ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral agreement between
the United States and Costa Rica

Note by the Chairman

Attached is a notification received from the United States of a selective agreement concluded with Costa Rica for the period 1 January 1992 to 31 December 1993.¹

¹The previous agreement contained in COM.TEX/SB/1387 expired on 31 December 1988.

*English only/Anglais seulement/Inglés solamente
June 30, 1992

The Honorable
Ambassador Marcelo Raffaelli
Chairman, Textiles Surveillance Body
General Agreement on Tariffs and Trade
Rue de Lausanne 154
1211 Geneva

Dear Ambassador Raffaelli:

Pursuant to the provisions of paragraph 4 of Article 4 of the Arrangement Regarding International Trade and Textiles, I am instructed by my government to inform the Textiles Surveillance Body of a new textile agreement between the Government of the United States of America and the Government of Costa Rica.

This agreement incorporates and extends earlier limits on three categories, which had been agreed, but not formalized in an exchange of diplomate notes. The agreement also includes a restraint on category 443 (Men's and Boys' Wool Suits). This restraint had been the subject of an earlier communication from the U.S. under Article 3.5. A mutually satisfactory solution was subsequently agreed, however, and this solution is reflected in the bilateral.

A copy of the agreement is enclosed. Additional data to facilitate preparation of a fact sheet will be provided separately.

Sincerely,

Robert E. Shepherd
Minister Counsellor

enclosure
BILATERAL TEXTILE AGREEMENT
BETWEEN THE UNITED STATES
AND COSTA RICA

The Government of the United States and the Government of Costa Rica, noting the agreement regarding international trade in textiles (hereinafter referred to as the Arrangement with Annexes, done at Geneva on December 20, 1973, as extended);


Have agreed as follows:

Agreement Term

1. The term of this Agreement will be the period from January 1, 1992 through December 31, 1993. Each "Agreement Period" or "Agreement Year" shall be a twelve-month period from January first of a given year to December thirty-first of the same year for the categories 340/640, 342/642, 347/348, 443, and for such other categories and limits as may come under this agreement as a result of subsequent amendment. Exports are subject to limits or levels for the year in which exported.

Coverage Of Agreement And Classification By Fiber

2. The textiles and textile products covered by this Agreement are those summarized in Paragraph 3 (D), as subject to amendments. The system of categories and the rates of conversion into square meters equivalent (SME) listed in Paragraph 3 (D), as subject to amendment, shall apply in implementing this agreement.

3. (A) Tops, yarns, piece goods, made-up articles, garments, and other textile manufactured products (being products which derive their chief characteristics from their textile components) of cotton, wool, man-made fibers, silk blends, non-cotton vegetable fibers, or blends thereof, in which any or all of these fibers 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 or the Legal Notes to Section XI of the Harmonized System are likewise to be disregarded here.
(B) For the purposes of this Agreement, textile products covered by sub-paragraph (A) above shall be classified as:

(i) Man-made fiber textiles, if the product is in chief weight of man-made fibers, unless:

(a) the product is knitted or crocheted apparel in which wool equals or exceeds 23 percent by weight of all fibers, in which case the product will be a wool textile; or

(b) the product is apparel, not knitted or crocheted, in which wool equals or exceeds 36 percent by weight of all fibers; in which case the product will be a wool textile;

(c) the product is a woven fabric in which wool equals or exceeds 36 percent by weight of all fibers, in which case the product will be a wool textile.

(ii) Cotton textiles, if not covered by (i) and if the product is in chief weight of cotton, unless the product is a woven fabric in which wool equals or exceeds 36 percent by weight of all fibers, in which case the product will be a wool textile.

(iii) Wool textiles, if neither of the foregoing applies, and the product is in chief weight of wool.

(C) Coverage under this paragraph is intended to be identical with the terms of Article 12 of the Arrangement and in conformance with Paragraph 24 of the July 31, 1986 Protocol of Extension. In the event of a question regarding whether a product is covered by this agreement by virtue of being chief weight of cotton, wool, or man-made fiber, the chief value of the fibers may be considered.

