

WORLD TRADE ORGANIZATION

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Textiles Monitoring Body

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AGREEMENT ON TEXTILES AND CLOTHING

Notification under Article 2.17

UNITED STATES

Administrative Arrangements with Brazil

The Textiles Monitoring Body has received a notification from the United States pursuant to paragraph 17 of Article 2. The TMB is circulating this notification to WTO Members for their information.

Executive Office of the President
Office of the United States Trade Representative

28 February 1997

The Honourable Ambassador András Szepesi
Chairman
Textiles Monitoring Body
World Trade Organization
Rue de Lausanne
1211 Geneva

Dear Ambassador Szepesi,

Attached you will find my Government's notification of Administrative Arrangements for Brazil¹, Colombia, Costa Rica, Fiji, Haiti, Hungary, India, Indonesia, Korea, Macau, Malaysia, Philippines, Qatar, Romania, Sri Lanka, Thailand, UAE and Uruguay made pursuant to Article 2.17 of the Agreement on Textiles and Clothing.

Sincerely,

(signed) Ambassador Rita Hayes
Chief Textile Negotiator

¹This document contains the Administrative Arrangements concluded with Brazil. Administrative Arrangements concluded with the other Members listed above will be circulated as separate documents.

Note: Annex B referred to in the text contains the list of restrictions notified by the United States pursuant to Article 2.1 and as such it is not part of the Administrative Arrangements.

BRAZIL

The following provisions are drawn from the United States - Brazil bilateral textile and apparel agreement of 4 May and 27 June 1994 and have been agreed by the United States and Brazil to be necessary for the proper implementation of restrictions notified to the Textiles Monitoring Body under Article 2.1 of the Agreement on Textiles and Clothing.

Coverage of Agreement and Classification

2. Textiles and textile products covered by this Agreement are those set forth in Annex A. The system of categories and the rates of conversion into square meters (SME) listed in Annex A shall apply in implementing this Agreement.

3. 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 fibre or blends thereof, in which any or all of those fibres in combination represent the chief weight of the product, are subject to this Agreement. For the purposes of this Agreement, textile products covered by this paragraph will be classified as:

- (A) Cotton textiles if the product is in chief weight of cotton, or if the cotton with wool and/or man-made fibres in the aggregate equal or exceed 50 per cent by weight of the component fibres thereof and the cotton component equals or exceeds the weight of each of the total wool and/or man-made fibre components, unless the product is a woven fabric in which wool equals or exceeds 36 per cent by weight of all fibres, in which case the product will be a wool textile.
- (B) Wool textiles, if the product is in chief weight of wool, or, in the case of products which are chief weight of silk or non-cotton vegetable fibres, wool exceeds 17 per cent by weight of all fibres.
- (C) Man-made fibre textiles, if the product is in chief weight of man-made fibres, or if the man-made fibres in combination with cotton and/or wool in the aggregate equal or exceed 50 per cent by weight of the component fibres thereof and the man-made fibre component exceeds the weight of the total wool and/or cotton component, unless:
 - (I) The product is knitted or crocheted apparel in which wool equals or exceeds 23 per cent by weight of all fibres, in which case the product will be a wool textile; or
 - (II) the product is apparel, not knitted or crocheted, in which wool equals or exceeds 36 per cent by weight of all fibres, in which case the product will be a wool textile; or
 - (III) the product is a woven fabric in which wool equals or exceeds 36 per cent by weight of all fibres, in which case the product will be a wool textile.

Coverage under this paragraph is intended to be identical with the terms of Article 12 of the Arrangement Regarding International Trade in Textiles, and in conformance with paragraph 24 of the 31 July 1986 Protocol of Extension. In the event of a question regarding whether a product is covered by this Agreement by virtue of being chief weight cotton, wool, and man-made fibre, the chief value of the fibres may be considered.

