

**IMPLICATIONS OF CERTAIN MAJOR PROPOSALS FOR
HARMONIZED RULES OF ORIGIN FOR ACCESS UNDER
THE AGREEMENT ON TEXTILES AND CLOTHING:
AN ANALYSIS OF POSSIBLE EFFECTS**

Replies of India to Questions from the United States

The following communication, dated 4 November 1999, has been received from the Permanent Mission of India.

India is delighted to receive the questions from the United States (G/RO/W/48) with respect to India's submission in document G/RO/W/42. India believes that these questions reflect a serious effort by the United States to appreciate India's concerns with respect to the implications of certain major proposals for harmonized rules of origin for access under the Agreement on Textiles and Clothing. India is, therefore, happy to clarify as follows:

The submission of India (G/RO/W/42 – Implications of certain major proposals for harmonized rules of origin for access under the Agreement on Textiles and Clothing: An analysis of possible effects) states that "there should be a general acceptance of the principle that origin rules be developed in such a way that they do not produce adverse effects".

Question: Under such a proposed principle, how would India propose defining "adverse effects"?

Answer: *India has used the term "adverse effects" as it is ordinarily understood in the English language. However, in order not to leave any doubt, what India means is that the rules should not result in impairing or distorting the conditions of access for the exporters concerned.*

Question: Would it be from the standpoint of the final place of production?

Answer: *As mentioned above, any adverse effects would need to be assessed from the standpoint of exports and substantial transformation at the final place of processing.*

Question: In the view of India, what if the penultimate place of production had a different view of whether the rule of origin resulted in an "adverse effect"?

Answer: *Since substantial transformation is to be seen with reference to the final place of processing, India is not clear as to the US concern about a different view being taken by the penultimate place of production.*

Question: In the view of India, would the measure of "adverse effect" be in terms of the effect of the operation of a particular rule under a given Agreement, or all Agreements?

Answer: *India is committed to the fundamental principle of the Agreement on Rules of Origin that rules of origin should be applied equally for all purposes.*

Question: In the view of India, what if the perspective of "adverse effect" differed from one Agreement to another?

Answer: *Unfortunately, India is not able to fully grasp the US concern here. Could the US elaborate its concern, preferably with the help of a concrete example?*

Question: How would India view the relationship of such a principle it proposes with the Agreement's guiding principle of substantial transformation for the development of the harmonized rules of origin?

Answer: *India does not see any contradiction between its simple suggestion that the rules should be developed in such a way that they do not produce adverse effects for trade and the principle of substantial transformation. In fact, the instrumentality of substantial transformation ought to be seen in the context of facilitation of trade and avoidance of restrictive or distorting effects, which is the basic purpose and objective of the entire exercise.*

Question: Could India clarify whether its submission sets forth its understanding that "domestic industry or like products of domestic industry or similar terms wherever they apply" cannot be defined differently than under the harmonized rules of origin – notwithstanding the footnote at the end of Article 1, paragraph 2?

Answer: *India wishes to reiterate that the fundamental principal of the Agreement on Rules of Origin that rules of origin should be applied equally for all purposes should guide the formulation of individual rules for various products.*
