
644	W and G suits	4.5	Nos
645	M and B sweaters	36.8	Doz
646	W and G sweaters	36.8	Doz
647	M and B trousers, slacks and shorts	17.8	Doz
648	W and G trousers, slacks and shorts	17.8	Doz
649	Brassières and body supporting garments	4.8	Doz
650	Dressing gowns, etc.	51.0	Doz
651	Nightwear and pyjamas	52.0	Doz
652	Underwear	16.0	Doz
653	M and B down-filled coats	41.3	Doz
654	W and G down-filled coats	41.3	Doz
655	Other man-made fibre apparel	7.8	lb



ANNEX A(1) (cont'd)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square metres</u>	<u>Unit</u>
<u>Made-up and Miscellaneous Textiles</u>			
360	Pillowcases	1.1	Nos
361	Sheets	6.2	Nos
362	Bedspread and quilts	6.9	Nos
363	Terry and other pile towels	0.5	Nos
369	Cotton manufactures, not specified [nspf]	4.6	lb
464	Blankets	1.3	lb
465	Floor coverings	0.1	Sft
469	Wool manufactures, nspf	2.0	lb
665	Floor coverings	0.1	Sft
666	Other furnishings	7.8	lb
669	Man-made fibre manufactures, nspf	7.8	lb
670	Flat goods, handbags, luggage	2.0	lb

---

Annex A(2)New Category System Listings using Harmonized Commodity Code

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square metres</u>	<u>Unit</u>
<u>Yarn</u>			
200	Sewing thread and yarns, put up for retail sale	6.6	kg.
201	Other yarns	6.5	kg.
300	Carded yarns	8.5	kg.
301	Combed yarns	8.5	kg.
400	Wool yarn	3.7	kg.
600	Textured filament yarns	6.5	kg.
603	Staple artificial yarn	6.3	kg.
604	Staple synthetic yarn	7.6	kg.
606	Non-textured filament	20.1	kg.
607	Staple yarn	6.5	kg.
<u>Fabric</u>			
218	Yarns of different colours	1.0	M2
219	Duck	1.0	M2
220	Fabric of special weave	1.0	M2
222	Knit fabric	12.3	kg.
223	Non-woven fabrics	14.0	kg.
224	Pile and tufted fabrics	1.0	M2
225	Denim	1.0	M2
226	Cheesecloth, batistes, etc.	1.0	M2
227	Oxford cloth	1.0	M2
229	Special purpose fabric	13.6	kg.
313	Sheeting	1.0	M2
314	Poplin and broadcloth	1.0	M2
315	Printcloth	1.0	M2
317	Twills	1.0	M2
326	Sateens	1.0	M2
410	Woven fabrics containing 36 per cent or more by weight wool	1.0	M2
414	Other wool fabrics	2.8	kg.
611	Staple artificial fabrics, by weight, 85 per cent or more	1.0	M2
613	Sheeting	1.0	M2
614	Poplin and broadcloth	1.0	M2

Annex A(2) (cont'd)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square metres</u>	<u>Unit</u>
<u>Fabric (cont'd)</u>			
615	Printcloth	1.0	M2
617	Twills and sateens	1.0	M2
618	Cellulosic filament	1.0	M2
619	Non-cellulosic filament, poly	1.0	M2
620	Other non-cellulosic filament	1.0	M2
621	Impression	14.0	kg.
622	Filament glass fibre	1.0	M2
	Staple filament		
624	Man-made fibre fabric, woven, containing more than 15 per cent but less than 36 per cent wool Staple/filament combination	1.0	M2
625	Poplin and broadcloth	1.0	M2
626	Printcloth	1.0	M2
627	Sheeting	1.0	M2
628	Twills and sateens	1.0	M2
629	Other MMF	1.0	M2
<u>Apparel</u>			
239	Cotton and man-made infants' wear	6.3	kg.
330	Handkerchiefs	1.4	Doz
331	Gloves and mittens	2.9	Dpr
332	Hosiery	3.8	Dpr
333	M and B suit-type coats	30.3	Doz
334	Other M and B coats	34.5	Dcoz
335	W and G coats	34.5	Doz
336	Dresses	37.9	Doz
337	Playsuits, sunsuits, etc.	20.9	Doz
338	M and B knit shirts	6.0	Doz
339	W and G knit shirts and blouses	6.0	Doz
340	M and B shirts, not knit	20.1	Doz
341	W and G shirts and blouses, not knit	12.1	Doz
342	Skirts	14.9	Doz
345	Sweaters	30.8	Doz
347	M and B trousers, slacks and shorts	14.9	Doz
348	W and G trousers, slacks and shorts	14.9	Doz
349	Brassières and body supporting garments	4.0	Doz
350	Dressing gowns, etc.	42.6	Doz
351	Nightwear and pyjamas	43.5	Doz
352	Underwear	9.2	Doz
353	M and B down-filled coats	34.5	Doz
354	W and G down-filled coats	34.5	Doz

