

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

COT/95

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ARRANGEMENT REGARDING INTERNATIONAL TRADE IN
COTTON TEXTILES

Bilateral Arrangement Between Japan and the United States

Attached is the text of the notes and letters exchanged between the Governments of Japan and the United States constituting a new bilateral Arrangement concluded between the two countries concerning trade in cotton textiles and amending the 1963 Arrangement as modified and extended.

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

Note No. 1

12 January 1968

Excellency,

I have the honour to refer to the decision, made on 3 April 1967, of the Cotton Textiles Committee of the General Agreement on Tariffs and Trade approving a Protocol to extend through 30 September 1970 the Long-Term Arrangement Regarding International Trade in Cotton Textiles done in Geneva on 9 February 1962 (hereinafter referred to as "the Long-Term Arrangement"). I have further the honour to refer to the discussions between representatives of the Government of Japan and the Government of the United States concerning trade in cotton textiles between Japan and the United States and to the Arrangement between the Government of Japan and the Government of the United States Concerning Trade in Cotton Textiles between Japan and the United States, effected by the Exchange of Notes on 27 August 1963, as modified and extended by the Exchanges of Notes on 19 May 1965 and on 14 January 1966¹ (hereinafter referred to as "the 1963 Arrangement"), and to confirm, on behalf of the Government of Japan, the understandings reached between the two Governments that, pursuant to the provisions of Article 4 of the Long-Term Arrangement as extended by the said Protocol, and with a view to providing for orderly development of trade in cotton textiles between Japan and the United States, the bilateral arrangement attached hereto will be applied by the two Governments for the period of three years beginning 1 January 1968, taking the place of the 1963 Arrangement. This bilateral arrangement is based on our understanding that the above-mentioned Protocol entered into force for our two Governments on 1 October 1967.

I have further the honour to request you to be good enough to confirm the foregoing understandings on behalf of the Government of the United States.

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

Takeso Shimoda
Ambassador of Japan

His Excellency Dean Rusk,
Secretary of State
of the United States.

Enclosure: Arrangement

¹See document COT/11 and addenda.

ARRANGEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE
GOVERNMENT OF THE UNITED STATES CONCERNING TRADE IN
COTTON TEXTILES BETWEEN JAPAN AND THE UNITED STATES

Pursuant to the provisions of Article 4 of the Long-Term Arrangement, permitting "mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement", the following Arrangement will be applied by the two Governments for the period of three years beginning 1 January 1968.

1. The purpose of this Arrangement is to provide for orderly development of trade in cotton textiles between Japan and the United States. To achieve this purpose:

(a) The Government of the United States shall co-operate with the Government of Japan in promoting orderly development of trade in cotton textiles between Japan and the United States; and

(b) The Government of Japan will maintain, for the period of three years beginning 1 January 1968 annual aggregate limits for exports of cotton textiles to the United States, and annual limits for major groups and annual limits or ceilings for certain products within those groups, subject to the provisions of the Arrangement.

2. The annual aggregate limit for 1968 shall be 373,077 thousand equivalent square yards. This limit shall be sub-divided into four major groups as follows:

	<u>Thousand equivalent square yards</u>
(a) Group I - Cotton cloth	162,856
Group II - Made-up goods, usually included in United States cotton broad woven goods production	53,204
Group III - Apparel	144,040
Group IV - Miscellaneous cotton textiles	12,977

(b) Within these major groups, annual limits or ceilings for specific products are set forth in Annex A. Within the annual aggregate limit, the limits for Groups I, II and IV 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.

(c) Each group set forth above shall be deemed to contain the following categories which are defined in Annex B:

- Group I - Categories 5 through 27, and part of Category 32 (i.e. dedicated handkerchief cloth)
- Group II - Categories 28 through 31, 33 through 36, and parts of Categories 32 (except for dedicated handkerchief cloth) and 64 (as specified in paragraph 6 of Annex A)
- Group III - Categories 39 through 62, and part of Category 63 (as specified in paragraph 6 of Annex A)
- Group IV - Categories 1 through 4, 37, 38, and parts of Categories 63 and 64 (as specified in paragraph 6 of Annex A).

3. The annual aggregate limit for 1969 and for each subsequent year shall be increased by 5 per cent over the aggregate limit for the preceding year. These annual increases shall be applied to each limit for the groups and to each limit or ceiling within the groups.

4. (a) After the first agreement year, for any agreement year immediately following a year of a shortfall (i.e. a year in which cotton textile exports from Japan to the United States were below the aggregate limit and any group and specific limit and ceiling applicable to the category concerned) the Government of Japan may permit exports to exceed the aggregate, group and specific limits and ceilings by carryover in the following amounts and manner:

- (i) The carryover shall not exceed the amount of the shortfall in either the aggregate limit or any applicable group or specific limit or ceiling and shall not exceed either 5 per cent of the 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 other than the specific limit for "all other" categories or "other" categories, and in the case of shortfalls in the categories subject to specific ceilings, the carryover shall not exceed 5 per cent of the specific limit or ceiling 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 covered in sub-paragraph (ii) of this sub-paragraph, the carryover shall be used in the same group in which the shortfall occurred, may be used to exceed the specific limit in which the shortfall occurred but shall not be used to exceed any other applicable specific limit, except in accordance with the provisions of paragraph 5 of Annex A, and shall be subject to the provisions of paragraph 6 of this Arrangement and sub-paragraph 1(b) of Annex A.

