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REPORT (2015) 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 2015: on 30 April and on 15 October under the chairmanship of Mr. Ken Chang-keng CHEN (Chinese Taipei) and of Mr. Christian WEGENER (Denmark) respectively. In addition, the Committee held a dedicated informal session on preferential rules of origin for Least-developed countries. A number of informal meetings and consultations were also held in 2015. At its meeting of 15 October, the CRO conducted the twenty-first review of the implementation and operation of the Agreement and took note of the notifications that had been submitted during the year.

3. The main area of work of the CRO relates to negotiations to harmonize 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 (G/L/1047), Members hold different views regarding the need to finalize or not the HWP. Given this differences, it is difficult for the Chairman to propose any technical work on the draft harmonized rules of origin.

4. Pending the continuation of the HWP, the Committee agreed to initiate a transparency exercise to exchange information about non-preferential rules of origin currently in place. In fact, in the absence of harmonized rules, the only disciplines that apply to non-preferential rules of origin are those of Article 2 of the WTO Agreement on Rules of Origin. Therefore, some Members presented to the Committee their current non-preferential rules of origin and shared their experiences regarding application of such rules. In addition, the Committee also heard presentations about the impact of rules of origin on international trade and on customs operations from the World Customs Organization (WCO), the International Trade Centre (ITC), the International Chamber of Commerce and the UNCTAD.

5. Furthermore, the Committee reviewed the results of the transposition exercise which had been conducted by the Secretariat. All draft harmonized rules of origin have now been transposed to the most recent version of the Harmonized System (2012) and compiled in a single document (JOB/RO/5/Rev.1 and JOB/RO/5/Rev.1/Corr.1). Members agreed that comments to the draft transposed rules should be sent to the Secretariat by 15 March 2016 and that the Committee should consider this item again at its next meeting.

6. With respect to preferential rules of origin, the Committee held dedicated discussions on the rules which apply to LDCs under preferential trade agreements. At the meeting, Members heard presentations made by several LDC representatives and learnt more about how existing rules of origin may hinder market access opportunities for the LDCs. For each agenda item, the LDCs recalled the "benchmarks" set in the 2013 Bali Ministerial Decision on Rules of Origin for LDCs (WT/L/917) and provided examples of existing rules which, according to them, did not meet these

benchmarks. For each agenda item, the LDCs proposed specific reforms which, according to them, would enhance their ability to effectively use preferential market access opportunities.

7. Finally, the CRO also conducted a review of new developments in preferential rules of origin for LDCs according to the requirements of Ministerial Decision WT/L/917. In that context, the Committee considered the preferential rules of origin in place in Thailand (G/RO/N/130/Corr.1) and in China (G/RO/N/132) and recent modifications made to the rules applied by Japan (G/RO/N/131). As mandated by the Ministerial Decision, the Committee adopted a report of such review for the General Council and will also inform the Sub-Committee on LDCs accordingly.
