

EMBASSY OF THE
UNITED STATES OF AMERICA

Note No. 003

January 3, 1985

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, as extended by the protocol on December 22, 1981.

I also refer to discussions between representatives of the Government of Peru and the Government of the United States of America in Washington, D.C. from December 4-7, 1984, concerning exports of cotton, wool, and man-made fiber textiles and textile products manufactured in Peru and exported to the United States. As a result of these discussions, I propose on behalf of the Government of the United States, under Articles 4 and 6, and in conformity with the Arrangement, the following Agreement relating to trade in cotton, wool, and man-made fiber textiles and textile products between the Government of Peru and the Government of the United States.

His Excellency

Dr. Luis Percovich Roca

Minister of Foreign Relations

Palacio Torre Tagle

Lima

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Agreement Term

1. The term of this Agreement will be the period from May 1, 1984 through April 30, 1989. Each "agreement period" shall be a twelve-month period from May 1 of a given year to April 30 of the following year.

Coverage of Agreement

2. (A) Textiles and textile products covered by this Agreement are those summarized in Annex A. Tops, yarn, piece goods, made-up articles, garments, and other textile manufactured products, all being products which derive their chief characteristics from their textile components, if all those fibers 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 products, are subject to this Agreement.

Classification

(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 Paragraph 2 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 components;

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

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



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

(D) For purposes of computing limits and charges to limits, the rates of conversion for individual categories set out in Annex A shall be applied.

Handloom - Folklore - Cottage Industry Exemption

3. In conformity with Article 12, Paragraph 3, of the Arrangement, this Agreement shall not apply to exports of handloom fabrics, folklore products, cottage industry products, or handmade products, of Peru. Handloom fabrics, folklore products, cottage industry products, or handmade products, of Peru, shall be properly certified under arrangements to be established between the two Governments.

Specific Limits

4. Commencing with the first agreement period and during the subsequent term of this Agreement, the Government of Peru shall limit annual exports from Peru to the United States of cotton, wool, and man-made fiber textiles and textiles products to the specific limits set out in Annex B, as such specific limits may be adjusted in accordance with Paragraph 5. The specific limits in Annex B include growth, but do not include flexibility under Paragraph 5.

Flexibility (Swing)

5. During any agreement period, the specific limits set out in Annex B may be exceeded by not more than the seven (7) percent swing (five percent for wool categories), provided that a

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corresponding reduction in square-yards equivalent is made in one or more other specific limits during the same agreement year.

(A) The Government of Peru shall indicate to the Government of the United States the specific limits it intends to increase and which it wishes to decrease.

Flexibility (Carryover/Carryforward)

6. The extent to which any specific limit set out in Annex B may be exceeded in any agreement period by carryforward (borrowing a portion of the corresponding specific limit from the succeeding agreement period) and/or carryover (the use of any unused yardage (shortfall) of the corresponding specific limit for the previous agreement period) is eleven (11) percent, of which carryforward shall not constitute more than seven (7) percent.

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

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

(C) The Government of Peru will notify the Government of the United States when it wishes to use unused yardage (shortfall) available in categories for carryover, or for use by other categories for swing; subject to the provisions set out above.

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Designated Consultation Levels

7. The categories listed in Annex C are subject to the annual designated consultation levels specified therein. The cotton apparel and wool product group levels listed in Annex D shall be treated as designated consultation levels.

(A) If the Government of Peru wishes to export textile products to the United States in excess of the applicable designated consultation levels, the Government of Peru shall request the higher levels. The Government of the United States shall consider such requests sympathetically. The Government of the United States shall respond promptly and make every effort to resolve the issue within 30 days of the initial request. If the Government of the United States is unable to comply fully with the request due to problems of market 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 Peru. The Government of the United States will supply data which form the basis of the position it has taken. Until a mutually satisfactory change in the consultation level in question is established, shipments shall not exceed the existing consultation level.

Consultation Mechanism

8. (A) In the event that the Government of the United States believes that imports of cotton, wool, or man-made fiber textiles or textile products from Peru, in any category or product not covered by specific limits or designated consultation levels listed in Annex C are, due to market disruption or the real risk thereof, threatening to impede the

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orderly development of trade between the two countries, the Government of the United States may request consultations with the Government of Peru with a view to avoiding such market disruption or the real risk thereof. The Government of the United States will provide the Government of Peru, at the time of the request, with a detailed and factual statement of reasons for its request for consultation which, in the view of the Government of the United States demonstrates:

(I) the existence or the real risk of market disruption; and

(II) the role of exports from Peru in that disruption or real risk of disruption.

(B) The Government of Peru agrees to consult with the Government of the United States 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 such request, unless extended by mutual agreement.

(C) During the 90 day consultation period, the Government of Peru agrees to hold its shipments to the United States of cotton, wool or man-made fiber textiles or textile products 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 12 of the most recent 14 months preceding the month in which the request for consultations was made.