(D) For the purposes of this agreement, the following categories, as defined below, are covered by this agreement. If both countries agree to put new categories under quota, both parties shall amend relevant paragraphs of the agreement and the Visa Arrangement as necessary to include additional categories.
Categories

Merged/Agreement Conversion
Category Description Designation Factor

340 men's & boys' cotton shirts, not knit 340/640 20.1
342 cotton skirts 342/642 14.9
347 men's and boys' cotton trousers/slacks/shorts 347/348 14.9
348 women's and girls' cotton trousers/slacks/shorts 347/348 14.9
443 men's and boys' wool suits n/a 3.76
640 men's and boys' mmf shirts, not knit 340/640 20.1
642 mmf skirts 342/642 14.9

Protection of Rights

4. Introduction of changes (such as changes in practices, rules, procedures, categorization of textile products, including those changes relating to the Harmonized System) in the implementation or interpretation of this bilateral textile agreement, which have the effect of upsetting the balance of rights and obligations between the parties concerned, or which affect the economic content of this bilateral agreement, or which affect the ability of a party to use or benefit fully from this bilateral agreement, or which disrupt trade, shall be avoided as far as possible. Where such changes are necessary, parties agree that the party initiating any such changes shall, wherever possible, inform and initiate consultations with the affected party prior to the time that such changes may affect the trade in question, with a view to reaching a mutually acceptable solution regarding appropriate and equitable adjustments. Parties further agree that where consultation prior to the
implementation of any such changes is not feasible, the party initiating such changes will consult, as early as possible, with the affected party with a view to reaching a mutually satisfactory solution regarding appropriate and equitable adjustments. Any disruption under this provision may be referred to the TSB, or other appropriate successor monitoring body, for recommendation.

**Guaranteed Access Level**

5. The products and categories listed as Guaranteed Access Levels in Annex B are those which the Government of Costa Rica intends to export to the United States under the Caribbean Basin Textile Special Access Program. These products, which will be:

- Assembled in Costa Rica of U.S.-formed fabrics, cut in the United States for reexport to the United States under contracts governed by HTSUSA 9802.00.8010 or

- Assembled in Costa Rica of U.S.-formed fabrics, cut in the United States and then subject to bleaching, acid washing, stonewashing, garment dyeing, or permapressing in Costa Rica following assembly, for re-export to the United States under contracts governed by the statistical headnote under chapters 61 and 62 of the Harmonized Tariff Schedule of the United States annotated, as implemented by the Government of the United States requiring the use of the statistical prefix "H" are subject to the annual guaranteed access levels specified in Annex B.

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

(B) If the Government of the United States fails to reply within 30 U.S. working days, the request of the Government of Costa Rica becomes the new Guaranteed Access Level. If the Government of the United States is unable to comply
disruption, as described in Annex A of the Arrangement, or the real risk thereof, in a category or product subject to such request, the Government of the United States will so inform the Government of Costa Rica within 30 U.S. working days. In this case, until a mutually satisfactory change in the GAL in question is established, shipments shall not exceed the existing GAL. The United States response will be supported by data which form the basis of the position it has taken. Either Government may request consultations to discuss such requests for increases in GALs.

**Specific Limits**

6. The categories and products in Annex A are those which the Government of Costa Rica intends to export to the United States which are not eligible for the Caribbean Basin Special Trade Access Program and are subject to specific limits.

**Flexibility Adjustments**

7. (A) (i) The Specific Limits set out in Annex A do not include any adjustments permitted under paragraph 7.

(ii) During any Agreement Period, the Specific Limits set out in Annex A may be increased by not more than seven percent swing, except for category 347/348 which may receive 7.5 percent swing, provided that a corresponding reduction in square meters equivalent is made in one or more other specific limits during the same Agreement Period. Swing, if available, is additional to other available carryover and/or carryforward.

(iii) No Specific Limits may be decreased pursuant to paragraph 7 (a) (ii) to a level which is below the level of exports charged against that Category's limit for that Agreement Period.

