

AIT/CCNAA THIRD YEAR REVIEW
AND CONSULTATIONS ON THE MACHINE TOOL VRA

1. Machining centers from Israel--CCNAA agrees to count 39 machining centers against its export ceilings and equally divide them over its 1990 and 1991 quota. This is one-half of the unassembled machine tools shipped through Israel from the territory represented by CCNAA identified by AIT in its letter of February 23, 1990. Any additional unlicensed shipments (that is, other than the machines identified in such February 23 letter) which may be identified in the final closing of accounts for 1989 would be counted against the 1990 quota, as such quota is adjusted in accordance with the VRA. There is no carry-over, in accordance with Article V of the VRA, of last year's unfilled quota for machining centers.

2. Criteria for substantially complete NC machine tools (machining centers, NC lathes and NC milling machines) -- The criteria are accepted by both sides with the following amendment: under critical elements, firms would be required to procure 2 castings outside of a VRA source to receive 1 point; under critical elements, firms would be required to machine 2 castings outside of a VRA source to receive 1 point. All models that AIT has previously determined met the criteria and so informed CCNAA would continue to be governed by the existing criteria. Both sides would formally sign the current and amended criteria for NC machine tools, as well as the criteria for non-NC machine tools.

The authority represented by AIT declares that the current and amended criteria for the Arrangement Products are no more onerous in any sense than the current and amended criteria applicable to Arrangement Products in the Arrangement between the Government of Japan and the Government of the United States of America Concerning Trade in Certain Machine Tools (the "Japan Criteria"), and the amended criteria shall take effect on such date as the amended Japan Criteria take effect. AIT will notify CCNAA of such effective date.

Nothing in paragraph 2 shall affect the application of the criteria presently in effect under the VRA.

3. Both sides agree that the Third Year Review has been concluded and that the VRA will remain in effect through December 31, 1991. Both sides also note that this VRA ends on December 31, 1991. There is no provision in the VRA for an extension beyond such date.

Ch Lee
Cospan
March 3, 1990

J. Lee
R. J.
3/3/90

4. Exports valued at \$2500--Both sides agree that to the extent products valued at under \$2500 are excluded from coverage, this figure shall be raised by 10 percent, to \$2750, as of January 1, 1990, and by an additional 10 percent, to \$3025, as of January 1, 1991.
5. Overages of Licensed Shipments of NC Lathes--AIT agrees that any overage of licensed shipments of NC lathes in 1989 shall be spread out and applied equally against the 1990 and 1991 export ceilings. AIT further agrees not to request any additional reduction as a penalty.
6. Both parties shall review their respective obligations under the VRA with respect to shipments to the territory represented by AIT through third countries which are determined by AIT to be unlicensed Arrangement Products and which are affected by obligations of the authorities of the territory represented by AIT with other nations. However, this review shall not include consideration of machine tools transshipped through Israel addressed in paragraph 1. The parties shall hold consultations as soon as possible to determine the treatment of such unlicensed Arrangement products, it being the understanding of the authorities represented by AIT that the ultimate destination of Arrangement Products may not be known to the authorities represented by CCNAA at the time of their exportation.

Allee
Espan
March 3. 1990

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R
3/3/90

AGREED MINUTE

The American Institute in Taiwan (AIT) and Coordination Council for North American Affairs (CCNAA) agree that the following principles should be used to determine when exports of machine tool components constitute unassembled machine tools or kits (hereinafter referred to as "substantially complete machine tools") for purposes of Article 2 of the CCNAA-AIT Machine Tool VRA, and consequently count against VRA export ceilings. These principles apply to non-NC lathes and non-NC milling machines.

1. As indicated in Appendix 1 and 2, points are allocated for components not exported from a VRA source. Exports will be considered to be substantially complete machine tools if components not exported from a VRA source account for less than 10 points.
2. In order for exports not to count against VRA export ceilings, components not exported from a VRA source must account for 10 or more points. There must be a minimum of five points in critical elements.
3. These criteria shall apply to all machine tool components exported directly or indirectly to the territory represented by AIT, through one or more third countries. Components exported from the territory represented by CCNAA that are further processed in third countries and subsequently re-exported to the the territory represented by AIT should be treated consistent with these principles.
4. These criteria will be applied to each model and type of subject machine tool.
5. In the event that components for one machine tool are exported from the territory represented by CCNAA in more than one shipment, they shall be treated as one machine tool.
6. CCNAA and AIT shall cooperate in the implementation of these principles and should problems arise, the governments of the two countries shall seek solutions through mutual consultation.
7. These principles are a formalization of past procedures to determine whether components constitute substantially complete machine tools.

