

No. 27062

**UNITED STATES OF AMERICA
and
BRAZIL**

**Exchange of notes constituting an agreement relating to trade
in cotton and man-made fiber textiles and textile prod-
ucts (with annexes). Washington, 31 March 1982**

Authentic text: English.

Registered by the United States of America on 24 January 1990.

**ÉTATS-UNIS D'AMÉRIQUE
et
BRÉSIL**

**Échange de notes constituant un accord relatif au commerce
des textiles et produits textiles en coton et fibres artifi-
cielles (avec annexes). Washington, 31 mars 1982**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 24 janvier 1990.

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹ BETWEEN THE UNITED STATES OF AMERICA AND BRAZIL RELATING TO TRADE IN COTTON AND MAN-MADE FIBER TEXTILES AND TEXTILE PRODUCTS

I

DEPARTMENT OF STATE
WASHINGTON

March 31, 1982

Excellency:

I have the honor to refer to the Arrangement regarding International Trade in Textiles, with Annexes, done at Geneva on December 20, 1973,² and extended by the Protocols adopted respectively on December 14, 1977³ and December 22, 1981⁴ at Geneva (hereinafter referred to as the Arrangement). I have also the honor to refer to discussions between representatives of the Government of the United States of America and the Government of the Federative Republic of Brazil held in Rio de Janeiro from February 15 to February 19, 1982, concerning exports of cotton and man-made fiber textiles and textile products from Brazil to the United States of America. As a result of those discussions and in conformity with Articles 4 and 6 of the Arrangement, I have the honor to propose the following Agreement relating to Trade in Cotton and Man-Made Fiber Textiles and Textile Products between the Government of the Federative Republic of Brazil and the Government of the United States of America.

¹ Came into force on 31 March 1982 by the exchange of the said notes.

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

³ *Ibid.*, vol. 1078, p. 288.

⁴ *Ibid.*, vol. 1281, p. 472.

1. The term of this Agreement shall be the three-year period from April 1, 1982 through March 31, 1985. Each "Agreement Period" shall be the twelve month period from April 1 to March 31, with the first Agreement Period commencing on April 1, 1982 and ending on March 31, 1983.

2. Textiles and textile products covered by this Agreement shall be classified in three groups, as follows:

<u>Group</u>	<u>Definition</u>
I	Yarn and fabric textile products of cotton (Categories 300-320).
II	Apparel, made-up goods, and miscellaneous textile products of cotton (Categories 330-369).
III	Man-made fiber textiles and textile products (Categories 600-669).

The determination of whether a textile or textile product is of cotton or man-made fiber shall be made in accordance with the terms of paragraph 11. The categories referred to in the above definitions of groups are summarized in Annex A.

3. (a) The system of categories and the rates of conversion into square yards equivalent listed in Annex A shall apply in implementing this Agreement.

(b) For purposes of this Agreement, and in recognition of the patterns of trade of the Federative Republic of Brazil

with the United States of America, the categories below are merged and treated as a single category, as indicated, with a designated consultation level as set out in Annex C.

<u>Categories Merged</u>	<u>Designation in Agreement</u>
300, 301	300/301

For purposes of computing charges to Aggregate, Group and Specific Limits for the categories cited above, rates of conversion for individual categories set out in Annex A shall be applied.

4. Commencing with the first Agreement Period and during the subsequent term of this Agreement, the Federative Republic of Brazil shall limit annual exports from Brazil to the United States of America of cotton and man-made fiber textiles and textile products to the Aggregate, Group and Specific Limits set out in Annex B, as such Limits may be adjusted in accordance with paragraphs 8, 9 and 10. The Limits set out in Annex B do not include any adjustments permitted under paragraphs 8, 9 and 10. The Aggregate, Group and Specific Limits shall be increased in the Second and Third Agreement Period by seven percent annually, as shown in Annex B.

