Proposal for a

COUNCIL DECISION

on the signing, on behalf of the European Community, of the Agreement in the form of an Exchange of Letters between the European Community and the People’s Republic of China initialled in Beijing on 19 May 2000 amending the Agreement between them on trade in textile products, and amending the Agreement between them initialled on 19 January 1995 on trade in textile products not covered by the MFA bilateral Agreement, and authorising its provisional application

(presented by the Commission)
EXPLANATORY MEMORANDUM

Pursuant to directives approved by the Council, the Commission and the People’s Republic of China initialled on 6 December 1999 an agreement by way of exchange of letters designed to ensure stability of trade for the year 2000 while providing for further negotiations on the terms for future trade in the sector.

Following further negotiations in parallel with the negotiations between the European Community and China concerning the terms of China’s accession to the World Trade Organization the Commission and the People’s Republic of China on 19 May initialled the enclosed Agreement by way of an exchange of letters.

Consequently, it is proposed that the Council authorises the formal conclusion of this Agreement. Pending the completion of the relevant procedures, the Commission proposes to the Council to decide to apply provisionally this Agreement as from November 2000, subject to reciprocity.
Proposal for a

COUNCIL DECISION

on the signing, on behalf of the European Community, of the Agreement in the form of an Exchange of Letters between the European Community and the People’s Republic of China initialled in Beijing on 19 May 2000 amending the Agreement between them on trade in textile products, and amending the Agreement between them initialled on 19 January 1995 on trade in textile products not covered by the MFA bilateral Agreement, and authorising its provisional application

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community and in particular Article 133 thereof, in conjunction with Article 300, second paragraph, first sentence thereof,

Having regard to the proposal from the Commission,

Whereas:

(1) The Commission has negotiated on behalf of the European Community an Agreement on trade in textile products with the People’s Republic of China.

(2) The Agreement was initialled on 19 May 2000.

(3) The Agreement should be signed on behalf of the European Community.

(4) It is necessary to apply this Agreement on a provisional basis as from November 2000 pending the completion of the relevant procedures for its formal conclusion, subject to reciprocity.

HAS DECIDED AS FOLLOWS:

Article 1

Subject to the conclusion thereof, the Agreement between the European Community and the People’s Republic of China amending the Agreement between the European Economic Community and the People’s Republic of China on trade in textile products and amending the Agreement between the European Community and the People’s Republic of China initialled on 19 January 1995 on trade in textile products not covered by the MFA bilateral Agreement both as last amended by the Agreement initialled on 6 December 1999, shall be signed on behalf of the European Community.
Article 2

The President of the Council is hereby authorised to designate the persons empowered to sign the Agreement on behalf of the Community.

The text of the Agreement is attached to this Decision.

Article 3

The Agreement between the European Community and the People’s Republic of China amending the Agreement between the European Economic Community and the People’s Republic of China on trade in textile products and amending the Agreement between the European Community and the People’s Republic of China initialled on 19 January 1995 on trade in textile products not covered by the MFA bilateral Agreement both as last amended by the Agreement initialled on 6 December 1999, shall be applied on a provisional basis as from November 2000 pending the completion of the procedures for its conclusion, subject to reciprocity.

Done at Brussels,

For the Council
The President
ANNEX

Letter No 1

LETTER FROM THE COUNCIL OF THE EUROPEAN UNION

Sir,

1. I have the honour to refer to the consultations held between our respective delegations for the purpose of amending and extending both the Agreement between the European Economic Community and the People's Republic of China on trade in textile products initialled on 9 December 1988, as last amended by an Agreement initialled on 6 December 1999 (hereinafter referred to as 'the MFA Agreement') and the Agreement between the European Community and the People's Republic of China initialled on 19 January 1995 on trade in textile products not covered by the MFA bilateral Agreement, as last amended by an Agreement initialled on 6 December 1999 (hereinafter referred to as 'the non-MFA Agreement').

2. As a result of the consultations, the Parties agreed to modify the MFA and non-MFA Agreements.

3. Should the People’s Republic of China become a Member of the World Trade Organisation before the date of expiry of the MFA and non-MFA bilateral Agreements, the restrictions in force under those Agreements shall be phased out in the framework of the WTO Agreement on Textiles and Clothing and China’s Protocol of Accession to the WTO.

4. Without prejudice to Paragraph 3, and in particular without prejudice to safeguard provisions, the Parties recorded their mutual understanding on the following aspects concerning the notifications in respect of the restrictions under the MFA agreement to be made to the Textiles Monitoring Body for the purposes of Article 2 of the Agreement on Textiles and Clothing:

   (a) The European Union will notify to the Textiles Monitoring Body the quantitative restrictions maintained under the MFA Agreement (save for those quantitative limits concerning products already included by the European Community in stages 1 or 2 of integration under the Agreement on Textiles and Clothing) at the levels agreed for the year during which China accedes to the WTO as being the restraint levels for the purposes of notification under Article 2 paragraph 1 of the Agreement on Textiles and Clothing, detailing the quantitative limits contained in Annex III of the above agreement including the quantitative limits reserved for European industry within those amounts and the separate quantitative limits reserved for Outward Processing Traffic and European Fairs respectively.

