



Committee on Rules of Origin

MINUTES OF THE MEETING OF 15-16 MAY 2019

CHAIRPERSON: MRS. THEMBEKILE MLANGENI (SOUTH AFRICA)

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The Committee on Rules of Origin (CRO, or the Committee) adopted the agenda of the meeting as circulated in document WTO/AIR/RO/9.

1 WORK OF THE TECHNICAL COMMITTEE ON RULES OF ORIGIN (TCRO) – REPORT BY THE WORLD CUSTOMS ORGANIZATION

1.1. Mrs M Azzam of the WCO Secretariat reported that the WCO Technical Committee on Rules of Origin (TCRO) had held its 37th Session on 4 February 2019 under the chairpersonship of Mr Aseem Nanda (India). Within the framework of its permanent responsibilities, the TCRO had adopted the 20th periodic report and the 20th annual review on technical aspects and implementation of the Agreement on Rules of Origin for 2018. As in the previous year, the annual review had been short since the WTO Agreement on Rules of Origin and harmonized non-preferential rules of origin were not being implemented: as a result, no Member had referred any specific question relating to non-preferential origin to the TCRO. On other matters, the WCO Secretariat reported on the state of

¹ The agenda of the meeting was circulated in document WTO/AIR/RO/9.

play in the origin part of the Revenue Package Action Plan. The Revenue Package consisted of a set of initiatives intended to ensure an effective and efficient collection of revenues by customs administrations. In practice, the lack of harmonized rules of origin (RO) created challenges for customs administrations; the WCO promoted the harmonization of origin procedures as a way of meeting these challenges and facilitating trade. Phase III of the Revenue Package Action Plan focused on the promotion of the tools that had already been developed, including guidelines on origin certification, verification, advance rulings, and customs infrastructure. She explained that these guidelines were intended to simplify and streamline customs procedures linked to rules of origin. They had been developed to facilitate customs procedures for compliant traders while striking a balance between trade facilitation and the need for customs control. In addition to these instruments, a Practical Guide to the WTO Nairobi Ministerial Decision on Rules of Origin for LDCs had also been developed; it explained the Decision itself and also provided practical information on how to qualify for preferential treatment. It was hoped that the Guide would encourage LDCs to utilize their trade preferences. Mrs Azzam reported that the WCO Secretariat had also revised and further developed its e-learning modules, which now covered origin certification, origin verification, cumulation, origin criteria, and direct transportation. All modules were available on the WCO website.

1.2. In addition to the TCRO meeting, the WCO Secretariat had organized a workshop on origin, focusing on the WTO Nairobi Decision, the review of the Revised Kyoto Convention, and origin procedures in general, including origin certification and verification. She concluded by informing Members that the second WCO Global Origin Conference would take place in Iquique (Chile), on 19-20 November 2019. During the Conference, participants would discuss current challenges in regional integration and the latest developments relating to origin, including the update of the Revised Kyoto Convention. She invited all Members to attend the Conference as it offered a unique opportunity for participants to expand their understanding of origin-related issues and to have a say on the future of rules of origin.

1.3. The Committee took note of the WCO's report.

2 IMPLEMENTATION OF THE BALI AND THE NAIROBI MINISTERIAL DECISIONS ON PREFERENTIAL RULES OF ORIGIN FOR LEAST DEVELOPED COUNTRIES (WT/L/917 AND WT/L/917/ADD.1)

2.1 Implementation of the REX System – Update by the European Union

2.1. The Chairperson reminded Members that the European Union (EU) had briefed the Committee, in October 2018, about its new system of self-certification for registered exporters. She also recalled that the Registered Exporter (REX) System was being implemented by Norway and Switzerland. She therefore invited the EU delegation to update Members on the implementation of this new system.

2.2. The European Union recalled that the REX had been gradually introduced for beneficiaries of the EU Generalized System of Preferences (GSP) since January 2017. Under the system, registered economic operators could complete and submit their own statement on preferential origin. Economic operators were able to participate in the system once they had registered in a database with local competent authorities. A detailed list of beneficiary countries and the status of implementation of REX was available on the EU-TAXUD website. At present, 27 beneficiary countries were fully applying the REX System, while 15 beneficiary countries were transitioning into the System but still using Form A to prove origin. The transitional period for this last category of Members would end either on 30 June or by end-2019. Finally, 14 beneficiary countries were not applying the REX System despite their transitional period having lapsed; as a result, the preferential origin of exports from these countries could not be guaranteed and no preferential market access was being granted. Efforts were ongoing to integrate the countries in question into the REX System, if they so wished. As of January 2020, besides the GSP beneficiary countries, 25 overseas countries and territories of the EU would also be integrated into the REX system and, eventually, countries with whom the EU had concluded a Free Trade Agreement (FTA) would also be expected to use the system to prove origin. She said that the REX system was proving useful, explaining that India, for instance, had already registered over 23,000 economic operators in it. To ensure that all countries could introduce the system successfully, the EU had made huge efforts in the area of capacity-building; document G/RO/W/183 detailed the specific capacity-building efforts that the EU had undertaken in this regard. For example, representatives of beneficiary countries had been invited to hands-on