5. (a) Within the Group Limits, exports of cotton textiles and textile products in individual categories without Specific Limits shall be subject to category consultation levels. Except as specified in Annex C, the annual consultation levels for cotton categories not given Specific Limits shall be 1,000,000 square yards equivalent for each non-apparel category and 700,000 square yards equivalent for

each apparel category. Man-made fiber categories not specified in Annex C and not given Specific Limits shall be subject to the consultation mechanism specified in paragraph

6. (b) In the event the Government of the Federative Republic of Brazil wishes to export to the United States of America textile products in excess of the applicable consultation levels, the Government of the Federative Republic of Brazil shall request the higher levels. The Government of the United States of America shall consider the request sympathetically. The Government of the United States of America shall respond promptly, and will meet in Washington, D.C. no later than 30 days following the date of the receipt of the Brazilian request and resolve the issue within 30 days following the date of the initial meeting. If the Government of the United States of America is unable to comply fully because of problems of market disruption, as defined in Annex A of the Arrangement, in the United States of America, in a category subject to such request, the Government of the United States of America will so inform the Government of the Federative Republic of Brazil. The Government of the United States of America will supply data which form the basis of the position taken by the United States of America. Until a mutually satisfactory change in the consultation level of the category in question is established, shipments shall not exceed the existing consultation level.

6. (a) In the event that the Government of the United States of America believes that imports of man-made fiber textiles or textile products from the Federative Republic of Brazil, in any category or categories not covered by Specific Limits, Designated Consultation Levels

or Minimum Consultation Levels are, due to market disruption, or the threat thereof, as defined in Annex A of the Arrangement, threatening the orderly development of trade between the two countries, the Government of the United States of America may request consultations with the Government of the Federative Republic of Brazil with a view to easing or avoiding such market disruption. The Government of the United States of America will provide the Government of the Federative Republic of Brazil, at the time of the request, with a statement of reasons for its request for consultations which, in the view of the Government of the United States, will demonstrate:

(1) the existence or the threat of market disruption as defined in Annex A of the Arrangement; and

(2) the role of exports from the Federative Republic of Brazil in that disruption.

(b) Consultations under this paragraph will not be requested for any category when imports from Brazil in such category are at annual levels less than 1,000,000 square yards equivalent for each category other than apparel and 700,000 square yards equivalent for each apparel category.

(c) The Government of the Federative Republic of Brazil agrees to consult with the Government of the United States of America within 30 days of receipt of the request for consultations. Both sides agree to make every effort to reach agreement on a mutually satisfactory resolution of the issue within 90 days of the receipt of the request, unless this period is extended by mutual agreement.

(d) During the 90 day period, the Government of the Federative Republic of Brazil agrees to hold its exports to the United States in the category or categories subject to these consultations to a level no greater than 35 percent of the amount entered, as reported in U.S. General Import statistics, during the first twelve of the most recent fourteen months preceding the month in which the request for consultations was made.

(e) If no mutually satisfactory solution is reached during these consultations, the Government of the United States may establish a Specific Limit for the category or categories concerned. The Specific Limit will not be less than the amount of the imports concerned, as reported in U.S. General Import statistics, which was entered during the first twelve of the most recent fourteen months preceding the month in which the request for consultations was made, plus 20 percent for all man-made fiber product categories. The Specific Limit established by this sub-paragraph may be combined with the Limit established by sub-paragraph 6(d), at the discretion of the Government of the United States of America.

(f) A Specific Limit established under sub-paragraph 6(e) will be effective on the first day following the conclusion of the "consultation period". If a Specific Limit is established during an Agreement Period, the Specific Limit and any available swing will be prorated to correspond to the number of months remaining in the existing Agreement Period. Full carryforward will be available except in the last Agreement period as provided by paragraph 10. Carryover will not be available in the first Agreement Period following

the request for consultations. For the second and each succeeding Agreement Period, the Specific Limit will be increased by 7 percent annual growth for all man-made fiber products.

(g) The Government of the United States of America may assist the Government of the Federative Republic of Brazil in implementing the provisions of this consultation mechanism. Exports in excess of authorized limits for any Period, if allowed entry into the United States, will be charged to the applicable limit for the succeeding Period.