   (b) The European Union will notify to the Textiles Monitoring Body the growth rates applicable to the restraint levels, and the relevant parts thereof, being those growth rates applied for the renewal of the MFA agreement for the year 2000.

   (c) These growth rates will be increased by the growth on growth provisions of the Agreement on Textiles and Clothing for the 2nd stage of integration beginning
from 1 January of the year following accession, and, after 1.1.2002, by the growth on growth provisions for the 3rd stage of integration.

(d) The European Union will notify the flexibility provisions contained in Article 5 of the MFA Agreement save for the cap on flexibilities contained in Article 5(5) as applying to the quantitative limits contained in Annex III of the above agreement and to the limits set for European Fairs.

5. Without prejudice to Paragraph 3, and in particular without prejudice to safeguard provisions, the Parties recorded their mutual understanding on the following aspects concerning the notifications in respect of the restrictions under the non-MFA agreement to be made to the Textiles Monitoring Body for the purposes of Article 3 of the Agreement on Textiles and Clothing:

(a) The European Community will notify to the Textiles Monitoring Body the quantitative restrictions maintained under the non-MFA Agreement at the levels specified for the year during which China accedes to the WTO as being the restraint levels for the purposes of Article 3 of the Agreement on Textiles and Clothing, detailing the quantitative limits contained in Annex II of the non-MFA Agreement and the separate quantitative limits reserved for Outward Processing Traffic.

(b) The Parties agree that pending liberalisation of the above quantitative restrictions the growth rates applied to them, and to the relevant parts thereof, for the renewal of the non-MFA agreement for the year 2000 will apply pending liberalisation of those restrictions and be included in the notification pursuant to Article 3 of the Agreement on Textiles and Clothing.

(c) The European Union will include the flexibility provisions contained in Article 8 of the non-MFA Agreement in its notification pursuant to Article 3 of the Agreement on Textiles and Clothing.

(d) The Parties agreed that the European Community will align its programme in accordance Article 3(2) of the ATC to phase out the quantitative restrictions progressively to follow Annex I to this Agreement

6. The Parties agreed that following China’s WTO accession they would, pursuant to of Article 2, Paragraph 17 of the Agreement on Textiles and Clothing, jointly notify to the Textiles Monitoring Body the Administrative Arrangements contained in Annex II to this Agreement. The Parties agreed that the administrative arrangements would apply in respect of both the MFA Agreement and the non-MFA Agreement.

7. In the event that China accedes to the WTO after 31 December 2000 the Parties agree that both the MFA Agreement and the non-MFA Agreement will be automatically extended for a further period of one year to 31 December 2001, on the basis of the quantitative limits for the year 2000, together with all the relevant parts thereof including the quantities reserved for European industry, the quantities set for outward processing traffic and for European fairs, increased by the growth rates, if any, applied to the quantitative limits, and the relevant parts thereof, on the renewal of the MFA Agreement and the non-MFA Agreement for the year 2000.
8. I should be obliged if you could kindly confirm the acceptance of your Government of the foregoing. Should this be the case, this Agreement in form of Exchange of Letters shall enter into force on the first day of the month following the day on which the Parties have notified each other that the legal procedures necessary to this end have been completed. In the meantime, it shall be applied provisionally from November 2000 on conditions of reciprocity.

Please accept, Sir, the assurance of my highest consideration.

For the Council

of the European Union
Sir,

I have the honour to acknowledge receipt of your letter which reads as follows:

“Sir,

1. I have the honour to refer to the consultations held between our respective delegations for the purpose of amending and extending both the Agreement between the European Economic Community and the People’s Republic of China on trade in textile products initialled on 9 December 1988, as last amended by an Agreement initialled on 6 December 1999 (hereinafter referred to as ‘the MFA Agreement’) and the Agreement between the European Community and the People’s Republic of China initialled on 19 January 1995 on trade in textile products not covered by the MFA bilateral Agreement, as last amended by an Agreement initialled on 6 December 1999 (hereinafter referred to as ‘the non-MFA Agreement’).

2. As a result of the consultations, the Parties agreed to modify the MFA and non-MFA Agreements.

3. Should the People’s Republic of China become a Member of the World Trade Organisation before the date of expiry of the MFA and non-MFA bilateral Agreements, the restrictions in force under those Agreements shall be phased out in the framework of the WTO Agreement on Textiles and Clothing and China’s Protocol of Accession to the WTO.

4. Without prejudice to Paragraph 3, and in particular without prejudice to safeguard provisions, the Parties recorded their mutual understanding on the following aspects concerning the notifications in respect of the restrictions under the MFA agreement to be made to the Textiles Monitoring Body for the purposes of Article 2 of the Agreement on Textiles and Clothing:

(a) The European Union will notify to the Textiles Monitoring Body the quantitative restrictions maintained under the MFA Agreement (save for those quantitative limits concerning products already included by the European Community in stages 1 or 2 of integration under the Agreement on Textiles and Clothing) at the levels agreed for the year during which China accedes to the WTO as being the restraint levels for the purposes of notification under Article 2 paragraph 1 of the Agreement on Textiles and Clothing, detailing the quantitative limits contained in Annex III of the above agreement including the quantitative limits reserved for European industry within those amounts and the separate quantitative limits reserved for Outward Processing Traffic and European Fairs respectively.