(b) The limits and ceilings referred to in sub-paragraph (a) of this paragraph are without any adjustments under this paragraph or sub-paragraph 2(b) above, or sub-paragraphs 1(d), 2(b), 3(b), or 4(b) or paragraph 5 of Annex A except that for the purpose of this paragraph only the level of each group limit shall be deemed to be the maximum amount that Japan could have exported in that group pursuant to sub-paragraph 2(b) above.

(c) The carryover shall be in addition to the exports permitted under sub-paragraph 2(b) above, and sub-paragraph 1(d), 2(b), 3(b), or 4(b), and paragraph 5 of Annex A.

5. In the implementation of this Arrangement, the system of categories and the rates of conversion into square yards equivalent listed in Annex B shall apply.

6. (a) The two Governments undertake to consult whenever there is any question arising from the implementation of this Arrangement.

(b) If instances of excessive concentration of Japanese exports in any products within the scope of this Arrangement, except those included in categories for which limits or ceilings are specified in Annex A, or if instances of excessive concentration of Japanese exports of end products made from a particular type of fabric should cause or threaten to cause disruption of the United States market, the Government of the United States may request in writing consultations with the Government of Japan to determine an appropriate course of action. Such a request shall be accompanied by a detailed, factual statement of the reasons and justification for the request, including relevant data on imports from third countries. During the course of such consultations, the Government of Japan will maintain exports in the products in question on a quarterly basis at annual levels not in excess of 105 per cent of the exports of such products during the twelve most recent months for which relevant export data are available to both Governments.

(c) The provisions in sub-paragraph (b) above should only be resorted to sparingly. In the event that the Government of Japan considers that the substance of Annex A would be seriously affected due to the consultations in sub-paragraph (b), the Government of Japan may request that the consultations include a discussion of possible modifications of Annex A.

7. In recognition of the desire of the Government of the United States that excessive concentration in a short period of the year of the exports of particular products from Japan to the United States should be avoided, the Government of Japan will distribute exports from Japan to the United States of particular products equally by quarters as far as practicable and as necessary to meet seasonal demands.

8. 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.

9. The two Governments recognize that the successful implementation of this Arrangement depends in large part upon mutual co-operation on statistical questions. Accordingly, each Government agrees to supply promptly any available statistical data requested by the other Government. In particular, the Government of the United States shall supply the Government of Japan with data on monthly imports of cotton textiles from Japan as well as from third countries, and the Government of Japan shall supply the Government of the United States with data on monthly exports of cotton textiles to the United States.

10. As regards products in any category under specific limits or ceilings specified in this Arrangement, the Government of the United States shall keep under review the effect of this Arrangement with a view to orderly development of trade in cotton textiles between Japan and the United States, and shall furnish the Government of Japan once a year with available statistics and other relevant data on imports, production and consumption of such products such as would clarify the impact of imports on the industry concerned.

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

12. The two Governments understand that the terms and conditions of the Long-Term Arrangement shall be applicable to trade in cotton textiles between Japan and the United States except as provided in this Arrangement. The Government of the United States agrees that in so far as the exports from Japan of the products falling within the scope of Annex A of this Arrangement are conducted within the framework thereof the Government of the United States shall not invoke Article 3 of the Long-Term Arrangement with respect to such products.

13. (a) This Arrangement shall continue in force through 31 December 1970, provided that either Government may terminate this Arrangement prior thereto effective at the beginning of a calendar year by giving sixty days' written notice to the other Government.

(b) Each Government may at any time propose modification of this Arrangement. The other Government shall give sympathetic consideration to such proposal.

ANNEX A

1. (a) The following specific limits shall apply within the total annual limit of 162,856,000 square yards for Group I "Cotton cloth" during 1968:

	<u>Thousand square yards</u>
(1) Ginghams (Categories 5 and 6)	59,952
(2) Velveteens (Category 7)	3,569
(3) Typewriter ribbon cloth (Category 17)	1,281
(4) All other fabrics (Categories 8 through 16, 18 through 27 and part of Category 32, i.e. dedicated handkerchief cloth)	98,054

(b) In the event that (1) exports from Japan of "Ginghams, combed" should substantially exceed 75 per cent of the limit for "Ginghams" or exports from Japan of "All other fabrics" made from combed warp and filling should substantially exceed 44,964,000 square yards for 1968 and the volume calculated by adjusting the above figure in accordance with the provisions of paragraph 3 of the Arrangement for each subsequent year, and (2) as a result of this excess, such exports should cause or threaten to cause disruption of the United States domestic market, the Government of the United States may request, in the manner set forth in paragraph 6 of the Arrangement, consultations with the Government of Japan to determine an appropriate course of action. During the course of such consultations, the Government of Japan will maintain exports in the products in question at the same levels as those mentioned in sub-paragraph 6(b) of the Arrangement.

(c) Within "All other fabrics", the following specific ceilings shall not be exceeded:

	<u>Thousand square yards</u>
(1) Duck (part of Categories 26 and 27)	2,271
(2) Yarn-dyed dedicated handkerchief cloth, n.e.s. (part of Category 32)	2,920

(d) Any shortfall below the limits specified in (1), (2) and (3) of sub-paragraph 1(a) may be transferred to (4) - "All other fabrics".

