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Committee on Rules of Origin

MINUTES OF THE MEETING OF 17-18 OCTOBER 2019

CHAIRPERSON: MRS UMA MUNIANDY (SINGAPORE)

Subjects Discussed[1]

The Committee on Rules of Origin (the Committee, or CRO) adopted the agenda of the meeting as circulated in document WTO/AIR/RO/10.

[1] The agenda of the meeting was circulated in document WTO/AIR/RO/10.

1 OFFICIAL PRESENTATION OF THE "ORIGIN FACILITATOR", A JOINT INITIATIVE BY THE WTO, ITC, AND WCO

1.1. The Chairperson formally presented to Members the "Origin Facilitator": a free, centralized online database containing detailed and standardized information about rules of origin and origin procedures (https://findrulesoforigin.org). The Origin Facilitator had resulted from a collaboration between the Secretariats of the International Trade Centre (ITC), the World Customs Organization (WCO), and the World Trade Organization (WTO).

1.2. The WTO Director-General, Roberto Azevêdo, presented the Origin Facilitator and highlighted that rules of origin, both preferential and non-preferential, were a basic and essential component of international trade. Nevertheless, companies experienced difficulty in accessing information about such requirements in simple and standardized language. For this reason, the Origin Facilitator filled a real gap. He hoped that, over time, the Origin Facilitator would evolve to cover all preferential and all non-preferential rules of origin, making it especially useful for smaller companies in developing and least developed countries.

1.3. Addressing the Committee by video, the Executive Director of the ITC, Mrs Arancha Gonzalez, said that businesses needed to comply with rules of origin in order to seize the opportunities created by international trade agreements. However, ITC business surveys had revealed that rules of origin were one of the most frequent non-tariff trade barriers facing small businesses. The Origin Facilitator was the world's largest database of rules of origin and it would help businesses, especially micro, small, and medium-sized enterprises, to make full use of trade agreements by offering traders greater transparency and predictability.

1.4. The ITC's Deputy-Executive Director, Mrs Dorothy Tembo, emphasized that the multiplicity of rules of origin and origin requirements currently in force created uncertainty for companies and increased the costs of doing business. While recognizing the difficulties of harmonizing such rules and requirements, she noted that costs and uncertainty could be mitigated by simply facilitating access to such information. In this way, the Origin Facilitator would constitute a useful tool not only for businesses but also for trade operators and policy makers. She encouraged delegations to inform their Capital-based colleagues about this new tool and invited them not only to use it but also to make suggestions on ways to improve it.

1.5. Mr Yi Xiaozhun, Deputy Director-General of the WTO, noted that companies were obliged to navigate through over 300 reciprocal trade agreements (FTAs) and about 30 non-reciprocal trade preferences (preferential trade arrangements, or PTAs). In addition, some 50 WTO Members also applied rules of origin for non-preferential purposes. In other words, there existed over 400 different sets of rules of origin, each containing different origin criteria, product-specific rules, obligations regarding certification, and specificities relating to direct transportation, cumulation, and de minimis provisions. For this reason, the Origin Facilitator broke new ground. He highlighted that the Origin Facilitator was easy and simple to use, even when the rules behind it comprised thousands of pages of legislation.

1.6. The WTO Secretariat demonstrated how to run a search using the Origin Facilitator. The Secretariat noted that the Origin Facilitator displayed rules of origin at the national tariff line level. It contained a function that helped users to find the right tariff code by typing in keywords. In addition, it allowed users to compare rules of origin under different agreements, such as by LDC preference, by general preference (GSP), and by FTA. All the information contained in the Origin Facilitator had been structured in standardized fields, such as origin criteria, cumulation, de minimis, certification, documentation, and so on). All fields included an icon that allowed users to learn more about the definitions and terminology used. The Origin Facilitator sourced its information from a WCO database (for FTAs), and from WTO Members' notifications (for LDC PTAs). The original legislation or notifications had been linked and could be accessed directly from the Origin Facilitator.

1.7. Finally, the International Trade Centre noted that the current priority for the Origin Facilitator was to cover all active FTAs, expanded from the two-thirds of preferential agreements currently covered. In a second phase, additional functions would be added to the Origin Facilitator, including a translation into French and Spanish. He explained that access to the Origin Facilitator was open to

all, including government officials and business operators from both developed and developing countries. No prior registration or log-in was required.

1.8. The representative of Sri Lanka agreed that the Origin Facilitator would be beneficial for developing countries' companies and governments. In fact, her agency, which was responsible for issuing certificates of origin in Sri Lanka, received queries about rules of origin every day. Her colleagues could now refer companies to the Origin Facilitator. On a separate point, she asked about the colour coding of the website. In addition, she asked if the Origin Facilitator would also contain information about products subject to trade remedies. Indeed, she noted that, when a product was subject to anti-dumping duties or when it contained inputs and materials that were subject to anti-dumping rules, a separate set of specific origin requirements could apply. Therefore, it would be useful if the Origin Facilitator could flag those cases and inform operators accordingly. She understood that building a fully comprehensive database would take time. In the meantime, she asked if information regarding trade remedies could be sourced from existing WTO annual reports and notifications made to WTO bodies.

1.9. The representative of the United States agreed that the Origin Facilitator was a useful and impressive tool. He asked how the agencies involved in this project planned to keep the relevant information up to date. In this regard, he noted that changes to certain FTAs had not yet been reflected in the Origin Facilitator. Finally, he asked how the database could reflect the fact that preferences were sometimes permanently or temporarily suspended for certain beneficiaries.

1.10. The representative of the Russian Federation also wondered how the agencies involved in this project would keep track of changes to Members' rules of origin and how often the information would be updated. She also asked if any particular procedure was in place for receiving feedback from delegations.

1.11. The representative of the Democratic Republic of Congo asked if countries exporting raw materials and non-processed materials were also included in the database.

1.12. The representative of Switzerland said that the Origin Facilitator was a useful tool and one that highlighted the importance of transparency on all origin requirements, including non-preferential rules of origin. He emphasized that the discussions had highlighted the importance of transparency on both preferential and non-preferential rules of origin. He noted that this point had also been highlighted by the WTO Director-General, the ITC's Executive Director, and by other speakers. In fact, over 80% of world trade occurred under non-preferential conditions. In this regard, he wished to remind delegations that a proposal was being discussed in the Committee precisely to improve notifications and transparency in these areas. Finally, he asked how the Origin Facilitator would be linked to the Global Trade Helpdesk (GTHD).

1.13. The representative of the European Union welcomed the initiative and praised the tool for being useful, user-friendly, and open to all. She also asked how and when the information contained in the Origin Facilitator would be integrated into the GTHD.

1.14. The representative of Tanzania considered that the Origin Facilitator could be a game-changer for LDC users because of its potential to cut trade costs. He also noted that the usefulness and relevance of the Origin Facilitator would depend upon the quality of Members' notifications to the WTO.

1.15. The representative of Indonesia asked what type of assistance was available for governments that needed training in this area.

1.16. The representative of the International Trade Centre clarified that the Origin Facilitator was already one of the building blocks of the GTHD, and that the Origin Facilitator and the GTHD were already linked and synchronized; in future, the one would continue to feed the other. He also clarified that the information regarding tariffs and beneficiaries was sourced from another application, MacMap, which was updated regularly using governmental sources. He clarified, too, that the Origin Facilitator would be regularly updated once all FTAs were covered. In addition, he explained that, although trade remedies were currently not flagged, it would be possible to flag them as the ITC had a separate tool that covered trade remedies at the HS tariff-line level. He noted that trade remedies usually triggered the use of non-preferential rules of origin; for this reason, he hoped that

WTO Members would agree to notify their existing non-preferential rules so that such information could also be integrated into the Origin Facilitator. Finally, he noted that the Origin Facilitator contained a "feedback" button, which could be used by users and delegations for providing feedback or corrections.

