

GENERAL AGREEMENT
ON TARIFFS AND
TRADE

ACCORD GENERAL SUR
LES TARIFS DOUANIERS
ET LE COMMERCE

CONFIDENTIAL

TEX.SB/330

31 August 1978

Textiles Surveillance Body

Organe de surveillance des textiles

ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES

Notification under Article 4:4

Bilateral agreement between the United States and Malaysia

Note by the Chairman

The attached notification received from the United States mission concerns a new textiles agreement concluded between the United States and Malaysia. The new agreement succeeds the existing bilateral textiles agreement.¹

¹For previous agreement and amendments see COM.TEX/SB/128 and 244.

ARRANGEMENT CONCERNANT LE COMMERCE INTERNATIONAL DES TEXTILES

Notification conformément à l'article 4:4

Accord bilatéral entre les Etats-Unis et la Malaisie

Note du Président

La Mission permanente des Etats-Unis a fait parvenir au secrétariat la notification ci-jointe relative à un nouvel accord sur les textiles qui a été conclu entre les Etats-Unis et la Malaisie. Le nouvel accord fait suite à l'accord bilatéral sur les textiles existant entre les deux pays.¹

¹Pour l'accord précédent et les modifications qui lui ont été apportées, voir les documents COM.TEX/SB/128 et 244.

TS/140-4



UNITED STATES MISSION TO INTERNATIONAL ORGANIZATIONS
GENEVA, SWITZERLAND

182

ANSWERED	DOC. ISSUED	FOUO	
TSP 501330			
28 AUG 1978			
August 29, 1978			
For:	Action	Comment	Inf.
TRADE POLICY DT:			
Gen. Div.			
Agri. Div.			
Soecial Proj:			
TRADE DEVELOP. DT.:			
Sp. Asst. Tr. Negs			
Dev. Div.			
Intel. Div.			
CHAIR, TS.	X		
OFFICE OF D-G:			
Consultant (ADG)			
Conf. Div.			
Dir. Ext. Reis/Info.			
Ext. Reis. Sec.			
Inic/Lib. Serv.			

The Honorable
Ambassador Paul Wurth
Chairman, Textiles Surveillance Body
Centre William Rappard
154, rue de Lausanne
CH-1211 Geneva 21

Dear Mr. Chairman:

Pursuant to the provisions of paragraph 4 of Article 4 of the Arrangement Regarding International Trade in Textiles, I am instructed by my government to notify the Textiles Surveillance Body of the conclusion of a new three-year bilateral cotton, wool and man-made fiber textiles agreement between the Government of the United States of America and the Government of Malaysia. The new agreement, which has effect from January 1, 1978, succeeds the agreement of January 1, 1975, as amended (circulated as COM.TEX/SB/128 of October 23, 1975).

As in the old agreement, the new agreement continues the three-group structure; i.e., Group I containing yarns, fabrics, made-up and miscellaneous textile goods of all three fibers, Group II containing all apparel of cotton and man-made fibers, and Group III containing all wool textile products. In the new agreement, however, there are no specific limits applicable to categories falling in Group I; all such categories are subject to the designated consultation levels set forth in Annex C or to the general consultation level and other provisions of paragraph 6 of the agreement. Also, categories falling in Groups II and III, which have not been given specific limits in Annex B to the agreement, are subject to the general consultation levels set forth in paragraph 6 or to the designated consultation levels set forth in Annex C to the agreement.

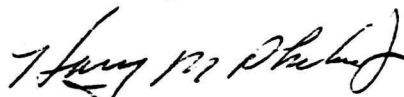
The new agreement, differing from the old, has no aggregate limit nor does it have a group limit for products falling within Group I. A group limit for Group II has been established at a level of 24,757,714 syds. equiv. as compared with the level of 21,738,732 syds. equiv. which was

in effect for calendar year 1977, the last year of the old agreement. The Group III level in the new agreement is 1,050,703 syds. equiv. The parties, taking note of a shortfall in shipments of wool items (753,661 syds. equiv. against a group limit of 1,144,900 in effect in 1977) and of the elimination of aggregate and Group I limits, agreed to lower base levels for wool products in the new agreement.