training sessions that had taken place either in Brussels or in selected regions. During these training sessions, local administrators had been briefed about the procedures to follow to give access to other administrators or to register exporters. She informed Members that the EU would organize an information session about the REX system on the margins of the next CRO meeting.

2.3. The representative of Norway noted that both his country and Switzerland had cooperated with the EU on the implementation of the REX system. Specifically, Norway had taken responsibility for the training of officials from countries that were granted preferences in Norway but not in the EU. He explained that some beneficiary countries had not responded to their training invitations, unfortunately, while others had attended the training sessions but had not followed up on it with the submission of the documents required actually to start using the REX. In addition, some countries had completed the documentation formalities but had not yet registered any local users. He invited delegations to reach out to their Capital-based colleagues to ensure that all the necessary formalities were completed as soon as possible.

2.4. The representative of Switzerland confirmed that since January 2017 his country had also introduced the REX system to facilitate imports from LDCs and GSP beneficiaries. He noted that it was too early to make a comprehensive assessment of the system's effectiveness; nevertheless, the figures did suggest that there had been a slight increase in the utilization of preferences. He reminded delegations that beneficiary countries had until 30 June 2020 to register their exporters. In case of questions, he invited delegations to contact Switzerland's Mission to the WTO.

2.5. The delegation of Tanzania, speaking on behalf of the LDC Group, recalled that the Nairobi Decision had established, for the first time, a set of multilaterally agreed guidelines to facilitate preferential market access by LDCs. Paragraph 4.3 of the Nairobi Ministerial Decision had specifically provided for the notification of preferential rules of origin as per the agreed template. In addition, many preference-granting Members had notified their import statistics; the Committee had been analysing the relevant LDC utilization rates in this regard, providing a valuable tool for identifying specific difficulties that LDCs were facing when trying to comply with rules of origin. Previous presentations by the LDC Group had shown that a significant share of exports from LDCs were subject to MFN tariffs despite being eligible for preferential market access. Against that background, the LDC Group insisted that preference-granting Members take further steps to simplify their preferential rules of origin. In addition, the Group believed that further research and analysis was needed to identify specific causes of under-utilization. In this regard, the LDC Group would continue to bring its relevant analysis and evidence to the Committee on the stringency of certain origin requirements, contrasting them to the provisions of the Ministerial Decisions, in order to recommend best practices. The common objective of Members should be to achieve a fuller utilization of the preferences as well as the fulfilment of the development objectives set out in the sustainable development goals (SDGs), specifically target 17.12, which stated that preferential rules of origin applicable to imports from least developed countries should be transparent and simple in order that they contribute to facilitating market access.

2.6. In relation to the current agenda item, the representative of Tanzania thanked the EU; Norway; and Switzerland for their updates. He agreed that this was a trade-facilitating measure and encouraged these preference-granting Members to continue to reach out to LDCs to ensure that no Member was left behind and that all LDCs would continue to receive preferences. In this regard, he requested the EU to confirm whether or not the 14 countries that had not completed all the relevant procedures were nonetheless still receiving preferences.

2.7. The representative of the European Union clarified that further training was not possible for country officials who had already attended a training session but who had not taken or completed the necessary follow-up actions.

2.8. The Committee took note of the report and of the statements made.

2.2 Review of Other Recent Developments – Report by Any Other Preference-Granting Members

2.9. The Chairperson offered other preference-granting Members an opportunity to report on any recent developments relative to their preferential rules of origin for LDCs.

2.10. No further statements were made.

2.3 Notifications of Preferential Rules of Origin for LDCs and Preferential Imports and Tariffs (G/RO/W/163/Rev.5) – Report by the Secretariat

2.11. The Chairperson drew Members' attention to document G/RO/W/163/Rev.5, prepared by the Secretariat, which contained the latest status of notifications relating to preferential rules or origin and origin requirements, as well as preferential import statistics.