2. (a) The following specific limits shall apply within the total annual limit of 53,204,000 square yards for Group II - "Made-up goods, usually included in United States cotton broad woven goods production" during 1968:

	<u>Unit</u>	<u>No.</u>
(1) Pillowcases, plain (Categories 28 and 29)	1,000 nos.	7,007
(2) Handkerchief, except for dedicated handkerchief cloth (part of Category 32)	1,000 doz.	1,635
(3) Sheets (Categories 34 and 35)	1,000 nos.	3,815
(4) All other made-up goods (Categories 30, 31, 33, 36 and part of Category 64 as specified in paragraph 6 below)	1,000 sq.yd. equivalent	19,241

(b) Any shortfall below the limits specified in (1), (2), and (3) of subparagraph 2(a) may be transferred to (4) - "All other made-up goods".

3. (a) The following specific limits shall apply within the total annual limit of 144,040,000 square yards for Group III - "Apparel" during 1968:

	<u>Unit</u>	<u>No.</u>
(1) T-shirts, knit (Categories 41 and 42)	1,000 doz.	694
(2) Knitshirts, other than T and sweatshirts (Category 43)	1,000 doz.	1,050
(3) Men's and boys' shirts, dress not knit or crocheted (Category 45)	1,000 doz.	496
(4) Men's and boys' shirts, sport, whether or not in sets, not knit or crocheted (Category 46)	1,000 doz.	931
(5) Raincoats 3/4 length and over (Category 48)	1,000 doz.	78
(6) All other coats (Category 49)	1,000 doz.	156
(7) Trousers, slacks and shorts, outer, whether or not in sets, not knit or crocheted (Categories 50 and 51)	1,000 doz.	1,946
(8) Blouses, whether or not in sets, not knit or crocheted (Category 52)	1,000 doz.	2,303
(9) Dresses, not knit or crocheted (Category 53)	1,000 doz.	58
(10) Playsuits, sunsuits, washsuits, rompers, creepers etc., not knit or crocheted (Category 54)	1,000 doz.	234
(11) Nightwear and pyjamas (Category 60)	1,000 doz.	156
(12) All other apparel (Categories 39, 40, 44, 47, 55 through 59, 61, 62 and part of Category 63 as specified in paragraph 6 below)	1,000 sq.yd. equivalent	4,001

(b) Any shortfall below the limits specified in (1) through (11) of sub-paragraph 3(a) may be transferred to (12) - "All other apparel".

(c) Within the specific limit of 1,946,000 dozen for "Trousers, slacks and shorts, outer, whether or not in sets, not knit", the following specific ceilings shall not be exceeded during 1968:

	<u>Unit</u>	<u>No.</u>
(1) Men's and boys' (Category 50)	1,000 doz.	649
(2) Women's, misses' and children's (Category 51)	1,000 doz.	1,509

(d) The aggregate volume of exports of the following apparel items manufactured of corduroy, where the chief weight of the item is corduroy, shall be limited to 27,705,000 square yards equivalent for 1968 and the volume calculated by adjusting the above figure in accordance with the provisions of paragraph 3 of the Arrangement for each subsequent year, based upon the conversion factors for the items in question which appear in Annex B:

<u>Category No.</u>	<u>Description</u>
46	Sportshirts
49	All other coats
50-51	Trousers
54	Playsuits

4. (a) The following specific limits shall apply within the total annual limit of 12,977,000 square yards for Group IV - "Miscellaneous cotton textiles" during 1968:

	<u>Unit</u>	<u>No.</u>
(1) Zipper tapes, n.e.s. (Schedule A No. 3230273)	1,000 lb.	1,051
(2) Other (Categories 1 through 4, 37, 38, parts of Categories 63 and 64 as specified in paragraph 6 below)	1,000 sq.yd. equivalent	8,142

(b) Any shortfall below the limit specified in (1) in sub-paragraph 4(a) may be transferred to (2) - "Other".

5. Within the annual aggregate limit and the limitation for each group provided for in paragraph 2 of the Arrangement, the limits and ceilings set for specific products may be exceeded by not more than 5 per cent.

6. With regard to Categories 63 and 64 referred to in sub-paragraph 2(c) of the Arrangement and in paragraphs 2, 3 and 4 of this Annex, the following items or products as identified by Schedule A numbers shall be included:

Category 63 (to be included in Group III except as noted otherwise)

3113	000 ¹	3114	165
3113	362	3114	175
3113	365 ₁	3114	180
3113	958 ₁	3114	225
3113	962 ₁	3114	235
3113	965	3114	240
3113	969	3114	245
3113	970	3114	255 ₁
3113	971	3114	715 ₁
3113	972	3114	720 ₁
3113	973	3114	895
3113	974	3114	900
3113	975	3114	905
3113	995	3114	925
3114	001	3114	950
3114	155	3114	955

Part of:

3113	997 ²
3113	998 ²
3114	260 ²
3114	960 ²
3114	965 ²

I.e., Pullovers	Diaper sets
Aprons	Scarves
Altar cassocks	Dress shields ¹
Beach wear sets	Sash belts ¹
Swim wear	Apparel with bib
Baseball uniforms	Bibs ¹
Sleeping bags (for infants)	Belts for apparel ¹
Halters	Shoulder straps ¹ for brassieres ¹
Men's and boys' (coveralls and overalls)	

¹These items or products shall be included in Group IV.

²The two Governments shall consult as to whether or not any product other than the seventeen products enumerated below the footnoted items may be classified as an addition to these items. Such consultations shall not cover shoe uppers, Japan items, belts (other than sash belts and belts for apparel), suspenders and braces.