1.17. The Secretariat agreed that information on trade remedies and non-preferential origin requirements needed to be incorporated into the Origin Facilitator to give operators a more comprehensive and accurate overview of market access conditions. Nevertheless, he noted that standardized and up-to-date information on non-preferential rules of origin was not currently available. The Committee had repeatedly noted how most available notifications were incomplete and outdated. For this reason, he hoped that Members would see the usefulness of the Origin Facilitator and agree to begin notifying more comprehensive and up-to-date information relating to their non-preferential rules of origin and certification. Indeed, one of the many advantages of sourcing information from notifications was precisely to use correct, official, and updated information. Finally, he clarified that all of the products covered by the Origin Facilitator were covered at the national tariff-line level, including finished goods and raw and intermediate materials.

1.18. The Committee took note of the Origin Facilitator and the statements made.

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 Review of recent developments (paragraph 1.10 of the Bali Ministerial Decision (WT/L/917) and of the implementation of the Decision (paragraph 4.4 of the Nairobi Ministerial Decision (WT/L/917/Add.1))

2.1. The representative of Chad, on behalf of the LDC Group, recalled that the Ministerial Decision aimed more fully to integrate LDCs into the multilateral trading system. He also noted that the underutilization of trade preferences was a serious concern for LDCs. Indeed, work undertaken in the Committee had shown that products of significant interest to LDCs were paying MFN duties despite being eligible for trade preferences. He considered that further research was required to understand all the causes of underutilization; even so, it was clear that complex rules of origin and origin requirements created barriers to trade. For this reason, the LDC Group would continue to advocate for substantive reforms to simplify origin requirements; he also called upon all preference-granting Members to consider their rules of origin in light of the Ministerial Decision and to identify possible areas for reform and simplification. In this regard, he reported that the LDC Group had held useful bilateral meetings with the delegations of the EU, Japan, and Switzerland, and that the Group would move forward with analyses of utilization rates under specific schemes. In that context, he invited all preference-granting Members to notify their preferential imports from LDCs so that utilization rates could be calculated. In addition, the LDC Group would also put forward recommendations for the simplification of documentary requirements, in particular relative to direct consignment.

2.1.1 Notifications of Preferential Rules of Origin for LDCs and Preferential Imports and Tariffs (G/RO/W/163/Rev.6)

2.2. The Chairperson reminded the Committee that Members had instructed the Secretariat to reach out to those Members whose notification obligations were outstanding in the areas of preferential rules of origin and preferential imports from LDCs. She asked the Secretariat to report on latest developments in this regard.

2.3. The Secretariat noted that almost all preference-granting Members had now notified their preferential rules of origin applied under non-reciprocal preferences for LDCs. Since the Committee's previous formal meeting, Montenegro and Turkey had also notified their rules; consequently, the only notifications still outstanding were those of Iceland and Armenia. In the case of Iceland, the delegation had indicated to the Secretariat that new rules of origin were currently being prepared and that the new legislation would be notified as soon as it had been adopted.

2.4. On import statistics, in contrast, the Secretariat noted that many Members had only partially notified their preferential imports from LDCs or else had never done so. Import statistics had never

been notified for Armenia; Iceland; Kazakhstan; the Kyrgyz Republic; Montenegro; New Zealand; the Russian Federation; and Turkey; partial information had been submitted by China, India, and the United States (for Haiti only).

2.5. The representative of Iceland confirmed that its domestic legislation regarding preferences for LDCs was currently being amended; the new rules would be notified as soon as possible.

2.6. The representative of the United States also confirmed that his delegation had been working with the WTO Secretariat to find ways to incorporate Haiti's import statistics into the WTO's databases. The problem had been that these preferences had been classified under temporary codes of HS chapter 98, meaning that the classification of these imports needed to be converted back into the HS codes of chapters 61 and 62.

2.7. The representative of Turkey informed the Committee that her delegation had been working with the Secretariat to notify the necessary tariff and import data. Her delegation also agreed that transparency in this area was a key component for full utilization of preferences by LDCs.

2.8. In conclusion, the Chairperson requested the Secretariat to continue to reach out to delegations that had gaps in their notification submissions and to present a further progress report at the Committee's next meeting.

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

2.1.2 Update on the implementation of the REX system (RD/RO/85)

2.10. The Chairperson invited the EU delegation to update Members on the implementation of the REX system of self-certification for registered exporters.

2.11. Mr Christophe Fontaine, Policy Officer on Rules of Origin at the European Commission, explained that the EU had identified its complex certification obligations as one of the factors leading to the underutilization of the EU's Generalized System of Preferences (GSP). As a result, a 2010 reform had simplified these requirements and introduced self-certification. After a transition period, all GSP beneficiaries[2] would start using the system from 2017, 2018, or 2019. During the transition period, competent authorities in the beneficiary country would still issue "Form A" certificates of origin, while exporters that had registered to do so could self-certify the origin of their consignments. Mr Fontaine reported that 40,000 exporters had already registered, of which 26,000 from India, and 7,000 from Pakistan. However, a few beneficiary countries had not yet implemented the REX system although their transition period had lapsed. Exporters in these countries could no longer present "Form A" certificates, but nor did they have access to the REX system. As a result, they were currently unable to claim duty-free treatment in the EU, Norway, Switzerland, and Turkey.

2.12. He explained that, under the REX system, a statement on origin drafted by the exporter on a commercial document was sufficient to prove the origin of the goods. In practical terms, the statement of origin was a simple sentence that the exporter added to commercial documents (invoices, delivery notes, or packing lists, for example) stating that the goods had been either wholly obtained ("W") or that any foreign materials used had been sufficiently processed ("P"). A footnote would indicate if cumulation provisions had been used. The statement could be made in English, French, or Spanish. To use self-certification, businesses had first to register in a database maintained by the local authorities of GSP beneficiary countries; upon registration, they were allocated an individual REX number that had to be quoted in the statements of origin. The process of registration had to be completed not at every consignment but only once, and it allowed users to claim preferences in the markets of the EU, Norway, Switzerland, and Turkey. Exports valued under €6,000 did not need to be registered; nor did they need a REX number.

2.13. During his presentation, Mr Fontaine illustrated how operators could apply for registration in the REX system. Applicants had simply to complete and sign an application form to be handed to

[2] The REX system would be used under the regular GSP but also under GSP-plus and the LDC-specific "Everything but Arms".

their local competent authorities (on paper or electronically). Local authorities approved the applications and attributed an individual "REX number" to each exporter. This number, which had to be quoted in statements of origin, allowed officials and importers in the EU to verify the authenticity of a statement. Statements of origin could be presented up to two years after importation into the EU. This was a useful flexibility, particularly for consignments which had been split in a country of transit.

2.14. Mr Fontaine also explained that exporters were expected to keep records of all customs documents concerning their goods and materials used in case of an origin verification. In addition, exporters were also requested regularly to communicate the list of statements on origin they had made out to local authorities. On the basis of such information, local authorities verified economic operators, either on their own initiative or at the request of the EU. Local authorities could revoke REX numbers in the case of irregularities and fraud.