(iv) The Government of Costa Rica shall indicate to the Government of the United States the specific limits it would like increased and those which it would like decreased by commensurate quantities in square meter equivalents.
(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 meterage (Shortfall) of the corresponding Specific Limit for the previous Agreement Period) is 11 percent, of which Carryforward shall not constitute more than 6 percent.

(ii) No Carryover shall be available for application in the first Agreement Period. No Carryforward shall be available for application in the final Agreement Period.

(iii) In the 1992 agreement period only, Category 347/348 will be eligible for up to 33,730 dozen carryover from the previous agreement period.

(C) For the purposes of the Agreement, a shortfall occurs when exports of textiles or textile products of Costa Rica to the United States during any agreement period are below any specific limit as set out in Annex A (or, in the case of any limit decreased pursuant to paragraph 7, when such exports are below the limit as decreased).

(D) The Government of Costa Rica will notify the Government of the United States when it wishes to use unused meterage (Shortfall) available in Categories for Carryover, or for use by other Categories for Carryforward, subject to the provisions set out above. 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.

Other Categories

8. Categories and products not listed in Annex A or in Annex B (Guaranteed Access Levels) as subject to amendment of this agreement, are free of all restrictions at this time; however, the Government of the United States and the Government of Costa Rica reserve their rights in accordance with paragraph 21 of this agreement.
Overshipment Charges

9. (A) Products of Costa Rica shipped in excess of authorized limits in any Agreement Period may be denied entry into the United States. Any such shipment denied entry may be permitted into the United States and charged to the applicable limit in the succeeding Agreement Period.

(B) Products of Costa Rica 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-paragraph 9(A) and 9(B) above, will not prejudice the rights of the other side regarding consultations.

(D) The United States Government will notify the Government of Costa Rica when the quota fill rate reaches 95%. If the Government of Costa Rica finds that there is a data discrepancy between the United States Government data and the Government of Costa Rica export data, the Government of Costa Rica will request consultations. The United States Government agrees to consult as promptly as possible to resolve any data errors. When the merchandise entered against the quota reaches a level where the quota can be filled, the United States Government agrees to offer an additional two working days before finalizing the closure of the category.

Spacing Provisions

10. The Government of Costa Rica shall use its best efforts to space exports of its products to the United States within each Category, Sub-Category or Part Category evenly throughout each Agreement Period, taking into consideration normal seasonal factors.

Implementation of the Limitation Provisions

11. The Government of Costa Rica shall administer its export control system under the Agreement. The Government of the United States will control by the date of export, imports of textile products covered by this Agreement.
Correct Category/Quantity Visa System

12. (A) The provisions of the Visa Arrangement will govern the licensing and/or certification of exports of all textile and apparel products from Costa Rica to the United States which are subject to this agreement. Visas issued for a particular agreement year shall be valid only for apparel products exported during that agreement year.

(B) The parties recognize that under the agreement the purchase of textile products to be delivered subject to the restrictions under the agreement implied that the delivery of goods will be accompanied by a visa.

Commercial Samples and Personal Shipments

13. Properly marked commercial sample shipments, valued at U.S. $250 or less, and items for the personal use of the importer and not for resale regardless of value, need not be accompanied by an export visa and shall not be subject to the limits established under this Agreement.

Exchange of Information

14. Subject to domestic laws, at the request of the other government, each government agrees to supply any information within its possession reasonably believed to be necessary for the enforcement of this agreement.

Exchange of Data


(B) The Government of Costa Rica shall promptly supply the Government of the United States with data on monthly exports of cotton, man-made fiber, wool, silk blend and non-cotton vegetable fiber textiles and textile products of Costa Rica to the United States.

(C) The U.S. Government and the Government of Costa Rica Agree to exchange namesake data via computer diskette as agreed in a subsequent technical letter.
(D) Any discrepancy noted by one party between import and export data shall be notified to the other party. Both parties agree that when such discrepancies are so notified they will hold consultations as promptly as possible to resolve such discrepancies.

Cooperation in the Prevention of Circumvention and Fraud

16. (A) The Governments of the United States of America and Costa Rica shall cooperate to prevent circumvention of the Agreement.