Category 64 (to be included in Group IV except as noted otherwise)

3030	000	3118	200 ¹	3168	001	3224	050
3030	100	3124	200 ¹	3168	002	3224	100
3081	510	3134	200 ¹	3168	003	3224	150
3081	530	3144	200 ¹	3168	004	3224	200
3081	600 ¹	3154	200 ¹	3168	005	3224	300
3081	710 ¹	3158	020 ¹	3168	006	3224	500
3081	730 ¹	3158	120 ¹	3168	007	3230	240
3081	812 ¹	3159	020 ¹	3168	008	3230	273
3081	815 ¹	3159	120 ¹	3168	009	3230	350
3081	818 ¹	3163	001	3168	010 ¹	3230	401
3081	852 ¹	3163	002	3200	012 ¹	3230	410
3081	855 ¹	3163	003	3200	015 ¹	3230	431 ¹
3081	858 ¹	3163	004	3200	400 ¹	3230	500 ¹
3081	912 ¹	3163	005	3220	130 ¹	3230	682 ¹
3081	915 ¹	3163	006 ¹	3220	202 ¹	3230	685 ¹
3081	918 ¹	3163	580 ¹	3220	205 ¹	3230	688 ¹
3083	500 ¹	3163	600 ¹	3220	207 ¹	3903	300
3083	700 ¹	3163	690 ¹	3220	212 ¹	3969	010
3083	900 ¹	3166	000	3220	862	3230	232
3084	112 ¹	3166	200	3220	865	3230	235
3084	400 ¹	3166	300	3220	868	3230	278
3086	600 ¹	3166	692	3224	000	9439	950 (excluding in sets)
3086	730	3166	695				

¹These items shall be included in Group II.

ANNEX B

Category	Description	Unit	Conversion factor
1	Cotton yarn, singles, carded, not ornamented, etc.	lb.	4.6
2	Cotton yarn, plied, carded, not ornamented, etc.	lb.	4.6
3	Cotton yarn, singles, combed, not ornamented, etc.	lb.	4.6
4	Cotton yarn, plied, combed, not ornamented, etc.	lb.	4.6
5	Ginghams, carded yarn	sq.yd.	1.0
6	Ginghams, combed yarn	sq.yd.	1.0
7	Velveteens	sq.yd.	1.0
8	Corduroy	sq.yd.	1.0
9	Sheeting, carded yarn	sq.yd.	1.0
10	Sheeting, combed yarn	sq.yd.	1.0
11	Lawns, carded yarn	sq.yd.	1.0
12	Lawns, combed yarn	sq.yd.	1.0
13	Voiles, carded yarn	sq.yd.	1.0
14	Voiles, combed yarn	sq.yd.	1.0
15	Poplin and broadcloth, carded yarn	sq.yd.	1.0
16	Poplin and broadcloth, combed yarn	sq.yd.	1.0
17	Typewriter ribbon cloth	sq.yd.	1.0
18	Print cloth, shirting type 80 x 80 type, carded yarn	sq.yd.	1.0
19	Print cloth, shirting type, other than 80 x 80 type, carded yarn	sq.yd.	1.0
20	Shirting, carded yarn	sq.yd.	1.0
21	Shirting, combed yarn	sq.yd.	1.0
22	Twill and sateen, carded yarn	sq.yd.	1.0
23	Twill and sateen, combed yarn	sq.yd.	1.0
24	Yarn-dyed fabrics, n.e.s., carded yarn	sq.yd.	1.0
25	Yarn-dyed fabrics, n.e.s., combed yarn	sq.yd.	1.0
26	Fabrics, n.e.s., carded yarn	sq.yd.	1.0
27	Fabrics, n.e.s., combed yarn	sq.yd.	1.0
28	Pillowcases, plain, carded yarn	No.	1.084
29	Pillowcases, plain, combed yarn	No.	1.084
30	Dish towels	No.	.348
31	Towels, other than dish towels	No.	.348
32	Handkerchiefs	doz.	1.66
33	Table damasks and manufactures	lb.	3.17
34	Sheets, carded yarn	No.	6.2
35	Sheets, combed yarn	No.	6.2

Category	Description	Unit	Conversion factor
36	Bedspreads, including quilts	No.	6.9
37	Braided and woven elastics	lb.	4.6
38	Fishing nets	lb.	4.6
39	Gloves and mittens	doz.	3.527
40	Hose and half hose	doz.pr.	4.6
41	Men's and boys' all white T-shirts, knit or crocheted	doz.	7.234
42	Other T-shirts	doz.	7.234
43	Knitshirts, other than T-shirts and sweat-shirts (including infants)	doz.	7.234
44	Sweaters and cardigans	doz.	36.8
45	Men's and boys' shirts, dress, not knit or crocheted	doz.	22.186
46	Men's and boys' shirts, sport, not knit or crocheted	doz.	24.457
47	Men's and boys' shirts, work, not knit or crocheted	doz.	22.186
48	Raincoats, 3/4 length, or over	doz.	50.0
49	All other coats	doz.	32.5
50	Men's and boys' trousers, slacks and shorts, outer, whether or not in sets, not knit or crocheted	doz.	17.797
51	Women's, misses' and children's trousers, slacks and shorts, outer, whether or not in sets, not knit or crocheted	doz.	17.797
52	Blouses, whether or not in sets	doz.	14.53
53	Women's, misses', children's, and infants' dresses (including nurses' and other uniform dresses), not knit or crocheted	doz.	45.3
54	Playsuits, sunsuits, washsuits, creepers, rompers, etc., (except blouses and shorts; blouses and trousers; or blouses, shorts and skirt sets)	doz.	25.0
55	Dressing gowns, including bathrobes and beachrobes, lounging gowns, dusters and housecoats, not knit or crocheted	doz.	51.0
56	Men's and boys' undershirts (not T-shirts)	doz.	9.2
57	Men's and boys' briefs and undershorts	doz.	11.25
58	Drawers, shorts and briefs (except men's and boys' briefs), knit or crocheted	doz.	5.0
59	All other underwear, not knit or crocheted	doz.	16.0
60	Nightwear and pyjamas	doz.	51.96
61	Brassieres and other body supporting garments	doz.	4.75
62	Other knitted or crocheted clothing	lb.	4.6
63	Other clothing, not knit or crocheted	lb.	4.6
64 ¹	All other cotton textile items	lb.	4.6

¹Floor coverings shall be measured by actual square yardages.