All specific limits and sub-limits in Group II set out in Annex B may be exceeded by 7% per year through the use of swing provisions. Should specific limits be subsequently established in Group III, they could be exceeded by 5% through application of swing provisions. Carry-over and carry-forward are provided up to a total of 11% with carry-forward not to exceed 6% when used in combination with carry-over. Growth of 6.5% per annum has been allowed for all limits in Group II and 1% for Group III wool products. Further, the new agreement has in common with the old agreement general and specific consultation procedures, spacing and undue concentration provisions, exchange of information provisions, provisions for exemption from coverage of cottage industry and handloom products, and provisions for revision and termination of the agreement.

Attached hereto is a copy of State Department Press Release No. 303 of July 27, 1978, setting forth the texts of the Note exchange giving effect to the agreement.

Sincerely,



Harry M. Phelan, Jr.
Minister Counselor

Enclosure:
As stated

DEPARTMENT OF STATE
July 27, 1978
Press Release #303

UNITED STATES AND MALAYSIA
SIGN NEW TEXTILE AGREEMENT

The United States and Malaysia exchanged notes on May 17, 1978 and June 8, 1978 respectively, to effect a new bilateral textile agreement between the two countries. The texts of the notes follow:

UNITED STATES NOTE

May 17, 1978

Dato Seri Dr. Mahathir bin Mohamed
Deputy Prime Minister and
Minister of Trade and Industry
International Trade Division
Jalan Duta
Kuala Lumpur

Excellency:

I have the honor to refer to the Arrangement regarding international trade in textiles (hereinafter referred to as the Arrangement), done at Geneva on December 20, 1973.

I have also the honor to refer to discussions between representatives of the Government of Malaysia and the Government of the United States of America in Washington from November 11 to November 15, 1977, concerning exports to the United States of cotton, wool and man-made fiber textiles and textile products. As a result of these discussions, and in conformity with Article 4 of the Arrangement, I have the honor to propose, on behalf of the Government of the United States of America, the following agreement relating to trade in cotton, wool and man-made fiber textiles and textile products between Malaysia and the United States:

1. This agreement shall enter into force on January 1, 1978, and shall remain in force through December 31, 1980, except as provided in paragraph 19.
2. Textiles and textile products covered by this agreement shall be classified in three groups, as follows:

<u>GROUP</u>	<u>DEFINITION</u>
I	Yarns, fabrics, made-up goods and miscellaneous textile products of cotton and man-made fibers. (Categories 300-330, 360-369, 600-630 and 660-669).
II	Apparel of cotton and man-made fibers. (Categories 331-352 and 631-659).

-2-

<u>GROUP</u>	<u>DEFINITION</u>
III	Wool textiles and textile products. (Categories 400-469).

The determination of whether a textile or textile product is of cotton, wool, or man-made fiber shall be made in accordance with the terms of paragraph 9. The categories referred to in the above definitions of groups are those summarized in Annex A.

3. Each "Agreement Year" shall be a calendar year, with the first agreement year commencing on January 1, 1978 and ending on December 31, 1978. "Limit" or "limits" means, as the context requires, a group limit, a specific limit, a sub-limit, or any combination thereof, as described in paragraph 5. "Flexibility" means the amount by which a specific limit or sub-limit may be exceeded pursuant to paragraph 7.
4. (A) The system of categories and the rates of conversion into square yards equivalent listed in Annex A shall apply in implementing this agreement except as set out in subparagraph 4 (B).

(B) For purposes of this agreement, and in recognition of the patterns of trade of Malaysia with the United States of America, the groups of categories below are merged and treated as single categories and subcategories as indicated, with limits for categories and sub-limits for subcategories as set out in Annex B:

<u>CATEGORIES</u>	<u>DESIGNATION IN</u>	<u>SUBCATEGORIES</u>
<u>MERGED</u>	<u>AGREEMENT</u>	
333,334,335	333/334/335	333,334,335
638,639	638,639	639

For purposes of computing charges to group and specific limits and sub-limits for the categories and subcategories cited above, rates of conversion for individual categories set out in Annex A shall be applied.