7. (a) Exports from Brazil 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 in the succeeding Agreement Period and charged to the applicable limit in that Agreement Period.

(b) Exports from Brazil in excess of authorized 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 7 (a) and 7 (b) above, will not prejudice the rights of either side regarding consultations.

8. During any Agreement Period and within the Aggregate Limit for such Agreement Period, the Group Limits set out in Annex B applicable to such Agreement Period may be exceeded by not more than 15 percent in the case of Group I, and by not more than 7 percent in the case of Group II

(swing), provided that a corresponding reduction is made in the remaining Group Limits during the same Agreement Period.

9. During any Agreement Period, and within the Aggregate and applicable Group Limits for such Agreement Period, as they may be adjusted pursuant to paragraphs 8 and 10, the Specific Limits set out in Annex B, and categories converted to Specific Limits pursuant to paragraph 6 (e), or any other categories converted to Specific Limits may be exceeded by not more than 10 percent if included in Group I and non-apparel categories included in Group III, and 7 percent if included in Group II and apparel categories included in Group III.

10. (a) In any Agreement Period, in addition to any adjustments pursuant to paragraphs 8 and 9, exports may exceed, by a maximum of 11 percent, the Aggregate Limit and any Group or Specific Limit by allocating to such limit for that Agreement Period an unused portion of the corresponding limit for the previous Agreement Period ("Carryover"), or a portion of the corresponding limit for the succeeding Agreement Period ("Carryforward") subject to the following conditions:

(b) Carryover may be utilized as available up to 11 percent of the receiving Agreement Period's applicable limit. No carryover shall be available for application during the first Agreement Period.

(c) Carryforward may be utilized up to 6 percent of the receiving Agreement Period's applicable limits.

(d) Carryforward used shall be charged against the immediately following Agreement Period's corresponding

limits. No carryforward shall be available for application in the final Agreement Period.

(e) The combination of carryover and carryforward may not exceed 11 percent of the receiving Period's applicable limits in any Agreement Period.

(f) For purposes of this Agreement, a shortfall occurs when exports of textiles or textile products from Brazil to the United States of America during an Agreement Period are below the Aggregate Limit and any applicable Group Limit or Specific Limit. In the Agreement Period following the shortfall, such exports from Brazil to the United States of America may be permitted to exceed the Aggregate, Group and Specific Limits subject to the conditions of sub-paragraph 10 (a) by carryover of shortfalls in the following manner:

- (i) Carryover to any Aggregate, Group or Specific Limit shall not exceed the amount of shortfall available in the Aggregate Limit, any applicable Group Limit or Specific Limit.
- (ii) In the case of shortfall in a category subject to a Specific Limit, the shortfall shall be used in the category in which the shortfall occurred.
- (iii) In the case of shortfall in a Group Limit, the carryover shall be used in the same Group in which the shortfall occurred.
- (iv) The Aggregate Limit or any applicable Group or Specific Limit in which the shortfall occurred

shall be decreased by the amount used to exceed the following Period's limit.

(g) The limits referred to in this paragraph are without any adjustment under this paragraph, or paragraphs 8 and 9. The total adjustment under this paragraph shall be in addition to adjustments to the limits permitted by paragraphs 8 and 9.

(h) 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.

11. (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 or 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 of the products, are subject to this Agreement.

(b) For the purposes of this Agreement, textile products shall be classified as cotton or man-made fiber

textiles if wholly or in chief value of any of these fibers. Any products covered by sub-paragraph 11 (a) but not in chief value of cotton 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; and
- (ii) Man-made fiber textiles if the foregoing does not apply and if wool equals less than 17 percent by weight.

12. In conformity with Article 8 of the Arrangement, the Government of the Federative Republic of Brazil and the Government of the United States of America shall cooperate to avoid circumvention of the Agreement. Any actions with a view to avoid circumvention shall comply with the provisions established in paragraph 14 of the Protocol of December 22, 1981 extending the MFA (Document - GATT L/5276).

13. 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.

