

UNITED STATES - MEASURES AFFECTING
TEXTILES AND APPAREL PRODUCTS

Notification of Mutually-Agreed Solution

The following communication, dated 11 February 1998, from the United States of America and the European Communities, is circulated pursuant to Article 3.6 of the DSU.

The authorities of the United States of America and of the European Community hereby notify the Dispute Settlement Body that they have reached a mutually agreed solution in their dispute "United States - Measures affecting textiles and apparel products" (WT/DS85/1).

The solution is set forth the in the following documents.

1. Agreement to postpone consultations and Procès-Verbal prepared on 15 July 1997;
2. Exchange of letters dated 6 August 1997 and 19 September 1997.

Copies of this letter are addressed to the Chairman of the Textiles Monitoring Body, to the Chairman of the Committee on Rules of Origin, to the Chairman of the Council for Trade in Goods and to the Chairman of the Committee on Technical Barriers to Trade.

THE UNITED STATES TRADE REPRESENTATIVE
Executive Office of the President
Washington, D.C. 20506

Sir Leon Brittan
Vice President
Commission of the European Communities
Rue de la Loi 200
1049 Brussels, Belgium

Dear Leon:

I have the honor to refer to the attached procès-verbal prepared on July 15, 1997 between delegations from the European Commission (EC), led by Mr. Alistair Stewart, and the United States, led by Ambassador Rita Hayes, concerning the resolution of European Community concerns with respect to U.S. rules of origin for certain textile products. I also refer to a letter dated August 1, 1997 from Mr. Stewart to Ambassador Hayes concerning the acceptance, with one change, of the settlement outlined in the procès-verbal by our Member States as well as the procedure for finalizing the plan.

On behalf of the United States, I accept the text of the procès-verbal, with the change in paragraph 3 from "no later than two months" to "no later than one month". It is my understanding that, like the United States, the European Community will use best efforts to conclude the World Trade Organization (WTO) harmonization work programme by July 20, 1998, date established by operation of the WTO Agreement on Rules of Origin.

If the foregoing is in conformance with the understanding of the European Community, this letter and a letter of confirmation from you, together with the procès-verbal, will constitute an agreement between the two governments. The settlement agreement will become effective upon my receipt of your confirming letter.

Sincerely,

Charlene Barshefsky

cc: Alistair Stewart
Rita Hayes

THE RIGHT HONOURABLE
SIR LEON BRITTAN, QC
VICE-PRESIDENT OF THE EUROPEAN
COMMISSION

19 IX 1997

Thank you for your letter of 6 August 1997 containing your confirmation, on behalf of the United States of America, of the undertakings and commitments on the part of the USA which are described in the procès-verbal attached to your letter.

It is my understanding that the timetable in your letter allows the current Congress to adopt an amendment to the US legislation on rules of origin. On this basis and on behalf of the European Commission, I have the honour to confirm that the procès-verbal and your letter together constitute an appropriate settlement to the dispute on the new US rules of origin for textile products.

I should also like to acknowledge receipt of the copy of the letter supporting the settlement that the US industry has sent to Ambassador Rita Hayes. As you know, such expression of support from the US industry is seen in Europe as important to ensure a smooth process of implementation of this settlement.

Ms. Charlene Barshefsky
The United States Trade Representative
Executive Office of the President
Washington D.C. 20506
USA