(B) Subject to domestic laws, the competent authorities of both parties shall cooperate in ensuring that the Agreement is not circumvented by transshipment, rerouting, misdescription, under-invoicing or by whatever means. To this end, the competent authorities of the Government of Costa Rica and those of the United States shall assist each other:

(i) in obtaining, to the extent possible, documents, correspondence, and reports considered relevant to investigations.

(ii) by providing for plant visits and inspections, on a voluntary basis, whether by prior notification or impromptu, by authorized personnel; and

(iii) by facilitating personal interviews designed to ascertain needed facts.

(C) Both Governments will provide each other, to the extent legally permissible, with the facts and evidence of instances of fraud and circumvention considered necessary by either party to effectively lend assistance in their investigations.

Mutually Satisfactory Administrative Arrangement

17. 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 procedure or operation.
Consultation on Implementation Questions

18. The Government of the United States and the Government of Costa Rica each 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

19. The Government of the United States and the Government of Costa Rica 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

20. If the Government of Costa Rica considers that, as a result of limitations specified in this agreement, it is being placed in an inequitable position in relation to a third country, the Government of Costa Rica 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.

Reservation of Rights

21. The Government of the United States and the Government of Costa Rica each reserve their rights under the Arrangement with respect to textile products not subject to this Agreement.

Right to Terminate the Agreement

22. 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.
Entry into Force

23. This agreement will enter into force upon signature.

DONE at Washington, in duplicate, this twentieth day of March, 1992.

FOR THE GOVERNMENT OF THE UNITED STATES

FOR THE GOVERNMENT OF COSTA RICA
## Annex A - Specific Limits

<table>
<thead>
<tr>
<th>Category</th>
<th>Quota/Units 1/1/92-12/31/92</th>
<th>Quota/Units 1/1/93-12/31/93</th>
<th>Growth Rate</th>
<th>Swing</th>
</tr>
</thead>
<tbody>
<tr>
<td>340/640</td>
<td>668,685 dozen</td>
<td>725,924 dozen</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>342/642</td>
<td>246,851 dozen</td>
<td>267,979 dozen</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>347/348</td>
<td>1,071,165 dozen</td>
<td>1,223,341 dozen</td>
<td>6%</td>
<td>7.5%</td>
</tr>
<tr>
<td>443</td>
<td>200,000 units</td>
<td>202,000 units</td>
<td>1%</td>
<td>7%</td>
</tr>
</tbody>
</table>
## Annex B - Guaranteed Access Levels

<table>
<thead>
<tr>
<th>Category</th>
<th>Quota/Units 1/1/92-12/31/92</th>
<th>Quota/Units 1/1/93-12/31/93</th>
</tr>
</thead>
<tbody>
<tr>
<td>340/640</td>
<td>650,000 dozen</td>
<td>650,000 dozen</td>
</tr>
<tr>
<td>342/642</td>
<td>250,000 dozen</td>
<td>250,000 dozen</td>
</tr>
<tr>
<td>347/348</td>
<td>1,500,000 dozen</td>
<td>1,500,000 dozen</td>
</tr>
<tr>
<td>443</td>
<td>200,000 units</td>
<td>200,000 units</td>
</tr>
</tbody>
</table>
MEMORANDUM OF UNDERSTANDING

As a result of consultations held in San Jose on February 6, 7, and 8, 1989 between representatives of the Government of Costa Rica and the Government of the United States of America, the following understandings were reached concerning exports of certain apparel products from Costa Rica to the United States.

1) The current U.S. restraint on Costa Rica's exports of cotton trousers, slacks, and shorts (Category 347/348) will be replaced with the following Designated Consultation Level (DCL), Specific Limits, or Guaranteed Access Levels (GAL) during the period beginning January 1, 1989 and extending through May 31, 1992.