Merged Categories and Conversion Factors

4. For the purpose of this Agreement, and in recognition of the patterns of trade between Brazil and the United States, the categories below are merged and treated as single categories, with relevant conversion factors, as indicated:

Categories Merged	Designation in Agreement	Conversion Factor
300,301	300/301	8.5
317,326	317/326	1.0
334,335	334/335	34.5
338,339,638,639	338/339/638/639	10.0
342,642	342/642	14.9
347,348	347/348	14.9
410,624	410/624	1.0
445,446	445/446	12.4
647,648	647/648	14.9

Aggregate and Specific Limits

5. Commencing with the first agreement period and during the subsequent term of this Agreement, the Government of the Federative Republic of Brazil shall limit annual exports from Brazil to the United States of cotton, wool and man-made fibre textiles and textile products to the aggregate and specific limits set out in Annex B, as such limits may be adjusted in accordance with paragraphs 6 and 7. The aggregate and specific limits in Annex B include growth, but do not include flexibility under paragraph 6 in the case of the aggregate limit, or under paragraphs 6 and 7 in the case of specific limits. Exports are subject to limits or levels for the agreement period in which exported.

Flexibility Adjustments(Carryover/carry forward)

- 6.(A) The extent to which any specific limit set out in Annex B may be exceeded in any agreement period by carryover (the use of any unused meterage (shortfall) of the corresponding limit from the previous period) and/or carry forward (borrowing a portion of the corresponding limit from the succeeding agreement period) is eleven (11) per cent, of which carry forward shall not constitute more than six (6) per cent. The extent to which any aggregate limit set out in Annex B may be exceeded in any agreement period by carryover or carry forward shall be subject to consultations between the two Governments. Consultations with a view toward facilitating trade shall be held within 30 days of receipt of the request of the Government of the Federative Republic of Brazil.
- (B) For purposes of the Agreement, a shortfall occurs when exports of textiles or textile products from Brazil to the United States during an agreement period (plus any charges for overshipments made in the preceding years) are below any applicable limit and aggregate limit set out in Annex B, as decreased pursuant to paragraphs 6 and 7, or adjusted downwards for overshipments or other mutually agreed upon amendments. In the agreement period following the shortfall, such exports from Brazil to the United States of America may be permitted to exceed the

applicable limits, subject to conditions set forth above, by carryover of shortfall in the following manner:

- (I) the carryover shall not exceed the amount of shortfall in any applicable limit;
- (II) the shortfall shall be used in the category in which the shortfall occurred.
- (C) No carryover shall be available for application during the first agreement period. No carry forward shall be available for application during the last agreement period.

(Swing)

- 7.(A) During any agreement period, within the applicable aggregate limit, the specific limits and sub-limits set out in Annex B may be exceeded by not more than six (6) per cent in addition to any adjustments permitted under paragraph 6. The Government of the Federative Republic of Brazil may indicate to the Government of the United States of America the specific limit(s) and sub-limit(s) to be increased.
- (B) Special shift of an additional six per cent shall be available from merged category 410/624 into the sub-limit for 410.
- (C) The Government of the United States agrees to provide, at the request of the Government of Brazil, "special shift" up to 15 per cent of the receiving category 347/348 with a deduction of two times the amount of "special shift" from category 647/648. This special shift may be used only once during any agreement period and will not effect the base levels as stated in Annex B in the following agreement period.

(Automatic Flexibility)

8. The Government of the United States of America may apply flexibility under paragraphs 6 and 7 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, swing, and carry forward, in that order. Any unused carry forward will be re-credited to the donor limit and the Government of the Federative Republic of Brazil shall be notified of the amount to be re-credited.

Overshipment Charges

- 10.(A) Export from the Government of the Federative Republic of Brazil in excess of authorized levels in any agreement period may be denied entry into the United States. Any such shipments denied entry may subsequently 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 the Federative Republic of Brazil of any such charges.
- (B) Any action taken pursuant to this paragraph shall not prejudice the rights of either Government regarding consultations.

Spacing Provisions

11. The Government of the Federative Republic of Brazil shall use its best efforts to space exports to the United States within each category evenly throughout the agreement period, taking into consideration normal seasonal factors.

US Assistance in Implementation of the Limitation Provisions

12. The Government of 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 Government of the Federative Republic of Brazil 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, as visaed by the Government of the Federative Republic of Brazil in accordance with the Visa Arrangement.

Exchange of Data

13. Upon request the Government of the United States of America shall promptly supply the Government of the Federative Republic of Brazil with monthly data on imports of cotton, wool and man-made fibre textiles and textile products into the United States from Brazil. Upon request 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, wool and man-made fibre textiles and textile products from Brazil to the United States. Each Government agrees to supply promptly any other available statistical data necessary for the implementation of the Agreement.

