

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

**RESTRICTED**  
**COM.TEX/SB/1945\***  
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**Textiles Surveillance Body**

**Original: English**

**ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES**

**Notification under Article 4**

**Extension and amendment of the bilateral agreement between  
the United States and Hungary**

The Textiles Surveillance Body received a notification from the United States of a further extension and amendment of its bilateral agreement with Hungary, for the period of 1 January 1994 to 31 December 1995.<sup>1</sup>

The TSB, pursuant to its procedures regarding notifications received 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.

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<sup>1</sup>The agreement, previous extensions and amendments are contained in COM.TEX/SB/864, 972, 1063, 1194, 1301, 1321, 1440, 1449, 1501, 1782 and 1783.

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

\*English only/Anglais seulement/Inglés solamente

No. 126

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the Republic of Hungary and has the honour to refer to the Arrangement Regarding International Trade in Textiles, with annexes, done at Geneva on 20 December 1973, and extended by protocols (hereinafter referred to as the Arrangement) and to the Bilateral Agreement between the Government of the United States of America and the Government of the Republic of Hungary relating to trade in cotton, wool, and man-made fibre textiles and textile products, with annexes, effected by exchange of notes dated 15 and 25 February 1983, as amended and extended (the Agreement).

The Embassy also has the honour to refer to discussions held in Budapest, 27-28 September 1993, and in Washington, 22-23 November 1993, between representatives of the Government of the United States of America and the Government of the Republic of Hungary concerning exports from the Republic of Hungary of certain textile products to the United States, and to the Memorandum of Understanding signed by representatives of our two governments on 4 February 1994 in Washington.

As a result of the above-mentioned discussions and Memorandum of Understanding, the Embassy of the United States of America has the honour to propose a consolidated amendment and extension of the Agreement as follows:

#### AGREEMENT TERM

1. The term of the Agreement shall be extended for a period of two years from 1 January 1994 through 31 December 1995. Each "Agreement Year" shall be a twelve-month period, beginning on 1 January and ending on 31 December of the same year.

#### COVERAGE

2. Textiles and textile products covered by this Agreement and the rates of conversion into square meters equivalent are those listed in Annex A. Tops, yarns, piece goods, made-up articles, garments and other textile manufactured products (being products which derive their chief characteristics from their textiles components) of cotton, wool, man-made fibres, or blend thereof, in which any or all of those fibres in combination represent the chief weight of the product, are subject to this Agreement. Components of an article which are not considered relevant to the classification under the general rules of interpretation of the legal notes to Section XI of the Harmonized System, are likewise to be disregarded here. The determination of whether a textile product is of wool, cotton or man-made fibre shall be made in accordance with the terms of Paragraph 6.

#### SPECIFIC LIMITS

3. During the term of this Agreement, the Government of the Republic of Hungary shall limit annual exports from Hungary to the United States of America of the textile products of Hungarian origin listed in Annex A, to the specific limits set forth in Annex B hereto, as such limits may be adjusted in accordance with Paragraphs 4 and 5, subject to the provisions of Paragraph 4(B). The limits set out in Annex B are without such adjustments. Exports are subject to limits for the year in which exported.

**FLEXIBILITY**  
**(SWING)**

4. A. During any agreement year, a specific limit set out in Annex B may be exceeded by not more than seven (7) per cent of its square meters equivalent limit as calculated on the basis of the conversion factor set out in Annex A, provided that the amount of the increase is compensated for by an equivalent decrease in another specific limit. When requesting use of the provisions of this Paragraph, the Government of the Republic of Hungary will indicate the category to be decreased by the commensurate quantity.
- B. In addition, special shift of up to 5 per cent shall be available to Category 443 provided that twice that amount in square meters equivalent is deducted from either Category 433 or Category 434. When requesting the special shift, the Government of the Republic of Hungary will specify the category from which the special shift for that agreement year will be taken.