2.12. Presenting the latest developments, the Secretariat highlighted new notifications of preferential rules of origin from the Kyrgyz Republic; the Russian Federation; and Tajikistan (document G/RO/84). The following four Members were therefore the only Members not yet to have notified their preferential origin requirements for LDCs: Armenia; Iceland; Montenegro; and Turkey. Nevertheless, with regard to preferential import statistics, several Members still had partial or full gaps in their data submitted to date. The Secretariat had contacted these Members and consequently the number of years for which data was available among a number of the Members concerned had gradually improved.

2.13. In conclusion, the Chairperson requested the Secretariat to continue to reach out to delegations that had outstanding notifications with a view to filling in all of the gaps in the relevant data.

2.14. The Committee took note of the statements made and agreed to proceed accordingly.

2.4 Preferential Rules of Origin Based on the Change of Tariff Classification Criterion – Submission by the LDC Group (G/RO/W/184 and RD/RO/79)

2.15. The Chairperson recalled that, at its last meeting, the Committee had initiated an examination of preferential rules of origin based on a change of tariff classification, contrasting existing practices with the provisions of paragraphs 1.2, 1.4, and 1.5 of the Nairobi Ministerial Decision. To continue that work, she proposed to consider document G/RO/W/184, prepared by the LDC Group.

2.16. The delegation of Tanzania introduced the note by the LDC Group by explaining that its intention had been to increase Members' understanding of current practices. As Members headed towards the 12th Ministerial Conference, it was important to take stock of what had been achieved since Bali and Nairobi, and also to report on the substantial changes that had significantly impacted upon the capacity of LDCs to export under preferences. In his view, the Nairobi Ministerial Decision had asked preference-grating Members to consider three aspects when applying change-or-tariff-classification (CTC) rules. First, rules of origin should be simple, ideally based on the change of tariff heading criterion (CTH). Second, they should not contain exceptions or restrictions, unless such restrictions were justified in order to ensure that a substantial transformation had occurred. Third, Members should introduce allowance limits for the use of materials from the same heading or sub-heading. Focusing on these three elements, he explained that several CTC-based rules currently in use did not meet these requirements. Japan, for example, applied certain complex rules with page-long exceptions. He argued that the complexity of such rules was unjustified, particularly in light of the fact that several current free trade agreements reflected a more liberal practice. Coffee, tea, and spices in the EU, for example, had an origin criterion of CTH (thus authorizing the use of non-originating materials from the heading itself); however, in the case of Japan, the criterion was also CTH, but excluded a change from within the heading. However, in the EU-Japan FTA, the RO for coffee was a change of tariff such heading (CTSH) or blending, a more flexible criterion, which recognized that roasting and blending would qualify a product for preferences. Similarly, rules for fish preparations (Chapter 16) in both the EU and Japan exceeded the CTH and CTSH requirement, and contained wide exceptions, basically requiring all materials to be wholly obtained. However, the US-Singapore FTA for such products required a "change to heading 1601 through 1605 from any other chapter", allowing for the processing of non-originating materials. Another problem associated with some of these complex rules related to the use of product descriptions instead of clear HS designations. The rules for Chapter 19 preparations of cereals in Japan were a case in point. The representative of Tanzania went on to provide additional examples of complex rules used for products classified in headings 20, 33.03, 44.16, 52.07, 72.16, 87.12, or in chapters 64 and 84 (RD/RO/79). In conclusion, he said that the Group had provided several illustrations where the origin criterion went beyond the concept of substantial transformation and beyond the simple CTH or

CTSH criterion as indicated in the Ministerial Decision. He asked the EU, Japan, Norway, and Switzerland to review these rules and to assess whether or not such complex restrictions were indeed necessary to ensure a substantial transformation, particularly in light of their own practices in more liberal FTAs.

2.17. The representative of Cambodia said that his delegation shared the views expressed by the delegation of Tanzania. He argued that the requirements of paragraph 1.2 of the Nairobi Decision were simple and urged the EU and Japan to review their CTC rules in light of such requirements. Annex I of the LDC submission contained a list of the rules requiring review.

2.18. The representative of the European Union congratulated the LDC Group for their well-researched and comprehensive presentation. The EU was supportive of the work of the CRO and the LDCs in this area. She said that her delegation stood ready to work bilaterally with the LDCs to discuss product-specific rules and good practices. With regard to the rules mentioned in the presentation, she said that her Capital would need to review the document and presentation before making more detailed comments. Meanwhile, she wished to note that there may have been some misreading of what the EU requirements actually were for certain products, such as those of Chapter 19, or heading 33.02. For this reason, and before any conclusions were drawn, it would be ideal to involve Capital-based officials in bilateral discussions.

