

Committee on Rules of Origin

DRAFT

**REPORT (2021) OF THE COMMITTEE ON RULES OF ORIGIN TO THE
GENERAL COUNCIL ON PREFERENTIAL RULES OF ORIGIN
FOR LEAST DEVELOPED COUNTRIES**

1. This report is being submitted by the Committee on Rules of Origin (CRO) to the General Council as required by the 2013 (Bali) and the 2015 (Nairobi) Ministerial Decisions on preferential rules of origin for Least-developed Countries (WT/L/917 and WT/L/917/Add.1 respectively). According to the provisions of these Decisions, the Committee on Rules of Origin (CRO) "*shall annually review the developments in preferential rules of origin applicable to imports from LDCs*" and report to the General Council.

2. The CRO discussed several matters related to preferential rules of origin for LDCs in its two meetings held in 2021 (on 20 May and on 14 October). The minutes of these meetings are contained in documents G/RO/M/76 and [G/RO/M/77] respectively. The following are some of the recent developments Members took note of:

Transparency (notifications)

- Members have detailed information about preferential rules of origin and origin requirements for LDCs. Almost all preference-granting Members have submitted a notification using the agreed notification template (G/RO/84). The United Kingdom has submitted a notification describing its preferential rules of origin in February 2021. A notification about preferential rules of origin applied to LDCs is only missing for the schemes of Armenia, Iceland and Morocco.
- These notifications and detailed information about these preferential origin requirements can be accessed, at the tariff-line level, through the WTO, ITC and WCO "Origin Facilitator" (www.findrulesoforigin.org)
- While progress with respect to preferential tariff and import data has been slower, there have been significant improvements in 2020, notably with the notification of preferential import statistics and preferential tariffs and imports by Iceland (2010-2019) and by Turkey (2010-2020). No statistics or partial statistics only continue to be available for some preference-granting Members: Armenia; China; Iceland; India; Kazakhstan; Kyrgyz Republic; Montenegro; Morocco; New Zealand; and Russian Federation and Tajikistan. Document G/RO/W/163/Rev.9 describes in detail the information available with the Secretariat to this date.
- These notifications, including preferential import statistics, can be accessed through the WTO Preferential Trade Arrangements (PTA) database (<http://ptadb.wto.org>).

Recent developments

- The European Union updated¹ Members on the implementation of the self-certification system for registered exporters (Registered Exporter system, REX, also used by Norway, Switzerland and Turkey). The system is a trade facilitating tool as it allows exporters to declare the origin of the goods without the need to request a certificate of origin form designated third-party authorities. According to the EU, a few least-developed countries had not yet completed the

¹ The presentation was circulated in document RD/RO/95.

necessary procedures to transition to this new system and were therefore not able to utilize trade preferences in the EU for the moment.

- The United Kingdom explained that its General System of Preferences (GSP) had been launched successfully. The delegation also reported that it was in the process of reviewing its preferential rules of origin with a view to simplifying them. Members, and specially LGCs, were encouraged to provide comments in a consultative process which had been launched.
- A representative of UNCTAD made a presentation regarding the newly developed website (<https://gsp.unctad.org/home>) and database on the utilization of preferential schemes. Three main search options were possible for the database, namely: i) utilization by product; (ii) top products imported from a beneficiary; and (iii) utilization by country. As noted, the methodology for calculation of utilization rates was similar to the one applied by the WTO.

Stocktaking of implementation of the Bali and Nairobi Ministerial Decisions

- Tanzania (on behalf of the LDC Group) indicated that document G/RO/W/194 had been prepared on the occasion of the 5th anniversary of the Nairobi Ministerial Decision. It acknowledged progress made on transparency but noted that restrictive rules of origin and origin requirements continued to be used by many preference-granting Members in several cases.

Impact of rules of origin on preference utilization (calculation of utilization rates)

- Members considered a note (G/RO/W/204) by the Secretariat on "Utilization of Trade Preferences by Least Developed Countries: 2015-2019 Patterns and Trends". Thanks to better data availability, the Secretariat analysed trends in utilization rates over a five-year period. The note confirmed that underutilization could be significant for some preferential schemes and some sectors. It also confirmed that the ability to utilize trade preferences varied greatly from one LDC to another. Finally, it had shown that that landlocked LDCs faced greater challenges in utilizing trade preferences: while there had been a slight improvement in the level of preference utilization by LDCs with sea access, a noticeable deterioration in utilization could be observed for landlocked LDCs.
- On 19 May, members participated in a webinar on "What Drives the Utilization of Trade Preferences" organized by the Secretariat. The webinar was an opportunity to review the research conducted so far by the Secretariat on the utilization of trade preferences by LDCs. In addition, it was also an opportunity to learn more about research being conducted by other institutions on the linkages between rules of origin and the utilization of trade preferences. Finally, the workshop also offered Members an opportunity to learn from each other's experiences in monitoring the utilization of trade preferences and working with the private sector to train operators on origin requirements and promote a fuller utilization of trade preferences. The programme, presentations and video recording of an event can be accessed through the rules of origin page of the WTO website (https://www.wto.org/english/tratop_e/roi_e/preference_utilization_190521_e.htm).

Annual review of implementation

- The report of the CRO to the General Council was considered and adopted on 14 October 2021.
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