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Page: 1/2

**REPORT (2016) 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 2016: on 22 April and on 22 September under the chairmanship of Mr. Christian WEGENER (Denmark) and of Mr. Chih-Tung CHANG (Chinese Taipei) respectively. At its meeting of 22 September, the CRO conducted the twenty-second review of the implementation and operation of the Agreement.

3. The main objective of the Agreement on Rules of Origin relates to negotiations to harmonize non-preferential rules of origin (Harmonization Work Programme, HWP). These negotiations, initiated in 1995 and conducted in collaboration with the Technical Committee on Rules of Origin at the World Customs Organization (WCO), came to a virtual halt in 2007 due to divergences on a number of "core policy issues" and have since been at a stalemate. As noted in the 2013 Report of the CRO to the Council for Trade in Goods (G/L/1047), Members hold different views regarding the need to finalize or not the HWP. Given this state of affairs, the implementation and operation of the Agreement is not satisfactory.

4. In the absence of harmonized rules, Members agreed to initiate a transparency and "educational" exercise to exchange information about existing non-preferential rules of origin. As a result, two "information sessions" on non-preferential rules of origin were held in 2016. During these sessions, Members learnt, from private sector representatives, how existing (non-harmonized) national rules of origin impacted trade and business operations. The presentations made were circulated to Members (documents RD/RO/36 to RD/RO/47). In addition, summaries of these sessions were prepared and circulated in documents G/RO/W/162 and G/RO/W/167, respectively.

5. Drawing on the views heard during this educational exercise, the delegation of Switzerland has proposed to circulate questions to initiate discussions in the Committee about possible principles and guidelines to streamline non-preferential rules of origin.¹

6. Furthermore, the Committee reviewed and validated the technical accuracy of the results of the transposition exercise conducted by the Secretariat. All draft harmonized rules of origin have now been transposed to the most recent version of the Harmonized System and compiled in a single document (JOB/RO/5/Rev.1 and JOB/RO/5/Rev.1/Corr.1). The Committee agreed that this should remain a working document and that Members could submit comments to the draft transposed rules at any time.

7. With respect to preferential rules of origin, the Committee held dedicated discussions on preferential rules of origin for least-developed countries (LDCs), in particular in light of the requirements of the 2013 (Bali) Ministerial Decision (WT/L/917) and the 2015 (Nairobi) Ministerial Decision (WT/L/917/Add.1). In that context, the Committee reviewed the availability of trade data regarding preferential trade arrangements (PTAs), considered possible methodologies for the calculation of utilization rates (G/RO/W/161), reviewed the status of notifications of preferential rules of origin (G/RO/W/163) and discussed a template for the notification of preferential rules of

¹ Subsequently circulated as JOB/RO/6

origin (G/RO/W/160). As required by both Ministerial Decisions, a detailed report on this issue was prepared for the General Council G/RO/79 and an oral report will be delivered at the Sub-Committee on LDCs.