ANNEX A(2) (cont'd)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square metres</u>	<u>Unit</u>
<u>Apparel</u> (cont'd)			
359	Other cotton apparel	8.5	kg.
431	Gloves and mittens	1.8	Dpr
432	Hosiery	2.3	Dpr
433	M and B suit-type coats	30.1	Doz
434	Other M and B coats	45.1	Doz
435	W and G coats	45.1	Doz
436	Dresses	41.1	Doz
438	Knit shirts and blouses	12.5	Doz
439	Wool infants' wear	6.3	kg.
440	Shirts and blouses, not knit	20.1	Doz
442	Skirts	15.0	Doz
443	M and B suits	3.76	Nos
444	W and G suits	3.76	Nos
445	M and B sweaters	12.4	Doz
446	W and G sweaters	12.4	Doz
447	M and B trousers, slacks and shorts	15.0	Doz
448	W and G trousers, slacks and shorts	15.0	Doz
459	Other wool apparel	3.7	kg.
630	Handkerchiefs	1.4	Doz
631	Gloves and mittens	2.9	Dpr
632	Hosiery	3.8	Dpr
633	M and B suit-type coats	30.3	Doz
634	Other M and B coats	34.5	Doz
635	W and G coats	34.5	Doz
636	Dresses	37.9	Doz
637	Playsuits, sunsuits, etc.	17.8	Doz
638	M and B knit shirts	12.96	Doz
639	W and G knit shirts and blouses	12.96	Doz
640	M and B shirts, not knit	20.1	Doz
641	W and G shirts and blouses, not knit	12.1	Doz
642	Skirts	14.9	Doz
643	M and B suits	3.76	Nos
644	W and G suits	3.76	Nos
645	M and B sweaters	30.8	Doz
646	W and G sweaters	30.8	Doz
647	M and B trousers, slacks and shorts	14.9	Doz
648	W and G trousers, slacks and shorts	14.9	Doz
649	Brassières and body supporting garments	4.0	Doz
650	Dressing gowns, etc.	42.6	Doz
651	Nightwear and pyjamas	43.5	Doz
652	Underwear	13.4	Doz
653	M and B down-filled coats	34.5	Doz
654	W and G down-filled coats	34.5	Doz
659	Other man-made fibre apparel	14.4	kg.

ANNEX A(2) (cont'd)

<u>Category</u>	<u>Description</u>	<u>Conversion Factor to square metres</u>	<u>Unit</u>
<u>Made-up and Miscellaneous Textiles</u>			
360	Pillowcases	0.9	Nos
361	Sheets	5.2	Nos
362	Bedspread and quilts	5.8	Nos
363	Terry and other pile towels	0.4	Nos
369	Cotton manufactures, not specified [nspf]	8.5	kg.
464	Blankets	2.4	kg.
465	Floor coverings	1.0	M2
469	Wool manufactures, nspf	3.7	kg.
665	Floor coverings	1.0	M2
666	Other furnishings	14.4	kg.
669	Man-made fibre manufactures, nspf	14.4	kg.
670	Flat goods, handbags, luggage	3.7	kg.