Note No. 2

12 January 1968

Excellency,

I have the honour to acknowledge receipt of your note of today's date and the bilateral arrangement attached thereto concerning trade in cotton textiles between Japan and the United States which reads as follows:

(See Note No. 1)

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

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

For the Secretary of State:

His Excellency Takeso Shimoda,
Ambassador of Japan.

Note No. 3

12 January 1968

Excellency,

I have the honour to refer to recent discussions between representatives of our two Governments regarding trade in cotton textiles between Japan and the United States and to:

- (a) The arrangement between our two Governments concerning this trade effected by the Exchange of Notes on 27 August 1963, as modified and extended by the Exchange of Notes on 19 May 1965 and 14 January 1966 (hereinafter referred to as "the 1963 Arrangement"), and
- (b) The arrangement between our two Governments concerning trade effected by an Exchange of Notes today (hereinafter referred to as "the 1968 Arrangement").

In view of the circumstances referred to in the 1968 Arrangement, I have the honour to confirm, on behalf of the Government of Japan, the understandings reached between our two Governments that:

1. The aggregate and group limits for calendar year 1967 shall be deemed to have been as follows:

	<u>Equivalent square yards</u>
Aggregate	355,311,146
Group I - Cotton cloth	155,101,040
Group II - Made-up goods, usually included in United States cotton broad woven goods production	50,670,459
Group III - Apparel	137,180,998
Group IV - Miscellaneous cotton textiles	12,358,649

2. The first four numbered paragraphs of Annex A of the 1963 Arrangement shall be deemed to have been as set forth in the Annex hereto.

I have further the honour to request your Excellency to confirm the foregoing understandings on behalf of the Government of the United States.

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

(signed) Takeso Shimoda
Ambassador of Japan

His Excellency Dean Rusk,
Secretary of State of the United States.

Enclosure: Annex.

ANNEX

1. (a) The following specific limits shall apply within the total annual limit of 155,101,040 square yards for Group I "Cotton cloth" during 1967:

	<u>Square yards</u>
(1) Ginghams (Categories 5 and 6)	57,096,956
(2) Velveteens (Category 7)	3,398,628
(3) Typewriter ribbon cloth (Category 17)	1,219,799
(4) All other fabrics (Categories 8 through 16, 18 through 27 and part of Category 32, i.e. dedicated handkerchief cloth)	93,385,657

(b) In the event that (1) exports from Japan of "Ginghams, combed" should substantially exceed 75 per cent of the limit for "Ginghams" or exports from Japan of "All other fabrics" made from combed warp and filling should substantially exceed 42,822,717 square yards for 1967 and (2) as a result of this excess, such exports should cause or threaten to cause disruption of the United States domestic market, the Government of the United States may request, in the manner set forth in paragraph 5 of the Arrangement, consultations with the Government of Japan to determine an appropriate course of action. During the course of such consultations, the Government of Japan will maintain exports in the products in question at the same levels as those mentioned in sub-paragraph 5(b) of the Arrangement.

(c) Within "All other fabrics", the following specific ceilings shall not be exceeded:

	<u>Square yards</u>
(1) Duck (part of Categories 26 and 27)	2,162,763
(2) Yarn-dyed dedicated handkerchief cloth, n.e.s. (part of Category 32)	2,780,696

(d) Any shortfall below the limits specified in (1), (2) and (3) of sub-paragraph 1(a) may be transferred to (4) - "All other fabrics".

2. (a) The following specific limits shall apply within the total annual limit of 50,670,459 square yards for Group II - "Made-up goods, usually included in United States cotton broad woven goods production" during 1967:

	<u>No.</u>
(1) Pillowcases, plain (Categories 28 and 29)	6,673,670 pieces
(2) Handkerchiefs, except for dedicated handkerchief cloth (part of Category 32)	1,557,190 dozen
(3) Sheets (Categories 34 and 35)	3,633,443 pieces
(4) All other made-up goods (Categories 30, 31, 33, 36 and part of Category 64 as specified in paragraph 6 of Annex A, as amended)	18,323,919 square yard equivalent

(b) Any shortfall below the limits specified in (1), (2) and (3) of sub-paragraph 2(a) may be transferred to (4) - "All other made-up goods".