2.15. Mr Fontaine concluded that the REX system would be used not only in the EU's GSP but also for bilateral cumulation, by exporters from Norway, Switzerland, and Turkey. It would also be used by EU exporters under certain Free Trade Agreements (such as those of the EU with Canada and Japan). Finally, Mr Fontaine invited delegations to consult the following website page for further information: https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list/generalised-system-preferences/the_register_exporter_system_en.

2.16. The representative of Turkey confirmed that her government had begun in August 2019 to implement the REX system. To benefit from the Turkish GSP Scheme, exporters were now required to make a statement on origin, instead of issuing a "Form A certificate of origin". Following a transition period, all exporters would need to present such a "statement of origin". She also clarified that registration under the EU REX system had automatic effect under Turkey's GSP System and that the respective systems followed the same conditions and timelines. Additional information could be found in Turkey's notification to the Committee in document G/RO/LDC/N/TUR/1, heading "Information on Rules of Origin/Eligibility".

2.17. The representative of Norway confirmed that, like Switzerland, his country was also using the REX system. Moreover, he noted that Norway's GSP System included some 40 additional beneficiary countries, meaning that additional developing country beneficiaries could use self-certification in the Norwegian market.

2.18. The representative of Tanzania thanked the EU for sharing such detailed information with the Committee. On behalf of the LDC Group, he urged the EU to keep reaching out to those LDC Members that faced difficulties transitioning to the REX system to ensure that all LDCs would continue to enjoy preferences in the markets of the EU; Norway; Switzerland; and Turkey. With regard to the *de minimis* of EUR 6,000, he thanked the EU for its flexibility and asked the EU to clarify if this threshold was calculated over a certain period of time or if it applied to each consignment. In other words, could an LDC exporter benefit from an exemption from origin certification requirements even if several consignments valued under €6,000 were consecutively sent to the EU? Furthermore, he asked the EU to elaborate on split consignments, and specifically on if it were possible to split consignments in an EU member State without any further origin procedures.

2.19. The representative of Chad also thanked the EU for sharing this information and for the implementation of this trade-facilitating tool. He asked if the EU was aware of any LDCs facing specific difficulties in using the REX system.

2.20. Similarly, the representative of the Russian Federation asked the EU to explain what type of difficulties were being faced by those LDCs that had not yet begun to implement the REX system despite their transition period having ended.

2.21. The representative of the Gambia asked the EU to clarify the implementation status of the REX system for his country.

2.22. The representative of the Democratic Republic of Congo wondered what specific steps her country needed to complete in order to begin using the REX system.

2.23. The representative of Cambodia asked if the EU had made plans to extend cumulation to countries with which the EU had signed a regional trade agreement (RTA).

2.24. In response, Mr Fontaine confirmed that consignments below €6,000 did not need a REX number, in other words, these consignments did not need to be registered under REX to export to the EU. Concerning the splitting of consignments, Mr Fontaine explained that a new statement of origin would need to be prepared in the country of transit only when splitting occurred outside the EU and only if the statement of origin did not specifically refer to the split goods being exported to the EU. This was precisely the type of situation for which statements of origin could be presented after exportation. However, if the splitting had occurred within the EU, the operators handling the transit of the goods in question also had the option of replacing the current by a new statement of origin. In other words, the "reconsignor" of the goods in the EU could also be a REX registered user and therefore use his own specific REX number to make a statement about the origin of the goods. One important parameter, however, was that the goods had to remain under customs control during transit and splitting. If the goods were released for free circulation within the market of one EU member State, the statement of origin from the beneficiary country exporter could be used to determine the tariff preference and there was no need for another statement on origin.

2.25. Mr Fontaine also clarified that LDCs had not faced any particular difficulties in transitioning to the REX system, and he was unaware of any case in which a beneficiary Member needed to introduce legislative changes. He explained that a typical difficulty was rather to identify the right focal point in LDCs in order to advance implementation.

2.26. In response to Cambodia's question concerning cumulation, Mr Fontaine said that extended cumulation was possible, but not automatic. A request from the beneficiary country had to be formulated for each case, and requests were granted by the EU, or not. However, this was a point not directly related to the implementation of the REX system.

2.27. Mr Fontaine clarified that the Gambian authorities had very recently completed the prerequisites to begin implementing the REX system; Consequently, the Gambia's authorities should begin to register its interested exporters. He noted that the REX system's web page displayed a useful table listing all beneficiary countries and the dates from which the REX system was applicable for each, as well as the dates of the transition period.

2.28. Mr Fontaine clarified that all GSP beneficiaries that wanted to use the REX system needed to complete two prerequisites: first, to commit to respecting the GSP rules of origin and the REX system; and second, to inform the EU of the names of the local authorities responsible for overseeing the administration of the REX system.

2.29. In conclusion, the Chairperson thanked the European Union for sharing with the Committee this detailed information and update. She reminded all delegations that a separate dedicated session on the REX system would be held after the Committee's 18 October meeting. She also recalled that the Nairobi Ministerial Decision had encouraged all preference-granting Members to seek ways to simplify their certification procedures. For this reason, she was grateful for this opportunity to learn more about the EU's initiative and its lessons for other preference-granting Members.

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

2.2 Report by other Preference-Granting Members

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

2.32. The representative of China reported that his government had revised several aspects of the origin requirements applied to LDCs, as followed: first, the requirements for the assessment of sufficient or substantial transformation had been revised; second, bilateral and regional cumulation had been introduced, in line with the requirements of the Ministerial Decisions; third, the requirements relating to direct consignment had been reviewed; and fourth, documentary and procedural requirements relating to origin had been simplified. These changes had had a positive effect on preferential imports from LDCs. In 2017, for example, the total number of import declarations under preferential rules of origin had increased 10.8% and the value to imports from

LDCs had increased by 2.9% (to a total import value of 11 billion yuan). In addition, China's authorities were also implementing simplifications to certification requirements. In particular, China was moving towards an internet-based and paperless certification system. This system, which it was expected would be launched in December 2019, would offer two options, as followed: (i) the office of the economic and commercial counsellor of China in each beneficiary country could log onto the system to print a blank certificate of origin e-form for the agency of the host country (for free) or (ii) alternatively, local agencies in each beneficiary country could directly log onto the system to input the relevant origin data of the goods to be exported. This information would then be transmitted electronically to Chinese customs officials for clearance.

2.33. The representative of Tanzania thanked the delegation of China for its update. He was pleased to learn that China's reform of its rules of origin, including the introduction of bilateral and regional cumulation, had led to a significant increase in imports from LDCs. In his view, this confirmed the positive impact of rules of origin reform. He invited China to share further information in the future about its reforms and their impact. He also encouraged China to consider additional possible improvements to its origin requirements.

2.34. In conclusion, the Chairperson encouraged preference-granting Members to consider presenting their practices at future Committee meetings. In this regard, she invited preference-granting Members that offered technical assistance activities relative to their preferences to share their experiences with the Committee. Alternatively, preference-granting Members could consider replicating these training activities in Geneva. In addition, a deeper knowledge of existing requirements and flexibilities would contribute to a clearer understanding of the rules and hence to a fuller utilization of preferences.

2.35. The Committee took note of the statements made.

2.3 Direct Consignment Rules – Submission by the LDC Group (G/RO/W/191 and RD/RO/82)

2.36. The Chairperson recalled that that there were two notes on preference utilization, one from the LDC Group and another by the WTO Secretariat. She also mentioned that, in addition, certain preference-granting Members would give presentations on their direct consignment requirements. She proposed that the Committee begin with a presentation of the submission by the LDC Group (G/RO/W/191).

