ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral Agreement between the United States and Czechoslovakia

Note by the Chairman

Attached is a notification received from the United States of a bilateral agreement concluded with Czechoslovakia for the period 1 June 1986 to 31 May 1989.
The Honorable
Ambassador Marcelo Raffaelli
Chairman, Textiles Surveillance Body
GATT
Rue de Lausanne 154
1211 Geneva

Dear Ambassador Raffaelli:


This new agreement establishes specific limits for two categories: 433 (wool suits, M&B) and 435 (wool coats, WGI). Consultations with Czechoslovakia had been requested by the United States pursuant to Article 3 of the Arrangement on February 27 and April 29, respectively, to deal with problems of market disruption caused by imports from Czechoslovakia of the products concerned. Agreement on restraint levels was reached by the two parties during consultations in Geneva in early June. The pertinent import data is cited below:

<table>
<thead>
<tr>
<th>Category</th>
<th>Date of Call</th>
<th>Rollback Level (DOZ)</th>
<th>Agreed Limit (DOZ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>435</td>
<td>2/27/86</td>
<td>6,130</td>
<td>7,000</td>
</tr>
<tr>
<td>443</td>
<td>4/29/86</td>
<td>4,401</td>
<td>6,000</td>
</tr>
</tbody>
</table>

The specific limits are established at levels 14% and 36% higher than their respective roll back levels; annual growth is set at 1%; swing is set at 5%; and carryover/carryforward are
The Honorable
Marcelo Raffaelli
November 6, 1986
Page Two

set at 11/6%. Carryover is not available during the first agreement period, however, nor carryforward in the last.

Enclosed are copies of the notes giving effect to this new bilateral agreement.

Sincerely,

Robert E. Shephard
Minister-Counsellor

Enclosure
UNITED STATES AND CZECHOSLOVAKIA SIGN NEW BILATERAL TEXTILE AGREEMENT

The United States and Czechoslovakia sign a new bilateral textile agreement. Texts of the notes follow:

UNITED STATE NOTES

Prague, June 23, 1986

No. 245

The Embassy of the United States of America presents its compliments to the Federal Ministry of Foreign Affairs of the Czechoslovak Socialist Republic and has the honor to refer to the consultations which took place in Geneva June 3-5, 1986, regarding exports from Czechoslovakia of certain textile products to the United States, and to the Embassy's Notes No. 74 of February 27, 1986, No. 170 of April 29, 1986, and No. 183 of May 13, 1986; and to the Ministry's Note No. 97.367/86 of April 11, 1986.

This Note encloses the text of the Agreement worked out in Geneva by representatives of the Government of the Czechoslovak Socialist Republic and the Government of the United States of America, and the Annex which accompanies that Agreement. Upon receipt of a Note
from the Ministry confirming the acceptance by the Government of the Czechoslovak Socialist Republic of this Agreement, the Agreement will become valid.

The Embassy of the United States of America avails itself of this opportunity to renew to the Federal Ministry of Foreign Affairs the assurances of its highest consideration.

1. This Agreement sets out the agreements that have been reached between the Government of the Czechoslovak Socialist Republic (hereinafter referred to as Czechoslovakia) and the Government of the United States of America (hereinafter referred to as the United States) regarding the exports of certain textile products from Czechoslovakia for import into the United States.

2. (A) This Agreement is done in compliance with the Arrangement Regarding International Trade in Textiles (hereinafter referred to as "The MFA") as extended by the Protocol of 22.12.1981, particularly Article 4. This Agreement replaces the Agreement on cotton, wool and man-made fibre textiles between Czechoslovakia and the United States of April 29, 1977.

(B) The term of this Agreement will be the period from June 1, 1986 to May 31, 1989. Each "Agreement Year" shall be a twelve-month period from June 1 of a given year to May 31 of the next year.

**COVERAGE OF AGREEMENT**

3. For the purposes of this Agreement, textile products shall be classified as cotton, wool, or man-made fibre textiles if wholly or in chief value of any of these fibres. Products covered by this sub-paragraph but not in chief value of cotton, wool, or man-made fibre shall be classified as:

   (i) Cotton textiles if containing 50 percent or more by weight of cotton, or if the cotton component exceeds by weight the wool and/or the man-made fibre components;

   (ii) Wool textiles if not cotton, and wool equals or exceeds 17 percent by weight of all component fibres; and
(iii) Man-made fibre textiles if not cotton or wool as described in (i) or (ii) above and containing 50 percent or more by weight of man-made fibre, or if man-made fibre in combination with cotton and/or wool in the aggregate equal or exceed 50 percent by weight of the component fibres and the man-made fibre component exceeds the weight of the total wool and/or total cotton component.

4. Commencing with the first agreement period and during the subsequent term of this Agreement, the Government of Czechoslovakia shall limit exports to the United States of textiles to the specific limits set out in Annex A, as such specific limits may be adjusted in accordance with Paragraph 5.