2.19. The representative of Japan said that her colleagues in Capital would review the document and presentation. By way of preliminary response, she noted that those CTC rules containing exceptions were intended to ensure an accurate origin determination. She commented that some of the rules listed in Annex I, such as those for headings 33.02, 72.16, 87.12 and Chapter 84, referred to products with an MFN rate of zero. She also explained that the comparison with origin criteria in FTAs was not necessarily adequate because FTAs were negotiated with a small number of partners whereas GSP preferences were offered to a large and varied group of WTO Members. In this context, she stated that her delegation would appreciate it if LDC Members could provide her government with any request for the regulation of a specific product through diplomatic channels because treating such individual requests was comparatively easier. Finally, she said that her delegation stood ready to engage in a bilateral discussion with the LDCs.

2.20. The representative of Switzerland also said that his colleagues in Capital would require additional time to review the information presented. As a result, his delegation could not yet provide Switzerland's answers to the questions listed on page 3 of the document. He believed that closer collaboration between preference-granting Members and the LDC Group was necessary in order to move this work forward. He commented that more intense, informal, small-group or bilateral discussions might prove to be useful in terms of focussing the discussion on specific problems.

2.21. The representative of Norway also noted that additional time would be required to review the documents presented. Nevertheless, his delegation did recognize that specific difficulties could arise as a result of these rules. In his view, different options were available for taking this discussion forward. One option could be to recognize the best-endeavour nature of the provisions of the Nairobi Ministerial Decision; another would be to hold a dedicated, thematic CRO session; and finally, the Members mentioned in the note could engage in bilateral consultations. To conclude, he encouraged delegations to be pragmatic in these discussions.

2.22. In response, and on behalf of the LDC Group, the representative of Tanzania welcomed the engagement of preference-granting Members and their suggestions of ways to intensify discussions. He said that the LDC Group would review their presentation and correct possible mistakes regarding EU rules; similarly, they would remove products for which Japan's MFN rate was zero. He agreed that increased engagement could be useful, including in an informal or dedicated session, and with the participation of Capital-based experts. He encouraged preference-granting Members to review the document and presentation in order for them to provide their detailed responses to it in the near future.

2.23. The Committee took note of the presentation and statements made.

2.5 Utilization of Preferential Trade Arrangements by Least Developed Countries – Report by the Secretariat (G/RO/W/185 and RD/RO/78)

2.24. The Chairperson recalled paragraph 4.3 of the Nairobi Decision and said that, under this agenda item, Members would continue to improve their understanding of origin requirements and to identify areas where the rules could be made simpler and more transparent. The first presentation would be made by the Secretariat (document RD/RO/78).

2.25. The Secretariat explained that, building on previous work (documents G/RO/W/169/Rev.1; G/RO/W/179; G/ROW185), it had furthered the analysis of the utilization of preferences for agricultural products. To simplify the analysis and reduce the number of variables, the Secretariat had narrowed down its analysis to a subset of agricultural products and focused exclusively on products subject to the wholly obtained criterion. Furthermore, the Secretariat had analysed a range of import statistics to verify whether MFN rates influenced preference utilization. On the basis of this analysis, it appeared that utilization rates increased with MFN rates. Nevertheless, there was also a significant utilization of preferences even for products subject to low MFN rates (0-2%) and utilization was consistently high for all MFN tariff rates above 5%. In other words, MFN rates did not seem to be a major determinant of utilization. In addition, the Secretariat compared preference utilization for specific products and specific LDCs across different schemes. This comparison confirmed that there had been several cases of low utilization for simple, wholly obtained goods. It also revealed significant variations in utilization, including cases where the same product received preferences under one scheme but not others. For example, Tanzanian exporters of cut plants always received preferences in the EU, but never did so in the Republic of Korea. Similarly, Nepalese producers were always granted preferences in their exports of spices to the United States, but never to India. Since all of the products that were reviewed had been subject to the same origin criterion (wholly-obtained rules), these variations suggested that other preference-specific aspects were influencing utilization, notably direct transportation and origin certification requirements. Therefore, the Secretariat concluded that the simplification of all origin-related requirements was important to achieve a fuller utilization of preferences, including not only with regard to origin criteria, but also transportation and certification requirements).

2.26. The representative of Cambodia thanked the Secretariat for its calculations, which had confirmed that origin requirements could be operating as a barrier to preferential tariff treatment. He noted that rice exports from Cambodia offered an interesting example in this regard, indicating that certification or transportation rules could be affecting his country's ability to receive tariff preferences. His delegation encouraged preference-granting Members to reform their rules of origin to ensure that they were as simple and as transparent as possible.