3. (a) The following specific limits shall apply within the total annual limit of 137,180,998 square yards for Group III - "Apparel" during 1967:

	<u>No.</u>
(1) T-shirts, knit (Categories 41 and 42)	661,188 dozen
(2) Knit shirts, other than T and sweat-shirts (Category 43)	999,816 dozen
(3) Men's and boys' shirts, dress, not knit or crocheted (Category 45)	472,101 dozen
(4) Men's and boys' shirts, sport, whether or not in sets, not knit or crocheted (Category 46)	886,733 dozen
(5) Raincoats, 3/4 length and over (Category 48)	74,152 dozen
(6) All other coats (Category 49)	148,304 dozen
(7) Trousers, slacks and shorts, outer, whether or not in sets, not knit or crocheted (Categories 50 and 51)	1,853,798 dozen
(8) Blouses, whether or not in sets, not knit or crocheted (Category 52)	2,193,661 dozen
(9) Dresses, not knit or crocheted (Category 53)	55,614 dozen
(10) Playsuits, sunsuits, washsuits, rompers, creepers, etc., not knit or crocheted (Category 54)	222,456 dozen
(11) Nightwear and pyjamas (Category 60)	148,304 dozen
(12) All other apparel (Categories 39, 40, 44, 47, 55 through 59, 61, 62 and part of Category 63 as specified in paragraph 6 of Annex A, as amended)	3,824,427 square yards equivalent

(b) Any shortfall below the limits specified in (1) through (11) of sub-paragraph 3(a) may be transferred to (12) - "All other apparel".

(c) Within the specific limit of 1,853,798 dozen for "Trousers, slacks and shorts, outer, whether or not in sets, not knit", the following specific ceilings shall not be exceeded during 1967:

	<u>No.</u>
(1) Men's and boys' (Category 50)	617,933 dozen
(2) Women's, misses' and children's (Category 51)	1,436,693 dozen

(d) The aggregate volume of exports of the following apparel items manufactured of corduroy, where the chief weight of the item is corduroy, shall be limited to 26,385,714 square yards equivalent for 1967 based upon the conversion factors for the items in question which appear in Annex B of the 1963 Arrangement:

<u>Category number</u>	<u>Description</u>
46	Sportshirts
49	All other coats
50-51	Trousers
54	Playsuits

4. (a) The following specific limits shall apply within the total annual limit of 12,358,649 square yards for Group IV - "Miscellaneous cotton textiles" during 1967:

	<u>No.</u>
(1) Zipper tapes, n.e.s. (Schedule A No. 3230273)	1,001,051 lb.
(2) Other (Categories 1 through 4, 37, 38, and parts of Categories 63 and 64 as specified in paragraph 6 of Annex A, as amended)	7,753,814 square yards equivalent

(b) Any shortfall below the limit specified in (1) in sub-paragraph 4(a) may be transferred to (2) - "Other".

Note No. 4

12 January 1968

Excellency,

I have the honour to acknowledge receipt of your note of today's date and the Annex attached thereto concerning trade in cotton textiles between Japan and the United States which reads as follows:

(See Note No. 3)

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

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

For the Secretary of State:

His Excellency Takeso Shimoda,
Ambassador of Japan.

Letter No. 1

12 January 1968

Dear Mr. Ambassador,

With reference to the Arrangement between the Government of the United States and the Government of Japan concerning trade in cotton textiles between Japan and the United States effected by the Exchange of Notes today, I wish to inform you of the following views and intentions of the Government of the United States.

1. With reference to paragraph 6(b) of the Arrangement, the Government of the United States recognizes that exports of the end products containing fabrics potentially falling under the so-called concentration clause are themselves subject to limits established in Annex A of the Arrangement. It further recognizes that changing demands in the United States market may, from time to time, lead to changes in the types of fabric appearing in imports into the United States. Considering these and other circumstances, the Government of the United States does not intend to invoke paragraph 6(b) on any type of fabric except in the case of a sharp and substantial increase from present levels in imports from Japan of that fabric in the form of end items. It is to be understood that a sharp and substantial increase would be considered to apply only in those cases where present levels of imports from Japan of the fabric concerned in the form of end items already are in substantial volume in relation to total consumption in the United States.

In any event, the Government of the United States would give the Government of Japan advance notice prior to any invocation of the clause under discussion.

2. The Government of the United States wishes to assure the Government of Japan that its policy is to maintain a uniform system of classification for cotton textiles at all ports of entry. Should any difficulties arise in the implementation of the Arrangement relating to the classification of any cotton textile product, including Categories 45 and 46, at any of the several ports of entry in the United States, the Government of the United States, on being advised of these problems by the Government of Japan, will investigate and will take whatever steps may be necessary to correct such difficulties.

I should be grateful if you would acknowledge the receipt of this letter on behalf of your Government.

Sincerely yours,

Anthony M. Solomon
Assistant Secretary of State
for Economic Affairs

His Excellency Takeso Shimoda,
Ambassador of Japan.

Letter No. 2

12 January 1968

Dear Mr. Solomon,

I acknowledge, on behalf of my Government, receipt of your letter of 12 January 1968 which reads as follows:

(See letter No. 1)

Sincerely yours,

The Honourable Anthony M. Solomon,
Assistant Secretary of State
for Economic Affairs,
Department of State.

Letter No. 3

12 January 1968

Dear Mr. Ambassador,

On the occasion of the Exchange of Notes effecting thereby the Arrangement between the Government of the United States and the Government of Japan concerning trade in cotton textiles between Japan and the United States, I wish to state that there are certain items not included in Annex A of the Arrangement but which are classified as "cotton textiles" by the Government of the United States. A list of these items, identified by the numbers of the United States "Schedule A", in effect as of 30 August 1963, is attached to this letter. It is the understanding of the Government of the United States that the Government of Japan does not consider some of the products within the first twenty-two items to be cotton textiles and does not consider any of the last seven items to be cotton textiles.

