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**UNITED STATES OF AMERICA
and
JAPAN**

**Exchange of notes constituting an arrangement relating to
trade in textiles (with arrangement and related notes).
Washington, 17 August 1979**

Authentic text: English.

Registered by the United States of America on 30 May 1980.

**ÉTATS-UNIS D'AMÉRIQUE
et
JAPON**

**Échange de notes constituant un arrangement relatif au
commerce des textiles (avec arrangement et notes
connexes). Washington, 17 août 1979**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 30 mai 1980.

EXCHANGE OF NOTES CONSTITUTING AN ARRANGEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND JAPAN RELATING TO TRADE IN TEXTILES

I

EMBASSY OF JAPAN
WASHINGTON

August 17, 1979

Excellency,

I have the honor to refer to the Arrangement regarding International Trade in Textiles done in Geneva on December 20, 1973,² and extended by the Protocol done in Geneva on December 14, 1977³, (hereinafter referred to as “the Arrangement regarding International Trade in Textiles”).

I have further the honor to refer to the recent discussions held between the representatives of the Government of Japan and the Government of the United States of America concerning trade in cotton, wool and man-made fiber textiles between Japan and the United States of America and to confirm, on behalf of the Government of Japan, the understanding reached between the two Governments that, pursuant to the provisions of article 4 of the Arrangement regarding International Trade in Textiles and with a view to providing for orderly development of trade in cotton, wool, and man-made fiber textiles between Japan and the United States of America, the Arrangement attached hereto will be applied by the two Governments.

I have further the honor to request Your Excellency to be good enough to confirm the foregoing understanding on behalf of the Government of the United States of America.

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

[Signed—Signé]⁴

Ambassador Extraordinary and Plenipotentiary
of Japan

The Honorable Cyrus R. Vance
The Secretary of State

ARRANGEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA CONCERN- ING TRADE IN COTTON, WOOL AND MAN-MADE FIBER TEXTILES BETWEEN JAPAN AND THE UNITED STATES OF AMERICA

Pursuant to the provisions of article 4 of the Arrangement regarding International Trade in Textiles permitting bilateral agreements consistent with the basic objectives and principles thereof “on mutually acceptable terms in order, on the one hand, to eliminate real risks of market disruption in importing countries

¹ Came into force on 17 August 1979 by the exchange of the said notes, with retroactive effect from 1 January 1979, in accordance with their provisions.

² United Nations, *Treaty Series*, vol. 930, p. 166.

³ *Ibid.*, vol. 1078, p. 288.

⁴ Signed by Fumihiko Togo—Signé par Fumihiko Togo.

and disruption to the textile trade of exporting countries and, on the other hand, to ensure the expansion and orderly development of trade in textiles...”, the following provisions will be applied by the two Governments.

1. The provisions of this Arrangement will be implemented by the two Governments in accordance with the laws and regulations applicable in their respective countries.

2. The two Governments recognize that their rights and obligations under the General Agreement on Tariffs and Trade¹ are not affected by this Arrangement.

3. For the period beginning January 1, 1979, and extending through December 31, 1981, existing cotton categories 300 through 369, existing wool categories 400 through 469, and existing man-made fiber categories 603 through 669, as specified in the U.S. Correlation of January 1979 (Textile and Apparel Categories with Tariff Schedules of the United States Annotated) and any subsequent technical modifications thereof, will not be subject to numerical limits other than those arising under the provisions of paragraph 4 hereof.

4. (1) If the Government of the United States of America considers that imports from Japan of one or more of the categories referred to in paragraph 3 hereof are increasing so as to cause a real risk of market disruption in the United States of America, the Government of the United States of America may request consultations with the Government of Japan regarding the category or categories affected.

(2) When the Government of the United States of America requests such consultations, the Government of Japan will meet promptly with the Government of the United States of America to work out a mutually satisfactory solution to such problems as may exist with the category or categories affected. The consultations will be concluded within thirty days from the date of the request for such consultations by the Government of the United States of America unless the two Governments agree otherwise.

(3) In the event that such consultations do not result in a mutually satisfactory solution, the Government of the United States of America may request the Government of Japan to limit the exports of the category or categories affected. In that case, the Government of Japan will limit the exports of such category or categories, for the twelve-month period ending December 31 of the year in which the request for such consultations is made, at levels in no case lower than 120 percent for cotton and man-made fiber categories or 106 percent for wool categories of the greater of:

- (i) The levels of imports into the United States of America from Japan of such category or categories during the first twelve months of the fourteen months preceding the month in which the request for such consultations is made; or
- (ii) The levels of the average annual imports into the United States of America in such category or categories from Japan during the first four calendar years of the five calendar years preceding the year in which the request for such consultations is made.