**FLEXIBILITY**  
**(CARRYOVER AND CARRY FORWARD)**

5. (A) In any agreement year, in addition to any adjustment pursuant to Paragraph 4, exports may exceed by a maximum of 11 per cent, any limit set out in Annex B by allocating to such limit for that agreement year an unused portion of the corresponding limit for the previous agreement year ("CARRYOVER") or a portion of the corresponding limit for the succeeding agreement year ("CARRY FORWARD") subject to the following conditions:
- (I) Carryover may be utilized as available (subject to Paragraph 5(B)) up to 11 per cent of the receiving agreement year's applicable limit. No carryover shall be available for application during the first agreement year. Carryover shall be available for the 1992 and 1993 agreement years.
  - (II) Carry forward may be utilized up to six per cent of the receiving agreement year's applicable limit. Carry forward used shall be charged against the immediately following agreement year's corresponding limit. No carry forward shall be available for application during the final agreement year. Carry forward shall be available for the 1992 agreement year.
  - (III) The combination of carryover and carry forward shall not exceed eleven per cent of the receiving agreement year's applicable limit in any agreement year.
- (B) For purposes of the Agreement, a shortfall occurs when exports of textiles or textile products from Hungary to the United States of America during an agreement year are below any applicable specific limit as set out in Annex B. In the agreement year following the shortfall, such exports from Hungary to the United States of America may be permitted to exceed the applicable limits, subject to conditions of sub-paragraph 5(A), by carryover of shortfall in the following manner:
- (1) The carryover shall not exceed the amount of shortfall in any applicable limits;  
and
  - (2) the shortfall shall be used in the category in which the shortfall occurred.

### CLASSIFICATION

6. For the purposes of this Agreement, textile products covered by this Paragraph shall be classified as:

(I) Cotton textiles if the product is in chief weight of cotton, or if cotton with wool and/or man-made fibres in the aggregate equals or exceeds 50 per cent by weight of the component fibres thereof and the cotton component equals or exceeds the weight of each of the total wool and/or man-made fibre components, unless:

(A) The product is a woven fabric in which wool equals or exceeds 36 per cent by weight of all fibres, in which case the product will be a wool textile.

(II) Wool textiles, if the product is in chief weight of wool, or, in the case of products which are chief weight of silk or non-cotton vegetable fibres, wool exceeds 17 per cent by weight of all fibres.

(III) Man-made fibre textiles, if the product is in chief weight of man-made fibres in combination with cotton and/or wool in the aggregate equal or exceed 50 per cent by weight of the component fibres thereof and the man-made fibre component exceeds the weight of the total wool and/or cotton component, unless:

(A) The product is knitted or crocheted apparel in which wool equals or exceeds 23 per cent by weight of all fibres, in which case the product will be a wool textile;

(B) The product is apparel, not knitted or crocheted, in which wool equals or exceeds 36 per cent by weight of all fibres, in which case the product will be a wool textile;

(C) The product is woven fabric in which wool equals or exceeds 36 per cent by weight of all fibres, in which case the product will be a wool textile.

Coverage under this Paragraph is intended to be identical with the terms of Article 12 of the Arrangement Regarding International Trade in Textiles and in conformance with Paragraph 24 of the 31 July 1987 Protocol of Extension.

In the event of a question regarding whether a product is covered by this Agreement by virtue of being in chief weight of cotton, wool, or man-made fibre, the chief value of the fibres may be considered.

### ASSISTANCE IN IMPLEMENTATION

7. (A) The Government of the United States of America may assist the Government of the Republic of Hungary in implementing the limitation provisions of the Agreement by controlling its imports of the textile products covered by the Agreement.

(B) Exports from Hungary in excess of authorized limits in any agreement period may be denied entry into the United States. Any such shipments denied entry may be permitted entry into the United States and charged to the applicable limit in the succeeding agreement period.

- (C) Exports from Hungary in excess of authorized limits in any agreement year will, if allowed entry into the United States during that agreement period, be charged to the applicable limit in the succeeding agreement period.

#### EXCHANGE OF DATA

8. The Government of the United States of America shall promptly supply the Government of the Republic of Hungary with monthly data on imports of textile products subject to this Agreement, and the Government of the Republic of Hungary shall promptly supply the Government of the United States of America with quarterly data on exports of such products to the United States. Each Government agrees to supply promptly any other pertinent and readily available statistical data requested by the other Government.