Mutually Satisfactory Administrative Arrangements

14. 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.

Consultation on Implementation Questions

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

Cooperation in the Prevention of Circumvention

18. The Government of the United States takes note of the fact that there has not been any documented cases of circumvention involving Brazil in recent years. Both Governments note that they are willing and prepared to cooperate with each other in addressing specific cases of circumvention. Since both sides are agreed that circumvention is not desirable, both the Governments of the United States and Brazil agree to the following provisions:

- (A) The Government of the United States and the Government of Brazil agree to take measures necessary to address, to investigate and, where appropriate, to take legal and/or administrative action to prevent circumvention of this Agreement such as by transshipment, rerouting, false declaration concerning country of origin, or falsification of official documents.
- (B) Both parties agree to cooperate fully, consistent with their domestic laws and procedures, in instances of circumvention or alleged circumvention of the Agreement to address problems arising from circumvention and to establish the relevant facts in the places of import, export and, where applicable, transshipment. Such cooperation, to the extent consistent with domestic laws and procedures, will include investigation of circumvention practices; exchange of documents, correspondence, reports and other relevant information to the extent available; and facilitation of joint plant visits and contacts by representatives of both parties, upon request and on a case-by-case basis. When either party wishes to visit certain plants, the party seeking

the plant visit or visits shall give written notice, including the reasons for such visits, to the authorities of the other Party (i.e., the US Customs authorities in the USA or the Ministry of Industry, Commerce and Tourism in Brazil) two weeks in advance. The plants will not be notified in advance of the visit. When the visit occurs, permission from a responsible representative of the plant will be obtained before the visit is commenced. Upon completion of such visits during each trip, the visiting party shall furnish a report to the respective Government officials of the other party on the visits.

- (C) If either party believes that this Agreement is being circumvented, it may request consultations to address the matter or matters concerned with a view to seeking a mutually satisfactory solution. Each party agrees to hold such consultations promptly, beginning within 30 days of the receipt, by a party, of a written request accompanied by an explanation for the request from the other party and concluding within 90 days, unless extended by mutual agreement, and to cooperate fully in terms of the elements set out in paragraph (B) above.
- (D) Should the parties be unable in the course of consultations to reach a satisfactory solution within the period specified in Paragraph (C), then the Governments of Brazil and the United States agree that the United States may introduce a restraint, or where a restraint already exists, may deduct from the quantitative limits amounts not more than the amount of transshipped products of Brazilian origin in cases:
 - (I) where clear evidence regarding circumvention has been provided, by the Government of the United States to the Government of Brazil; or
 - (II) where the Government of the United States has provided factual information to the Government of Brazil demonstrating a substantial likelihood that circumvention has occurred and has requested from Brazil cooperation or information relevant to the possible circumvention that is of a type that is available to or could reasonably be obtained by the Government of Brazil and the Government of Brazil has without adequate reason withheld such information or cooperation; or
 - (III) where there is clear evidence showing that goods originating in another country have been shipped through Brazil to the United States as though they were products of Brazil.

The United States and Brazil agree that there may be shipments transiting through Brazil with no change or alterations made to the goods contained in such shipments in Brazil. Both the parties agree that it may not be generally practicable for Brazil to exercise control over such shipments.

- (E) Should the United States find it necessary to resort to the provisions of paragraph (D) (I) or (II) to deduct an amount or amounts from the quantitative limits of Brazil where repeated instances of circumvention have been demonstrated within the current or immediately preceding agreement year, then the United States may deduct from the quantitative limits amounts up to three times the amounts transshipped, provided that such deductions are distributed equally in each of the three following years. Both parties agree that the above provision will be resorted to by the United States only if not less than three instances of circumvention by Brazil have been demonstrated during the current or immediately preceding agreement year and no or inadequate measures are being applied by Brazil to address the problem of repeated circumvention.
- (F) Parties agree that false declaration concerning fibre content, quantities, description or classifications of merchandise also frustrates the objective of this Agreement. Where there is