2.37. The representative of Cambodia, on behalf of the LDC Group (RD/RO/82), explained that the Group had summarized and compared Members' requirements in relation to the consignment of goods (paragraph 3.1(a) of the Nairobi Decision). He said that overly strict direct consignment obligations could be one cause of underutilization of trade preferences by LDCs. While the Group recognized that direct consignment rules ensured that goods receiving preferential treatment had not been further processed during transit in a third country, it also noted that there were significant variations in the application of that requirement across Members. Most preference-granting Members required LDCs to present some documentary evidence stating that the goods had not entered the market of transit countries; such evidence could consist of a through bill of lading, a certificate of non-manipulation, or other supporting documents. However, obtaining such documents, could prove challenging for LDC exporters; for example, there may be no carrier in an LDC capable of arranging a single transportation document to the final destination of the goods, the costs of obtaining a single transportation document could be prohibitive, or the goods might have been sold to an intermediary instead of a buyer in the preference-granting market. In such cases, these requirements would unduly penalize LDC exporters, and especially small and medium-sized enterprises that often had to rely upon brokers to sell their goods abroad. Against this background, the LDC Group had been advocating for the adoption of a practice based on risk management in which a certificate of non-manipulation or other evidence would only be requested when customs authorities had concerns over possible manipulation during transit. He noted that such an approach was already being implemented in Australia; the European Union; New Zealand; Norway (under its most recent legislation); and possibly also Switzerland. Nevertheless, in all other preference-granting Members, the practice remained to request some type of documentary evidence of non-manipulation whenever transit had occurred. For example, under the US GSP and AGOA, specific requirements applied when the US was not shown as the final destination of the goods. In Canada, goods had to be shipped directly on a through bill of lading to a consignee in Canada from the LDC beneficiary where the goods had been certified. In the case of the Eurasian Economic Union (EAEU), goods had to be

purchased directly by an importer in the EAEU and delivered directly (although it was unclear if documentary evidence was required). Similarly, India required evidence in the form of a through bill of lading issued in the exporting country, a certificate of origin, a copy of the original commercial invoice, and other supporting documents. China; the Republic of Korea; and Thailand also requested evidence of non-manipulation. For Chinese Taipei the situation was unclear. The representative of Cambodia thought that the non-alteration principle, as applied by the EU, Norway, Switzerland, and Turkey could constitute a best practice in this area and he called upon other preference-granting Members to move their requirements in this direction.

2.38. The representative of the United States briefly described US requirements relative to direct shipment, or "direct importation" as it was referred to under US legislation (RD/RO/83). He explained that direct importation to the US could be met if the goods had been directly shipped to the US or if certain other requirements had been met. US legislation recognized that there were situations that could limit the ability of exporters to ship their goods directly to the US. The regulations distinguished between two scenarios, one in which the shipping documents indicated the US as the final destination of the goods, and another in which they did not. He clarified that additional requirements applied only when the goods had transited through a non-beneficiary country and the relevant documents did not indicate the United States as the final destination. In such cases, the goods had to remain under customs control; they should not have entered the stream of commerce of the transit country; and they should not have been subjected to any process other than loading and unloading. He reiterated that such conditions only applied if the goods had passed through a non-beneficiary country and if the shipping documents had not indicated the United States to be the final destination. In addition, he noted that in the case of Haiti, shipment from the Dominican Republic to the United States was allowed.

2.39. The representative of Switzerland reported that his government had launched an internal process to understand why Switzerland's preferential utilization rates tended to be lower than those of the European Union and Norway despite Switzerland's application of identical rules of origin. He noted, first, that one had to discard the hypothesis that Switzerland's rules of origin were overly strict because Switzerland and the EU applied identical rules; second, one had to set aside problems relating to TBT or SPS measures because non-compliance with TBT or SPS requirements meant that the goods would not have been allowed entry into the Swiss market. A further hypothesis was that lower utilization rates in Switzerland were to be explained by variations in requirements relating to direct consignment or certification of origin. In the case of certification, the implementation of self-certification (the REX system) was expected to have a positive trade-facilitating impact. Therefore, the only remaining explanation for lower utilization rates under Swiss preferences had to concern Switzerland's consignment requirements. To test this hypothesis, his government had embarked upon a detailed examination of utilization rates for goods that had been consigned directly and for goods that had undergone transit. Directly consigned goods had full preference utilization in almost all cases (Bangladesh had a utilization rate of 98%; Benin – 96%; Cambodia – 83%; Côte d'Ivoire – 85%; Lao PDR – 80%; Mozambique – 96%; Myanmar – 95%; Nepal – 85%; Uganda – 88%; Sudan – 100%; Senegal – 91%; and Tanzania – 98%. In sharp contrast, the utilization rates for indirectly imported goods dropped to zero for all LDCs (except for the Solomon Islands, at 37%, and Tanzania, at 2%). In his view, these findings confirmed that the ability of LDCs to utilize their preferences was linked to direct consignment requirements; nevertheless, further investigations were needed to identify which specific requirements were proving difficult to meet. In his view, the most likely explanation related to the practice of splitting consignments in the EU. Another possibility was that preferences went unclaimed because the preferential margin was too low (for example, precious stones in heading 71.03 were subject to *ad valorem* duties of 0.1% to 0.2%). Further investigating these cases required reaching out to stakeholders, including Swiss importers, LDC exporters, and EU transit operators. He proposed to pursue such investigations, focusing on specific sectors and collaborating closely with LDC delegations.

2.40. The representative of Australia clarified that direct consignment of goods was not a prerequisite for preferential treatment in Australia. This approach recognized that Australia was a distant and relatively small market for many LDCs and that often there were no direct shipment options; for these reasons, requiring direct shipment would effectively negate the potential benefit of the preferences for many LDCs.

2.41. The representative of Tanzania thanked the United States for presenting and clarifying its legislation. He asked why direct consignment rules had been made more flexible for Haiti and wondered whether the same reasons could not justify more flexible requirements for other LDCs.

He argued that export with transit through third countries was inevitable in the case of most LDCs and invited the US to consider these constraints in adapting its requirements. Furthermore, he also thanked and congratulated Switzerland for its investigations. He encouraged other preference-granting Members to engage in a similar exercise to identify the causes of underutilization and to remove any barriers in this area, which had been the precise objective of the Ministerial Decision.

2.42. The representative of the European Union thanked those delegations that had shared detailed information about their practices. She stated that her delegation attached great importance to fuller utilization of preferences by LDCs; for this reason, the EU supported deeper analysis in the Committee as well as bilateral discussions on these issues. In addition, she noted that the EU had shifted to the "non-alteration principle" instead of a direct consignment requirement in its LDC preferences. She explained that the concept underlying non-alteration was that, to receive preferences, originating products must not be further processed in a third country; in other words, the goods for which preferences would be claimed in the EU had to be the same as those that had been obtained or manufactured in a beneficiary country. In case of transit, the EU required that the goods remained under customs supervision, although it authorized such operations as storage, splitting, affixing of labels, and preservation. Customs authorities assessed the need for additional information and evidence based on risk assessment methods such that, by default, no proof had to be provided. In other words, documentary evidence would only be requested if customs had a doubt.