-3-

5. Commencing with the first agreement year, and during the subsequent term of this agreement, the Government of Malaysia shall limit annual exports from Malaysia to the United States of America of cotton, wool, and man-made textiles and textile products manufactured in Malaysia to the group and specific limits and sub-limits set out in Annex B, as such limits may be adjusted in accordance with paragraphs 7 and 8. The limits set out in Annex B do not include any adjustments permitted under paragraphs 7 or 8.
6. (A) Categories not subject to specific limits are subject to consultation levels and to the applicable group limits. Except as specified in Annex C, which sets out certain consultation levels for the first agreement year, consultation levels for each agreement year for categories not subject to a specific limit or subject to Annex C, shall be 1,000,000 square yards equivalent for categories in Group I, 700,000 square yards equivalent for categories in Group II, and 100,000 square yards equivalent for categories in Group III.
- (B) In the event the Government of Malaysia wishes to export to the United States of America textiles or textile products in excess of an applicable consultation level, the Government of Malaysia shall request the higher level and the Government of the United States shall consider the request sympathetically and shall respond promptly.
- (C) The Government of Malaysia may also request consultation levels in excess of those set out in subparagraph 6(A) for the following agreement year during the last quarter of any agreement year. The Government of the United States will consider the request sympathetically and shall respond promptly. If requested by the Government of Malaysia, the Government of the United States shall consult promptly with the Government of Malaysia with respect to the consultation levels for any categories for which it has not agreed to the request of the Government of Malaysia. Until a mutually satisfactory consultation level for any such category is established, the Government of Malaysia shall not permit exports in such category to exceed the consultation level in force at the time of the request.

7. During any agreement year, and within the applicable group limits for such agreement year, as they may be adjusted pursuant to paragraph 8, any specific limit or sub-limit set out in Annex B may be exceeded by not more than:

7 percent if included within Group II, and
5 percent if included within Group III.

Adjustments made pursuant to this paragraph are in addition to those pursuant to paragraph 8.

8. (A) In any agreement year, in addition to any adjustments pursuant to paragraph 7 (in the case of specific limits or sub-limits) exports may exceed by 11 percent any group of specific limit or sub-limit by allocating to such limit for that agreement year an unused portion of the corresponding limit for the previous agreement year ("carry-over") or a portion of the corresponding limit for the succeeding agreement year ("carry forward") subject to the following conditions:

(I) Carry-over may be utilized as available up to 11 percent of the receiving agreement year's applicable limits.

(II) The combination of carry-over and carry forward shall not exceed 11 percent of the receiving agreement year's applicable limits in any agreement year;

(III) Carry forward may be utilized up to 6 percent of the receiving agreement year's applicable limits and shall be charged against the immediately following agreement year's corresponding limits.

(B) For purposes of this agreement, a shortfall occurs when exports of textiles or textile products of Malaysian origin to the United States during an agreement year are below any applicable group limit, specific limit or sub-limit. In the agreement year following the shortfall, such exports from Malaysia to the United States of America may be permitted to exceed the group and specific limits and/or sub-limits, subject to the conditions of subparagraph 8(A) by carry-over of shortfalls in the following manner:

-5-

(I) The carry-over shall not exceed the amount of shortfall in either the applicable group limit or any specific limit or sub-limit;

(II) In the case of shortfall in a category or sub-category subject to a specific limit or sub-limit, the shortfall shall be used in the category or sub-category in which the shortfall occurred; and

(III) In the case of shortfall not attributable to categories (or combinations of categories) or sub-categories subject to specific limits or sub-limits, the carry-over shall be used in the same group in which the shortfall occurred.

(C) The limits referred to in subparagraphs (A) and (B) of this paragraph are without any adjustment under this paragraph or paragraph 7.

(D) The total adjustments under this paragraph shall be in addition to adjustments to limits permitted by paragraph 7.