---

ANNEX B

Current category system	Prorated 1 May 1987 31 Dec 1987	HS category system	Prorated 1 Jan 1988 30 April 1988	Annual 1 May 1988 30 April 1989
400 - 469	2,666,667 SYE	400 - 469	1,333,333 SYE	4,000,000 SYE
330 - 359	6,666,667 SYE	330 - 359	3,333,333 SYE	10,000,000 SYE
300	2,000,000 lb.	300	1,000,000 lb.	3,000,000 lb.
301	1,500,000 lb.	301	750,000 lb.	2,250,000 lb.
338/339	321,000 doz	338/339	160,500 doz	515,205 doz
338-S/339-S	214,000 doz	338-S/339-S	107,000 doz	343,470 doz
410	1,000,000 SYE	410	500,000 SYE	1,500,000 SYE
313	13,357,167 SYE	219	8,196,890 SYE	26,312,017 SYE
315	2,940,103 SYE	220	4,042,302 SYE	12,975,789 SYE
317	12,250,430 SYE	226/313	7,787,031 SYE	24,996,370 SYE
317-S	3,675,129 SYE	315	1,470,052 SYE	4,718,866 SYE
319	16,333,907 SYE	317/326	6,182,473 SYE	19,845,739 SYE
320	11,842,082 SYE	(sub 326)	(1,873,699)	(6,014,574)
320-p	3,266,781 SYE			

UNITED STATES LETTER

January 6, 1988

Mr. Alfredo Valencia  
Commercial Minister  
Embassy of Peru  
1700 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Dear Mr. Valencia:

Thank you for your letters of December 16, and December 30, 1987 concerning modifications to the United States - Peru bilateral textile agreement as a result of the adoption by the United States of a new interim textile category system in anticipation of adoption of the Harmonized Commodity Code (HCC).

First, I would like to confirm that 100 percent flexibility is indeed available between the eight month agreement period (May 1, 1987 to December 31, 1987) and the four month agreement period (January 1, 1988 to April 30, 1988). This means that any unused quota from the eight month period may be carried over to the four month period. Conversely, if shipments during the eight month period exceeded the quota for that period, carryforward up to the amount of the quota for the four month period will be applied. Thus, the sum of the two periods will be equal to the base limits for the May 1, 1987 to April 30, 1988 agreement period as stated in the bilateral agreement and as adapted to the new category system, with the exception of those categories to which adjustments were made effective December 1, 1987. In the case of those categories, the sum of the two periods will be equal to the adjusted limits as adapted to the new category system.

Secondly, you are correct in noting that the prorated limits published in the Federal Register do not include adjustments to those limits made earlier in December. The levels published were based on the 1987-88 base levels for those categories. A new notice, reflecting the adjusted levels, as well as the provision for 100 percent flexibility, will be published shortly.

I hope that these clarifications answer the questions posed in your letters. If so, I would appreciate receiving confirmation of your Government's acceptance of the U.S. proposal to the bilateral agreement, as modified.

Sincerely,

Elizabeth L. Dibble  
Assistant Chief Textile Negotiator

UNITED STATES LETTER

February 3, 1988

Mr. Alfredo Valencia  
Commercial Minister  
Embassy of Peru  
1700 Massachusetts Ave., N.W.  
Washington, D.C. 20036

Dear Mr. Valencia:

Thank you for your letter of January 19, 1988 which explained how you calculated the amended prorated textile limits for the periods May 1, 1987 - December 31, 1987 and January 1, 1988 - April 30, 1988.

You are correct in assuming that the differences in our figures is due to rounding. Attached is a table showing the figures we derived. As you can see, the figures for the January 1, 1988-April 31, 1988 period are slightly larger than what you calculated.

For the 8 month period, we calculated the amended limits as you did, by multiplying the old 12 month adjusted limit by 66.66%. But in calculating the 4 month restraint limits, we used 33.34% of the old 12 month adjusted limit, instead of 33.33%. The rest of the calculation is the same as yours, using the percentages of trade migration from the HS translation. The only exception is category 315 where we used 100% of the adjusted specific limit (multiplied by 33.34%) because we agreed to establish the base limit for new category 315 as 100% of the old category 315 base limit.

A notice on the new adjusted limits for both restraint periods will be published shortly. I hope this explanation has clarified any remaining questions you may have had.

Sincerely,

Elizabeth L. Dibble  
Assistant Chief Textile Negotiator



Amended Prorated Restraints  
(reflects adjustments provided on  
December 1, 1987)

May 1, 1987 - December 31, 1987

<u>Category</u>	<u>Amended Prorated Limit</u>
313	14,824,972 sye
315	3,263,183 sye
317	14,454,062 sye of which not more than 4,336,218 sye in 317-S
319	17,271,379 sye
320	12,981,629 sye of which not more than 3,625,577 sye in 320-P
338/339	335,256 dz. of which not more than 240,777 dz. in 338 pt./339 pt.