2.43. The representative of Canada explained that her delegation had reservations about certain statements made in the LDC paper, and that she wished to make some factual corrections. In her view, the paper significantly downplayed the benefits of Canada's preferences for LDCs when, in reality, 90% of all imports from LDCs had entered Canada duty-free in 2018. To be granted preferences in Canada, it was important to verify that the goods shipped from an LDC had arrived in the same form as that in which they had been shipped, and that they had not undergone any production in a non-beneficiary country. Such verification ensured that the benefits of the programme accrued to the intended LDC beneficiary. Section 17 of the Customs Tariff of Canada stated that goods were directly shipped to Canada if the goods were conveyed on a through bill of lading to a consignee in Canada. Goods could be transhipped through non-beneficiaries, as long as these conditions had been met. The law also allowed goods to remain in storage in the territories of non-beneficiary Members for up to six months. However, the LDC paper focused only on the explanatory notes to the law and stated that Canada's requirements were "simply overwhelming" (paragraphs 16 and 17). In Canada's view, this was incorrect because most imports from LDCs entered Canada free of duty. The paper also misleadingly stated that Canada required a certificate of origin. Except for textiles and apparel, this was not the case. Of greater concern to her delegation was the fact that the paper asserted that including a consignee in Canada on the through bill of lading "practically nullified" any possibility for trade. In her view, it was normal business practice that any producer would know the client for whom the goods were being produced; therefore, this could not constitute a trade barrier. Furthermore, paragraph 18 incorrectly quoted Mexico and Hong Kong, China as being among Canada's preference beneficiaries (whereas both had been removed from Canada's GSP in 2015 and thus needed to be removed from the LDC paper's Table 1). In the case of Haiti, Canada's rules had been made more flexible because Haiti's major ports had been destroyed by the 2010 earthquake and the only alternative route for Haiti was through the Dominican Republic. She highlighted that evidence of a through bill of lading had to be presented only upon the request of Canada's Border Services Agency (CBSA), meaning that documentation did not need to be provided with every shipment but only when a request was made for it. She also noted that Table 1 in the LDC paper had incorrectly stated that Canada did not comply with paragraph 3.1 of the Nairobi Decision, which stated that preference-granting countries should, as a general principle, refrain from requiring a certificate of non-manipulation. She reiterated that Canada did not require such a document. In addition, Canada allowed for self-certification and did not require exporters to be registered, as required by the Ministerial Decision. She concluded that her delegation would be available to follow up with LDC Members bilaterally if they so wished.

2.44. In response, the representative of Tanzania stated that the LDCs were willing to examine Canada's arguments and would correct the note if necessary. However, he reiterated that the obligation to consign goods on a through bill of lading and to indicate the name of a Canadian consignee already constituted potential barriers. Furthermore, these practices did not recognize the fact that LDC exporters often traded through intermediaries. He agreed that a follow-up bilateral discussion would be useful.

2.45. In conclusion, the Chairperson asked preference-granting Members and LDCs to meet bilaterally as required. She also requested the delegations concerned to keep the Committee informed about their discussions.

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

2.4 Impact of direct consignment requirements on preference utilization by LDCs – Note by the Secretariat (G/RO/W/187 AND RD/RO/81)

2.47. The Chairperson asked the Secretariat to present document G/RO/W/187.

2.48. The Secretariat explained that the note contained the first results of ongoing research on the linkages between direct consignment requirements and underutilization of LDC preferences (RD/RO/81). It built on a previous note in which the Secretariat had reported that 82% of all fruits, vegetables, and plants imported from LDCs did not receive any tariff preferences (document G/RO/W/185). This was counterintuitive because all of the unprocessed goods studied were subject to the wholly obtained origin criteria: variations in preference utilization could therefore not be explained by the stringency of the origin criterion. Instead, other obligations related to certification or direct consignment could explain variations in utilization rates. The Secretariat said that the note tested whether or not variations in the utilization of trade preferences could be associated with variations in the application of the direct consignment requirement.

2.49. The Secretariat explained that, for logistical reasons, the Direct transportation of goods was not always possible. Therefore, all preferential schemes allowed transhipment (transit) under certain conditions. While the intention of all Members was to ensure that goods did not undergo further processing in a non-beneficiary country during their transit, the application of these conditions differed in practice. The main variable related to whether documentary evidence (attesting the non-manipulation of the goods) was requested in some or all cases. By comparing direct consignment requirements with underutilization rates, the note identified patterns that seemed to confirm that such requirements were associated with utilization. For example, landlocked LDCs had a much lower ability to utilize trade preferences than LDCs with access to the sea. Underutilization of trade preferences was always higher for landlocked LDCS: 52% for landlocked LDCs against 21% for other LDCs (all products considered), and 29% for landlocked LDCs against a rate of 14% for LDCs with access to the sea (when agricultural goods were subject to the wholly obtained criterion). In addition, Members with stricter consignment requirements were usually associated with higher underutilization rates: about 60% of imports from LDCs did not utilize trade preferences when they were sold in preference-granting Members with stricter consignment requirements (that is, double the underutilization rate observed for Members applying more flexible requirements). In conclusion, direct consignment requirements appeared to have a significant influence on the ability of LDCs to utilize their trade preferences, particularly in the case of landlocked LDCs. Nevertheless, the Secretariat considered that Members should try to identify with greater precision which specific requirements were associated with higher or lower underutilization rates. In addition, the Secretariat explained that it would be useful to hear from preference-granting Members what share of imports from LDCs had been consigned directly or indirectly and what the underutilization rates were under each scenario.

2.50. The representative of Norway clarified that the EU; Switzerland; Turkey; and Norway applied the same rules of origin but did not grant identical preferential treatment. Moreover, he noted that the requirement that transportation documents should mention the name of a national consignee for the goods was common in international trade. In the case of Norway, the information did not need to be provided by the exporter in the beneficiary country; it did not need to appear in the proof of origin; and it could be changed at any time before the goods were presented to customs. In addition, he asked for a correction to be made to Table 1 to indicate that Norway did allow for splitting and affixing labels in the transit country. Finally, he reported that his colleagues in Capital were also engaged in further examinations to identify possible causes for underutilization.

2.51. The representative of Canada said that her delegation did not agree that low utilization rates could be attributed to Canada's direct shipment provisions. For this reason, she wished to correct certain aspects of the Secretariat's Note. She observed that Canada applied very low tariffs; indeed, 71% of Canada's tariff items were duty-free on an MFN basis. Canada's preferences included all LDCs, without exception, and covered 98.6% of tariff lines (a small number of dairy, poultry, and

egg products not of export interest to LDCs had been excluded from the scheme). In addition, Canadian preferences included rules of origin that reflected production realities in LDCs, did not require a certificate of origin for any goods other than textiles and apparel, and allowed for exporter self-certification, without the requirement of prior registration. Furthermore, LDCs could choose to trade under MFN, LDC, or general preferences. Her delegation considered that the Secretariat's paper had incorrectly attributed a low utilization of preferences for agricultural products to Canada's direct shipment requirements. However, 99% of the products considered in the Secretariat report had entered Canada duty-free in 2018 (all tariff treatments); only 14.7% of the products in question had entered Canada under LDC preferences, but the remaining imports had entered Canada under other tariff treatments and had received duty-free treatment nevertheless. As a result, Canada had fully achieved its objective of offering duty-free access to LDCs. Like many other preference-granting countries, Canada did require goods shipped from an LDC to arrive in the same form as that in which they had left the LDC; this ensured that the preferences were administrable and that, more importantly, the benefits of the preference programme accrued to its intended LDC beneficiaries. She clarified that a through bill of lading was a shipping document obtained through the normal course of business; it was not the same as a certificate of non-manipulation, which was an additional document. She requested the Secretariat to revise the note accordingly. She also argued that there should be no comparison made between the dissimilar programmes of different countries (such as Canada's LDCT and the US AGOA and GSP, for example). Finally, she raised specific questions on Annex 1.