9. (A) Tops, yarns, piece goods, made-up articles, garments and other textile manufactured products, all being products which derive their chief characteristics from their textile components, of cotton, wool, or man-made fibers, or blends thereof, in which any or all of those fibers represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight or wool) of the product, are subject to this agreement.

(B) For the purposes of this agreement, textile products shall be classified as cotton, wool or man-made fiber textiles if wholly or in chief value of any of these fibers. Any products covered by sub-paragraph 9 (A) but not in chief value of cotton, wool or man-made fiber 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 fiber component;

(II) Wool textiles if not cotton, and wool equals or exceeds 17 percent by weight of all component fibers; and

-6-

(III) Man-made fiber textiles if neither of the foregoing applies.

10. 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.
11. (A) The Government of the United States of America shall promptly supply the Government of Malaysia with data on monthly imports of cotton, man-made fiber and wool textiles and textile products into the United States of America from Malaysia.

(B) The Government of Malaysia shall promptly supply the Government of the United States of America with data on monthly exports of cotton, man-made fiber and wool textiles and textile products from Malaysia to the United States of America.

(C) Each government agrees to supply promptly any other available statistical data necessary to the implementation of this agreement requested by the other government.
12. The Government of Malaysia shall use its best efforts to space exports from Malaysia to the United States of America within each category or sub-category evenly throughout each agreement year, taking into consideration normal seasonal factors. Exports from Malaysia in excess of authorized levels, if allowed entry into the United States, will be charged to the applicable levels for the agreement year following the year of export.
13. If, having regard to the provisions of the Arrangement, the Government of Malaysia considers that Malaysia is being placed in an inequitable position vis-a-vis a third country, the Government of Malaysia may request consultations with the Government of the United States of America with a view to taking appropriate remedial action such as reasonable modification to this agreement. The Government of the United States of America shall consult with the Government of Malaysia in the event of such a request.

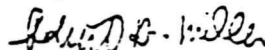
-7-

14. For the duration of this agreement, the Government of the United States of America shall not invoke the procedures of Article 3 of the Arrangement to request restraint on the export of cotton, wool and man-made fiber textiles and textile products from Malaysia to the United States. Each government reserves its rights under the Arrangement with respect to textiles and textile products not subject to this agreement.
15. The Government of Malaysia shall administer its export control system under this agreement. The Government of the United States of America may assist the Government of Malaysia in implementing the limitation provisions of this agreement by controlling imports of textiles and textile products covered by this agreement.
16. In conformity with Article 12, paragraph (3) of the Arrangement, this agreement shall not apply to exports of handloom fabrics of the Malaysian cottage industry, or handmade Malaysian cottage industry products made of such handloom fabrics, or to traditional Malaysian folklore handicraft textile products, provided that such products are properly certified under arrangements established between the two governments.
17. The Government of the United States of America and the Government of Malaysia agree to consult, upon the request of either government, on any question arising in the implementation of this agreement.
18. The Government of the United States of America and the Government of Malaysia may at any time propose revisions in the terms of this agreement. Each government agrees to consult promptly with the other government 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.
19. Either government may terminate this agreement, effective at the end of an agreement year, by written notice to the other government, to be given at least 90 days prior to the end of such agreement year.

If the foregoing conforms with the understanding of the Government of Malaysia this note and Excellency's note of confirmation on behalf of the Government of Malaysia shall constitute an agreement between our two government.

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

Sincerely yours,



Robert H. Miller
Ambassador

Enclosures:

ANNEX A

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>CONVERSION FACTOR</u>	<u>UNIT OF MEASURE</u>
<u>YARN</u>			
<u>COTTON</u>			
300	Carded	4.6	LB.
301	Combed	4.6	LB.
<u>WOOL</u>			
400	Tops and yarn	2.0	LB.
<u>MAN-MADE FIBER</u>			
600	Textured	3.5	LB.
601	Cont. cellulosic	5.2	LB.
602	Cont. non-cellulosic	11.6	LB.
603	Spun cellulosic	3.4	LB.
604	Spun non-cellulosic	4.1	LB.
605	Other yarns	3.5	LB.
<u>FABRIC</u>			
<u>COTTON</u>			
310	Ginghams	1.0	SYD.
311	Velveteens	1.0	SYD.
312	Corduroy	1.0	SYD.
313	Sheeting	1.0	SYD.
314	Broadcolth	1.0	SYD.
315	Printcloths	1.0	SYD.
316	Shirtings	1.0	SYD.
317	Twills & sateens	1.0	SYD.
318	Yarn-dyed	1.0	SYD.
319	Duck	1.0	SYD.
320	Other fabric, N.K.	1.0	SYD.

