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Page: 1/1

**REPORT (2014) OF THE COMMITTEE ON RULES OF ORIGIN
TO THE COUNCIL FOR TRADE IN GOODS**

1. This report is being submitted to the Council for Trade in Goods in accordance with Article 6.1 of the Agreement on Rules of Origin (the Agreement), which provides that "The Committee shall review annually the implementation and operation of Parts II and III of this Agreement having regard to its objectives. The Committee shall annually inform the Council for Trade in Goods of developments during the period covered by such reviews."

2. The Committee on Rules of Origin (CRO) held two formal meetings in 2014: on 10 April and on 30 October under the chairmanship of Mr. Marhijn VISSER (The Netherlands) and of Mr. Ken Chang-keng CHEN (Chinese Taipei) respectively. A number of informal meetings and consultations were also held in 2014.

3. The main area of work of the CRO relates to negotiations for harmonized non-preferential rules of origin (Harmonization Work Programme, HWP). These negotiations, mandated under Part IV of the Agreement, were initiated in 1995 and conducted in collaboration with the Technical Committee on Rules of Origin at the World Customs Organization (WCO). Despite substantive progress in elaborating specific rules of origin for thousands of tariff lines, the negotiations came to a virtual halt in 2007 due to divergences on a number of "core policy issues" and have since lost momentum. As noted in the 2013 Report of the CRO to the Council for Trade in Goods, Members are, at present, divided as to the relevance of finalizing the HWP. Given this difference in Members' views, it is difficult for the Chairman to propose any concrete work on the draft harmonized rules of origin.

4. Pending the continuation of the HWP, the CRO agreed to initiate a transparency exercise to exchange information about the non-preferential rules of origin. In fact, 42 Members have notified to the Secretariat that they apply some type of non-preferential rules of origin. In the absence of harmonized rules, the only disciplines that apply to such rules are those of Article 2 of the Agreement. Members agreed to engage in an exercise to better understand the design, coverage and effect of existing non-preferential rules.

5. In addition, the CRO has conducted work with a view to finalizing the transposition of draft harmonized rules of origin to more recent versions of the Harmonized System. This exercise, which had been mandated to the WTO Secretariat, has been finalized and the rules are now available in the 2002, 2007 and 2012 versions of the HS (mechanically transposed rules as well as some simplified rules according to recommendations from the World Customs Organization). Members have reviewed the transposed rules in HS Chapters 1 to 40 to verify their technical accuracy.

6. Finally, the CRO initiated work on preferential rules of origin for Least Developed Countries (LDCs) as a result of the adoption of Ministerial Decision WT/L/917. The CRO agreed on the procedures to review new developments related to such rules and conducted the first review of developments. The CRO took note of new rules associated with a duty-free and quota-free scheme recently implemented by Chile. It also heard a presentation by the Secretariat about the Database on Preferential Trade Agreements, where Members' notifications and legislation on preferential rules of origin can be accessed (<http://ptadb.wto.org>).