2.52. The representative of Tanzania, speaking on behalf of the LDC Group, thanked the Secretariat for further investigating the possible causes of the underutilization of preferences for agricultural products. He explained that it was troublesome that LDCs were not fully utilizing their trade preferences in their exports of agricultural products subject to the wholly obtained origin criterion. Still more worrying was the fact that preference underutilization was even more challenging for landlocked LDCs. In his view, Members had a duty, in the context of the CRO, to explore ways to improve utilization and to ensure that fruits, spices, and other simple products received duty-free treatment. For example, the "non-alteration requirement" appeared to be simpler to meet and could therefore be examined by additional preference-granting Members as a best practice which should be replicated. He said that these were concrete and specific steps that Members could take to implement the Ministerial Decisions looking ahead to the WTO's 12th Ministerial Conference.

2.53. The representative of the Republic of Korea briefly explained his country's consignment requirements. In order to receive preferential treatment, it was necessary to submit a certificate of origin regardless of whether the goods had been consigned directly or indirectly. Such preferential treatment was only granted if the goods had been transported from the country of origin. However, indirect shipment was admitted provided that certain requirements were met. And in many cases no further proof of origin was required; this was the case for transit or transhipment for geographical or logistical reasons, for example. Indirect shipment was also authorized in case of exports for display purposes and exhibitions. In all other cases, preferential treatment could be granted, but the following additional documents had also to be presented: a certificate of origin issued by the country of origin; a bill of lading; and the original commercial invoice. He explained that, on average, 67.5% of imports from LDCs had been consigned directly, while 32.5% had been consigned indirectly. The share of imports not subject to any preference or MFN duties had been continuously declining, from 38.3% in 2016, to 22.8% in 2018. Nevertheless, direct consignment rules did not appear to be the cause of underutilization. In fact, trade statistics indicated that indirectly consigned goods had a higher rate of utilization of preferences (85%) than directly consigned goods (26.5%).

2.54. The representative of the Russian Federation explained that, while her colleagues in Capital were still studying both documents, there seemed to be some confusion regarding the terminology used in the notes (for example, the term "through bill of lading"). She also explained that her delegation had submitted notifications WTO/COMTD/PTA1/N/1 and G/RO/LDC/N/RUS/2 describing changes in the Russian GSP system. These changes had been introduced with the aim of implementing the provisions of the Bali and Nairobi Decisions. She noted that more time was needed to monitor and identify the effects of these recent trade-facilitating rules. Finally, she clarified that it was normal that goods entering the markets of third countries would not be granted duty-free treatment by preference-granting Members.

2.55. The representative of the European Union thanked the Secretariat for its additional analysis. In particular, she agreed with the elements mentioned by the Secretariat in the conclusion of its note. Furthermore, the EU would support discussions about how to refine the statistics available and

to continue this research. She also sought to clarify some aspects of the note, such as the fact that the EU required goods to remain under customs supervision during transit, as stated in paragraph 4.3. She also explained that footnote 5 of Annex I did not reflect a standard requirement in EU legislation. Finally, she asked the Secretariat to clarify the intention of footnote 8 of Annex I.

2.56. The representative of the United States appreciated that the Secretariat Note had built on and referred to previous analysis. He thought it interesting that the Secretariat had placed the US in the group of Members with more flexible requirements, whereas the LDCs had placed it in the group of Members with practices inconsistent with the Nairobi Decision. He clarified that goods shipped from beneficiary countries through other beneficiary countries did not need to present any additional documentation at the time of importation. However, in the case of goods shipped through a non-beneficiary country, US Customs verified if the US had been indicated as the final destination of the goods; if so, the only obligation was that the good had not entered the commerce of a transit country. Additional documents were only requested in cases where goods had transited through a non-beneficiary country and the US was not their final destination.

2.57. The representative of Chinese Taipei agreed with the conclusion of the Secretariat's report, namely that direct consignment requirements could reduce the utilization of trade preferences; however, he also thought these were necessary requirements, so the question was how to strike a balance between these different policy objectives. He clarified that Article 11 of his government's regulation governing the determination of country of origin required goods to be consigned directly; in the case of shipment through a third country for logistical reasons, the regulations required that the goods did not undergo any operation other than unloading and loading in the country of transit.

2.58. In response to Members' comments, the Secretariat explained that it would revise the note and correct any possible mistakes or misrepresentations. At the same time, he explained that the Annex was based on Members' notifications (document series G/RO/LDC/N), so differences in the language in it reflected Members' notifications (for example, the Annex did not make a difference between "direct consignment requirement" and the "obligation that the goods remain under customs supervision" because both terms appeared as such in Members' regulations). In addition, he explained that, where different procedures applied to different cases (as occurred under US regulations), it was impossible to know how often the more complex procedures applied in practice. Having said that, he highlighted that Members' comments had not questioned the link between direct consignment requirements and underutilization of preferences, especially by landlocked LDCs. He asked preference-granting Members to consider examining their statistics, as the Republic of Korea and Switzerland had done, to compare the underutilization rates for directly and indirectly consigned imports. He also recommended that Members more closely examine the role of intermediaries and reconsignors in claiming preferences for LDC exporters.

2.59. In conclusion, the Chairperson said that further research was needed. To this end, she requested the Secretariat to continue conducting its analysis in this area with a view to identifying the specific elements that hinder a fuller utilization of trade preferences. In addition, she asked preference-granting Members to convey to the Secretariat their specific comments on the note so that it could be revised on that basis.

2.60. The Committee agreed to proceed accordingly.

2.5 Utilization of China's Preferences by LDCs – Submission by the LDC Group (G/RO/W/192 AND RD/RO/84);

2.61. The Chairperson asked the LDC Group to present their submission.

2.62. The representative of Tanzania presented document G/RO/W/192 on behalf of the LDC Group and explained that it contained a detailed analysis of the utilization rates under China's preferences for LDCs (document RD/RO/84). It had followed the same approach as that adopted in previous analysis conducted concerning Switzerland (document G/RO/W/186). He hoped that the delegation of China, like that of Switzerland, would use the Group's analysis to initiate a discussion in Capital to identify possible hindrances to the fuller utilization of preferences by LDCs. In fact, the Group's analysis showed that the majority of tariff lines on which there was trade between LDCs and China had utilization rates between zero and 25% only (75% of tariffs, or 930 tariff lines). Only 12.5% of all tariff lines had a utilization rate above 95% (157 tariff lines). This confirmed that there was ample

scope for additional work to be undertaken towards fuller utilization. Four of the top five LDCs exporting to China (Zambia; Côte d'Ivoire; Myanmar; Cambodia) had an overall utilization rate of between zero and 2% only. Bangladesh, as the third largest LDC exporter to China, had an overall preference utilization of 45%. For other LDCs, the value of annual imports varied greatly and so did utilization rates: for example, a 98% utilization rate for Senegal, and 1% for Lesotho. Applying filters to the data (tariff lines with a preferential margin of at least 2%, with utilization rates lower than 70%, and with annual values greater than USD 24 million) helped to prioritize those tariff lines where the underutilization was most problematic. Several agricultural and mineral products, subject to the wholly obtained criterion, showed very low utilization rates, including cobalt (from the Democratic Republic of Congo), tanned or dressed fur skins and liquid crystal devices (from Cambodia), and articles of semi-precious stones (from Myanmar). Members would need to investigate these tariff lines to further understand why these products were not receiving preferences. He concluded by asking the delegation of China to initiate an examination to identify the possible causes of such underutilization.