#### CONSULTATION ON IMPLEMENTATION QUESTIONS

9. The Government of the United States of America and the Government of the Republic of Hungary agree to consult on any question arising in the implementation of this Agreement.

#### MUTUALLY SATISFACTORY ADMINISTRATIVE ARRANGEMENTS

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

#### EQUITY PROVISION

11. If the Government of the Republic of Hungary considers that, as a result of a limitation specified in this Agreement, Hungary is being placed in an inequitable position vis-à-vis a third country, the Government of the Republic of Hungary may request consultations with the Government of the United States of America with a view to taking appropriate remedial action such as reasonable modification of the Agreement.

#### LIMITED WAIVER OF ARTICLE 3 RIGHTS

12. For the duration of the Agreement, the Government of the United States of America shall not invoke the procedures of Article 3 of the Arrangement to request restraints on the export from the Republic of Hungary of textiles covered by Annex A of the Agreement. The Government of the United States of America and the Government of the Republic of Hungary reserve their rights under the Arrangement with respect to textiles and textile products not subject to this Agreement.

#### COOPERATION IN THE PREVENTION OF CIRCUMVENTION

13. A. The Government of the United States and the Government of Hungary agree to take measures necessary to address, to investigate and, where appropriate, to take legal and/or administrative action to prevent circumvention of this Agreement by transshipment, rerouting, false declaration concerning country of origin, falsification of official documents or any other means.

B. Both parties agree to cooperate fully, consistent with their domestic laws and procedures, in instances of circumvention or alleged circumvention of the Agreement to address problems arising from circumvention and to establish the relevant facts in the places of import, export and, where applicable, transshipment. Such cooperation, to the extent consistent with domestic laws and procedures, will include investigation of circumvention practices; exchange of documents, correspondence, reports and other relevant information to the extent available; and facilitation of impromptu, joint plant visits with the consent of the plant management and contacts by representatives of either party, upon written request to the appropriate Government officials and on a case-by-case basis.

C. If either party believes that this Agreement is being circumvented, it may request consultations to address the matter or matters concerned with a view to seeking a mutually satisfactory solution. To facilitate effective and fair implementation of the Agreement, each party agrees to hold such consultations promptly, beginning within 30 days of a request by a party and concluding within 90 days, unless extended by mutual agreement. At the time of the request, the party requesting consultations shall provide the other party information regarding the alleged circumvention that is the subject of the proposed consultations. During the consultations the parties agree to cooperate fully in terms of the elements set out in Paragraph B above, including where possible and in accordance with domestic laws and procedures the provision of documents and other materials.

D. Should the parties be unable to reach a satisfactory solution in the course of the consultations called for under Paragraph C, then the Governments of Hungary and the United States agree that in cases where clear evidence regarding circumvention has been provided, the United States may deduct from the quantitative limits for that agreement year amounts equivalent to the amount of transshipped products of Hungarian origin unless Paragraph E applies. The amounts transshipped shall be the amounts and the country of origin so determined by US Customs. In addition, the Governments of Hungary and the United States agree that deductions from the quantitative limits established under this Agreement may be made in those instances in which: A) the US possesses information showing a substantial likelihood that circumvention has occurred; B) the US has requested from Hungary cooperation or information relevant to the possible circumvention that is of a type that is available to or could reasonably be obtained by the Government of Hungary; and C) the Government of Hungary has not provided information or cooperation within the period for consultation outlined in Paragraph C. Any such action shall be notified to the TSB with full justification.

E. Should the United States choose to exercise its rights under Paragraph D to deduct an amount or amounts from the quantitative limits of a country where more than two major instances of circumvention have been demonstrated within the current or immediately preceding agreement year, then the United States may deduct from the quantitative limit amounts up to three times the amounts transshipped, provided that such deductions are distributed equally in each of the three following years and notified to the TSB with full justification. Such charges shall only be applied after consultations and where no or inadequate measures are being taken to address or to take action against such circumvention by the Government of Hungary.