January 1, 1988 - April 30, 1988

<u>Category</u>	<u>Amended Prorated Limit</u>
219	8,671,394 sye
220	4,434,849 sye
226/313	8,624,764 sye
315	1,632,084 sye
317/326	7,598,342 sye of which not more than 2,279,503 sye in 326
338/339	177,681 dz. of which not more than 120,425 dz. in 338 pt./339 pt.

UNITED STATES LETTER

March 18, 1988

Mr. Alfredo Valencia  
Commercial Minister  
Embassy of Peru  
1700 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Dear Mr. Valencia:

Thank you for your letter of March 15, 1988 concerning my Government's proposal of November 27, 1987, as amended. In your letter you proposed an additional amendment to that proposal.

I am pleased to inform you that my Government has no objection to the establishment of a sublimit on Category 226 under the limit for merged Category 313/226. Accordingly, my Government agrees to establish a sublimit for Category 226 at 3,558,118 square yards. The limit for merged Category 313/226 shall remain at 24,996,370 square yards.

I look forward to receiving your Government's formal response to the U.S. proposal of November 27, 1987, as amended.

Sincerely,

Elizabeth L. Dibble  
Assistant Chief Textile Negotiator

UNITED STATES LETTER

April 15, 1988

Mr. Alfredo Valencia  
Commercial Minister  
Embassy of Peru  
1700 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Dear Mr. Valencia:

I am writing in response to your letter of April 13, 1988 to Ms. Naomi Freeman of the Commerce Department. As Ms. Freeman informed you, and as we discussed in our telephone conversation of April 14, the Commerce Department will be making the carryover adjustment to Peru's 1987-1988 quota for Category 338/339 based on the results of the data investigation. The revised limits will be communicated to the Commissioner of Customs and will be published in the Federal Register.

As I noted to you on the telephone, we did a preliminary investigation at the time you informed us of a discrepancy between U.S. and Peruvian data for Category 338/339. When you questioned the results of that investigation, a further, more detailed investigation was conducted, which did disclose that Peru had greater carryover available than the amount with which it had previously been credited. Again, I regret that the second investigation required so much time to complete.

Based on data through April 1, 1988, Peru has utilized approximately 50 percent of the available quota for the current agreement year before the additional carryover is credited to the limit. It appears, therefore, that with only a month left in the agreement year, Peru has ample room to ship products in Category 338/339 and that the carryover itself will not be utilized. Because there is so much room left in the quota for the current year, we are confident that the full 11 percent carryover will be available for the 1988-1989 agreement year.

I look forward to receiving your reply to the U.S. Government's proposal of November 27, 1987, as amended.

Sincerely,

Elizabeth L. Dibble  
Assistant Chief Textile Negotiator

UNITED STATES LETTER

June 2, 1988

Mr. Alfredo Valencia  
Commercial Minister  
Embassy of Peru  
1700 Massachusetts Avenue, N.W.  
Washington, D.C. 20036

Dear Mr. Valencia:

As previously discussed, the discrepancy between the records of the Government of Peru and those of the U.S. Customs Service has been resolved, and the total amount of 52,965 in carryover has been determined to be available for Categories 338/339. Due to the extended period of time which it unfortunately took to investigate this issue, we have agreed to apply the 35,233 dozens not previously applied to the May 1, 1988 - April 30, 1989 agreement year. This amount is in addition to the amount of carryover which would otherwise be available for this year from the May 1, 1987 - April 30, 1988 agreement year.

These revised limits will be communicated to the Commissioner of Customs and published in the Federal Register.

Sincerely,

Elizabeth L. Dibble  
Assistant Chief Textile Negotiator

PERU LETTER

June 10, 1988

Mrs. Elizabeth Dibble  
Assistant Chief Textile Negotiator  
Office of the United States  
Trade Representative  
600 Seventeenth Street, N.W.  
Winder Building  
Washington, D.C. 20506

Dear Mrs. Dibble:

This is in reference to your letter dated November 27, 1987, as amended by your letters of January 6, 1988, February 3, 1988, March 18, 1988, and April 7, 1988 which letter, as amended, reads as follows:

"Thank you for your letter of October 30, 1987 responding to the U.S. proposal to amend the Bilateral Cotton, Wool and Man-Made Fiber Textile Agreement of January 3, 1985 between the Governments of Peru and the United States (the Agreement) due to adoption by the United States of the Harmonized Commodity Code (HCC).