2.63. The representative of China explained that the document had been circulated too late to allow for the presence of Capital-based colleagues at the meeting. However, he reported that his colleagues were indeed studying the document and that China was committed to exploring solutions to these difficulties. He noted, however, that the graphs showed very high utilization rates for several LDCs. He also explained that, in the case of Cambodia and Myanmar, importers did not claim preferences under China's LDC preferences but rather under the China-ASEAN free trade agreement. About 95% of tariff lines enjoyed duty-free treatment under that FTA. Consequently, the LDC preferential scheme would only offer benefits for the remaining 5% of tariff lines not covered under the FTA. He said that the case of Bangladesh was similar because exporters could claim preferences under the Asia-Pacific Trade Agreement (APTA). For these reasons, China's utilization rates for LDCs could not be examined in isolation from other preferential schemes offered by China. He said that his colleagues in Capital were also studying the utilization rates of African countries to try to understand why they were high in some cases but low in others. The conditions of trade were identical for all African countries; one would therefore expect to find similar utilization rates across all beneficiaries. However, it was possible that exporters in some cases did not claim preferences simply because they were not aware of the benefits that were available. In any case, China was committed to implementing the Nairobi Decision and stood ready to cooperate with LDC delegations to optimize utilization of the preferential rules of origin.

2.64. The representatives of Tanzania; Cambodia; the Democratic Republic of Congo; and Myanmar thanked China for its readiness to collaborate with them and they looked forward to working closely with the Chinese delegation to better understand the reasons for the underutilization of preferences among some LDCs. In addition, the representative of Tanzania clarified that the analysis had excluded products entering through other trade preferences. He concluded by saying that a bilateral discussion would be useful to follow up on these issues.

2.65. The representative of the United States was surprised that the five largest exporters to China had such low utilization rates. He wondered if China's consularization requirements could explain these findings.

2.66. The Chairperson proposed that the delegations of China and the LDCs meet bilaterally and report to the Committee on the substance of their discussions. In addition, she asked the Committee to take note of the presentation and statements made.

2.67. It was so agreed.

2.6 Report (2019) of the CRO to the General Council on preferential rules of origin for LDCs (G/RO/W/188)

2.68. The Chairperson recalled that paragraph 4.4. of the Nairobi Decision required the Committee to review the implementation of the Ministerial Decision annually, and that paragraph 1.10 of the Bali Ministerial Decision required the Committee to report the results of such review to the General Council. To facilitate this review, the Secretariat had prepared a draft report (G/RO/W/188). She invited delegations to consider this report with a view to its adoption.

2.69. The delegation of Turkey asked that the report be rectified to include her country in the list of preference-granting Members implementing the REX system.

2.70. The Chairperson proposed that the report be adopted with the rectification proposed by the delegation of Turkey.

2.71. The Committee adopted the Annual Report (document G/RO/89).

3 NOTIFICATIONS UNDER ARTICLE 5 AND UNDER PARAGRAPH 4 OF ANNEX II OF THE AGREEMENT ON RULES OF ORIGIN

3.1. The Chairperson reported that new notifications had been received by the Secretariat covering both preferential rules of origin (originally submitted to the Committee on Regional Trade Agreements) and non-preferential rules of origin (Article 5 of the Agreement, including first-time notifications). Angola and Sri Lanka had notified that they did not apply non-preferential rules of origin, while the Kyrgyz Republic had informed Members that it applied those of the EAEU. Including these notifications, 80% of all WTO Members had now submitted a notification concerning non-preferential rules of origin under Article 5 of the Agreement, while 100% of Members had submitted at least one notification regarding their preferential rules of origin and RTAs. Of those, 50 Members had informed the Secretariat that they applied non-preferential rules of origin and 59 Members had notified the Committee that they did not apply non-preferential rules of origin. The remaining 27 WTO Members had not yet notified their practices.

3.2. However, she explained that these numbers had to be interpreted with caution. Most of these notifications had been submitted over 20 years before and could refer to legislation that was now partly or entirely out of date. In addition, many notifications only reported partial information and did not describe the specific rules that applied to some sectors or under certain trade measures. Neither did notifications contain information about practices relating to certification. The Annex to document G/RO/W/189 contained a full list of all notifications received.

3.3. The Chairperson proposed that Members take note of her report and encouraged delegations that had not yet ever notified their practices to the Committee to do so as soon as possible.

3.4. The Committee took note of the report.

4 DRAFT TEMPLATE FOR THE NOTIFICATION OF NON-PREFERENTIAL RULES OF ORIGIN AND ORIGIN REQUIREMENTS (G/RO/W/182/REV.1)

4.1. The Chairperson drew Members' attention to document G/RO/W/182/Rev.1 and previous discussions of it. At the Committee's previous meeting, Members had asked the Chair of the Committee to conduct consultations with interested delegations in order to clarify any outstanding questions on the proposal. She reported that informal consultations had been organized with about 20 interested delegations. At the Committee's meeting, delegations had also raised questions relating to special and differential treatment (S&D), linkages with the Trade Facilitation Agreement (TFA), and the implications of the proposal "to enhance transparency and strengthen notification requirements under WTO Agreements" (JOB/GC/204/Rev.2 and JOB/CTG/14/Rev.2). She further reported that, as a result of these consultations, Members had agreed to continue their discussions bilaterally. She therefore asked the proponents to report on those meetings. In addition, she invited Members to express their views on how to take this proposal forward.

4.2. The delegation of Switzerland, on behalf of the proponents, confirmed that informal Chair-led consultations and a series of bilateral meetings with interested delegations had taken place since the Committee's previous meeting. He reminded Members that the objective of the proposal was not to create new transparency obligations but rather to facilitate the work of exporters and policy makers. The direct beneficiaries of the proposal would be small exporters in developing and least-developed countries that wished to see their businesses integrated into global value chains. During the launch of the WTO-ITC-WCO Origin Facilitator, Director-General Azevêdo and Executive Director Gonzalez had highlighted that easier access to simple and reliable information translated into lower trading costs for companies, especially small businesses. In that spirit, a constructive dialogue among Members had led to a clearer understanding of these objectives and had also highlighted possible concerns. The proponents had agreed to make certain changes to the draft

proposal, including, for example, to clarify that "technical assistance and capacity building by the WTO Secretariat shall be provided". Accordingly, a second revision of the proposal would be circulated shortly.

4.3. The representative of Canada thanked delegations for their engagement on the proposal and looked forward to working with the co-sponsors and with the Members that had raised concerns with a view to defining a mutually agreeable outcome.

4.4. The representative of India reiterated his delegation's concerns. In his delegation's view, the proposal should contain effective S&D provisions. For this purpose, any notification obligation under the proposal could only be a best-endeavour requirement for developing countries, including LDCs (as was the case for notifications under Article 3 of the proposal). He also considered that the proposal should avoid overlap with the provisions of the TFA, as well as possible discrepancies in the information available on the WTO website and on Members' websites in cases where a Member had made changes in its non-preferential rules of origin or certification. Furthermore, his delegation highlighted the need for Members to undertake similar notification obligations in the areas of interest to developing countries, such as under Article 66.2 of the TRIPS.

4.5. The representative of the European Union explained that her delegation was in favour of enhancing transparency; for this reason, the EU would remain deeply engaged on this proposal. In her view, the proposed template would enhance transparency and allow for structured information to be gathered concerning Members' practices. She agreed that access to reliable information was necessary for economic operators, world businesses, and governmental decision-makers.