Chen

Espar

March 3, 1990

3/3/90

CRITERIA FOR SUBSTANTIALLY COMPLETE NON-NC LATHES

AIT and CCNAA will determine on the basis of the criteria outlined below when imports of machine tool parts constitute a substantially complete machine. This determination will be made by machine tool model and irrespective of the number of separate shipments in which the parts destined for a particular consignee enter the territory represented by AIT.

Imports will be considered substantially complete machine tools and be counted against VRA ceilings based on the listed components that are imported from Japan or the territory represented by CCNAA, directly or indirectly through third parties. Points are scored for components that are not imported from Japan or the territory represented by CCNAA.

Critical Elements (must have a minimum of 5 points)

- major castings/fabrications -- 1 point each
- machining of major castings/fabrications -- 1 point each
- manufacture and assembly of spindle -- 1

major castings/fabrications include:

- bed
- headstock
- tailstock
- carriage
- cross slide
- apron

Other Elements

- spindle drive motor -- 1
- speed change mechanism -- 1
- feed change mechanism -- 1
- lead screws -- 1
- electrical system -- 1
- lubrication system -- 1
- sheet metal fabrications -- 1

Other Elements -- 1 point each

- lead screws
- electrical system
- lubrication system
- sheet metal fabrications

need 10 points to pass

Oliver

Espar

March 3, 1990

3/3/90

AGREED MINUTE

The American Institute in Taiwan (AIT) and Coordination Council for North American Affairs (CCNAA) agree that the following principles should be used to determine when exports of machine tool components constitute unassembled machine tools or kits (hereinafter referred to as "substantially complete machine tools") for purposes of Article 2 of the CCNAA-AIT Machine Tool VRA, and consequently count against VRA export ceilings. These principles apply to NC lathes, machining centers and NC milling machines.

1. As indicated in Appendix 1 and 2, points are allocated for components not exported from a VRA source. Exports will be considered to be substantially complete machine tools if components not exported from a VRA source account for less than 12 points.
2. In order for exports not to count against VRA export ceilings, components not exported from a VRA source must account for 12 or more points. There must be a minimum of six points in critical elements, of which at least two points must be in the castings/machining/fabrications sub-group.
3. These criteria shall apply to all machine tool components exported directly or indirectly to the territory represented by AIT, through one or more third countries. Components exported from the territory represented by CCNAA that are further processed in third countries and subsequently re-exported to the territory represented by AIT should be treated consistent with these principles.
4. These criteria will be applied to each model and type of subject machine tool.
5. In the event that components for one machine tool are exported from the territory represented by CCNAA in more than one shipment, they shall be treated as one machine tool.
6. CCNAA and AIT shall cooperate in the implementation of these principles and should problems arise, the governments of the two countries shall seek solutions through mutual consultation.
7. These principles are a formalization of past procedures to determine whether components constitute substantially complete machine tools.

Ch Lee

Espar

March 3, 1990

JES
BS
3/3/90

CRITERIA FOR NON-NC MILLING MACHINES

AIT and CCNAA will determine on the basis of the criteria outlined below when imports of machine tool parts constitute a substantially complete machine. This determination will be made by machine tool model and irrespective of the number of separate shipments in which the parts destined for a particular consignee enter the territory represented by AIT.

Imports will be considered substantially complete machine tools and be counted against VRA ceilings based on the listed components that are imported from Japan or the territory represented by CCNAA, directly or indirectly through third parties. Points are scored for components that are not imported from Japan or the territory represented by CCNAA.

