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**UNITED STATES OF AMERICA
and
JAPAN**

**Exchange of notes constituting an arrangement concerning trade
in cotton textiles (with related letters). Washington, 12 Jan-
uary 1968**

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**ÉTATS-UNIS D'AMÉRIQUE
et
JAPON**

**Échange de notes constituant un accord relatif au commerce des
textiles de coton (avec lettres connexes). Washington, 12 janvier
1968**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 1^{er} novembre 1969.

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

I

The Ambassador of Japan to the Secretary of State

EMBASSY OF JAPAN
WASHINGTON

January 12, 1968

Excellency:

I have the honor to refer to the decision, made on April 3, 1967, of the Cotton Textiles Committee of the General Agreement on Tariffs and Trade² approving a Protocol³ to extend through September 30, 1970 the Long-Term Arrangement Regarding International Trade in Cotton Textiles done in Geneva on February 9, 1962⁴ (hereinafter referred to as "the Long-Term Arrangement"). I have further the honor to refer to the discussions between representatives of the Government of Japan and the Government of the United States of America concerning trade in cotton textiles between Japan and the United States and to the Arrangement between the Government of Japan and the Government of the United States of America Concerning Trade in Cotton Textiles between Japan and the United States, effected by the Exchange of Notes on August 27, 1963,⁵ as modified and extended by the Exchanges of Notes on May 19, 1965⁶ and on January 14, 1966⁷ (hereinafter referred to as "the 1963 Arrangement"), and to confirm, on behalf of the Government of Japan, the understandings reached between the two Governments that, pur-

¹ Came into force on 12 January 1968 with effect from 1 January 1968, in accordance with the provisions of the said notes.

² United Nations, *Treaty Series*, vol. 55, p. 187; for subsequent actions, see references in Cumulative Indexes Nos. 1 to 8, as well as Annex A in volumes 609, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 640, 651, 661, 662, 663, 664, 665, 668 and 690.

³ *Ibid.*, *Treaty Series*, vol. 620, p. 276.

⁴ *Ibid.*, vol. 471, p. 296. As registered by the Executive Secretary of the Contracting Parties to the General Agreement on Tariffs and Trade, this Arrangement is identified in the United Nations *Treaty Series* by the date of its entry into force, i.e. 1 October 1962.

⁵ *Ibid.*, *Treaty Series*, vol. 487, p. 197.

⁶ *Ibid.*, vol. 545, p. 362.

⁷ *Ibid.*, vol. 586, p. 276.

suant to the provisions of Article 4 of the Long-Term Arrangement as extended by the said Protocol, and with a view to providing for orderly development of trade in cotton textiles between Japan and the United States, the bilateral arrangement attached hereto will be applied by the two Governments for the period of three years beginning January 1, 1968, taking the place of the 1963 Arrangement. This bilateral arrangement is based on our understanding that the above-mentioned protocol entered into force for our two Governments on October 1, 1967.

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

I avail myself of this opportunity to renew to your Excellency the assurances of my highest consideration.

T. SHIMODA

Enclosure:

Arrangement ¹

His Excellency Dean Rusk
Secretary of State of the United States of America

**ARRANGEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE
GOVERNMENT OF THE UNITED STATES OF AMERICA CONCERN-
ING TRADE IN COTTON TEXTILES BETWEEN JAPAN AND THE
UNITED STATES**

Pursuant to the provisions of Article 4 of the Long-Term Arrangement, permitting "mutually acceptable arrangements on other terms not inconsistent with the basic objectives of this Arrangement", the following Arrangement will be applied by the two Governments for the period of three years beginning January 1, 1968.

1. The purpose of this Arrangement is to provide for orderly development of trade in cotton textiles between Japan and the United States. To achieve this purpose:

(a) The Government of the United States of America shall cooperate with the Government of Japan in promoting orderly development of trade in cotton textiles between Japan and the United States, and

¹ See below.