4.6. The representative of Tanzania said that his delegation supported this initiative and agreed that transparency was very important to facilitating international trade. His delegation would support efforts made to finalize the proposal.

4.7. The representative of the United States encouraged other delegations to join efforts to enhance transparency on non-preferential origin requirements and recalled that several Members had spoken about the need for greater transparency in this area during the launch of the Origin Facilitator. The proposal covered a large segment of global trade and would also cover all Members. In consequence, its results should prove substantial.

4.8. The representative of Japan concurred and added that the proposal elaborated on existing notification provisions only; it did not create any new obligations for Members.

4.9. The representative of Brazil agreed that Members were already obliged to notify their non-preferential rules of origin to the Secretariat, adding that the intention of the proposal was only to simplify, streamline, organize, and update that information.

4.10. In the same spirit, the representative of the Republic of Korea asked all Members to consider the benefits of the proposal for all their exporters.

4.11. The representative of Colombia welcomed the changes introduced by the proponents and looked forward to seeing the revised version of the proposal. She also indicated that her delegation stood ready to work with the co-proponents on the proposal.

4.12. The representative of Ecuador thanked the proponents for their openness to consider her delegation's comments and said that her delegation would continue to play a constructive role in the discussions.

4.13. The representative of Hong Kong, China congratulated Members on widely supporting the proposal. She noted that delegations had already been working on the proposal for two years; this was because it was a worthy and necessary initiative. She added that the value of the proposed template would be magnified through the WTO-ITC-WCO Origin Facilitator. She also asked Members to engage actively on the proposal in order to refine its language and to reach a satisfactory outcome.

4.14. The representative of New Zealand agreed and added that the proposal was a concrete contribution that the Committee could make to facilitating trade, particularly to the benefit of micro, small and medium-sized enterprises.

4.15. The representative of Chinese Taipei added that the substantial benefits derived from easier access to information for exporters would be greater than any possible administrative cost to Members in submitting their notifications.

4.16. The representative of Norway considered the proposal to be a simple but effective measure.

4.17. In conclusion, the representative of Switzerland thanked all delegations for expressing their support for the proposal. He asked the delegation of India to elaborate further on the concerns it had raised, in particular regarding possible overlaps between the proposal and the TFA. He requested that India's comments refer to specific provisions in the proposal and, if possible, that India suggest amendments. He said that his delegation stood ready to work with any interested delegation to discuss specific concerns. If necessary, his delegation also stood ready to fill in the template to demonstrate how it would work in practice, and how simple it was.

4.18. The Chairperson was pleased to note that there appeared to be broad support for the proposal and a willingness to continue to engage on it and to move towards text-based discussions. To make the process more effective, she encouraged those delegations with concerns to submit their amendments or proposals in writing so that these could then be considered by the proponents and other delegations in informal consultations. She also encouraged the proponents to circulate the second version of the proposal to allow delegations sufficient time to hold consultations on it.

4.19. It was so agreed.

5 TWENTY-FIFTH ANNUAL REVIEW OF THE IMPLEMENTATION AND OPERATION OF THE AGREEMENT ON RULES OF ORIGIN (G/RO/W/189)

5.1. The Chairperson recalled that Article 6.1 of the Agreement on Rules of Origin stated the following: "[t]he 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". In this regard, she noted that the Secretariat had prepared a background note describing the activities of the Committee under Parts II and III of the Agreement (G/RO/W/189). She asked Members to refer to that report for the annual review.

5.2. The representative of Hong Kong, China, noted that Annex 1 of the report needed to be corrected to indicate that a scanned copy of the legislation was available for the 2012 notification on Hong Kong, China's non-preferential rules of origin.

5.3. The Chairperson proposed that the Committee conclude its annual review on the basis of the report prepared by the Secretariat, including the correction proposed.

5.4. It was so agreed.

6 DRAFT REPORT (2019) OF THE CRO TO THE COUNCIL FOR TRADE IN GOODS (G/RO/W/190)

6.1. The Committee adopted its annual report of activities (document G/L/1331).

7 ROUND-TABLE ON "THE FUTURE OF RULES OF ORIGIN" HELD AT THE EUROPEAN UNIVERSITY INSTITUTE (26-28 JUNE 2019) – REPORT BY UNCTAD

7.1. A representative of UNCTAD reported that the round table had brought together Geneva-based delegates attending the Committee, Capital-based experts, private firms, international consulting companies like KPMG and Deloitte, government agencies, academic institutions, and representatives of key international organizations, including the WTO, the WCO, and the International Chamber of Commerce. The aim of the round table was to discuss the future of rules of origin in the international trade system and to establish a road map for possible action-oriented research initiatives. In the absence of comprehensive multilateral disciplines on rules of origin, it was valuable to discuss approaches to addressing existing gaps. Participants to the round table discussed areas such as the following: the extent of convergence of product-specific rules of origin under different FTAs; utilization rates as a tool to monitor the effective use of trade preferences; and best practices on

origin certification and administrative procedures. A research agenda had begun to emerge from the round table and some recommendations had translated into proposals from some WTO Members to the WCO Working Group on the revised Kyoto Convention. The first research topic that had been identified at the round table had related to sectoral convergence on product-specific rules of origin (a comparison between the draft rules under the WTO Harmonization Work Programme (HWP) and the rules in FTAs had suggested sectors where simplification and convergence were possible). The preparation of a consolidated map at HS 6-digit level, showing convergence and divergence on drafting product-specific rules of origin across different FTAs, would also offer a practical tool for negotiators at regional and plurilateral level. The second research area had related to the impact of rules of origin on utilization rates; in this regard, wider and closer monitoring of such impact could help to identify areas where reforms in origin requirements could improve utilization rates. Finally, the third research area had been to identify trade-facilitating practices relating to origin certification and administrative procedures. The UNCTAD and the WCO had begun a joint research exercise to list and codify the existing practices of certification of origin. He reported that this ambitious research agenda would be carried out taking into account the availability of resources and funding from donors; its progress would be periodically reported to the Committee. In sum, the ambition was to build an online platform for the exchange of research outcomes and national experiences. He concluded by emphasizing that the international community should not miss this opportunity to realize greater dynamism in the Committee and to foster greater cooperation on rules of origin. Another round table had been scheduled for early September 2020 and participation in the round table event was open and free to all interested participants.

7.2. The delegations of Tanzania and Cambodia thanked UNCTAD and the European Union Institute for their report and for offering delegations the opportunity to hear the views of different stakeholders on origin-related matters. The representative of Tanzania believed that more research and information would serve to minimize the gap in existing regimes, whether preferential or non-preferential. He encouraged Members to take an active part in future round tables.

7.3. The representative of Switzerland reported that he had also attended the roundtable, which had been a useful opportunity to meet the private sector and to understand more clearly what was happening on the ground. He encouraged delegates to attend future roundtable meetings.

7.4. The representative of the European Union said that she had heard very positive feedback from other colleagues who had attended the roundtable meeting. She asked if the online knowledge platform would be connected to the Origin Facilitator or the Global Trade Helpdesk.

7.5. In response, the representative of UNCTAD said that the platform still had to be developed and that he welcomed suggestions concerning possible solutions. He highlighted that the platform would disseminate research outcomes, help identify research gaps, and promote the participation of the private sector and other stakeholders.

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

8 OTHER BUSINESS

8.1. The Chairperson informed Members that the Committee's next formal meetings had been scheduled to take place on 5 and 6 March and 15 and 16 October 2020.[3]

[3] These dates were communicated to Members on 19 November 2019.