Nevertheless, in the event imports from Japan in any of the items or products enumerated in the attached list should cause or threaten to cause disruption of the United States domestic market, the Government of the United States may request consultations with the Government of Japan for the purpose of finding an appropriate course of action.

The consultations shall be conducted in the manner provided in paragraph 6 of the Arrangement if the item or product in question is considered a cotton textile by the Government of Japan, or in any other manner agreeable to both Governments if the item or product in question is not considered a cotton textile by the Government of Japan. The Government of Japan shall promptly notify the Government of the United States whether or not it considers the item or product in question to be a cotton textile.

While the Government of the United States agrees and prefers to seek a mutually satisfactory solution through the means mentioned above, it reserves its right, if such a settlement cannot be reached expeditiously, to invoke Article 3 of the Long-Term Arrangement Regarding International Trade in Cotton Textiles done at Geneva on 9 February 1962, and extended through 30 September 1970, concerning the items or products enumerated in the attached list.

I should be grateful if you would confirm these understandings if they are acceptable to your Government.

Sincerely yours,

Anthony M. Solomon
Assistant Secretary of State
for Economic Affairs

His Excellency Takeso Shimoda,
Ambassador of Japan.

Attachment

ATTACHMENT

(1)	2061	400	(16)	3971	210
(2)	3224	800	(17)	3971	430
(3)	3224	900	(18)	3113	997 ¹
(4)	3226	110	(19)	3113	998 ¹
(5)	3226	300	(20)	3114	260 ¹
(6)	3230	238	(21)	3114	960 ¹
(7)	3230	275	(22)	3114	965 ¹
(8)	3230	277	(23)	2061	000
(9)	3230	352	(24)	2067	610
(10)	3230	451	(25)	2067	710
(11)	3230	712	(26)	3224	700
(12)	3970	010	(27)	3230	461
(13)	3971	010	(28)	3230	670
(14)	3971	020	(29)	9439	950
(15)	3971	110			

(in sets only)

¹Part of these items included, i.e. shoe uppers, belts (other than cash belts and belts for apparel), suspenders and braces.

Letter No. 4

12 January 1968

Dear Mr. Solomon,

I acknowledge receipt of your letter of 12 January 1968 which reads as follows:

(See letter No. 3)

With regard to the above-stated understandings of the Government of the United States, I wish to confirm, on behalf of my Government, that these are also the understandings of the Government of Japan with the following reservation.

In the event the Government of the United States exercises its right to invoke Article 3 of the Long-Term Arrangement, the Government of Japan may exercise its rights as an exporting country in accordance with the various relevant provisions of the Long-Term Arrangement, including the right to bring questions of interpretation or application of the Long-Term Arrangement to the GATT Cotton Textiles Committee in accordance with Article 8 of the Long-Term Arrangement.

Sincerely yours,

The Honourable Anthony M. Solomon,
Assistant Secretary of State
for Economic Affairs,
Department of State.

Letter No. 5

12 January 1968

Dear Mr. Ambassador,

I have the honour to confirm, on behalf of my Government, the following understandings between the two Governments with reference to the Arrangement between the Government of Japan and the Government of the United States concerning trade in cotton textiles between Japan and the United States effected by the Exchange of Notes today.

1. With reference to Annex A of the Arrangement, if any problem arises regarding the classification in the implementation of the Arrangement, the two Governments shall consult each other with a view to finding an appropriate solution. Particularly, when questions arise whether certain products fall within the scope of Annex A, the two Governments shall study such questions taking into account, inter alia, such international standards as BTM and SITC.
2. In order to avoid unnecessary work and difficulties, no change will be made in the classification of cotton textiles in the implementation of this Arrangement, except for such minor modifications relating to the classification of textiles into categories as are mutually agreed to as desirable for effective implementation of the Arrangement.

I should be grateful if you would confirm these understandings if they are acceptable to your Government.

Sincerely yours,

Anthony M. Solomon
Assistant Secretary of State
for Economic Affairs

His Excellency Takeso Shimoda,
Ambassador of Japan.

Letter No. 6

12 January 1968

Dear Mr. Solomon,

I acknowledge receipt of your letter of 12 January 1968 which reads as follows:

(See letter No. 5)

I wish to confirm on behalf of my Government the understandings set forth in your letter.

Sincerely yours,

The Honourable Anthony M. Solomon,
Assistant Secretary of State for
Economic Affairs,
Department of State.

Letter No. 7

12 January 1968

Dear Mr. Ambassador,

I have the honour to confirm, on behalf of my Government, the following understanding between the two Governments with reference to the Arrangement between the Government of Japan and the Government of the United States concerning trade in cotton textiles between Japan and the United States effected by the Exchange of Notes today.

The Governments recognize that the Government of the United States now employs the TSUSA in its basic classification system for cotton textiles and no longer employs Schedule A. They agree that it is desirable to change the classification of cotton textile products in this Arrangement to conform with the TSUSA classification. They have established a working party to change the Schedule A classification appearing in this Arrangement to the TSUSA classification, and agree that this change should be completed as soon as a mutually acceptable conclusion is reached.

I should be grateful if you would confirm this understanding if it is acceptable to your Government.

Sincerely yours,

Anthony M. Solomon
Assistant Secretary of State
for Economic Affairs

His Excellency Takeso Shimoda,
Ambassador of Japan.

Letter No. 8

12 January 1968

Dear Mr. Solomon,

I acknowledge, on behalf of my Government, receipt of your letter of 12 January 1968, which reads as follows:

(see letter No. 7)

I wish to confirm on behalf of my Government the understanding set forth in your letter.