(b) The European Union will notify to the Textiles Monitoring Body the growth rates applicable to the restraint levels, and the relevant parts thereof, being those growth rates applied for the renewal of the MFA agreement for the year 2000.
These growth rates will be increased by the growth on growth provisions of the Agreement on Textiles and Clothing for the 2nd stage of integration beginning from 1 January of the year following accession, and, after 1.1.2002, by the growth on growth provisions for the 3rd stage of integration.

The European Union will notify the flexibility provisions contained in Article 5 of the MFA Agreement save for the cap on flexibilities contained in Article 5(5) as applying to the quantitative limits contained in Annex III of the above agreement and to the limits set for European Fairs.

5. Without prejudice to Paragraph 3, and in particular without prejudice to safeguard provisions, the Parties recorded their mutual understanding on the following aspects concerning the notifications in respect of the restrictions under the non-MFA agreement to be made to the Textiles Monitoring Body for the purposes of Article 3 of the Agreement on Textiles and Clothing:

(a) The European Community will notify to the Textiles Monitoring Body the quantitative restrictions maintained under the non-MFA Agreement at the levels specified for the year during which China accedes to the WTO as being the restraint levels for the purposes of Article 3 of the Agreement on Textiles and Clothing, detailing the quantitative limits contained in Annex II of the non-MFA Agreement and the separate quantitative limits reserved for Outward Processing Traffic.

(b) The Parties agree that pending liberalisation of the above quantitative restrictions the growth rates applied to them, and to the relevant parts thereof, for the renewal of the non-MFA agreement for the year 2000 will apply pending liberalisation of those restrictions and be included in the notification pursuant to Article 3 of the Agreement on Textiles and Clothing.

(c) The European Union will include the flexibility provisions contained in Article 8 of the non-MFA Agreement in its notification pursuant to Article 3 of the Agreement on Textiles and Clothing.

(d) The Parties agreed that the European Community will align its programme in accordance Article 3(2) of the ATC to phase out the quantitative restrictions progressively to follow Annex I to this Agreement.

6. The Parties agreed that following China’s WTO accession they would, pursuant to of Article 2, Paragraph 17 of the Agreement on Textiles and Clothing, jointly notify to the Textiles Monitoring Body the Administrative Arrangements contained in Annex II to this Agreement. The Parties agreed that the administrative arrangements would apply in respect of both the MFA Agreement and the non-MFA Agreement.

7. In the event that China accedes to the WTO after 31 December 2000 the Parties agree that both the MFA Agreement and the non-MFA Agreement will be automatically extended for a further period of one year to 31 December 2001, on the basis of the quantitative limits for the year 2000, together with all the relevant parts thereof including the quantities reserved for European industry, the quantities set for outward processing traffic and for European fairs, increased by the growth rates, if any, applied to the quantitative limits, and the relevant parts thereof, on the renewal of the MFA Agreement and the non-MFA Agreement for the year 2000.
8. I should be obliged if you could kindly confirm the acceptance of your Government of the foregoing. Should this be the case, this Agreement in form of Exchange of Letters shall enter into force on the first day of the month following the day on which the Parties have notified each other that the legal procedures necessary to this end have been completed. In the meantime, it shall be applied provisionally from November 2000 on conditions of reciprocity.

Please accept, Sir, the assurance of my highest consideration.

For the Council
of the European Union”

I have the honour to confirm that my Government is in agreement with the contents of your letter.

Please accept, Sir, the assurance of my highest consideration.

For the Government
of the People's Republic of China
Annex I

Phase-out schedule for the quantitative restrictions notified pursuant to Article 3 of the Agreement on Textiles and Clothing

<table>
<thead>
<tr>
<th>Category</th>
<th>Phasing of elimination of quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ex13</td>
<td>Following accession</td>
</tr>
<tr>
<td>Ex18</td>
<td>Progressively</td>
</tr>
<tr>
<td>Ex20</td>
<td>Progressively</td>
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<tr>
<td>Ex24</td>
<td>Following accession</td>
</tr>
<tr>
<td>Ex39</td>
<td>Following accession</td>
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<tr>
<td>115</td>
<td>Progressively</td>
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<tr>
<td>117</td>
<td>Progressively</td>
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<td>118</td>
<td>Progressively</td>
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<td>120</td>
<td>Progressively</td>
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<td>122</td>
<td>Progressively</td>
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<tr>
<td>123</td>
<td>Following accession</td>
</tr>
<tr>
<td>124</td>
<td>Following accession</td>
</tr>
<tr>
<td>125A</td>
<td>Following accession</td>
</tr>
<tr>
<td>125B</td>
<td>Progressively</td>
</tr>
<tr>
<td>126</td>
<td>Progressively</td>
</tr>
<tr>
<td>127A</td>
<td>Following accession</td>
</tr>
<tr>
<td>127B</td>
<td>Following accession</td>
</tr>
<tr>
<td>136A</td>
<td>Progressively</td>
</tr>
<tr>
<td>140</td>
<td>Following accession</td>
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<tr>
<td>145</td>
<td>Progressively</td>
</tr>
<tr>
<td>146A</td>
<td>Progressively</td>
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<tr>
<td>146B</td>
<td>Progressively</td>
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<tr>
<td>151B</td>
<td>Following accession</td>
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<td>156</td>
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<td>157</td>
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<td>159</td>
<td>Progressively</td>
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<tr>
<td>160</td>
<td>Progressively</td>
</tr>
<tr>
<td>161</td>
<td>Progressively</td>
</tr>
</tbody>
</table>