FLEXIBILITY ADJUSTMENTS

5. (A) The specific limits set out in Annex A do not include any adjustments permitted under Paragraph 5.

(B)(i) The extent to which any specific limit set out in Annex A may be exceeded in any agreement period by carryforward (borrowing a portion of the corresponding specific limit from the succeeding agreement period) and/or carryover (the use of any unused yardage or shortfall of the corresponding specific limit for the previous agreement period) is eleven (11) percent, of which carryforward shall not constitute more than six (6) percent.

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

(C) For the purposes of the Agreement, a shortfall occurs when exports of textiles from Czechoslovakia to the United States during any agreement year are below any specific limit as set out in Annex A or, in the case of any limit decreased pursuant to Paragraph 5, when such exports are below the limit as decreased.

(D) The Government of Czechoslovakia will notify the Government of the United States through official channels when it wishes to use an unused quantity (shortfall) available in categories for carryover or when it wishes to use carryforward, subject to the provision set out above. However, the Government of the United States may apply adjustments under this paragraph to any specific limit whenever that adjustment appears appropriate to facilitate the flow of trade and the sound administration of the Agreement. To the extent that such adjustments are actually utilized, they will be implemented by means of carryover and carryforward, in that order. Any unused carryforward will be
re-credited to the following period's limit. This procedure will not prejudice the outcome of any consultations that may be held between our Governments concerning the amounts of available carryover and carryforward.

(E) During any agreement year, the specific limits set out in Annex A may be increased by not more than 5 percent (swing) provided that a corresponding reduction in square yards equivalent is made in one or more other specific limits during the same agreement years.

(F) The Government of Czechoslovakia shall indicate to the Government of the United States the specific limits or sub-limits it would like to increase and which it would like decreased.

OVERSHIPMENT CHARGES

6. (A) Products of Czechoslovakia shipped 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. The Government of the United States shall inform the Government of Czechoslovakia of any such charges.

(B) Products of Czechoslovakia shipped in excess of applicable limits in any agreement period will, if allowed entry into the United States during that agreement period, be charged to the applicable limit in the succeeding agreement period.

(C) Any action taken pursuant to sub-paragraphs (A) and (B) above will not prejudice the rights of either side regarding consultations.

SPACING PROVISION

7. The Government of Czechoslovakia shall space exports to the United States within each category evenly throughout each agreement period, taking into consideration normal seasonal factors.
U.S. ASSISTANCE IN IMPLEMENTATION
OF THE LIMITATION PROVISION

8. The Government of Czechoslovakia shall administer its export control system under this Agreement. The Government of the United States may assist the Government of Czechoslovakia in implementing the limitation provisions of this Agreement by controlling imports of textiles and textile products covered by this Agreement.

EXCHANGE OF INFORMATION

9. With regard to fraud and circumvention, each Government agrees to supply to the other Government any information within its possession which it reasonably believes to be necessary for the enforcement of this Agreement.

10. (A) The Government of the United States shall promptly supply the Government of Czechoslovakia with data on monthly imports of the textiles or textile products listed in Annex A into the United States from Czechoslovakia.

(B) The Government of Czechoslovakia shall promptly supply the Government of the United States with data on monthly exports of textiles or textile products listed in Annex A from Czechoslovakia to the United States.

(C) Each Government agrees to promptly supply needed statistical data necessary to the implementation of this Agreement requested by the other Government.

MUTUALLY SATISFACTORY ADMINISTRATIVE ARRANGEMENT

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

CONSULTATION ON IMPLEMENTATION QUESTIONS

12. The Government of the United States and the Government of Czechoslovakia agree to consult upon the request of the other, on any question arising in the implementation of this Agreement.
RIGHT TO PROPOSE REVISIONS TO THE AGREEMENT

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

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

14. If the Government of Czechoslovakia considers that as a result of limitations specified in this Agreement it is being placed in an inequitable position relative to a third country, the Government of Czechoslovakia may request consultations with the Government of the United States with a view to taking appropriate remedial actions, such as a reasonable modification of this Agreement.

ARTICLE 3 PROCEDURE

15. For the duration of this Agreement, the Government of the United States shall not invoke the procedures of Article 3 of the Arrangement to request restraint on the exports of wool, cotton and man-made fibres textiles cited in Annex A of the Agreement. The Government of the United States and the Government of Czechoslovakia reserve their rights under the Arrangement with respect to textiles and textile products not subject to Annex A of this Agreement.