(4) If, in requesting the consultations referred to in sub-paragraph (1) above, the Government of the United States of America considers that unusual and exceptional market conditions exist in the United States of America where

¹ United Nations, *Treaty Series*, vol. 55, p. 187.

imports in the category or categories in question will cause serious disruption, the Government of Japan will, notwithstanding the provisions of sub-paragraph (3) above, limit the exports of the category or categories in question by applying the provisions of sub-paragraph (3) (i) above.

(5) Consultations under the provisions of this paragraph 4 will not be requested for any category when imports from Japan in such category are at annual levels not more than 1,000,000 square yards equivalent for each man-made fiber or cotton category other than apparel, 700,000 square yards equivalent for each man-made fiber or cotton apparel category, and 100,000 square yards equivalent for each wool category.

(6) The Government of the United States of America will provide a detailed factual statement of the reasons and justification for its request for consultations, including data similar to those contemplated in paragraphs I and II of annex A of the Arrangement regarding International Trade in Textiles as well as available relevant data on imports from third countries.

(7) The provisions of this paragraph 4 will be implemented in such a manner as to achieve the principles and objectives set out in the Arrangement regarding International Trade in Textiles, and will only be resorted to sparingly.

(8) In case such consultations take place, the two Governments agree that full and sympathetic consideration will be given to such treatment as specific level, growth rate and flexibility including interfiber flexibility accorded to the similar category or categories in question under the arrangement effected by the Exchange of Notes of September 27, 1974,¹ between the two Governments and to the evidence presented by the Government of the United States of America as to the real risk of market disruption. If the Government of Japan indicates that the level of restraint requested by the Government of the United States of America would result in undue hardship or inequity, the two Governments will examine such problems on the basis of relevant materials with a view to clarifying the situation and to developing a solution to such problems in a spirit of mutual confidence and cooperation and in a manner consistent with the objectives of the Arrangement regarding International Trade in Textiles.

5. If the Government of Japan considers that as a result of the application of this Arrangement, Japan is, or is threatened to be, placed in an inequitable position *vis-à-vis* a third country whose exports to the United States of America of cotton, wool and man-made fiber textiles are subject to restraint, or that Japan is, or is threatened to be, put in a substantially disadvantageous position compared with any other exporting country because of such factors as a remarkable increase of exports by such country to the United States of America, the Government of Japan may request consultations with the Government of the United States of America. Such consultations will be held and concluded promptly with a view to taking appropriate remedial action such as a reasonable modification of this Arrangement. The Government of the United States of America will take such appropriate remedial measures as may be deemed satisfactory by the two Governments in the consultations.

6. During the period referred to in paragraph 3 hereof, the two Governments will exchange current data monthly on exports and imports between Japan and the United States of America of the textiles covered by this Arrangement as rapidly as possible.

¹ United Nations, *Treaty Series*, vol. 979, p. 201.

7. The representatives of the two Governments will meet at the request of either Government and at least once a year for a general overall review of this Arrangement and its implementation. Such review will include consideration of changing conditions in the industries, markets and trade of the two countries in the textile field, as well as any particular proposals which may be made under sub-paragraph (2) of paragraph 13 hereof.

8. The Government of Japan will endeavor to space exports as evenly as practicable on a quarterly basis, taking seasonal factors into account.

9. 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.

10. (1) For the purposes of this Arrangement, the word "textiles" means 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, or blends thereof, in which any or all of those fibers in combination represent either the chief value of the fibers or 50 percent or more by weight (or 17 percent or more by weight of wool) of the product.

(2) In the implementation of this Arrangement, the system of textile categories and the rates of conversion are set forth in the U.S. Correlation of January 1979 and any subsequent technical modifications thereof. The assignments of products to categories listed in the Correlation will be determined in accordance with the United States Customs classification and definitions, subject to further clarification where necessary.

(3) Any question arising out of the implementation of the provisions of this paragraph 10 will be subject to consultations between the two Governments which will be promptly held with a view to finding a mutually satisfactory solution. These consultations will take into account the marketing of the textiles in question in the United States of America.