For those products that are to be phased out progressively in the above table the Parties agree that, dependent on progress in the removal by China of state trading in respect of silk products, the European Community will remove the restrictions on no less that 9 categories on 1.1.2002 and the restrictions on all remaining products no later than 1.1.2005. Either Party may at any time request consultations pursuant to the procedures provided for in the Administrative Arrangements agreed between the Parties concerning the application of the above provisions. In order to facilitate such consultations the competent authorities of the European Community will inform the Chinese authorities of any intention to make a notification in this regard to the Textiles Monitoring Body.
Annex II

Administrative arrangements between the European Community and the People’s Republic of China for notification to the Textiles Monitoring Body Under Article 2(17) of the Agreement on Textiles and Clothing

Article 1 - Classification System

The classification of the products covered by these administrative arrangements is based on the tariff and statistical nomenclature of the European Community (the Community) (hereinafter called the "Combined Nomenclature", or in abbreviated form "CN") and any amendments thereof.

Article 2 - Determination of Origin of Covered Products

1. The origin of the products covered by these administrative arrangements shall be determined in accordance with the rules in force in the Community and the procedures for control of the products set out in Protocol A.

2. If any amendment is made to the rules of origin, the Community shall, with the agreement of the People’s Republic of China, take appropriate measures to avoid any possible consequent reduction of the People’s Republic of China's ability to use the quantitative limits established under Article 2 of the ATC.

Article 3 - Double-checking

The People’s Republic of China agrees to restrain its exports to the Community of the products described in the notifications of the Community to the Textiles Monitoring Body (TMB) under Article 2, paragraph 1, of the Agreement on Textiles and Clothing (ATC) to the limits set out therein as increased by the growth rates provided under Article 2 of the ATC and as may be modified by the flexibility provisions notified to the TMB under Article 2, paragraph 1, of the ATC, until such time as these products are integrated into GATT 1994 under paragraphs 6, 8, or 9 of Article 2 of the ATC. Exports of restrained textile products shall be subject to a double-checking system specified in Protocol A.

Article 4 - Industry reserve

1. Within the limits described in the notifications of the Community to the Textiles Monitoring Body (TMB) under Article 2, paragraph 1, of the Agreement on Textiles and Clothing (ATC) the People’s Republic of China agrees to maintain a reserve open for Community industry for the quantities and for the periods specified in the footnotes to the notification.

2. To facilitate the implementation of these provisions the Community shall provide the competent Chinese authorities, before the end of each year, with a list of interested manufacturers and processors and, if possible, of the quantity of products requested for each firm. To this end, the firms concerned are invited to make direct contact with the relevant Chinese bodies by 15 February of the following year, in order to make their purchasing intentions known.

3. The Chinese authorities undertake to operate the system in such a way as to ensure the maximum possible utilisation of the industry reserve by Community industry
consistent with market forces. In order to do so China undertakes to operate the system in a prompt and non-discriminatory manner; to provide the names and addresses of the relevant foreign trade administrative bodies; to provide texts of the relevant regulations as soon as they are available; to ensure that export licences under this system are identified as «industry reserve»; to supply separate statistical information concerning licences issued pursuant to these provisions; and, to cooperate with the European Community authorities to ensure that licences issued pursuant to these provisions are identified within the exchanges of information via the SIGL network established between the Community and China.

Article 5 - Amounts reserved for use at European Fairs

Within the limits described in the notifications of the Community to the Textiles Monitoring Body (TMB) under Article 2, paragraph 1, of the Agreement on Textiles and Clothing (ATC) the separate additional amounts specified for such purposes in the notification are reserved for use at trade fairs on the understanding that such amounts may be used exclusively at European Fairs. Such amounts may be modified by the flexibility provisions notified to the TMB under Article 2, paragraph 1, of the ATC.

Article 6 - Re-imports after OPT

The People’s Republic of China and the Community recognise the special and differential character of re-imports of textile products into the Community after processing in The People’s Republic of China. Such re-imports may be provided for outside the quantitative limits established under Articles 2 of the ATC provided that they are effected in accordance with the regulations on economic outward processing in force in the Community.

Article 7 - Imports to EC for Re-export after Processing

1. Exports to the Community of textile products covered by these administrative arrangements shall not be subject to quantitative limits established under Articles 2 of the ATC, provided that they are declared to be for re-export outside the Community in the same state or after processing, within the framework of the administrative system of control which exists within the Community. However, the release for home use within the Community of products imported under the conditions referred to above shall be subject to the production of an export licence issued by the People’s Republic of China authorities and to proof of origin, in accordance with the provisions of Protocol A.