- (b) The Government of Japan will maintain, for the period of three years beginning January 1, 1968, annual aggregate limits for exports of cotton textiles to the United States, and annual limits for major groups and annual limits or ceilings for certain products within those groups, subject to the provisions of the Arrangement.

2. The annual aggregate limit for 1968 shall be 373,077 thousand equivalent square yards. This limit shall be subdivided into four major groups as follows:

		<i>Thousand Equivalent Square Yards</i>
(a)	Group I Cotton cloth	162,856
	Group II Made-up goods, usually included in U.S. cotton broad woven goods production	53,204
	Group III Apparel	144,040
	Group IV Miscellaneous cotton textiles	12,977
(b)	Within these major groups, annual limits or ceilings for specific products are set forth in Annex A. Within the annual aggregate limit, the limits for Groups I, II, and IV may be exceeded by not more than 10 per cent, and the limit for Group III may be exceeded by not more than 5 per cent.	
(c)	Each group set forth above shall be deemed to contain the following Categories which are defined in Annex B:	
	Group I Categories 5 through 27, and part of Category 32 (i.e. dedicated handkerchief cloth).	
	Group II Categories 28 through 31, 33 through 36, and parts of Categories 32 (except for dedicated handkerchief cloth) and 64 (as specified in paragraph 6 of Annex A).	
	Group III Categories 39 through 62, and part of Category 63 (as specified in paragraph 6 of Annex A).	
	Group IV Categories 1 through 4, 37, 38, and parts of Categories 63 and 64 (as specified in paragraph 6 of Annex A).	

3. The annual aggregate limit for 1969 and for each subsequent year shall be increased by 5 per cent over the aggregate limit for the preceding year. These annual increases shall be applied to each limit for the groups and to each limit or ceiling within the groups.

4. (a) After the first agreement year, for any agreement year immediately following a year of a shortfall (i.e., a year in which cotton textile exports from Japan to the United States were below the aggregate limit and any group and specific limit and ceiling applicable to the category concerned) the Government of Japan

may permit exports to exceed the aggregate, group and specific limits and ceilings by carryover in the following amounts and manner:

- (i) The carryover shall not exceed the amount of the shortfall in either the aggregate limit or any applicable group or specific limit or ceiling and shall not exceed either 5 per cent of the aggregate limit or 5 per cent of the applicable group limit in the year of the shortfall, and
 - (ii) in the case of shortfalls in the categories subject to specific limits other than the specific limit for "all other" categories or "other" categories, and in the case of shortfalls in the categories subject to specific ceilings, the carryover shall not exceed 5 per cent of the specific limit or ceiling in the year of the shortfall, and shall be used in the same category in which the shortfall occurred, and
 - (iii) in the case of shortfalls not attributable to categories covered in subparagraph (ii) of this subparagraph, the carryover shall be used in the same group in which the shortfall occurred, may be used to exceed the specific limit in which the shortfall occurred but shall not be used to exceed any other applicable specific limit, except in accordance with the provisions of paragraph 5 of Annex A, and shall be subject to the provisions of paragraph 6 of this Arrangement and subparagraph 1 (b) of Annex A.
- (b) The limits and ceilings referred to in subparagraph (a) of this paragraph are without any adjustments under this paragraph or subparagraph 2 (b) above, or subparagraphs 1 (d), 2 (b), 3 (b), or 4 (b) or paragraph 5 of Annex A except that for the purpose of this paragraph only the level of each group limit shall be deemed to be the maximum amount that Japan could have exported in that group pursuant to subparagraph 2 (b) above.
- (c) The carryover shall be in addition to the exports permitted under subparagraph 2 (b) above, and subparagraphs 1 (d), 2 (b), 3 (b), or 4 (b), and paragraph 5 of Annex A.

5. In the implementation of this Arrangement, the system of categories and the rates of conversion into square yards equivalent listed in Annex B shall apply.

6. (a) The two Governments undertake to consult whenever there is any question arising from the implementation of this Arrangement.