PROCES-VERBAL

1. Delegations representing the United States and the European Community met in Geneva on July 15 to continue discussions on European Community concerns about U.S. textile rules of origin applicable from July 1, 1996. Both sides reaffirm the tradition of close cooperation between the US and the European Community in this sector and committed themselves to achieving a mutually satisfactory resolution in this case.
2. With respect to the European Community's request that the US return to the rules of origin set forth in 19 C.F.R. 12.130 for dyed and printed textile and apparel products, the US confirms that this would require an amendment to US statute. The US proposes that the timing and framework for such a legislative change should be after the conclusion of negotiations in respect of the WTO harmonized rules in respect of origin, scheduled for July 20, 1998. The US commits to propose its prior rules for silk accessories, silk fabrics, dyed and printed cotton fabrics, dyed and printed man-made fibre fabrics and dyed and printed vegetable fibre fabrics in the context of those WTO rules of origin harmonisation negotiations.
3. The US Administration will propose to Congress not later than two months from July 20, 1998 an amendment to the US rules of origin for the above products to bring those rules into conformity with the relevant provisions currently set forth in 19 C.F.R. 12.130 or with the rules that have been agreed at the conclusion of the WTO harmonisation process, if those rules are different from those set forth in 19 C.F.R. 12.130 unless otherwise agreed by the European Community and the United States in the context of their cooperation in the sector.
4. Both sides agree to consult on any other issues concerning textile rules of origin with the intent of reaching mutually satisfactory solutions.
5. The US recognizes that, prior to the implementation of the legislative amendments set out above, trade between the US and the European Community in respect of the products, the subject of the European Community's concern, should not be disturbed or result in diminution of access to the US market in comparison with trade prior to July 1, 1996.
6. In response to the above concerns and with a view to facilitating trade in respect of such products prior to the implementation of the above legislative amendments the US will:
 - (i) Silk scarves and fabric

immediately begin the process in accordance with its domestic laws and procedures to amend U.S.C. 1304, general country of origin marking law, to create an exemption from the marking requirements for imported silk scarves (6214.10.10) and silk fabric (5007).

As a result of these products being exempt from the general marking requirements:

- Silk scarves and fabric dyed and printed in the European Community on imported fabric will not have to be marked as "Made in China" (or other country of origin);

- Silk scarves and fabric may be marked with any of the appellations set out in Annex I hereto with the name of the appropriate European Community Member State, which will also satisfy the consumer information requirements imposed under domestic laws.

(ii) Printed cotton fabrics

create break-outs for discharge printed fabrics under the following provisions of the U.S. Harmonised Tariff Schedule (U.S.H.T.S.) and will ensure that these provisions are exempted from quantitative restrictions maintained under the Agreement on Textiles and Clothing and also from textile visa requirements in respect of Egypt, Turkey, Thailand and Indonesia.

The U.S.H.T.S. provisions are:

5208.52.30.40 (Category 313 - Sheeting)
5208.52.40.40 (Category 313 - Sheeting)
5208.52.40.60 (Category 315 - Printcloth)
5208.59.20.20 (Category 326 - Sateen)
5208.59.20.90 (Category 317 - Twill)
5209.51.60.20 (Category 314 - Poplin/Broadcloth)
5209.51.60.30 (Category 313 - Sheeting)
5209.59.00.20 (Category 326 - Sateen)
5211.59.00.20 (Category 326 - Sateen)

(iii) Printed man-made fibre fabrics

take the necessary procedures to implement break-outs that have the effect of removing from quota coverage discharge printed fabrics in category 611 in respect of Malaysia, categories 611, 618 and 629 in respect of Indonesia and 611 in respect of Thailand.

7. In view of the commitments by the United States in respect of forthcoming legislative amendments and to ensure that in the interim trade continues undisturbed, the European Community proposes to postpone the formal consultations in the WTO. The European Community reserves the right to revive those consultations in the event that the United States does not introduce, and thereafter timeously enact, the legislative amendments as proposed above or in the event that, during the period prior to the implementation of such legislative amendments, trade in those products that are the subject of the European Community's concern is disturbed, or access to the US market diminished, in comparison with trade prior to July 1, 1996.

ANNEX 1

As a result of amendment to the U.S. Country of Origin Marking Statute to Exempt Silk Scarves and Silk Fabrics From the Required Origin Marking, the silk scarves and finished silk fabrics exported from Europe may be market as follows:

“DESIGNED IN ITALY”

“DYED AND PRINTED IN ITALY”

“Cut and Sewn in Italy”

“FASHIONED IN ITALY”

“CRAFTED IN ITALY”*

“CREATED IN ITALY”*

“GUCCI OF ITALY”

“DESIGNED AND PRINTED BY GUCCI IN ITALY”

“CRAFTED BY GUCCI IN ITALY”

“CREATED BY GUCCI IN ITALY”

* Customs will have to issue a general notice to explain the meaning of the words, “crafted” and “created” for silk scarves and silk fabrics that are exempt from the marking statute.

N.B. “Italy” is given as an example of appropriate Member State of the European Community.