2. Where the competent authorities in the Community have evidence that products exported from The People’s Republic of China and set off by The People’s Republic of China against a quantitative limit established under Articles 2 of the ATC have been subsequently re-exported outside the Community, the authorities concerned shall notify The People’s Republic of China of the quantities involved. Upon receipt of such notification, The People’s Republic of China may authorise exports for the current or the following year of identical quantities of products, within the same category, which shall not be set off against the quantitative limits established under Article 2 of the ATC.
Article 8 – Cottage industry, handloom and folklore products

Cottage industry, handloom and folklore products fulfilling the definitions contained in Protocol B to the MFA Agreement shall be exempt from the quantitative restrictions established under Article 2 of the ATC provided they are accompanied by a certificate conforming to the model annexed to these administrative arrangements. In case of divergent opinions between China and the competent Community authorities at the point of entry into the Community as to the nature of such products consultations shall be held within one month with a view to resolving such difficulties. The Chinese authorities undertake not to issue certificates in respect of this exemption when exports of the products in question have exceeded 15% of the quantitative limit for such a product established pursuant to Article 2 of the ATC.

Article 9 – Operation of the SIGL system

The Parties agree that they will effect the management of licensing via the direct computer links established between the Community’s SIGL system and the licensing computers of MOFTEC pursuant to the arrangements agreed between them.

Article 10 - Statistical Verification of Carryover

The People’s Republic of China shall provide the Community with export data showing the amounts of carryover available in any given year. The calculation of carry over will normally be effected pursuant to the information and data provided via the SIGL system. If substantial statistical differences exist between the export data from which the amount to be carried over is calculated and the Community's data the Community may, within the first 120 days of the following year, request consultations in accordance with the procedures referred to in Article 15, paragraph 1 of these administrative arrangements on the amounts involved. Any such request shall be accompanied by full particulars of the alleged statistical differences. Where such a request is made, the portions carried over shall not be used until the parties have completed consultations. If no such request is made within a 120-day period, the portion carried over shall be presumed to have been calculated correctly.

Article 11 - Exchange of Statistical Information

1. The People’s Republic of China undertakes to supply the Community with precise statistical information on all export licences issued by the People’s Republic of China authorities for all categories of textile products subject to the quantitative limits established under Article 2 of the ATC. The People’s Republic of China shall set out in its periodical statistical reports the maximum export levels for each category subject to a quantitative limit established under Articles 2 of the ATC and the rate of utilisation of these levels.

2. The Community shall likewise transmit to the People’s Republic of China authorities precise statistical information on import documents issued by the Community authorities in respect of export licences issued by the People’s Republic of China. This information shall, for all categories of products, be transmitted before the end of the second month following the quarter to which the statistics relate.

3. The Community shall transmit to the People’s Republic of China authorities import statistics for products covered by Article 7, paragraph 1 of these administrative arrangements.
4. Should it be found on analysis of the information exchanged above that there are significant discrepancies between the returns for exports and those for imports, consultations may be initiated in accordance with the procedure specified in Article 15 paragraph 1 of these administrative arrangements. Any such consultations shall be resolved on the basis of the agreed descriptions of the products set out in the notification under Article 2, paragraph 1, of the ATC.

5. The Parties agree that to the maximum extent possible such exchange of information shall be made via the computer links established between the Community’s SIGL system and the licensing computers of MOFTEC as referred to in Article 8.

6. In any event, the information provided for in paragraph 1 shall, for all categories of products, be forwarded before the end of the month following the month to which the statistics relate and the information referred to in paragraph 3 shall, for all categories of products, be transmitted before the end of the third month following the quarter to which the statistics relate, unless they have already been exchanged by electronic means.

Article 12 - Amendments to Classification

1. The authorities of The People’s Republic of China shall be informed of any amendment to the Combined Nomenclature or any decision, made in accordance with the procedures in force in the Community, relating to the classification of products covered by these administrative arrangements. Any such amendment or any decision which results in a modification of the classification of products covered by these administrative arrangements shall not have the effect of reducing The People’s Republic of China’s ability to use the quantitative limits established under Article 2 of the ATC. The procedures for the application of this paragraph are set out in Protocol A.

2. In case of divergent opinions between The People’s Republic of China and the competent Community authorities at the point of entry into the Community on the classification of products subject to quantitative limits established under Articles 2 of the ATC, consultations in accordance with Article 15 paragraph 1 of these administrative arrangements shall be held with a view to reaching agreement on the appropriate classification of the products concerned and to resolving any difficulties arising therefrom. For this purpose, the authorities of The People’s Republic of China shall be informed by the competent authorities of the Community as soon as a case of divergent opinions on the classification of products arises. Pending agreement on the appropriate classification and in order to avoid disruption to trade, the products in question shall be imported on the basis of the classification indicated by the competent Community authorities at the point of entry, in conformity with the provisions of these administrative arrangements.

Article 13 - Circumvention

1. The People’s Republic of China and the Community agree to cooperate fully in preventing the circumvention of these administrative arrangements by transhipment, re-routing or whatever other means in accordance with Article 5 of the Agreement on Textiles and Clothing.
2. Deduction of the relevant quantitative limits, once established pursuant to Article 5 of the Agreement on Textiles and Clothing, shall, as a general rule, be effected by debiting an amount equivalent to the agreed amounts from the corresponding quantitative limits for the year in which the circumvention took place or for subsequent years, the timing and apportioning of such debiting being decided in consultation with the Community, to ensure that any debiting may be satisfactorily implemented.