2.27. Likewise, the representative of Chad said that a narrower, sectoral approach had proven useful for identifying pockets of under-utilization. He asked if additional information was available concerning specific difficulties relating to certification of origin or transportation requirements. His delegation wished to ask the Secretariat to deepen its analysis and to review the role of transportation and certification requirements in particular.

2.28. The representative of Norway said that, while his colleagues in Capital were still studying the note, there appeared to be an indication that the challenges could be related to certification of non-manipulation requirements. In addition, he noted that there was insufficient understanding of preferences, and especially that their requirements could also affect utilization. For this reason, Norway had initiated capacity-building activities for its GSP beneficiaries. In his government's experience, these activities had proven useful. However, these training opportunities were not fully utilized, particularly by African countries.

2.29. The representative of Tanzania thought that the Secretariat had clearly distinguished the origin-related factors that could affect utilization. For example, strict direct consignment rules appeared to be having a negative impact on the ability of LDC exporters to utilize their trade preferences fully. He noted that, according to the calculations of the Secretariat, even some countries that were considered to have rather progressive rules of origin nevertheless had low utilization rates, as in the case of Canada. He said that the Nairobi Ministerial Decision contained provisions on both direct shipment and non-manipulation certificates. For this reason, the Committee should focus its attention on these subject areas. He asked the Secretariat to continue its investigations intended to identify as precisely as possible those requirements that explained under-utilization of preferences.

2.30. The representative of Mali agreed that strict or cumbersome transportation requirements penalized LDCs, and land-locked LDCs in particular. She said that most of her country's exports were subject to wholly-obtained rules, including mangoes, Arabic gum, and shea butter. Nevertheless, these exports had to transit through third countries; in consequence, traders may lose the possibility of claiming preferences. In addition, she noted that exports faced non-tariff barriers and, in particular, high costs and complications linked to a variety of sanitary and phytosanitary requirements. She requested the Secretariat to identify as precisely as possible those specific requirements that hindered the utilization of preferences.

2.31. The representative of the European Union said that her delegation supported this area of work and would collaborate with the Secretariat in focussing on specific difficulties and issues. In this regard, she recalled that the Committee should focus its attention on rules of origin and origin-requirements only, and not on other factors that could be affecting trade in general.

2.32. The representative of The Gambia requested the Secretariat to continue conducting studies in this area in order to narrow down the possible causes of non-utilization of trade preferences. In addition, he urged all preference-granting Members to find areas in their rules for possible simplification and improvement, in line with the requirements of the Ministerial Decisions.

2.33. The representative of the Lao People's Democratic Republic pointed out that the Secretariat's analysis could not cover all preference-granting Members because of a lack of trade statistics. He encouraged all other preference-granting Members to notify their preferential imports to the Secretariat so that the utilization of all preference schemes could be monitored.

2.34. The representative of Thailand informed the Committee that her country would conduct a review of its duty-free, quota-free preferences for LDCs, with the focus on how best to improve Thailand's origin-related requirements.

2.35. The representative of Canada noted that the report prepared by the Secretariat was very useful in terms of elucidating and clarifying this topic. Furthermore, it confirmed the usefulness of full transparency in rules of origin, which is why Canada was supporting and sponsoring the proposal for transparency on non-preferential rules of origin.

2.36. The Chairperson proposed that the Committee continue in its analysis with a view to identifying the specific linkages between origin requirements and the under-utilization of preferences by LDCs.

2.37. The Committee took note of the report and of the statements made, and agreed to proceed accordingly.

3 UTILIZATION OF PREFERENTIAL TRADE ARRANGEMENTS BY LDCs – SUBMISSION BY THE LDC GROUP (G/RO/W/186 AND RD/RO/80)

3.1. The Chairperson drew the Committee's attention to document G/RO/W/186, submitted by the LDC Group.

3.2. The representative of Bangladesh, presenting document RD/RO/80 on behalf of the LDC Group, explained that the Group's intention had been to initiate an analysis of specific preference programmes in order to identify specific problems. In fact, he recalled previous presentations made to the Committee that had, in the view of the LDC Group, revealed two patterns: first, that some preference-granting countries exhibited consistently low utilization rates across all products; and second, that preference-granting Members with an overall high utilization rate had pockets of under-utilization in specific sectors. Against this background, the LDC Group proposed to focus first on the preference scheme of Switzerland. He noted that, despite applying identical origin criteria, preference utilization rates in Switzerland were consistently lower than in the EU. For example, for imports of garments and clothing, the EU exhibited a utilization rate of 95%, while the rates in Switzerland ranged from zero to 49% only. In fact, utilization rates for garment and clothing exports of chapters 61 and 62 were particularly low for the top LDC exporters (Bangladesh; Cambodia; Lao People's Democratic Republic; Madagascar; and Myanmar). Similar patterns could also be observed for other products, such as footwear, bicycles, and precious stones. Possible explanations for the lower utilization of preferences in Switzerland could be found in Switzerland's landlocked