14. (a) The Government of the United States of America shall promptly supply the Government of the Federative Republic of Brazil with data on monthly imports of cotton and man-made fiber textiles and textile products into the United States of America from Brazil.

(b) The Government of the Federative Republic of Brazil shall promptly supply the Government of the United States of America with data on monthly exports of cotton and man-made fiber textiles and textile products from Brazil 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.

15. The Government of the Federative Republic of Brazil shall use its best efforts to space exports from Brazil to the United States of America within each category evenly throughout each Agreement Period, taking into consideration normal seasonal factors.

16. If the Federative Republic of Brazil 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 the Federative Republic of Brazil may request consultations with the Government of the United States of America with a view to taking appropriate remedial actions such as reasonable modification of this Agreement.

17. 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 and man-made fiber textiles and textile products from Brazil to the United States. The Government of the United States of America and the Government of the Federative Republic of Brazil reserve their rights under the

Arrangement with respect to textiles and textile products not subject to this Agreement.

18. The Federative Republic of Brazil shall administer its export control system under this Agreement. The Government of the United States of America may assist the Federative Republic of Brazil in implementing the provisions of this Agreement by controlling imports of textiles and textile products covered by this Agreement.

19. The visa system, effective on June 20, 1972, between the Government of the United States of America and the Government of the Federative Republic of Brazil will remain in force subject to paragraph 13, and will be extended to cover man-made fiber products covered by this Agreement.

20. The Government of the United States of America and the Government of the Federative Republic of Brazil agree to consult upon the request of the other on any question arising in the implementation of this Agreement.

21. The Government of the United States of America and the Government of the Federative Republic of Brazil may, at any time, propose revisions in 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.

22. Either Government may terminate this Agreement, effective at the end of any Agreement Period, by written notice to the other, to be given at least 90 days prior to the end of such Agreement Period.

If the foregoing conforms with the understanding of the Government of the Federative Republic of Brazil, this note and Your Excellency's note of confirmation on behalf of the Government of the Federative Republic of Brazil shall constitute an Agreement between our two Governments.

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

For the Secretary of State:

[Signed — Signé]¹

His Excellency Antonio F. Azeredo da Silveira
Brazilian Ambassador

¹ Signed by E. Johnston — Signé par E. Johnston.

ANNEX A

Category	Description	Conversion Factor	Unit of Measure
YARN			
--Cotton			
300	Carded	4.6	Lb.
301	Combed	4.6	Lb.
--Man-made Fiber			
600	Textured	3.5	Lb.
601	Cont. cellulosic	5.2	Lb.
602	Cont. noncellulosic	11.6	Lb.
603	Spun cellulosic	3.4	Lb.
604	Spun noncellulosic	4.1	Lb.
605	Other yarns	3.5	Lb.
FABRIC			
--Cotton			
310	Ginghams	1.0	SYD
311	Velveteens	1.0	SYD
312	Corduroy	1.0	SYD
313	Sheeting	1.0	SYD
314	Broadcloth	1.0	SYD
315	Printcloths	1.0	SYD
316	Shirtings	1.0	SYD
317	Twills and Sateens	1.0	SYD
318	Yarn-dyed	1.0	SYD
319	Duck	1.0	SYD
320	Other Fabrics, n.k.	1.0	SYD

M and B = Men's and Boys'
W, G, and I = Women's, Girls', and Infants
n.k. = not Knit

Category	Description	Conversion Factor	Unit of Measure
--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.
APPAREL			
--Cotton			
330	Handkerchiefs	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 (incl. 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 incl. T-Shirts, other 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.

Category	Description	Conversion Factor	Unit of Measure
345	Sweaters	36.8	Dz.
347	Trousers, slacks, and shorts (outer) M and B	17.8	Dz.
348	Trousers, slacks and shorts (outer) W, G and I	17.8	Dz.
349	Brassieres, etc.	4.8	Dz.
350	Dressing gowns, incl. bathrobes, and beach house coats, and dusters	51.0	Dz.
351	Pajamas and other nightwear	52.0	Dz.
352	Underwear (incl. union suits)	11.0	Dz.
353	Down feather-filled coats, jackets and vests, M and B	41.3	Dz.
354	Down feather-filled coats, jackets and vests, W, G and I	41.3	Dz.
359	Other apparel	4.6	Lbs.
--Man-made Fiber			
630	Handkerchiefs	1.7	Dz.
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, Washsuits, etc.	21.3	Dz.
638	Knit Shirts, (Incl. T-shirts), M and B	18.0	Dz.