PROVISION FOR TEXTILE AGREEMENTS
HARMONIZED COMMODITY CODE

16. (A) Both parties recognize that adoption of the harmonized commodity code (HCC) may result in some changes in the U.S. categorization of textile products covered under this Agreement. If such changes are made during the term of this Agreement, the Government of the United States and the Government of Czechoslovakia will consult with a view toward reaching a satisfactory resolution of issues concerning categories covered by this Agreement. The Government of Czechoslovakia recognizes that should there be no resolution in such consultations, the Government of the United States reserves its right to make such adjustments to Annex A as necessary to bring them into conformity with the new category system and with the harmonized commodity code. The intent of this conversion on the part of the United States is solely to align the system and limits with the HCC. It is not intended to diminish or alter overall trade in textiles with Czechoslovakia.
(b) Consultations under this provision shall be
conducted no later than 90 days before final adoption of
the harmonized commodity code by the Government of the
United States.

AGREEMENT CIRCUMVENTION

17. Both Governments agree to cooperate to avoid
circumvention of this Agreement.

18. Either Government may terminate this Agreement,
effective at the end of an agreement period, by written notice
to the other Government to be given at least 90 days prior to
the end of such agreement period.

19. The Annexes of this Agreement shall be considered as an
integral part thereof.

ANNEX A

<table>
<thead>
<tr>
<th>Category</th>
<th>June 1, 1986</th>
<th>June 1, 1987</th>
<th>June 1, 1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>443 (wool men's and boys suits)</td>
<td>6,000 dozen</td>
<td>6,060 dozen</td>
<td>6,121 dozen</td>
</tr>
<tr>
<td>435 (wool women's and girls' and infants' coats)</td>
<td>7,000 dozen</td>
<td>7,070 dozen</td>
<td>7,141 dozen</td>
</tr>
</tbody>
</table>

Conversion factor to dozens:

- Category 435 - 54. SYE
- Category 443 - 54. SYE

No. 255

Prague, July 3, 1986

The Embassy of the United States of America
presents its compliments to the Federal Ministry of
Foreign Affairs of the Czechoslovak Socialist Republic
and has the honor to refer to the Embassy's Note No. 245 dated June 25, 1986, which enclosed the text of an Agreement on textiles.

Further discussions between the Embassy and the Federal Ministry of Foreign Trade resulted in the modification of the language contained in Paragraph 19 of the Agreement. The new text of Paragraph 19 is included in a revised version of the last page of the Agreement as it was provided to the Ministry in the Note referred to above.

As stated in the Embassy's original Note, upon receipt of a Note from the Ministry confirming the acceptance by the Government of the Czechoslovak Socialist Republic of this Agreement as revised, the Agreement will become valid.

The Embassy of the United States of America avails itself of this opportunity to renew to the Federal Ministry of Foreign Affairs the assurances of its highest consideration.
16. (A) Both parties recognize that adoption of the harmonized commodity code (HCC) may result in some changes in the U.S. categorization of textile products covered under this Agreement. If such changes are made during the term of this Agreement, the Government of the United States and the Government of Czechoslovakia will consult with a view toward reaching a satisfactory resolution of issues concerning categories covered by this Agreement. The Government of Czechoslovakia recognizes that should there be no resolution in such consultations, the Government of the United States reserves its right to make such adjustments to Annex A as necessary to bring them into conformity with the new category system and with the harmonized commodity code. The intent of this conversion on the part of the United States is solely to align the system and limits with the HCC. It is not intended to diminish or alter overall trade in textiles with Czechoslovakia.

(B) Consultations under this provision shall be conducted no later than 90 days before final adoption of the harmonized commodity code by the Government of the United States.

AGREEMENT CIRCUMVENTION

17. Both Governments agree to cooperate to avoid circumvention of this Agreement.

18. Either Government may terminate this Agreement, effective at the end of an agreement period, by written notice to the other Government to be given at least 90 days prior to the end of such agreement period.

19. Annex A to this Agreement and any future annexes to this Agreement shall be considered an integral part thereof. Any such future annexes to this Agreement shall be agreed upon and confirmed through diplomatic channels.
The Federal Ministry of Foreign Affairs of the Czechoslovak Socialist Republic presents its compliments to the Embassy of the United States of America in Prague and, referring to the talks held in Geneva on June 3-5, 1986, concerning the export of certain kinds of textile goods from the Czechoslovak Socialist Republic to the United States of America, and to its notes no. 245 of June 25, 1986, and no. 255 of July 3, 1986, has the honor to state that the Agreement on the Export of Certain Textile Products from the Czechoslovak Socialist Republic to the United States of America in the version appended to the above-mentioned notes was approved in conformance with Czechoslovak legal regulations.

Notes no. 245 of June 25, 1986, and no. 255 of July 3, 1986, from the Embassy of the United States of America in Prague and this note therefore constitute an agreement between the two Governments on this agreement, which shall enter into force on this day.

The Federal Ministry of Foreign Affairs of the Czechoslovak Socialist Republic avails itself of this opportunity to renew its assurances of its highest consideration to the Embassy of the United States of America.

In Prague, July 22, 1986

Embassy of the United States of America
Prague

/Seal of the Ministry of Foreign Affairs of the Czechoslovak Socialist Republic/