As I explained at our meeting on October 29, 1987, the United States will implement on January 1, 1988 the new category system created to conform to the changes required by adoption of the HCC. These changes to the category system will proceed regardless of whether the United States Congress passes the HCC tariff legislation by the January 1, 1988 implementation date.

Beginning January 1, 1988, for goods exported on and after that date, U.S. Customs will accept only visas issued with the correct HCC category. Customs will continue to accept visas for goods exported prior to January 1, 1988 which are correctly visaed under the current category system, even if they are not imported into the United States until after January 1, 1988.

After careful review of the counterproposal offered by the Government of Peru, the Government of the United States has modified its proposal to take into account some of the

changes proposed by the Government of Peru. As I explained previously, the intent of this conversion is simply to align the current agreement restraints with the new category structure based on the Harmonized Code. The United States proposal is a trade neutral conversion of these different restraints.

#### Proposed Changes in Specific Categories

##### 1. HCC Categories 226 and 313

The quota as originally negotiated for current category 313 included all sheeting products contained therein, including batistes, cheesecloth, lawns, and voiles. Based on 1986 trade, Peru shipped a significant amount of this type of sheeting. These products will be classified in a separate category number 226 under the HCC.

To retain current access and coverage for Peru, the United States proposes merging HCC category 226 and 313 at an annual specific limit of 24,996,370 square yards, which includes the migration from current category 320.

##### 2. HCC Category 314

If agreement is reached on the adjustments to the other specific limits, the United States would agree to not establish a specific limit on this category.

##### 3. HCC Category 315

The United States agrees to retain the current annual specific limit for HCC category 315.

##### 4. HCC Categories 317 and 326

The United States agrees to Peru's proposal to merge categories 317 and 326 to an annual limit of 19,845,739 square yards with a sublimit on category 326 at 6,014,574 square yards.

##### 5. HCC Category 219

Because the change to the Harmonized Code is designed to be a trade neutral conversion of current specific limits, the United States is not in a position at this time to respond to your Government's proposal to negotiate a reduction in the specific limit for HCC category 219 in exchange for an increase to other categories. This issue would more appropriately be raised at a future renegotiation of our bilateral agreement.

The United States therefore reiterates its proposal to establish a specific limit on HCC category 219 at 26,312,017 square yards.

6. HCC Category 220

97 percent of the trade in HCC category 220 is migrating from current category 320, which is controlled by a specific limit. As stated in your Government's proposal, Peru's trade in current category 320 has been low in recent years. In addition, Peru's shipments in the man-made fiber portion of this product have also been low. The U.S. proposed specific limit on HCC category 220 is therefore a trade neutral conversion of current controlled trade and allows for growth in this product.

The United States reiterates its proposal to establish a specific limit on HCC Category 220 at 12,975,789 square yards.

Proposed Change in Quota Periods

Because the United States intends to implement a new category structure and, pending Congressional approval, the Harmonized Code Tariff Schedule, it is necessary to adjust quota periods for all our non-calendar year agreements affected by these changes. Beginning January 1, 1988, U.S. Customs will only monitor imports under the new system. Taking into consideration the concerns of the Government of Peru regarding its seasonal shipping patterns the Government of the United States proposes the following:

1. Adjust the current agreement period to end on December 31, 1987. This would result in an eight month agreement period from May 1, 1987 to December 31, 1987.
2. Establish a four month agreement period from January 1, 1988 to April 30, 1988, based on a four month proration of the current specific limits converted to the HCC. The Government of the United States would agree to 100 percent flexibility between the eight month and four month agreement periods.
3. Establish a twelve month agreement period from May 1, 1988 to April 30, 1989 using the specific limits negotiated for this period converted to the HCC.

The table attached at Annex B lists the specific limits as proposed according to these quota periods.

The tables at Annexes A1 and A2 list the conversion factors for the new category system. Annex A1 lists the conversion factors for the new category system under the current tariff schedule. Annex A1 will take effect on January 1, 1988. Upon adoption by the Harmonized Commodity Code, Annex A2 (which lists the new category structure under the Harmonized Code Tariff Schedule) will be implemented.

