

## MEMORANDUM OF UNDERSTANDING

Representatives of the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office (TECRO) met in Washington, D.C. on December 4 - 6, 1995.

They agreed to amend and extend the bilateral textile agreement of June 4 and June 24, 1993, as follows:

1. The agreement will be extended for 2 years, from January 1, 1996 through December 31, 1997.
2. The agreed limits and growth rates applicable to the agreed limits are set out in Annex A to this Memorandum.
3. Carryover/carryforward will be available between 1995 and 1996.
4. To replace paragraph 19 of the June 4 and June 24, 1993 bilateral agreement with the following:

### "18. Cooperation in the Prevention of Circumvention"

(a) AIT and TECRO 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 plant visits and contacts by representatives of either party, 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 other party one week in advance stating the number of plants it intends to visit and the proposed dates of the visits. The firms to be visited shall not be informed in advance of the visit. When the visit occurs,

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permission from a responsible representative of the plant shall be obtained at the time of each visit. If permission is denied, the visit will not go forward. Such visits will be conducted by authorized personnel of both parties in accordance with domestic laws and procedures. Upon completion of such visits, the visiting party shall brief appropriate authorities of the other party on the results of such plant 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 a written request by a party accompanied by an explanation and concluding within 90 days, unless extended by mutual agreement, and to cooperate fully in terms of the elements set out in sub-paragraph (b) above.

(d) Should the parties be unable to reach a satisfactory solution in the course of the consultations called for under sub-paragraph (c), TECRO and AIT agree that in cases where clear evidence regarding circumvention has been provided, AIT may deduct from the quantitative limits for that agreement year amounts at least equivalent to the amount of transshipped products of Taiwan origin. In addition, TECRO and AIT agree that deductions from the quantitative limits established under this agreement may be made in those instances in which: i) AIT has provided factual information demonstrating a substantial likelihood that circumvention has occurred, and ii) AIT has requested from TECRO cooperation or information relevant to the possible circumvention that is of a type that is available to or could reasonably be obtained by TECRO, and iii) TECRO has not provided such information or cooperation without adequate reason within the period for consultation outlined in sub-paragraph (c). If, after deductions have been made, evidence is developed that clearly establishes that the deductions were in error because the goods in question were in fact not of Taiwan origin, and there is clear evidence demonstrating the true country of origin, then AIT shall restore Taiwan's quantitative restraints equivalent to the amount deducted under this provision immediately after the authorities represented by AIT charge the goods to the true country of origin.

(e) Should AIT choose to exercise its rights under sub-paragraph (d) to deduct an amount or amounts from the quantitative limits of a country where more than two instances of circumvention have been demonstrated within the current or immediately preceding agreement year, and AIT possesses clear evidence, then, beginning with the third instance, AIT may deduct from the quantitative limit amounts up to three times the amounts transshipped, provided that such deductions are distributed equally in each of the three following years.

(f) Where there is clear evidence showing that goods originating in another country have been shipped through Taiwan to the United States as though they were products of Taiwan, then TECRO and AIT agree to take appropriate action. Such action may include the introduction of restraints in the relevant category or categories or deducting the amount of goods so shipped from the quantitative limits established for the current agreement year under this agreement for shipments originating in Taiwan. Any such actions, together with their timing and scope, may

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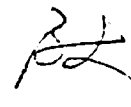
be taken after consultation held with a view of arriving at a mutually satisfactory solution. Such consultations should be held promptly, beginning within 30 days of a written request by a party accompanied by an explanation and concluding within 90 days, unless extended by mutual agreement. Should the parties be unable to reach a satisfactory solution, then TECRO and AIT agree that in cases where clear evidence regarding circumvention has been provided, the United States may introduce a restraint or, where a restraint already exists, may deduct from the quantitative limits established under this agreement for that agreement year an amount equivalent to the amount of product transshipped through Taiwan. As soon as TECRO has sufficiently established to AIT that the goods in question have not been transshipped through the territory represented by TECRO, then i) AIT shall immediately remove any restraint imposed pursuant to this provision, or ii) AIT shall immediately restore Taiwan's quantitative restraints in an amount equivalent to the amount deducted pursuant to this provision, after the authorities represented by AIT have charged the goods to the true country of origin. No deductions to Taiwan's quantitative limits will apply to each particular instance of circumvention if TECRO has provided AIT with clear evidence or intelligence of circumvention sufficient to allow AIT to deny entry to the particular circumventing goods prior to their entry into the customs territory represented by AIT. In such instances, the parties agree that the preferred course would be for TECRO to inform AIT that any visa issued on such shipment is invalid.

(g) AIT notes that some cases of circumvention may involve shipments transiting through the territory represented by TECRO with no changes or alterations made to the goods contained in such shipments in the territory represented by TECRO. AIT also notes that it may not be generally practicable for TECRO to exercise control over such shipments.

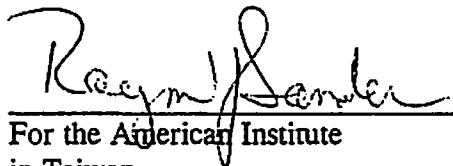
(h) Parties agree that false declaration concerning fiber content, quantities, description or classifications of merchandise also frustrates the objective of this agreement. Where there is evidence that any such false declaration has been made for purposes of circumvention, both parties agree to take 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 a written request by a party accompanied by an explanation and concluding within 90 days, unless extended by mutual agreement. Should the parties be unable to reach a satisfactory solution, then TECRO and AIT agree that in cases where clear evidence regarding such false declarations has been provided, AIT may deduct from the quantitative limits established for the current agreement year an amount equivalent to the amount of product subject to the false declaration or classification. This provision is not intended to prevent parties from making technical adjustments when inadvertent errors in declarations have been made.

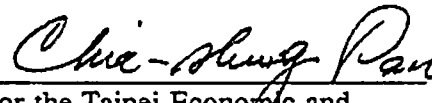
(i) Any action taken under this paragraph shall be notified to the Textiles Monitoring Body after the territory represented by TECRO joins the World Trade Organization.

  
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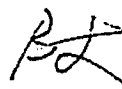
5. A draft letter prepared by AIT incorporating the extended agreement was reviewed by the parties, and is attached hereto with the understanding that except for non-substantive changes, it will form the basis of the extended agreement.
6. The provisions of this Memorandum will be applied on signature until an agreement incorporating its terms is effected by exchange of letters.

  
For the American Institute  
in Taiwan

  
For the Taipei Economic and  
Cultural Representative Office

December <sup>29</sup> 6, 1995  
Washington, D.C.

  
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