F. Where there is clear evidence showing that goods originating in another country have been shipped through Hungary to the United States identified as products of Hungary, the Governments of Hungary and the United States agree to take appropriate action. Any such actions, together with their timing and scope, may be taken after consultations held with a view of arriving at a mutually satisfactory solution and shall be notified to the TSB with full justification. Such satisfactory salutation may include appropriate actions by the Government of Hungary resulting in the significant reduction or elimination of the circumvention. To

facilitate the effective and fair implementation of the Agreement, such consultations should be held promptly, beginning within 30 days of a request by a party and concluding within 90 days, unless extended by mutual agreement. Appropriate action may include the introduction of restraints in the relevant category or categories or deducting the amount of goods so shipped from the quantitative limits established for the current agreement year under this Agreement for shipments originating in Hungary. Should the parties be unable to reach a satisfactory solution, then the Governments of Hungary and the United States agree that in cases where clear information regarding circumvention has been provided, the United States may take such actions set out above.

G. Parties agree that false declaration concerning fibre content, quantities, description or classifications of merchandise also frustrates the objective of this Agreement. Where there is clear evidence that any such false declaration has been made for purposes of circumvention, both parties agree to take appropriate measures, consistent with their domestic laws and procedures, against exporters or importers involved. Should either party believe that this Agreement is being circumvented by such false declaration and that no, or inadequate, administrative measures are being applied to address and/or take action against such circumvention, that party should consult promptly with the party involved with a view to seeking mutually satisfactory solution. Such consultations should be held promptly, beginning within 30 days of a request by a party, and concluding within 90 days, unless extended by mutual agreement. Should the parties be unable to reach a satisfactory solution, then the Governments of Hungary and the United States agree that in cases where clear evidence regarding such false declarations has been provided, then the United States may deduct from the quantitative limits established for the current agreement year an amount equivalent to the amount of product subject to the false declaration or classification. This provision is not intended to prevent parties from making technical adjustments when inadvertent errors in declarations have been made.

CONTINUATION OF ADMINISTRATIVE PROVISIONS  
UNDER A URUGUAY ROUND TEXTILE AGREEMENT

15. The provisions addressing administrative matters set out in Paragraphs 2, 4, 5, 6, 7, 8, 9, 10 and 13 of this Agreement, will be directly relevant to the ability of the Governments of the United States and Hungary to implement the Uruguay Round Textiles Agreement. These paragraphs will remain in force and will be notified to the textiles monitoring body upon entry into force of the Uruguay Round Agreement.

If the foregoing is acceptable to the Government of the Republic of Hungary, then this Note and a Note of Confirmation from your Government shall constitute an amendment to the Agreement.

The Embassy of the United States of America takes this opportunity to convey to the Ministry of Foreign Affairs the renewed assurances of its highest consideration.

Enclosure: Annexes A and B

Embassy of the United States of America,  
Budapest, 7 April 1994

ANNEX A

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>CONVERSION FACTOR TO SQUARE METER EQUIVALENT</u>	<u>UNIT OF MEASURE</u>
410	Woven fabrics containing 36 per cent or more by weight wool	1.0	M2
433	M & B Suit-type Coats, Wool	30.1	DOZ
434	Other M & B Wool Coats	45.1	DOZ
435	W & G Wool Coats	45.1	DOZ
443	M & B Wool Suits	3.76	NOS
444	W & G Wool Suits	3.76	NOS
448	M & B Wool Trousers, Slacks and Shorts	15.0	DOZ
604	Yarn containing 85 per cent or more by weight synthetic staple fibre	7.6	KG



ANNEX B

<u>CATEGORY</u>	<u>UNIT</u>	<u>1994</u>	<u>1995</u>
410	M2	887,567	896,442
433	DOZ	16,832	17,000
434	DOZ	14,281	14,424
435	DOZ	24,686	24,933
443	NOS	158,116	159,697
444	NOS	51,005	51,515
448	DOZ	21,816	22,034
604	KG	965,144	1,023,053