-9-

WOOL

410	Woolens & worsted	1.0	SYD.
411	Tapestries and upholstery	1.0	SYD.
425	Knit	2.0	LB.
429	Other fabrics	1.0	SYD.

MAN-MADE FIBER

610	Cont. cellulosic, N.K.	1.0	SYD.
611	Spun cellulosic, N.K.	1.0	SYD.
612	Cont. noncellulosic, N.K.	1.0	SYD.
613	Spun noncellulosic, N.K.	1.0	SYD.
614	Other fabrics, N.K.	1.0	SYD.
625	Knit	7.8	LB.
626	Pile and tufted	1.0	SYD.
627	Specialty	7.8	LB.

COTTON

330	Hankerchiefs	1.7	DZ.
331	Gloves	3.5	DPR.
332	Hosiery	4.6	DPR.
333	Suit-type coats, M and B	36.2	DZ.
334	Other coats, M and B	41.3	DZ.
335	Coats, W, G and I	41.3	DZ.
336	Dresses (inc. uniforms)	45.3	DZ.
337	Playsuits, sunsuits, washsuits, creepers	25.0	DZ.
338	Knit shirts, (inc. T-shirts, other and sweatshirts) M and B	7.2	DZ.
339	Knit shirts and blouses (inc. T- shirts, other and sweatshirts) W, G and I	7.2	DZ.
340	Shirts, N.K.	24.0	DZ.
341	Blouses, N.K.	14.5	DZ.
342	Skirts	17.8	DZ.
345	Sweaters	36.8	DZ.
347	Trousers, slacks, and shorts (outer) M and B	17.8	DZ.

-10-

348	Trousers, slacks and shorts (outer) W, G, and I	17.8	DZ.
349	Brassieres, etc.	4.8	DZ.
350	Dressing gowns, inc. bathrobes, and beach robes, lounging gowns house coats, and dusters	51.0	DZ.
351	Pajamas and other nightwear	52.0	DZ.
352	Underwear (inc. union suits)	11.0	DZ.
359	Other apparel	4.6	LB.

WOOL

431	Gloves	2.1	DPR.
432	Hosiery	2.8	DPR.
433	Suit-type coats, M and B	3.0	NO.
434	Other coats, M and B	4.5	NO.
435	Coats, W, G and I	4.5	NO.
436	Dresses	4.1	NO.
438	Knit shirts and blouses	15.0	DZ.
440	Shirts and blouses, N.K.	24.0	DZ.
442	Skirts	1.5	NO.
443	Suits, M and B	4.5	NO.
444	Suits, W, G and I	4.5	NO.
445	Sweaters, M and B	14.88	DZ.
446	Sweaters, W, G and I	14.88	DZ.
447	Trousers, slacks, and shorts (outer) M and B	1.5	NO.
448	Trousers, slacks and shorts (outer) W, G and I	1.5	NO.
459	Other wool apparel	2.0	LB.