position and the fact that LDC exports thus needed to transit through third countries before reaching the Swiss market. Origin certification requirements could be another explanation. In this regard, the LDC Group wished to engage more closely with the Swiss delegation on the issue of removing any possible obstacles. In addition, the Group would conduct other Member-specific analysis for future discussion in the Committee.

3.3. The representative of Cambodia thanked the delegation of Switzerland for their engagement in these discussions and for volunteering to be a pilot country for the study of linkages between utilization rates and preferential rules of origin. His delegation associated itself with the LDC Group presentation, which had confirmed the usefulness of a Member-by-Member analysis in identifying and addressing concrete problems. For this reason, his delegation supported extending the analysis using this methodology to cover additional Members and preferences, carried out in association with the LDC Group, and with the continued assistance of UNCTAD.

3.4. The representative of Switzerland acknowledged that utilization rates were not satisfactory for his country. Nevertheless, the introduction of the REX System was a step towards improving the utilization of Switzerland's preferences. In addition, his delegation commented that conducting a case-study of bilateral trade would have been useful to illustrate possible problems in utilizing preferences. While his delegation had not formally volunteered for such a case study, he considered the LDC submission to be helpful and instructive, even so; he also agreed that the numbers should be analysed with a view to correcting any errors in the statistics. For example, Switzerland applied a general GSP programme and another LDC-specific preference programme, such that trade flows under both of these schemes needed to be reflected in the analysis. He pointed out that nearly 90% of all LDC imports entered Switzerland free of duty, and that MFN rates in Switzerland were generally very low; indeed, MFN rates of 1% or 2% could also affect the willingness of LDC exporters to comply with preferential origin requirements. In addition, he wondered if the introduction of the REX system, with its new statement of origin, could also be affecting the ability of exporters to comply with the relevant documentary requirements. Finally, he explained that Switzerland no longer required direct shipment, but instead used the concept of "non-alteration". He said that it would be useful for Members to develop a clearer understanding of these terms.

3.5. The representative of Hong Kong, China said that the presentations and trade statistics had advanced convincing hypotheses concerning under-utilization of trade preferences. However, she asked if there existed evidence of what was actually happening on the ground, including the extent to which firms were aware of the preferential opportunities available to them.

3.6. In response, the representative of Tanzania explained that one could assume that exporters were fully aware of the preferences available to them if they were using preferences in at least one market. In other words, when the same LDC exporter utilized preferences in one case but not another, one had to conclude that exporters were aware of the relevant preferential origin requirements; that said, his delegation also believed that improving exporters' knowledge and awareness of the relevant requirements would improve the overall utilization of trade preferences.

3.7. The representative of Chad agreed and requested the Secretariat to study further the impact of preferential rules of origin and origin requirements on the private sector.

3.8. The representative of Chinese Taipei explained that he had been surprised by the wide variation in utilization rates between different LDCs. In the case of Switzerland, for example, one found a high utilization for some LDCs, and a low utilization rate for others. However, Switzerland's applicable rules and requirements were identical for all beneficiary LDCs. He wondered why there were such marked differences, and the factors that could explain it.

3.9. In response, the Secretariat clarified that the composition of the trade of each of the LDCs with Switzerland was different. Those LDCs that exported simpler agricultural products would not be subject to the same origin criteria and requirements as other LDCs that exported predominantly industrial goods. This was the case for all preference-granting Members that applied product-specific rules of origin as opposed to a single rule of origin across all products. This was also one of the reasons why product-specific, disaggregated analysis was useful. In relation to the point raised by Hong Kong, China, the Secretariat noted that the International Trade Center (ITC) had conducted wide-ranging business surveys, which had consistently indicated that firms struggled with rules of origin requirements, and in particular with origin certification and other administrative requirements.

However, it was impossible to know what the specific and concrete problems were that LDC exporters were facing. In any event, easier access to information about origin requirements, trade facilitation reforms (for example, to deliver certificates of origin on the basis of faster and simpler procedures), and training and awareness-raising in the private sector, were certainly key steps in improving the capacity of exporting companies to utilize the preferences available to them.