(4) The representatives of the two Governments will meet as necessary to discuss the application of the above definitions for cotton, wool and man-made fiber textiles to certain articles which the Government of Japan considers to be products of industries other than the textile and apparel industries, and not to be textile or apparel products.

(5) The contents of the letters exchanged between the two Governments on September 27, 1974, concerning the so-called "Japan items" will be respected by the two Governments.

11. Matters concerning trade in cotton, wool and man-made fiber textiles between Japan and the United States of America which are not governed by this Arrangement will be governed by the provisions of the Arrangement regarding International Trade in Textiles. The Government of the United States of America agrees that, insofar as the exports from Japan of the products governed by this Arrangement are conducted within the framework thereof, the Government of the United States of America will not invoke the provisions of article 3 of the Arrangement regarding International Trade in Textiles with respect to such products.

12. If the two Governments are unable to reach a mutually satisfactory solution within a reasonable period of time on problems which have been the

subject of consultations under this Arrangement, either Government may, after notification to the other Government, refer such problems to the Textiles Surveillance Body in accordance with the provisions of article 11 of the Arrangement regarding International Trade in Textiles.

13. (1) Either Government may, on or before the thirty-first day of October in any year, give to the other Government, through diplomatic channels, written notice of termination and, in such event, this Arrangement will cease to be effective at the end of the year in which the notice of termination is given.

(2) Each Government may at any time propose modifications of this Arrangement. The other Government will give sympathetic consideration to such proposal.

II

The Secretary of State to the Japanese Ambassador

August 17, 1979

Excellency:

I have the honor to acknowledge receipt of Your Excellency's Note of today's date enclosing the Arrangement attached thereto concerning trade in cotton, wool and man-made fiber textiles between Japan and the United States of America which reads as follows:

[See note I]

I have further the honor to confirm the foregoing Arrangement on behalf of the Government of the United States of America.

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

For the Secretary of State:
ERNEST JOHNSTON

His Excellency Fumihiko Togo
Ambassador of Japan

RELATED NOTES

I

EMBASSY OF JAPAN
WASHINGTON

August 17, 1979

Excellency,

With reference to the Arrangement between the Government of Japan and the Government of the United States of America concerning Trade in Cotton, Wool and Man-made Fiber Textiles between Japan and the United States of America effected by the Exchange of Notes today, I wish to confirm the Record of Understanding attached hereto which contains the views and intentions expressed by the representatives of the two Governments in the discussions leading to the conclusion of the said Arrangement.

I further wish to request Your Excellency to be good enough to confirm the Record of Understanding referred to above.

Sincerely yours,

Attachment

[Signed]

FUMIHIKO TOGO

Ambassador Extraordinary and Plenipotentiary
of Japan

The Honorable Cyrus R. Vance
The Secretary of State

RECORD OF UNDERSTANDING

With respect to paragraph 4 of this Arrangement:

1. The Government of the United States of America, when invoking the provisions of sub-paragraph (4) of paragraph 4, will give full and sympathetic consideration to the views presented by the Government of Japan.

2. As paragraph 4 is implemented in the form of export restraint, the Government of the United States of America will honor, in principle, the export licenses already issued, while the Government of Japan will endeavor to avoid exceptionally large issuance of export licenses, particularly extraordinary concentration in one category.

3. If the consultations referred to in sub-paragraph (1) of paragraph 4 would result in an immediate and complete stoppage of issuance of export licenses, a certain reasonable degree of further issuance of export licenses will be considered in such consultations. The contracts which have been entered into by the time of the request for consultations will be duly taken into account in such consultations.

4. If requested, the Government of Japan will provide to the Government of the United States of America, promptly, information on export licenses and, as soon as practicable, information on license applications for any category during the year in question, and such additional information on contracts for exports in such category as may be available. Such information may be requested prior to the making of a formal request for consultations, and a request for such information will not constitute a request for consultations.

II

August 17, 1979

Excellency:

I have the honor to acknowledge receipt of Your Excellency's letter of August 17, 1979 and the Record of Understanding attached thereto relating to the discussions leading to the conclusion of the Arrangement between the Government of Japan and the Government of the United States of America concerning Trade in Cotton, Wool and Man-made Fiber Textiles between Japan and the United States of America effected by the Exchange of Notes today.

I wish to confirm the Record of Understanding referred to above.
Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:
ERNEST JOHNSTON

His Excellency Fumihiko Togo
Ambassador of Japan