MAN-MADE FIBER

630	Handkerchiefs	1.7	DZ.
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-11

631	Gloves	3.5	DPR
632	Hosiery	4.6	DPR
633	Suit-type coats, M and B	36.2	DZ.
634	Other coats, M and B	41.3	DZ.
635	Coats, W, G and I	41.3	DZ.
636	Dresses	45.3	DZ.
637	Playsuits, sunsuits, washesuits, etc.	21.3	DZ.
638	Knit shirts, (inc. T-shirts), M and B	18.0	DZ.
639	Knit shirts and blouses (inc. T- shirts), W, G and I	15.0	DZ.
640	Shirts, N.K.	24.0	DZ.
641	Blouses, N.K.	14.5	DZ.
642	Skirts	17.8	DZ.
643	Suits, M and B	4.5	NO.
644	Suits, W, G and I	4.5	NO.
645	Sweaters, M and B	36.8	DZ.
646	Sweaters, W, G and I	36.8	DZ.
647	Trousers, slacks, and shorts (outer), M and B	17.8	DZ.
648	Trousers, slacks and shorts (outer), W, G and I	17.8	DZ.
649	Brassieres, etc.	4.8	DZ.
650	Dressing gowns, inc. bath and beach robes	51.0	DZ.
651	Pajamas and other nightwear	52.0	DZ.
652	Underwear	16.0	DZ.
659	Other apparel	7.8	LB.

MADE-UPS AND MISC.
COTTON

360	Pillowcases	1.1	NO.
361	Sheets	6.2	NO.

362	Bedspreads and quilts	6.9	NO.
363	Terry and other pile towels	0.5	NO.
369	Other cotton manufactures	4.6	LB.

WOOL

464	Blankets and auto robes	1.3	LB.
465	Floor covering	0.1	SFT.
469	Other wool manufactures	2.0	LB.

MAN-MADE FIBER

665	Floor coverings	0.1	SFT.
666	Other furnishings	7.8	LB.
669	Other man-made manufactures	7.8	LB.

ANNEX B

GROUP II

	SYE	21,827,869	23,246,680	24,757,714
SPECIFIC LIMITS				
331	SYE	1,410,800	1,502,502	1,600,165
333/334/ 335	DOZ	53,235	56,695	60,380
	SYE	2,100,000	2,236,500	2,381,873
(333) SUB-LIMIT				
	DOZ	(21,271)	(22,654)	(24,127)
	SYE	(770,000)	(820,050)	(873,353)
(334) SUB-LIMIT				
	DOZ	(18,644)	(19,856)	(21,147)
	SYE	(770,000)	(820,050)	(873,353)
(335) SUB-LIMIT				
	DOZ	(18,644)	(19,856)	(21,147)
	SYE	(770,000)	(820,050)	(873,353)
340	SYE	5,145,181	5,479,618	5,835,793
347	SYE	1,400,000	1,491,000	1,587,915
348	SYE	844,833	899,747	958,231
638/639	DOZ	142,222	151,466	161,311
	SYE	2,400,000	2,556,000	2,722,140
(639) SUB-LIMIT				
	DOZ	(53,333)	(56,800)	(60,492)
	SYE	(800,000)	(852,000)	(907,382)
<u>GROUP III</u>				
	SYE	1,030,000	1,040,300	1,050,703

-13-

ANNEX C

CONSULTATION LEVELS (FIRST AGREEMENT YEAR)

<u>CATEGORY</u>		<u>UNIT</u>	<u>LIMIT</u>
313		SYD	1,800,000
315		SYD	2,000,000
317		SYD	3,000,000
319	SYD		1,350,000
320		SYD	6,500,000
369		SYE	3,000,000
605		SYE	3,500,000
613		SYD	2,000,000
338		SYE	1,500,000
339		SYE	1,000,000
351		SYE	2,000,000
640		SYE	2,000,000
641		SYE	1,100,000
446		SYE	200,000

MALAYSIAN NOTE

June 8, 1978

H. E. Mr. Robert H. Miller
 Ambassador of the United
 States of America
 A.I.A. Building
 Jalan Ampang
 KUALA LUMPUR

Excellency,

I refer to your letter of May 17, 1978 which reads as follows:

See U.S. note.

I have the honour to confirm that the proposal contained in your letter is acceptable to the Government of Malaysia and that your letter and this reply shall constitute an agreement between our two governments.

Please accept, your Excellency, assurances of my highest consideration.

Yours sincerely,

/S/ (Dr. Mahathir Bin Mohamad)
 Minister of Trade and Industry
 MALAYSIA