Critical Elements (must have a minimum of 5 points)

major castings/fabrications -- 1 point each
machining of major castings/fabrications -- 1 point each

major castings/fabrications include:

base/column
knee
saddle
table
head
ram (where applicable)

spindle assembly -- 1

Other Elements

spindle motor -- 1
leadscrews -- 1
feed/speed mechanism -- 1
electrical system -- 1
lubrication system -- 1
hydraulic system (where applicable) -- 1
sheet metal fabrications -- 1

need 10 points to pass

Chen

Coplan

March 3, 1990

*200
100
1/3/90*

CRITERIA FOR SUBSTANTIALLY COMPLETE MACHINING CENTERS
AND NC MILLING MACHINES

AIT and CCNAA will determine on the basis of the criteria outlined below when imports of machine tool parts constitute a substantially complete machine. This determination will be made by machine tool model and irrespective of the number of separate shipments in which the parts destined for a particular consignee enter the territory represented by AIT.

Imports will be considered substantially complete machine tools and be counted against VRA ceilings based on the listed components that are imported from Japan or the territory represented by CCNAA, directly or indirectly through third parties. Points are scored for components that are not imported from Japan or the territory represented by CCNAA.

Critical Elements (must have a minimum of 6 points, of which a minimum of 2 points must be in the castings/fabrications/machining subgroup)

software: source code -- 1
servo drives (amplifiers) -- 1
servo motors -- 1
NC control -- up to 3*

major castings/fabrications -- up to 2**
machining of major castings/fabrications -- up to 2**

spindle assembly (including speed change mechanism) -- 1
ballscrews -- 1
automatic tool changer and tool magazine (if applicable) -- 1

Other Elements

spindle motor -- 1
electrical system -- 1
coolant system -- 1
hydraulic system -- 1
lubrication system -- 1
pneumatic system -- 1
sheet metal fabrications -- 1
chip removal system (if applicable) -- 1

need 12 points to pass

Chloe

Ed Pau

March 3, 1990

3/3/90
153

*for control:

printed circuit board
circuit board assembly
circuit testing, cycling and burn-in, functional systems testing
cabinet (including card racks)
microprocessors
wire harnesses and electric cables
operator's panel
CRT
power supply unit

if 3 of above get 1 point
if 5 of above get 2 points
if 7+ of above get 3 points
(must either get credit for printed circuit boards or
microprocessors to qualify for any points)

**major castings/fabrications include:

bed/base
saddle (if applicable)
column
table/pallet
head/ram

2 castings/fabrications get 1 point
3+ castings/fabrications get 2 points

machining of 2 castings/fabrications get 1 point
machining of 3+ castings/fabrications get 2 points

Chen
Boyan
March 3, 1980

3/3/80
OS

CRITERIA FOR SUBSTANTIALLY COMPLETE MACHINING CENTERS
AND NC MILLING MACHINES

AIT and CCNAA will determine on the basis of the criteria outlined below when imports of machine tool parts constitute a substantially complete machine. This determination will be made by machine tool model and irrespective of the number of separate shipments in which the parts destined for a particular consignee enter the territory represented by AIT.

Imports will be considered substantially complete machine tools and be counted against VRA ceilings based on the listed components that are imported from Japan or the territory represented by CCNAA, directly or indirectly through third parties. Points are scored for components that are not imported from Japan or the territory represented by CCNAA.

Critical Elements (must have a minimum of 6 points, of which a minimum of 2 points must be in the castings/fabrications/machining subgroup)

- software: source code -- 1
- servo drives (amplifiers) -- 1
- servo motors -- 1
- NC control -- up to 3*

- major castings/fabrications -- up to 2**
- machining of major castings/fabrications -- up to 2**

- spindle assembly (including speed change mechanism) -- 1
- ballscrews -- 1
- automatic tool changer and tool magazine (if applicable) -- 1

Other Elements

- spindle motor -- 1
- electrical system -- 1
- coolant system -- 1
- hydraulic system -- 1
- lubrication system -- 1
- pneumatic system -- 1
- sheet metal fabrications -- 1
- chip removal system (if applicable) -- 1

need 12 points to pass

Chia

Ed Pan

March 3, 1998

*7/15
3/3/98*

*for control:

printed circuit board
circuit board assembly
circuit testing, cycling and burn-in, functional systems testing
cabinet (including card racks)
microprocessors
wire harnesses and electric cables
operator's panel
CRT
power supply unit

if 3 of above get 1 point
if 5 of above get 2 points
if 7+ of above get 3 points
(must either get credit for printed circuit boards or
microprocessors to qualify for any points)

**major castings/fabrications include:

bed/base
saddle (if applicable)
column
table/pallet
head/ram

1-2 castings/fabrications get 1 point
3+ castings/fabrications get 2 points

machining of 1-2 castings/fabrications get 1 point
machining of 3+ castings/fabrications get 2 points

Chla

Esplan

March 3, 1990

3/3/90

CRITERIA FOR SUBSTANTIALLY COMPLETE NC LATHES

AIT and CCNAA will determine on the basis of the criteria outlined below when imports of machine tool components constitute a substantially complete machine. This determination will be made by machine tool model and irrespective of the number of separate shipments in which the components destined for a particular consignee enter the territory represented by AIT.