3.10. The Committee took note of the presentation and of the statements made.

4 NOTIFICATIONS UNDER ARTICLE 5 AND UNDER PARAGRAPH 4 OF ANNEX II OF THE AGREEMENT ON RULES OF ORIGIN (G/RO/N/175-G/RO/N/186)

4.1. The Chairperson reported that 12 new notifications had been received by the Secretariat since the Committee's last meeting. These notifications were contained in documents G/RO/N/175, G/RO/N/176, G/RO/N/177, G/RO/N/178, G/RO/N/179, G/RO/N/180, G/RO/N/181, G/RO/N/182, G/RO/N/183, G/RO/N/184, G/RO/N/185, and G/RO/N/186. They included information from three Members that had never before submitted such a notification: Angola; the Kyrgyz Republic; and Sri Lanka. Others contained preferential rules of origin that had originally been notified to the Committee on Regional Trade Agreements. Based on the information reported in these recent notifications, it was possible to affirm that 50 Members applied non-preferential origin requirements, while 60 Members did not. The remaining 27 WTO Members had not yet submitted any information under Article 5 of the Agreement. She urged those Members to seek the assistance of the Secretariat, if required, to prepare their notifications as soon as possible.

4.2. The Committee took note of the report.

5 ENHANCING TRANSPARENCY IN NON-PREFERENTIAL RULES OF ORIGIN (G/RO/W/182/REV.1)

5.1. The Chairperson drew Members' attention to document G/RO/W/182/Rev.1 and recalled that an informal session of the Committee had been held on the previous day in order to consider the document. Discussions during the informal session had shown that there existed wide support for the objectives of the proposal, namely, to enhance Members' understanding and knowledge of current practices relating to non-preferential origin. However, the discussions had also indicated that certain delegations still had questions on particular aspects of the proposal. Certain other delegations had also indicated that they required additional time to consult their Capitals. She invited Members to make any additional comments on the revised proposal and to indicate how they would like to proceed.

5.2. The representative of Switzerland said that his delegation had presented the revised proposal during the informal CRO meeting; he also indicated that the proponents had revised it in light of the comments received from other delegations. He wished to recall some of the main features of the proposed notification template. First, its objective was to shed greater light on the current practices relating to non-preferential rules of origin and requirements. Therefore, the proposal was purely technical in nature; there were no linkages to ongoing discussions on WTO reform. Second, the proposal originated in the realization that current notifications in this area were out of date, incomplete, or inexistent. In fact, one of the main benefits of the proposal would be to standardize the scope of the information available, and thereby to improve Members' understanding of certification, verification, and other administrative aspects relating to non-preferential rules of origin. The work being undertaken by the CRO on preferential rules of origin for LDCs had clearly proven the usefulness of a notification template and enhanced transparency. Third, the proposal had developed through a bottom-up and participatory approach and had taken into account comments made by as many Members as possible, including the African Group and the LDC Group. In the view of its proponents, the revised proposal was a stable compromise text. If adopted, it would facilitate operations for all exporters, and especially for the small and medium-sized enterprises of all Members, and those of developing and least developed countries in particular. Finally, on next steps, the representative of Switzerland proposed to organize small-group consultations under the Chairperson's good offices, with the intention of further stabilizing the text and ensuring that all delegations were sufficiently comfortable with it; this small group could include Members that had shared comments at the informal session, for example. In this context, he requested Members to be pragmatic and to engage constructively with a view to finalizing the template.

5.3. The representative of Togo, on behalf of the African Group, thanked the Swiss delegation and other proponents and agreed that the notification template contained elements that could lead to a clearer understanding of non-preferential rules of origin. In addition, a notification template could provide guidance regarding clearer notification obligations. However, the Group thought that the proposal also introduced new notification obligations, such as those relating to the certification of origin. Moreover, the Group was concerned over the time-frame prescribed for compliance, which was one year. He stated that several Members of the African Group might not be able to complete their notification template within such a deadline. In this respect, the technical assistance language in the proposal was not drafted in a manner that made it mandatory; nevertheless, the Group's concern over the deadline was exacerbated by possible linkages between these new obligations and the proposal that was currently under discussion in the Council for Trade in Goods (CTG) on transparency provisions that may also include punitive measures. For this reason, the African Group would prefer to introduce a provision to the current proposal that clarified that non-compliance with the proposed notification template would not lead to the application of any punitive measures. Finally, he noted that some Members of the African Group had not yet had sufficient time to examine the proposal and its implications.

