

WORLD TRADE ORGANIZATION

G/TMB/N/63/Add.12/Suppl.2
29 May 2002

(02-2930)

Textiles Monitoring Body

Original: English

AGREEMENT ON TEXTILES AND CLOTHING

Notification under Article 2.1

UNITED STATES

Supplement

The Textiles Monitoring Body has received a second supplement to the notification made by the United States pursuant to Article 2.1.

The TMB, in accordance with Article 2.2, is circulating this notification to WTO Members for their information.

Permanent Mission of the United States
to the World Trade Organization
Geneva

13 May 2002

The Honorable András Szepesi
Chairman
Textiles Monitoring Body
World Trade Organization
Rue de Lausanne 154
1211 Geneva
Geneva, Switzerland

Dear Mr. Chairman,

I appreciate the opportunity to respond to the comments noted in G/TMB/SPEC/488¹ of 9 April 2002 by the Permanent Mission of the People's Republic of China. In responding, I note that the United States has fully and faithfully applied the relevant provisions of the Agreement on Textiles and Clothing (ATC) as shown in our notification, contained in G/TMB/N/63/Add.12. I also note that the Government of the People's Republic of China was provided a copy of the draft notification in advance of its submission, and had the opportunity to review the notification and provide comment. Indeed, the draft notification was reviewed in bilateral consultations between our two governments in Beijing in December, 2001.

1. "Application of growth-on-growth provisions:" The Report of the Working Party on China's accession provides that the phrase "day prior to the date of entry into force of the WTO Agreement contained in Article 2.1 of the ATC should be deemed to refer to the day prior to the date of China's accession." The claim made by the Permanent Mission of the People's Republic of China concerning the retroactive application of WTO benefits to a period of time when China was not a Member of the WTO is in contradiction to the relevant language of the Working Party report. The United States has applied the appropriate increase to China's growth rates required by the ATC. The United States has provided information concerning the growth rate increases to the Textiles Monitoring Body under separate cover.²
2. "Interaction between Specific Limits and Group Limit:" Under Article 2.1, the obligation is on the United States to notify "quantitative restrictions within bilateral agreements ... in force on the day before the entry into force of the WTO Agreement ... including the restraint levels." The Working Party Report on China's accession provides that the phrase "day prior to the date of entry into force of the WTO Agreement contained in Article 2.1 of the ATC should be deemed to refer to the day prior to the date of China's accession." Accordingly, the notification for the specific limits and the Group limit for Group I are reflect the base levels in effect on 10 December 2001. These base levels, and the associated growth rates and flexibility provisions, reflect a negotiated balance of mutual concessions acceptable to the

¹ See G/TMB/N/445.

² See G/TMB/N/63/Add.12/Suppl.1

People's Republic of China and the United States and will henceforth be governed by the provisions of the ATC.

3. "Downward adjustment in quota levels of partially integrated products:" As provided for in Article 4.3, the quotas that were affected by partial integration have been reduced to reflect the more limited product coverage. As with other WTO Members, the United States applied a standard methodology for adjusting specific and group limits to reflect partially integrated products. The U.S. practice is to adjust group and specific limits affected by partial integration by reducing them by the average amount of volume trade in the integrated product for the previous two calendar years, specifically, 1999 and 2000 in this instance.
4. "Specific Limit on category 239PT:" The U.S. treatment the limit for Category 239 pt is, if anything, a significant benefit to China. Trade in the integrated portion of this category in 1999 and 2000 averaged 3,326,612 kg., even though the total base limit for 2001 was 3,203,733 kg. Since the integration of most of this category by the U.S. resulted in an adjustment exceeding the base level, the U.S. opted to drop the entire specific limit for China for this category. Thus, while China will no longer be subject to a specific limit on the non-integrated portion of Category 239, the non-integrated portion will still be subject to the Group I limit. A reduction was made the Group I limit as a result of product integration, in order to reflect the more limited product coverage. The United States has provided data detailing the specific calculations for the reduction to the Group I limit, including with respect to category 239, to China in the consultations noted above, and to the TMB under separate cover.³

Sincerely,

(Signed)
David M. Spooner
Special Textile Negotiator

³ See G/TMB/N/63/Add.12/Suppl.1.