Sincerely yours,

The Honourable Anthony M. Solomon,
Assistant Secretary of State
for Economic Affairs,
Department of State.

Letter No. 9

12 January 1968

Dear Mr. Solomon,

With reference to Annex A of the Arrangement between the Government of Japan and the Government of the United States concerning trade in cotton textiles between Japan and the United States effected by the exchange of notes today, I wish to state our understanding that the exports of uniquely Japanese products called "Japan Items" shall not be included in Annex A of the Arrangement. The attachment to this letter provides for the definition of "Japan Items" and enumerates those products which have been and are likely to be exported to the United States as "Japan Items". Additional items may be added to the above attachment through agreement after consultations as may become necessary in the future.

It is further understood that the exports of "Japan Items" shall be made with certification by the Government of Japan. In the event that the Government of the United States finds that any particular products imported from Japan as "Japan Items" should not be properly classified as such, the Government of the United States may request consultations with the Government of Japan with a view to finding the appropriate classification of the products in question within Annex A of the Arrangement.

I should be grateful if you would confirm these understandings if they are acceptable to your Government.

Sincerely yours,

Takeso Shimoda
Ambassador of Japan

Attachment

The Honourable Anthony M. Solomon,
Assistant Secretary of State
for Economic Affairs,
Department of State.

ATTACHMENT

1. Definition of "Japan Items"

"Japan Items" to be kept outside Annex A of the said Arrangement are the items which are uniquely Japanese products. Whether a particular product should be considered as "Japan Items" or not will be determined on the basis of the following criterion:

Designed for the use in the traditional Japanese way of life, wearing "Kimono", living in "Tatami" rooms, decorating for traditional Japanese ceremonies or festivals, playing Japanese sports, etc. In other words, not in use in the regular western way of life except for hobbies or special likings.

2. List of "Japan Items"

The names of the items which have been and are likely to be exported as "Japan Items" are as follows:

(a) Cloth

Kimono	Traditional Japanese style dress.
Yukata	A type of Kimono, summer-wear made of Yukata-Ji (plain-woven light fabrics printed in simple colours).
Juban	Underwear for Kimono, fundamentally same style as Kimono.
Haori	Overcoat for Kimono, usually less than 3/4 length.
Wafukukoto	Raincoat or duster coat to be worn over Kimono, basically same style as Kimono, different from Haori in not being open in front and longer than 3/4 length.
Happi	Workers' overcoat, similar style with Haori but not dressy.
Judogi	Kimono-style sports wear for Judo, usually accompanied by slim and 3/4 length trousers and by belts.
Kendogi	Kimono-style sports wear for Kendo, usually accompanied by Hakama (men's skirts, full-length). Different from Judogi in being lighter, tighter and half-sleeves.
Kappogi	Apron to be worn over Kimono with broad sleeves, chest and shoulders covered.

Momohiki Carpenters' or Rikishamen's trousers, often cover-alls to be worn in combination with Happi. Different from western-style trousers in being extremely light and small in lower ends, usually black in colour. Combination sets of Happi and Momohiki are often traded as "Carpenter Apparel".

Sashiko Quilted coat which is almost like Happi, typically used by firemen.

(b) Clothing accessories

Obi (1) Wide, thick belts for Kimono, usually a few inches wide or more.
(2) Wide, thin belts for men's Kimono or Yukata, both longer than western-style belts by a few times.
(3) Judo belts, narrow but approximately twice as wide and longer than western-style belts, no buckles.

Obishime Woven decorative belt to be used on top of the Obi (1) above.

Tabi Socks to be worn when one wears "kimono" made of woven fabrics, tightly in the form of foot, having a separate division for the big toe. Reaches just above the ankle and is fastened at the back by means of an overlap having metal hook tabs.

Koshinimo Narrow, soft belt to be used between Obi and Kimono, or Kimono and Juban.

Eri-sugata A length of stiff cotton cloth to be sewn inside "Eri" collar to give a form or shape.

Sode-guchi Extra broad sleeves which are based on the short sleeves of Juban.

Homae-kake Men's working apron, thick and heavy. Big in size, usually simple in colour.

(c) Household goods

Futon Japanese style bedding, mattress and thick, large blankets. Mattress different from western-style in the stuffing much softer and the covering cloth lighter. Blankets are as thick as an inch or more, also with soft stuffing.

Futon-cover	Cover for "Futon". Different from sheets as it covers the stuffing directly, also different in sizes as it is made to contain voluminous stuffing, usually printed or dyed.
Zabuton	Cushion to sit on in Japanese "Tatami" rooms. Approximately a yard square, a few inches thick with soft stuffing.
Furoshiki	Wrapping cloth of about one and a half yard square. Different from scarf in the thickness of the fabric.
Koinobori	Artificial carp to fly on top of a long pole on the occasion of "Boys' Festival" in the Japanese custom.
Noren	Shop curtain to hang at the entrance of shops, short, with vertical cuts in several parts.
Tenugui	Oblong towel, woven, usually with Japanese decorative design.

Letter No. 10

12 January 1968

Dear Mr. Ambassador,

I acknowledge receipt of your letter of today which reads as follows:

(see letter No. 9)

I wish to confirm on behalf of my Government the understandings set forth in your letter.

Sincerely yours,

Anthony M. Solomon
Assistant Secretary of State
for Economic Affairs

His Excellency Takeso Shimoda,
Ambassador of Japan.