Imports will be considered substantially complete machine tools and be counted against VRA ceilings based on the listed components that are imported from Japan or the territory represented by CCNAA, directly or indirectly through third parties. Points are scored for components that are not imported from Japan or the territory represented by CCNAA.

Critical Elements (must have a minimum of 6 points, of which a minimum of 2 points must be in the castings/fabrications/machining subgroup)

- software: source code -- 1
- servo drives (amplifiers) -- 1
- servo motors -- 1
- NC control -- up to 3*

- major castings/fabrications -- up to 2**
- machining of major fabrications/castings -- up to 2**

- spindle assembly (including speed change mechanism) -- 1
- ballscrews -- 1
- automatic tool changer and tool magazine (if applicable) -- 1

Other Elements

- spindle motor -- 1
- electrical system -- 1
- coolant system -- 1
- hydraulic system -- 1
- lubrication system -- 1
- pneumatic system (if applicable) -- 1
- sheet metal fabrications -- 1
- chip removal system (if applicable) -- 1

need 12 points to pass

Chke
Caplan
March 3, 1990

5/3
3/3/90

*for control:

printed circuit board
circuit board assembly
circuit testing, cycling and burn-in, functional systems testing
cabinet (including card racks)
microprocessors
wire harnesses and electric cables
operator's panel
CRT
power supply unit

1 point for 3 of above

2 points for 5 of above

3 points for 7+ of above

(must either get credit for printed circuit boards or
microprocessors to qualify for any points)

**major castings/fabrications include:

bed
headstock
carriage
cross-slide and turret(s)
tailstock (if applicable)

1 point for 2 castings/fabrications

2 points for 3+ castings/fabrications

1 point for machining 2 castings/fabrications

2 points for machining 3+ castings/fabrications

CLC

Boyan

March 3, 1990

5.00
100
3/3/90

CRITERIA FOR SUBSTANTIALLY COMPLETE NC LATHES

AIT and CCNAA will determine on the basis of the criteria outlined below when imports of machine tool components constitute a substantially complete machine. This determination will be made by machine tool model and irrespective of the number of separate shipments in which the components destined for a particular consignee enter the territory represented by AIT.

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Critical Elements (must have a minimum of 6 points, of which a minimum of 2 points must be in the castings/fabrications/machining subgroup)

software: source code -- 1
servo drives (amplifiers) -- 1
servo motors -- 1
NC control -- up to 3*

major castings/fabrications -- up to 2**
machining of major fabrications/castings -- up to 2**

spindle assembly (including speed change mechanism) -- 1
ballscrews -- 1
automatic tool changer and tool magazine (if applicable) -- 1

Other Elements

spindle motor -- 1
electrical system -- 1
coolant system -- 1
hydraulic system -- 1
lubrication system -- 1
pneumatic system (if applicable) -- 1
sheet metal fabrications -- 1
chip removal system (if applicable) -- 1

need 12 points to pass

Chen

Cofer

March 3, 1990

*7/23
5/2
3/12*

*for control:

printed circuit board
circuit board assembly
circuit testing, cycling and burn-in, functional systems testing
cabinet (including card racks)
microprocessors
wire harnesses and electric cables
operator's panel
CRT
power supply unit

1 point for 3 of above

2 points for 5 of above

3 points for 7+ of above

(must either get credit for printed circuit boards or
microprocessors to qualify for any points)

**major castings/fabrications include:

bed
headstock
carriage
cross-slide and turret(s)
tailstock (if applicable)

1 point for 1-2 castings/fabrications

2 points for 3+ castings/fabrications

1 point for machining 1-2 castings/fabrications

2 points for machining 3+ castings/fabrications

Chlee

Bojan

March 3, 1990

3/3/90