(D) If no mutually satisfactory solution is reached during these consultations, the Government of the United States may establish annual specific limits for shipments of cotton, wool,

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or man-made fiber products in the product or categories concerned for the duration of the Agreement. The amount will not be less than the amount, as reported in U.S. General Import Statistics, entered during the first 12 of the most recent 14 months preceding the month in which the request for consultations was made, plus 20 percent for cotton and man-made fiber product categories, and 6 percent for wool product categories.

(E) The first term of any specific limit established under Sub-paragraph 8(D) will begin on the first day following the conclusion of the consultation period and end on the last day of the agreement period in which the specific limit was established. If a specific limit is established during an agreement period, that limit and any applicable swing or carryforward will be prorated to correspond to the period of time remaining in the current agreement period. Carryover will not be available in the first agreement period. For each remaining agreement period any specific limit established under Sub-paragraph 8(D) will be increased by 7 percent per agreement period in the case of cotton and man-made fiber categories and by 1 percent per agreement period in the case of wool categories.

Overshipment Charges

9. Exports from Peru in excess of authorized limits in any agreement period may be denied entry into the United States. Any such shipments denied entry may be permitted entry into the United States and charged to the applicable limit in the succeeding agreement period. The Government of the United States shall inform the Government of Peru of any such charges.

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(A) Exports from Peru 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.

(B) Any action taken pursuant to this paragraph will not prejudice the rights of either side regarding consultations.

Spacing Provisions

10. The Government of Peru shall use its best efforts to space exports to the United States within each category, sub-category, or part category evenly throughout each agreement period, taking into consideration normal seasonal factors.

U.S. Assistance in Implementation of the Limitation Provisions

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

Exchange of Data

12. The Government of the United States shall promptly supply the Government of Peru with data on monthly imports of cotton, man-made fiber, and wool textiles and textile products into the United States from Peru. The Government of Peru shall promptly supply the Government of the United States with data on monthly exports of cotton, man-made fiber, and wool textiles and textile

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products from Peru to the United States. Each Government agrees to supply promptly any other available statistical data necessary to the implementation of this Agreement.

Mutually Satisfactory Administrative Arrangement

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

Consultation on Implementation Questions

14. The Government of the United States and the Government of Peru agree, upon the request of the other to consult on any question arising in the implementation of this Agreement.

Right to Propose Revisions to the Agreement

15. The Government of the United States and the Government of Peru 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. The Agreement is subject to both parties being free to request, at any time, consultations with a view to proposing revisions in the light of any successor to the current Arrangement.

Consultations in Case of Inequity Vis-a-vis a Third Country

16. If the Government of Peru 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

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Government of Peru 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.

17. For the duration of this Agreement, the Government of the United States shall not invoke the procedures of Article 3 of the Arrangement to request restraint on the exports of cotton, wool, and man-made fiber textiles and textile products covered by this Agreement to the United States. The Government of the United States and the Government of Peru reserve their rights under the Arrangement with respect to textiles and textile products not covered by this Agreement.

Visa System

18. Both Governments agree to establish a correct category/ correct quantity visa system.

Provision for Textile Agreements Harmonized Commodity Code

19. Both parties recognize that adoption by the Government of the United States of the Harmonized Commodity Code may result in some changes in the United States category system of textile products as presently covered by this Agreement. If such changes are made during the term of this Agreement, the Government of the United States and the Government of Peru will consult with the view of reaching a satisfactory resolution of issues concerning categories covered by this Agreement. The Government of Peru recognizes that, should there be no resolution in such consultations, the Government of the United States reserves its rights to make such adjustments to Annexes A, B, C, and D as necessary to bring it into conformity with the

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new category system and with the Harmonized Commodity Code. The intent of this conversion on the part of the Government of the United States is solely to align the current category system and limit with the Harmonized Commodity Code; it is not to diminish or alter overall trade in textiles and apparel with Peru.

(A) Consultations under this provision shall be conducted no later than 90 days before final adoption of the Harmonized Commodity Code by the Government of the United States.

Exchange of Information

20. Each Government agrees to supply promptly any information reasonably believed to be necessary to the enforcement of this Arrangement requested by the other Government.

Right to Terminate the Agreement

21. 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.

Closing Paragraph

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

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

Samir C. Jorda

ANNEX A

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>CONVERSION FACTOR</u>	<u>UNIT OF MEASURE</u>
Yarn			
--Cotton			
300	Cotton carded yarn	4.6	LB
301	Cotton Combed Yarn	4.6	LB
--Wool			
400	Tops and yarns	2.0	LB
--Man-Made Fiber			
600	Textured	3.5	LB
601	Continuous cellulosic	5.2	LB
602	Continuous Non-cellulosic	11.6	LB
603	Spun cellulosic	3.4	LB
604	Spun cellulosic	4.1	LB
605	Other yarns	3.5	LB
Fabric			
--Cotton			
310	Gingham	1.0	SYD
311	Velveteen	1.0	SYD
312	Corduroy	1.0	SYD
313	Sheeting	1.0	SYD
314	Broadcloth	1.0	SYD
315	Printcloth	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
--Wool			
410	Woolens and 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	Continuous cellulosic N.K.	1.0	SYD
611	Spun cellulosic, N.K.	1.0	SYD
612	Continuous Non-cellulosic, N.K.	1.0	SYD
613	Spun non-cellulosic, N.K..	1.0	SYD