3. The People’s Republic of China confirms that its export control system permits the prompt debiting of the amounts agreed for such purposes to the corresponding quantitative limits established under Articles 2 of the ATC and the previous bilateral Agreement.

4. Following China’s accession to the WTO cases of circumvention taking place before accession will also be dealt with according to the above paragraphs.

Article 14 - Regional Concentration

1. The quantitative limits established under Article 2 of the ATC on imports into the Community of textile products of the People’s Republic of China origin will not be broken down by the Community into regional shares.

2. Notwithstanding the above, for imperative technical or administrative reasons or to find a solution to economic problems resulting from regional concentration of imports, or in order to combat circumvention and fraud of the provisions of these administrative arrangements, the Community will establish for a limited period of time a specific management system in conformity with the principles of the Internal Market. Should the Community have recourse to this provision, the textile products covered by the corresponding export licences can only be put into free circulation in the region(s) of the Community indicated in those licences. Similarly, the products covered by the import licences can only be put into free circulation in the region(s) of the Community indicated in those licences. This provision was invoked by the Community as from 1 January 1993.

3. The parties shall cooperate in order to prevent sudden and prejudicial changes in traditional trade flows resulting in regional concentration of direct imports into the Community.

4. The People’s Republic of China shall monitor its exports of products under restraint into the Community. Should a sudden and prejudicial change in traditional trade flows arise, the Community will be entitled to request consultations in order to find a satisfactory solution to those problems. Such consultations shall be held in accordance with Article 15, paragraph 1 of these administrative arrangements. The People’s Republic of China, from the date of request for and pending the consultations, will not issue export licences that would further aggravate the problem.

5. However, if the Parties are unable to reach a satisfactory solution during the consultations, the People’s Republic of China will, if so requested by the Community, respect temporary export limits for one or more regions of the Community. In such a case, these limits shall not preclude the importation into the region(s) concerned of products which were shipped from the People’s Republic of
China on the basis of export licences obtained before the date of formal notification to the People’s Republic of China by the Community about the introduction of the above limits. The Community shall inform the People’s Republic of China of the technical and administrative measures that need to be introduced by both Parties so that implementation is in conformity with principles of the Internal Market.

6. The People’s Republic of China shall endeavour to ensure that exports of textile products subject to quantitative limits established under Articles 2 of the ATC into the Community are spaced out as evenly as possible over the year due account being taken in particular of seasonal factors.

7. The People’s Republic of China shall endeavour not to deprive certain regions of the Community which have traditionally had relatively small shares of Community quotas of imports of products serving as inputs for their processing industry. The Community and the People’s Republic of China shall hold consultations, should the need arise, in order to avert any problems which might occur in this respect.

Article 15 - Consultations

1. Save where it is otherwise provided for in these administrative arrangements, the special consultation procedures referred to in these administrative arrangements shall be governed by the following rules:

   - any request for consultations shall be notified in writing to the other Party, together with a statement setting out the reasons and circumstances which, in the opinion of the requesting Party, justify the submission of such a request;
   - the Parties shall enter into consultations within one month at the latest of notification of the request, with a view to reaching agreement or a mutually acceptable conclusion within one further month at the latest.

2. If necessary, at the request of either of the Parties consultations shall be held on any problems arising from the application of these administrative arrangements. Any consultations held under this Article shall be approached by both Parties in a spirit of cooperation and with a desire to reconcile the differences between them.

Article 16 - Quantitative limits notified under Article 3

The Parties agree that these administrative arrangements will apply “mutatis mutandis” to the quantitative limits notified by the European Community under Article 3 of the Agreement on Textiles and Clothing.
PROTOCOL A

TITLE I

CLASSIFICATION

Article 1

1. The competent authorities of the Community undertake to inform the People’s Republic of China of any changes in the Combined Nomenclature (CN) before the date of their entry into effect in the Community.

2. The competent authorities of the Community undertake to inform the People’s Republic of China of any decisions relating to the classification of products subject to these administrative arrangements within one month of their adoption at the latest. Such communication shall include:

   (a) a description of the products concerned;

   (b) the relevant category and the related tariff and statistical references;

   (c) the reasons which have led to the decision.

3. Where a decision on classification results in a change of classification practice or a change of category of any product subject to these administrative arrangements, the competent authorities of the Community shall provide 30 days' notice, from the date of the Community's communication, before the decision is put into effect. Products shipped before the date of application of the decision shall remain subject to the earlier classification practice, provided that the goods in question are presented for importation into the Community within 60 days of that date.

4. Where a Community decision on classification resulting in a change of classification practice or a change of categorisation of any product subject to these administrative arrangements affects a category subject to restraint, the Community undertakes to enter into consultations without delay in accordance with the procedures described in paragraph 1 of Article 15 of these administrative arrangements with a view to agreeing necessary adjustments to the appropriate quantitative limits established under Articles 2 of the ATC and mitigating any disruptive effects which might arise from such a Community decision.
TITLE II
ORIGIN

Article 2

1. Products originating in the People’s Republic of China for export to the Community in accordance with the arrangements established by these administrative arrangements shall be accompanied by a certificate of the People’s Republic of China origin conforming to the model annexed to this Protocol.

2. The certificate of the People’s Republic of China origin shall be issued by the competent governmental authorities of the People’s Republic of China if the products in question can be considered products originating in that country within the meaning of the relevant rules in force in the Community.