If these proposals are acceptable to the Government of Peru, then this letter and your Government's letter of acceptance shall constitute an amendment to the bilateral Agreement between our two Governments."

As amended by letter of January 6, 1988:

"Thank you for your letters of December 16, and December 30, 1987 concerning modifications to the United States - Peru bilateral textile agreement as a result of the adoption by the United States of a new interim textile category system in anticipation of adoption of the Harmonized Commodity Code (HCC).

First, I would like to confirm that 100 percent flexibility is indeed available between the eight month agreement period (May 1, 1987 to December 31, 1987) and the four month agreement period (January 1, 1988 to April 30, 1988). This means that any unused quota from the eight month period may be carried over to the four month period. Conversely, if shipments during the eight month period exceeded the quota for that period, carryforward up to the amount of the quota for the four month period will be applied. Thus, the sum of the two periods will be equal to the base limits for the May 1, 1987 to April 30, 1988 agreement period as stated in the bilateral agreement and as adapted to the new category system, with the exception of those categories to which adjustments were made effective December 1, 1987. In the case of those categories, the sum of the two periods will be equal to the adjusted limits as adapted to the new category system.

Secondly, you are correct in noting that the prorated limits published in the Federal Register do not include adjustments to those limits made earlier in December. The levels published were based on the 1987-88 base levels for those categories. A new notice, reflecting the adjusted levels, as



as the provision for 100 percent flexibility, will be published shortly.

I hope that these clarifications answer the questions posed in your letters. If so, I would appreciate receiving confirmation of your Government's acceptance of the U.S. proposal to the bilateral agreement, as modified."

As amended by letter of February 3, 1988:

"Thank you for your letter of January 19, 1988 which explained how you calculated the amended prorated textile limits for the periods May 1, 1987 - December 31, 1987 and January 1, 1988 - April 30, 1988.

You are correct in assuming that the differences in our figures is due to rounding. Attached is a table showing the figures we derived. As you can see, the figures for the January 1, 1988-April 30, 1988 period are slightly larger than what you calculated.

For the 8 month period, we calculated the amended limits as you did, by multiplying the old 12 month adjusted limit by 66.66%. But in calculating the 4 month restraint limits, we used 33.34% of the old 12 month adjusted limit, instead of 33.33%. The rest of the calculation is the same as yours, using the percentages of trade migration from the HS translation. The only exception is category 315 where we used 100% of the adjusted specific limit (multiplied by 33.34%) because we agreed to establish the base limit for new category 315 as 100% of the old category 315 base limit.

A notice on the new adjusted limits for both restraint periods will be published shortly. I hope this explanation has clarified any remaining questions you may have had."

As amended by letter of March 18, 1988:

"Thank you for your letter of March 15, 1988 concerning my Government's proposal of November 27, 1987, as amended. In your letter you proposed an additional amendment to that proposal.

I am pleased to inform you that my Government has no objection to the establishment of a sublimit on Category 226 under the limit for merged Category 313/226. Accordingly, my Government agrees to establish a sublimit for Category 226 at 3,558,118

~~Source~~ The limit for merged Category 313/226 shall remain at 24,996,370 square yards.

I look forward to receiving your Government's formal response to the U.S. proposal of November 27, 1987, as amended."

And, as finally amended by letter of June 2, 1988:

"As previously discussed, the discrepancy between the records of the Government of Peru and those of the U.S. Customs Service has been resolved, and the total amount of 52,965 in carryover has been determined to be available for Categories 338/339. Due to the extended period of time which it unfortunately took to investigate this issue, we have agreed to apply the 35,233 dozens not previously applied to the May 1, 1988 - April 30, 1989 agreement year. This amount is in addition to the amount of carryover which would otherwise be available for this year from the May 1, 1987 - April 30, 1988 agreement year.

These revised limits will be communicated to the Commissioner of Customs and published in the Federal Register."

Following instructions from my Government, I am pleased to inform you that the contents of the letter of November 27, 1987, as amended by letters of January 6, 1988, February 3, 1988, March 18, 1988, and June 2, 1988, including annexes or tables, as amended, to the foregoing, are acceptable to my Government. Therefore, your letter of November 27, 1987, as amended, and this reply shall constitute an amendment to the bilateral Agreement between the Governments of Peru and the United States of America.

Very truly yours,

Alfredo Valencia  
Commercial Minister  
Embassy of Peru