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Annex A (continued)

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>CONVERSION FACTOR</u>	<u>UNIT OF MEASURE</u>
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
600	Textured	3.5	LB
601	Continuous cellulosic	5.2	LB
602	Continuous non-cellulosic	11.6	LB
603	Spun cellulosic	3.4	LB
604	Spun non-cellulosic	4.1	LB
605	Other yarns	3.5	LB
Apparel			
--cotton			
330	Handkerchiefs	1.7	OZ
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 (including uniforms)	45.3	DZ
337	Playsuits, sunsuits, washsuits, creepers, rompers, etc.	25.0	DZ
338	Knit shirts (including T-shirts, other and sweatshirts) M and B	7.2	DZ
339	Knit shirts and blouses (including 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
348	Trousers, slacks and shorts (outer) W, G and I	17.8	DZ
349	Brassiers, etc.	4.8	DZ
350	Dressing gowns, including bathrobes and beach house coats, and dusters	51.0	DZ
351	Pajamas and other nightwear	52.0	DZ
352	Underwear (including union suits)	11.0	DZ
353	Down and featherfilled coats, jackets, vests, M and B	41.3	DZ
354	Down and Featherfilled coats, Jackets, vests, W, G and I	41.3	DZ
359	Other apparel	4.6	LBS

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Annex A (continued)

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>CONVERSION FACTOR</u>	<u>UNIT OF MEASURE</u>
--Wool			
431	Gloves	2.1	DPR
432	Hosiery	2.8	DPR
433	Suit-type coats, M and B	36.0	DZ
434	Other coats, M and B	54.0	DZ
435	Coats, W, G and I	54.0	DZ
436	Dresses	49.2	DZ
438	Knit shirts and blouses	15.0	DZ
440	Shirts and blouses, N.K.	24.0	DZ
442	Skirts	18.0	DZ
443	Suits, M and B	54.0	DZ
444	Suits, W, G and I	54.0	DZ
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	18.0	DZ
448	Trousers, slacks and shorts (outer) W, G and I	18.0	DZ
459	Other wool apparel	2.0	LB
--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 washesuits, etc.	21.3	DZ
638	Knit shirts, (including T-shirts), M and B	18.0	DZ
639	Knit shirts and blouses (including 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	Brassiers, etc.	4.8	DZ
650	Dressing gowns, incl. bath and beach robes	51.0	DZ
651	Pajamas and other nightwear	52.0	DZ
652	Underwear	16.0	DZ
653	Down and featherfilled coats, jackets, vests, M and B	41.3	DZ

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Annex A (continued)

<u>CATEGORY</u>	<u>DESCRIPTION</u>	<u>CONVERSION FACTOR</u>	<u>UNIT OF MEASURE</u>
654	Down and featherfilled coats, jackets, vests, W, G and I	41.3	DZ
659	Other apparel	7.8	LB
Made-ups and Miscellaneous			
--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
--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	Manufactures	7.8	LB
670	Luggage, flatgoods, and handbags	2.0	LB

M and B: Men's and boys'
W, G and I: Women's, girls' and infants'
N.K.: Not knit

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ANNEX B

	<u>PERIOD I</u> <u>5/84-4/85</u>	<u>PERIOD II</u> <u>5/85-4/86</u>	<u>PERIOD III</u> <u>5/86-4/87</u>	<u>PERIOD IV</u> <u>5/87-4/88</u>	<u>PERIOD V</u> <u>5/88-4/89</u>
315	3,600,000	3,852,000	4,121,640	4,410,155	4,718,866
317 (sateen sub-limit)	15,000,000 (4,500,000)	16,050,000 (4,815,000)	17,173,500 (5,152,050)	18,375,645 (5,512,693)	19,661,940 (5,898,582)
319 (SYDS)	20,000,000	21,400,000	22,898,000	24,500,860	26,215,920
320 (SYDS) (printcloth sub-limit-SYE)	14,500,000 (4,000,000)	15,515,000 (4,280,000)	16,601,050 (4,579,600)	17,763,123 (4,900,172)	19,006,542 (5,243,184)

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ANNEX CDESIGNATED CONSULTATION LEVEL

<u>CATEGORY</u>	<u>LEVEL</u>
300	3 million LBS (13,800,000 SYE)
301	2.25 million LBS (10,350,000 SYE)
313	15 million SYDS
410	1.5 million SYDS

ANNEX DGROUP LEVELS

Wool product: 4 million SYE
Cotton apparel: 10 million SYE

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