3. The certificates of the People’s Republic of China origin referred to in paragraph 1 shall not be required for products of Group III of the Community’s system of categories. These may be imported into the Community in accordance with the arrangements set out in these administrative arrangements on production of a declaration by the exporter on the invoice or other commercial document relating to the products to the effect that the products in question originated in China within the meaning of the relevant rules in force in the Community.

4. The certificate of the People’s Republic of China origin referred to in paragraph 1 shall not be required for import of goods covered by a certificate of origin Form A completed in accordance with the relevant Community rules in order to qualify for generalised tariff preferences.

Article 3

The discovery of slight discrepancies between the statements made in the certificate of origin and those made in the documents produced to the customs office for the purpose of carrying out the formalities for importing the product shall not ipso facto cast doubt upon the statements in the certificate.
TITLE III

DOUBLE-CHECKING SYSTEM FOR CATEGORIES OF PRODUCTS WITH QUANTITATIVE LIMITS

Section I

Exportation

Article 4

The competent authorities of the People’s Republic of China shall issue an export licence in respect of all consignments from the People’s Republic of China of textile products subject to quantitative limits established under Article 2 of the ATC, up to the relevant quantitative limits as increased by the growth rates provided under Article 2 of the ATC and as may be modified by the flexibility provisions notified to the TMB under Article 2, paragraph 1, of the ATC, until such time as these products are integrated into GATT 1994 under paragraphs 6, 8 or 9 of Article 2 of the ATC.

Article 5

1. The export licence shall conform to the model annexed to this Protocol and it shall be valid for exports throughout the customs territory to which the Treaty establishing the European Community is applied.

2. Each export licence shall only cover one of the categories of products.

3. These provisions are without prejudice to any subsequent arrangements the Parties may enter into concerning the electronic transmission of information to replace the grant of export licences in paper form.

Article 6

The competent Community authorities must be notified forthwith of the withdrawal or alteration of any export licence already issued.

Article 7

1. Exports shall be set off against the quantitative limits established under Articles 2 of the ATC for the year in which shipment of the goods has been effected, even if the export licence is issued after such shipment.

2. For the purpose of applying paragraph 1, shipment of the goods is considered to have taken place on the date of their loading on to the exporting aircraft, vehicle or vessel.

Article 8

The presentation of an export licence, in application of Article 10 below, shall be effected not later than 31 March of the year following that in which the goods covered by the export licence have been shipped.
Section II

Importation

Article 9

Importation into the Community of textile products subject to quantitative limits established under Articles 2 of the ATC shall be subject to the presentation of an import authorisation or document.

Article 10

1. The competent Community authorities shall issue such import authorisation or document automatically within five working days of the presentation by the importer of the original of the corresponding export licence. The import authorisations shall be valid for six months from the date of their issue for imports throughout the customs territory to which the Treaty establishing the European Community is applied.

2. The competent Community authorities shall cancel the already issued import authorisation or document if the corresponding export licence has been withdrawn. However, if the competent Community authorities have not been notified of the withdrawal or cancellation of the export licence until after the products have been imported into the Community, the quantities involved shall be set off against the quantitative limit established under Articles 2 of the ATC for the category and the quota year in question and the People’s Republic of China shall be informed as soon as possible.

Article 11

1. If the competent Community authorities find that the total quantities covered by export licences issued by the People’s Republic of China for a particular category in any given year exceed the quantitative limit established under Article 2 of the ATC for that category as increased by the growth rates provided under Article 2 of the ATC and as may be modified by the flexibility provisions notified to the TMB under Article 2, paragraph 1, of the ATC, until such time as these products are integrated into GATT 1994 under paragraphs 6, 8 or 9 of Article 2 of the ATC, the said authorities may suspend the further issue of import authorisations or documents. In this event, the competent Community authorities shall immediately inform the authorities of the People’s Republic of China and the special consultation procedure set out in Article 12 paragraph 1 of these administrative arrangements shall initiated forthwith.

2. Exports of restrained textile products of the People’s Republic of China origin not covered by the People’s Republic of China export licences issued in accordance with the provisions of this Protocol may be refused the issue of import authorisations or documents by the competent Community authorities. However, if the import of such products is allowed into the Community by the competent Community authorities, the quantities involved shall not be set off against the appropriate quantitative limits established under Articles 2 of the ATC, without the express agreement of the People’s Republic of China.
TITLE IV

FORM AND PRODUCTION OF EXPORT CERTIFICATES AND CERTIFICATES OF ORIGIN, AND COMMON PROVISIONS

Article 12

1. The export licence and the certificate of origin of the People’s Republic of China may comprise additional copies duly indicated as such. They shall be made out in English or French. If they are completed by hand, entries must be in ink and in printed script. These documents shall measure 210 x 297 mm. The paper used must be writing paper weighing not less than 25 g/m². Only the original, clearly marked "original" shall be accepted by the competent authorities of the Community as being valid for the purposes of export to the Community in accordance with the arrangements established by these administrative arrangements.