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>SPECIFIC LIMIT</th>
<th>DCL</th>
<th>GAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 1989</td>
<td>---</td>
<td>750,000</td>
<td>---</td>
</tr>
<tr>
<td>May 31, 1989</td>
<td></td>
<td>901,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>June 1, 1989</td>
<td>850,000</td>
<td>---</td>
<td>1,000,000</td>
</tr>
<tr>
<td>May 31, 1990</td>
<td></td>
<td>901,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>June 1, 1990</td>
<td></td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>May 31, 1991</td>
<td>955,060</td>
<td>---</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

It is understood that in order to facilitate trade, the United States will implement the DCL for the first period noted above as soon as possible.

It is further understood that the United States will consider most sympathetically a request to adjust this DCL should Costa Rica express a need to export quantities in excess of the above DCL.

The above specific limits will be accorded swing of 7.5 percent, and carry over and carry forward as permitted in the previous Costa Rica/United States Bilateral Textile Agreement.

2) The two governments agreed to a limit on exports of men's and boys' cotton and/or man-made fiber non-knit shirts (Category 340/640) at the following specific limits and GAL's during the three year period June 1, 1989 through May 31, 1992.
PERIOD          SPECIFIC LIMIT      GAL
June 1, 1989    575,000          650,000
May 31, 1990    609,500          650,000
June 1, 1990    646,070          650,000
May 31, 1991    650,000          650,000

The above limits shall benefit from the flexibility as detailed in the previous Costa Rica/United States Bilateral Textile Agreement.

3) Reference was made to the "Memorandum of Understanding" of December 21, 1988 concerning limits on Costa Rican export of Category 342/642 skirts to the United States and both parties agreed to amend the Memorandum by adding a new period from June 1, 1991 through May 31, 1992 with a specific limit of 238,500 dozens and a GAL of 250,000 dozen.

4) The Government of Costa Rica requested full access to information regarding U.S. export data including data on U.S. filed ITA Form 370-P. The United States agreed to provide the best available data on that issue.

5) Attached to the "Memorandum of Understanding" (MOU) is a copy of a draft "Standard Agreement" prepared by the United States. Both governments agreed that the provisions as presented in this draft standard agreement, including the consultation mechanism, will form the basis for a new Bilateral Textile Agreement with agreed adjustments and modifications. The United States agrees to include in the Agreement text a comprehensive definition of what factors determine whether a product is eligible for shipment under the Guaranteed Access Level.

6) The Government of the United States proposed a comprehensive visa arrangement. The Government of Costa Rica agreed to study this proposal. In any event, both Governments agreed to establish a visa arrangement covering at least those products and categories covered by the Agreement.

For the Government of the Republic of Costa Rica

For the Government of the United States of America
MEMORANDUM OF UNDERSTANDING

Representatives of the Governments of Costa Rica and the United States met in Washington November 2-4 and again December 12-13 to discuss exports of Costa Rican textile and apparel products to the United States. As a result of those negotiations, the Governments agreed to establish the following specific limits and guaranteed access levels on Costa Rican exports of Category 342/642 skirts to the United States for the three-year period June 1, 1988 to May 31, 1991.

<table>
<thead>
<tr>
<th>Period</th>
<th>Specific Limit</th>
<th>Guaranteed Access Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1, 1988</td>
<td>247,000 dozen</td>
<td>-0-</td>
</tr>
<tr>
<td>May 31, 1989</td>
<td>212,264 dozen</td>
<td>250,000 dozen</td>
</tr>
<tr>
<td>June 1, 1990</td>
<td>225,000 dozen</td>
<td>250,000 dozen</td>
</tr>
<tr>
<td>May 31, 1991</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These limits shall benefit from normal flexibility as detailed in the current United States-Costa Rica Bilateral Textile Agreement.

These limits include all appropriate adjustments for migration resulting from implementation of the harmonized system by the United States.

The parties further agreed to reaffirm, as stated in the Bilateral Textile Agreement, that:

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

The parties agreed that in order to facilitate trade, the United States will implement the specific limit for the first Agreement period based upon this Memorandum. Both sides also agreed to formally exchange diplomatic notes to confirm the provisions of this Memorandum.

For the Government of the Republic of Costa Rica

For the Government of the United States of America