Category	Description	Conversion Factor	Unit of Measure
639	Knit Shirts and blouses (Incl. 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	54.0	Dz.
644	Suits, W, G and I	54.0	Dz.
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, incl. bath and beach robes	51.0	Dz.
651	Pajamas and other night-wear	52.0	Dz.
652	Underwear	16.0	Dz.
653	Down feather-filled coats, jackets and vests, M and B	41.3	Dz.
654	Down feather-filled coats, jackets and vests, W, G and I	41.3	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	6.2	No.
363	Terry and other pile towels	0.5	No.
369	Other cotton manufactures	4.6	Lb.

Category	Description	Conversion Factor	Unit of Measure
--Man-made Fiber			
665	Floor Coverings	0.1	SFT.
666	Other Furnishings	7.8	Lb.
669	Other man-made manu- factures*	7.8	Lb.

* Excluding TSUSA Numbers 706.2045, 706.2700, 706.2840 and 706.2850

Annex B

<u>Category</u>	<u>Description</u>	<u>Unit</u>	<u>4/1/82</u> <u>3/3/83</u>	<u>4/1/83</u> <u>3/31/84</u>	<u>4/1/84</u> <u>3/31/85</u>
Aggregate		SYE	171,083,370	183,059,200	195,873,340
Group I	Cotton Yarn and Fabrics	SYE	133,564,990	142,914,530	152,918,540
313	Sheeting	SYD	24,500,000	26,215,000	28,050,050
317	Twill and Sateen	SYD	9,100,000	9,737,000	10,418,590
319	Duck	SYD	7,000,000	7,490,000	8,014,300
Group II	Apparel, Made-up Goods, and Miscel- laneous Textiles Products of Cotton	SYE	37,518,380	40,144,670	42,954,800

ANNEX CDesignated Consultation Levels

<u>Category</u>	<u>Description</u>	<u>Quantity</u>
300/301	Yarn, Carded and Combed	33,000,000 SYE
314	Poplin and Broadcloth	1,500,000 SYE
315	Printcloth	12,000,000 SYE
318	Yarn-dyed Fabrics, n.e.s.	1,500,000 SYE
320	Woven Fabrics, Other	4,000,000 SYE
334	Other Coats, MB	2,000,000 SYE
335	Coats, WGI	2,000,000 SYE
337	Playsuits	2,300,000 SYE
339	Knit Shirts, Blouses, WGI	1,900,000 SYE
347	Trousers, MB	2,500,000 SYE
348	Trousers, WGI	2,100,000 SYE
350	Dressing Gowns	2,000,000 SYE
359	Other Cotton Apparel	1,000,000 SYE
363	Terry Towels	5,000,000 SYE
369 pt.	Other Cotton Manufactures	2,500,000 SYE
369 pt.	Floor Coverings	3,400,000 SYE
613	Fabric, Non-cellulosic, n.k.	5,000,000 SYE
614	Fabric, Other, n.k.	3,000,000 SYE

II

Washington, D.C., March 31, 1982

Excellency:

I have the honor to refer to your Note of March 31, 1982, proposing an agreement relating to trade in cotton, and man-made fiber textiles and textile products between Brazil and the United States of America.

I confirm on behalf of the Government of the Federative Republic of Brazil that the proposal contained in your Note is acceptable to my Government, and that your Note and this Note in reply constitute an agreement between our two governments.

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

[Signed]

ANTONIO F. AZEREDO DA SILVEIRA
Ambassador of Brazil

The Honorable Alexander M. Haig, Jr.
Secretary of State
Washington, D.C.