2. Each export licence and certificate of the People’s Republic of China origin shall bear a serial number, whether or not printed, by which it can be identified. The number for the export licence shall be standardised and composed of the following elements:

- two letters identifying the People’s Republic of China as follows: CN
- two letters identifying the intended Member State of customs clearance as follows:
  
  AT  = Austria
  BL  = Benelux
  DE  = Federal Republic of Germany
  DK  = Denmark
  EL  = Greece
  ES  = Spain
  FI  = Finland
  FR  = France
  GB  = United Kingdom
  IE  = Ireland
  IT  = Italy
  PT  = Portugal
  SE  = Sweden
- a one-digit number identifying quota year, corresponding to the last figure in year, e.g. 7 for 1987
- two spaces identifying the particular issuing office concerned in the People’s Republic of China
- a five-digit number running consequently from 00001 to 99999 allocated to the intended Member State of customs clearance.

**Article 13**

The export licence and certificate of origin may be issued after the shipment of the products to which they relate. In such cases they shall bear either the endorsement "délivré à posteriori" or the endorsement "issued retrospectively".

**Article 14**

1. In the event of theft, loss or destruction of an export licence or a certificate of origin, the exporter may apply to the competent governmental authority which issued the document for a duplicate to be made out on the basis of the export documents in his possession. The duplicate of any such certificate or licence so issued shall bear the endorsement "duplicata".

2. The duplicate must bear the date of the original export licence or certificate of origin.
TITLE V
ADMINISTRATIVE COOPERATION

Article 15

The Community and the People’s Republic of China shall cooperate closely to implement the provisions of these administrative arrangements. To this end, contacts and exchanges of views (including on technical matters) shall be facilitated by both parties, in particular to establish the authenticity and accuracy of documentation required under the provisions of these administrative arrangements.

Article 16

The People’s Republic of China shall send to the Commission of the European Community the names and addresses of the governmental authorities competent for the issue and verification of export licences and certificates of origin together with specimens of the stamps used by these authorities. the People’s Republic of China shall also notify the Commission of any change in this information.

Article 17

1. Verification of certificates of the People’s Republic of China origin or export licences shall be carried out at random by the People’s Republic of China authorities.

2. The competent Community authorities may request subsequent verification of certificates of the People’s Republic of China origin or export licences at random or whenever they have reasonable doubt as to the authenticity of such certificates or licences or as to the accuracy of the information regarding the products in question. In such cases the competent authorities in the Community shall return the certificate of the People’s Republic of China origin or export licence, or a copy thereof to the People’s Republic of China authorities, giving, where appropriate, the reasons for an enquiry. If the invoice has been submitted, such invoice shall be attached to the certificate or licence or its copy. The authorities shall also forward any information that has been obtained suggesting that the particulars given on the said certificate or licence are inaccurate.

3. Should the results of the random verification referred to in paragraph 1 above reveal serious contravention of the provisions of these administrative arrangements, the People’s Republic of China authorities shall notify the competent Community authorities of the results. Where the competent Community authorities have requested verification under paragraph 2 above, the results of such verification shall be communicated to the competent Community authorities within three months at the latest. The information communicated shall indicate whether the disputed certificate or licence applies to the goods actually exported and whether these goods are eligible for export in accordance with the arrangements established by these administrative arrangements. Where the competent Community authorities so request, the information communicated shall also include copies of such other available documentation as may facilitate the full determination of the facts and, in particular, the true origin of the goods.

4. For the purpose of subsequent verification of certificates of the People’s Republic of China origin and export licences, copies of these together with relevant supporting documentation required to be lodged with the People’s Republic of China authorities for the
issue of such certificates or licences shall be kept for a period of at least two years by the People’s Republic of China authorities.

Article 18

1. Where the verification procedure referred to in Article 17 above or where information available to the Community or to the People’s Republic of China indicates or appears to indicate that the provisions of these administrative arrangements are being contravened, both parties shall cooperate closely and with appropriate urgency to prevent such contravention.

2. To this end, the People’s Republic of China shall, on its own initiative or at the request of the Community, carry out appropriate enquiries or arrange for such enquiries to be carried out concerning operations which are or appear to be in contravention of these administrative arrangements. The People’s Republic of China shall communicate the results of these enquiries to the Community together with such other available information as may facilitate the determination of the true origin of the goods.

3. By agreement between the Community and the People’s Republic of China, officials designated by the Community may be present at the enquiries referred to in paragraph 2.

4. In pursuance of the cooperation referred to in paragraph 1, the People’s Republic of China and the Community shall exchange any information considered by either party to be of use in preventing the contravention of the provisions of these administrative arrangements. These exchanges may include information on textile production in the People’s Republic of China and on trade in textile products of a kind covered by these administrative arrangements between the People’s Republic of China and other countries, particularly where the Community has reasonable grounds to consider that the products in question may be in transit across the territory of the People’s Republic of China prior to their importation into the Community. This information shall include at the request of the Community copies of all relevant documentation. The People’s Republic of China will provide such information as is available and in accordance with the People’s Republic of China law.

5. The Community shall where appropriate at the request of the People’s Republic of China cooperate jointly with the People’s Republic of China in cases of circumvention which affect the People’s Republic of China, in conformity with procedures in force in the Community.

6. Where it is established to the satisfaction of both parties that the provisions of these administrative arrangements have been contravened, the People’s Republic of China and the Community agree to take all reasonable measures to prevent a recurrence of such contravention.