clear evidence that any such false declaration has been made for purposes of circumvention, both parties agree to take appropriate measures, consistent with their domestic laws and procedures, against exporters or importers involved. Should either party believe that this Agreement is being circumvented by such false declaration and that no, or inadequate, administrative measures are being applied to address and/or to take action against such circumvention, that party should consult promptly with the party involved with a view to seeking a mutually satisfactory solution. Such consultations should be held promptly, beginning within 30 days of receipt of a written request by a party accompanied by an explanation for the request from the other party and concluding within 90 days, unless extended by mutual agreement. Should the parties be unable to reach a satisfactory solution, then the Governments of Brazil and the United States agree that in cases where clear evidence regarding such false declarations has been provided, then the United States may deduct from the respective quantitative limits an amount equivalent to the amount of the product subject to the false declaration or classification. Any such action shall be notified to the TSB or its successor with full justification. This provision is not intended to prevent parties from making technical adjustments when inadvertent errors in declarations have been made.

- (G) In the event of a need arising to take recourse to any adjustment as set out in paragraphs (D), (E), and (F), the United States will explore with Brazil all possible avenues for finding a mutually satisfactory solution before taking such action, together with its timing and scope. Action taken under the paragraph (D), (E), and (F) may be referred by either party to the TSB or its successor for recommendation.

Correct Category/Correct Quantity Visa System

- 20.(A) Both Governments agree to establish a correct category/correct quantity administrative visa arrangement.
- (B) Upon establishment of a mutually agreed certification system, and in accordance with Article 12, paragraph 3 of the Arrangement, Brazilian exports of handloom fabrics of the cottage industry or hand-made cottage industry products made of such handloom fabrics, or items in an agreed list of traditional folklore handicraft textile products, will not be subject to the provisions of this Agreement.
- (C) Both Governments recognize that under the Agreement the purchase of textiles and textile products to be delivered subject to the restrictions under the Agreement implies that the delivery of goods will be accompanied by a valid visa.

Exchange of Information

22. Each Government agrees to supply to the other Government any information within its possession which it reasonably believes to be necessary for the enforcement of this Agreement, including information pertaining to fraud and circumvention.

ANNEX A

Categories numbered in the:

200 series are of cotton and/or man-made fibre

300 series are of cotton

400 series are of wool

600 series are of man-made fibre

CATEGORY	DESCRIPTION	UNIT	CONVERSION FACTOR TO SQUARE METER
YARN			
200	Yarns put up for retail sale, and sewing thread	kg.	6.60
201	Specialty yarns	kg.	6.50
300	Carded cotton yarn	kg.	8.50
301	Combed cotton yarn	kg.	8.50
400	Wool yarn	kg.	3.70
600	Textured filament yarn	kg.	6.50
603	Yarn containing 85% or more by weight artificial staple fibre	kg.	6.30
604	Yarn containing 85% or more by weight synthetic staple fibre	kg.	7.60
606	Non-textured filament yarn	kg.	20.10
607	Other staple fibre yarn	kg.	6.50
FABRIC			
218	Of yarns of different colour	m2	1.00
219	Duck	m2	1.00
220	Fabric of special weave	m2	1.00
222	Knit fabric	kg.	12.30
223	Non-woven fabric	kg.	14.00
224	Pile & tufted fabric	m2	1.00
225	Blue denim	m2	1.00
226	Cheesecloth, batiste, lawn, voile	m2	1.00
227	Oxford cloth	m2	1.00
229	Special purpose fabric	kg.	13.60
313	Sheeting	m2	1.00
314	Poplin & broadcloth	m2	1.00
315	Printcloth	m2	1.00
317	Twills	m2	1.00
326	Sateens	m2	1.00
410	Woven fabric	m2	1.00
414	Other wool fabric	kg.	2.80

