

# US – TEXTILES RULES OF ORIGIN<sup>1</sup>

## (DS243)

PARTIES		AGREEMENT	TIMELINE OF THE DISPUTE	
Complainant	<i>India</i>	<i>ROA Art. 2</i>	Establishment of Panel	<i>24 June 2002</i>
			Circulation of Panel Report	<i>20 June 2003</i>
Respondent	<i>United States</i>		Circulation of AB Report	<i>NA</i>
			Adoption	<i>21 July 2003</i>

### 1. MEASURE AND PRODUCT AT ISSUE

- **Measure at issue:** Rules of origin applied by the United States to textiles and apparel products and used in administering the textile quota regime maintained by the United States under the Agreement on Textiles and Clothing (ATC), in particular the US Trade and Development Act of 2000.
- **Product at issue:** Made-up non-apparel articles, also known as “flat goods”, such as bedding articles and home furnishing articles, of export interest to India.

### 2. SUMMARY OF KEY PANEL FINDINGS

- **ROA Art. 2(b) (trade objectives):** The Panel rejected India's claim and concluded that although the objectives of protecting the domestic industry against import competition and of favouring imports from one Member over imports from another may in principle be considered to constitute “trade objectives” for which rules of origin may not be used, India had failed to establish that US rules of origin were being administered to pursue trade objectives in violation of Art. 2(b).
- **ROA Art. 2(c), first sentence (restrictive, distorting or disruptive effects):** The Panel rejected India's claim on the grounds that for there to be a violation of Art. 2(c), it must be proved that there is a causal link between the challenged rules of origin itself and the prohibited effects. The Panel further recognized that it would not always and necessarily be sufficient for a complaining party to show that the challenged rules of origin adversely affect one Member's trading as it may favourably affect the trade of other Members. The Panel concluded that India had not provided enough relevant evidence that the US measures created “restrictive”, “distorting” or “disruptive” effects on international trade.
- **ROA Art. 2(c), second sentence (fulfilment of certain conditions):** The Panel rejected India's claim, noting that distinctions maintained in order to define the product coverage of particular rules of origin were distinct from conditions of the kind referred to in Art. 2(c), second sentence (which prohibits the imposition of condition/s unrelated to manufacturing or processing as a prerequisite to conferral of origin). The Panel concluded that India did not establish that the measures at issue required the fulfilment of conditions prohibited by Art. 2(c), second sentence.<sup>2</sup>
- **ROA Art. 2(d) (discrimination):** The Panel concluded that Art. 2(d) applies to discrimination between goods that are the “same”, not those that are “closely related”. The Panel further concluded that India had failed to demonstrate that the US legislation was in violation of Art. 2(d).

<sup>1</sup> *United States – Rules of Origin for Textiles and Apparel Products*

<sup>2</sup> The Panel rejected India's interpretation of the phrase “unduly strict requirements” under Art. 2(c) second sentence that rules of origin requirements are “unduly strict” if they are burdensome and do not have to be imposed to determine the country to which the good in question has a significant economic link, and concluded that there was no violation under the said provision.