5.4. The representative of Chad, on behalf of the LDC Group, explained that the LDCs were concerned about adopting new notification obligations, which could place an additional burden on their delegations. LDCs were challenged by a high degree of rotation in personnel in their administrations, which made it difficult for them to build lasting capacity to enable them to comply with their notification obligations. The LDC Group believed that no LDC should face punitive measures for a lack of compliance with WTO notification obligations. In addition, the LDC Group was concerned about a possible contradiction between the proposal and the Trade Facilitation Agreement (TFA) in relation to the establishment of an enquiry point. Several LDCs had not yet ratified the TFA, and most that had done so had also notified their need for a longer time-frame in which to establish an enquiry point. The LDC Group wished to preserve these flexibilities. Finally, certain LDCs, which currently did not have any legislation relating to non-preferential origin, wondered if, on the basis of this proposal, they would need then to adopt new legislation in this area. He concluded that the LDC Group remained open to the proposal and would engage constructively in discussions of it, provided that additional time were given for its examination and review.

5.5. The representative of Hong Kong, China reiterated that, if adopted, the proposal would facilitate work for economic operators, and also for Members when preparing their notifications. The vast majority of Members did not have any legislation relating to non-preferential origin. As a result, completing the proposed template would require no more than ticking a few boxes. Furthermore, the proposal recognized that technical assistance from the Secretariat would be available to those Members in need of it. She also recalled that the proposed enquiry point would be established within the available resources of each Member. Finally, she encouraged Members to work together towards facilitating access to trade information overall.

5.6. The representative of Japan encouraged Members to engage constructively in these discussions, and the representative of Chinese Taipei highlighted that completing the template could be very simple and straightforward. In his view, the benefits of the proposal would certainly outweigh any possible administrative inconveniences. Likewise, the representatives of Australia and the United States encouraged all other Members to consider the substantial benefits to be derived from enhancing transparency on non-preferential rules of origin.

5.7. The delegation of the Philippines reported that his delegation shared the objectives of the notification template and would co-sponsor the proposal.

5.8. The representative of El Salvador thanked the proponents for remaining open and flexible. She reported that, further to consultations and the proposal's revision, her delegation had no additional concerns over the proposal.

5.9. The representative of Chile said that his delegation did not co-sponsor the proposal because Chile had no legislation in this area. However, his delegation attached great importance to the objectives of enhancing transparency in this area.

5.10. The representative of the European Union said that her delegation supported the objectives of improving transparency on non-preferential rules of origin despite the EU not having co-sponsored

the proposal. Nevertheless, her delegation had been working closely with the co-sponsors in the elaboration of the draft template and they would continue to engage constructively on this initiative.

5.11. In conclusion, the Chairperson asked all delegations to consult with their Capitals concerning the revised text. She informed Members that the translations of the revision into French and Spanish were already available. She also encouraged all delegations with specific questions to seek clarifications from the proponents as soon as possible. Furthermore, she proposed to hold small-group consultations on the proposal and invited interested delegations to indicate their interest to the Secretariat accordingly. Finally, she would report back to the Committee on these consultations at its next meeting.

5.12. The Committee agreed to proceed accordingly.

6 ELECTION OF OFFICERS

6.1. The Chairperson explained that the CTG had not yet finished its consultations on a slate of names of officers to chair the CTG's subsidiary bodies. As a result, no name had yet been recommended to chair the Committee on Rules of Origin in 2019. She proposed to send a communication to Members with the name of the proposed Chairperson for the CRO as soon as the CTG had made its recommendation in this regard. If no objection were received from any Member within the prescribed time-frame, the candidate would then be deemed to have been elected by the Committee by acclamation.

6.2. The Committee agreed to proceed as indicated.²

7 OTHER BUSINESS

7.1. The representative of UNCTAD informed delegations that UNCTAD, in partnership with the European University Institute (EUI), would hold an executive workshop on "The Future of Rules of Origin", on 26-28 June 2019, at the EUI in Florence.³ This workshop would offer its participants an opportunity to review recent developments in all areas relating to rules of origin, and would include presentations by officials from the UNCTAD, the WCO, and the WTO Secretariats, as well as private sector representatives. He hoped that as many delegations as possible would be able to attend the workshop.

² On 7 June 2019, Members were informed that no Member had objected to the election of Ms. Uma Shankari MUNIANDY (Singapore). Mrs Muniandy was therefore elected as the Chairperson of the Committee for the year 2019.

³ <http://globalgovernanceprogramme.eui.eu/event/rules-of-origin-and-utilisation-rates/>.