611	Woven fabric containing 85% or more by weight artificial staple	m2	1.00
613	Sheeting	m2	1.00
614	Poplin & broadcloth	m2	1.00
615	Printcloth	m2	1.00
617	Twills & sateens	m2	1.00
618	Woven artificial filament fabric	m2	1.00
619	Polyester filament fabric	m2	1.00
620	Other synthetic filament fabric	m2	1.00
621	Impression fabric	kg.	14.40
622	Glass fibre fabric	m2	1.00
624	MMF fabric, woven, containing more than 15% but less than 36% wool	m2	1.00
625	Poplin & broadcloth of staple/filament fibre combinations	m2	1.00
626	Printcloth of staple/filament fibre combination	m2	1.00
627	Sheeting of staple/filament fibre combinations	m2	1.00
628	Twills & sateens of staple/filament fibre combinations	m2	1.00
629	Other fabrics of staple/filament fibre combinations	m2	1.00
APPAREL			
237	Playsuits, sunsuits, etc.	doz	19.20
239	Babies' garments and clothing accessories	kg.	6.30
330	Handkerchiefs	doz	1.40
331	Gloves and mittens	dpr	2.90
332	Hosiery	dpr	3.80
333	M&B suit-type coats	doz	30.30
334	Other M&B coats	doz	34.50
335	W&G coats	doz	34.50
336	Dresses	doz	37.90
338	M&B knit shirts	doz	6.00
339	W&G knit shirts & blouses	doz	6.00
340	M&B shirts, not knit	doz	20.10
341	W&G shirts & blouses, not knit	doz	12.10
342	Skirts	doz	14.90
345	Sweaters	doz	30.80
347	M&B trousers, breeches & shorts	doz	14.90
348	W&G trousers, breeches & shorts	doz	14.90
349	Brassieres & other body supporting garments	doz	4.00
350	Robes, dressing gowns, etc.	doz	42.60
351	Nightwear and pyjamas	doz	43.50
352	Underwear	doz	9.20
353	M&B down-filled coats	doz	34.50
354	W&G down-filled coats	doz	34.50
359	Other cotton apparel	kg.	8.50
431	Gloves and mittens	dpr	1.80

432	Hosiery	dpr	2.30
433	M&B suit-type coats	doz	30.10
434	Other M&B coats	doz	45.10
435	W&G coats	doz	45.10
436	Dresses	doz	41.10
438	Knit shirts & blouses	doz	12.50
439	Babies' garments and clothing accessories	kg.	6.30
440	Shirts & blouses, not knit	doz	20.10
442	Skirts	doz	15.00
443	M&B suits	no.	3.76
444	W&G suits	no.	3.76
445	M&B sweaters	doz	12.40
446	W&G sweaters	doz	12.40
447	M&B trousers, breeches & shorts	doz	15.00
448	W&G trousers, breeches & shorts	doz	15.00
459	Other wool apparel	kg.	3.70
630	Handkerchiefs	doz	1.40
631	Gloves and mittens	dpr	2.90
632	Hosiery	doz	3.80
633	M&B suit-type coats	doz	30.30
634	Other M&B coats	doz	34.50
635	W&G coats	doz	34.50
636	Dresses	doz	37.90
638	M&B knit shirts	doz	15.00
639	W&G knit shirts & blouses	doz	12.50
640	M&B shirts, non knit	doz	20.10
641	W&G shirts & blouses, not knit	doz	12.10
642	Skirts	doz	14.90
643	M&B suits	no.	3.76
644	W&G suits	no.	3.76
645	M&B sweaters	doz	30.80
646	W&G sweaters	doz	30.80
647	M&B trousers, breeches & shorts	doz	14.90
648	W&G trousers, breeches & shorts	doz	14.90
649	Brassieres & other body supporting garments	doz	4.00
650	Robes, dressing gowns, etc.	doz	42.60
651	Nightwear and pyjamas	doz	43.50
652	Underwear	doz	13.40
653	M&B down-filled coats	doz	34.50
654	W&G down-filled coats	doz	34.50
659	Other man-made fibre apparel	kg.	14.40

MADE-UP AND MISCELLANEOUS TEXTILES

360	Pillowcases	no.	0.90
361	Sheets	no.	5.20
362	Bedspreads and quilts	no.	5.80
363	Terry and other pile towels	no.	0.40
369	Other cotton manufactures	kg.	8.50
464	Blankets	kg.	2.40
465	Floor coverings	m2	1.00
469	Other wool manufactures	kg.	3.70
665	Floor coverings	m2	1.00
666	Other man-made fibre furnishings	kg.	14.40
669	Other man-made fibre manufactures	kg.	14.40
670	Flat goods, handbags, and luggage	kg.	3.70