



Committee on Rules of Origin

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

DRAFT

This report is being submitted by the Committee on Rules of Origin (CRO) to the General Council following the 2022 Decision on Preferential Rules of Origin and the Implementation of the Nairobi Ministerial Decision, which states that "[t]he CRO should report its work to the General Council ahead of the Thirteenth Ministerial Conference" ([G/RO/95](#)).

In addition, it also discharges the requirements of the 2013 (Bali) and 2015 (Nairobi) Ministerial Decisions on preferential rules of origin for least developed countries (LDCs) ([WT/L/917](#) and [WT/L/917/Add.1](#), respectively), which stipulate that the CRO "shall annually review the developments in preferential rules of origin applicable to imports from LDCs" and report to the General Council.

1 INTRODUCTION	2
2 TRANSPARENCY AND DATA AVAILABILITY (NOTIFICATIONS).....	2
2.1 Preferential Rules of Origin	2
2.2 Preferential Tariffs and Preferential Import Statistics.....	3
3 RECENT DEVELOPMENTS REPORTED TO THE CRO.....	4
4 IMPLEMENTATION OF THE BALI AND NAIROBI MINISTERIAL DECISIONS.....	4
4.1 Requirements for the Assessment of Sufficient or Substantial Transformation.....	5
4.1.1 <i>Ad valorem</i> percentage Criterion	5
4.1.2 Change of Tariff Classification Criterion	5
4.1.3 Specific Working and Processing Criterion.....	5
4.2 Cumulation.....	5
5 DOCUMENTARY REQUIREMENTS	6
5.1 Proof of Origin.....	6
5.2 Trade Facilitation Measures for Small Consignments	6
5.3 Documentary Evidence of Direct Consignment	6
6 IMPACT OF PREFERENTIAL RULES OF ORIGIN ON PREFERENCE UTILIZATION: THE ANALYSIS OF PREFERENCE UTILIZATION RATES	7
6.1 Linking Preference Utilization Rates and Preferential Rules of Origin	7
6.2 Modalities for the Calculation of Utilization Rates	7
6.3 Preference Utilization by LDCs	8
6.4 Factors Not Related to Rules of Origin Which Affect the Utilization of Trade Preferences	8
6.5 Factors Related to Rules of Origin	9
7 WAY FORWARD	10

8 REFERENCES TO DOCUMENTS CONSIDERED BY THE CRO (2013-2023)	10
ANNEX 1	11
ANNEX 2	14
ANNEX 3	15

1 INTRODUCTION

1.1. This document reports on the work conducted by the CRO from 2017 to October 2023 pursuant to the April 2022 "Decision on Preferential Rules of Origin and the Implementation of the Nairobi Ministerial Decision" ([G/RO/95](#)). This Decision was also acknowledged in the Outcome Document of the Twelfth Ministerial Conference.¹

1.2. This report describes progress in the different areas of work of the CRO related to preferential rules of origin for LDCs. It highlights the main issues discussed and the state of play reached on the main components of the work. When relevant, it indicates lessons learned and best practices on the use of preferential rules of origin, including from the point of view of LDCs. Finally, it provides guidance for the future work of the Committee to advance further in the identification of possible best practices and lessons learned.

2 TRANSPARENCY AND DATA AVAILABILITY (NOTIFICATIONS)

2.1. The work of the CRO on preferential rules of origin requires access to two types of information:

- (i) Preferential rules of origin applied to LDCs by preference-granting Members (rules of origin and the related administrative requirements); and
- (ii) preferential tariffs and preferential imports under preferential trade arrangements (or other preferential trade agreements).

2.1 Preferential Rules of Origin

2.2. The CRO has made substantial progress in terms of the availability of information regarding preferential rules of origin applied to LDCs in the context of non-reciprocal trade preferences. As required by paragraph 4.3 of the Nairobi Ministerial Decision², Members adopted a template in 2017 for the notification of preferential rules of origin and origin requirements ([G/RO/84](#)). A new document series was created for the circulation of these notifications ([G/RO/LDC/N](#)). The template has been instrumental in making detailed and standardized information about Members' current practices available. In addition, it has allowed for the preparation of documents that describe, analyse, and compare the current practices of preference-granting Members.

2.3. All preference-granting Members (except Armenia, Iceland, and Morocco) have notified their preferential rules of origin applied to LDCs under their non-reciprocal trade arrangements.³

2.4. In addition, Members took note of two significant developments to access this information:

- (i) All notifications submitted to the Secretariat are available on the WTO Preferential Trade Arrangements database and in the WTO's three official languages (<http://ptadb.wto.org>); and
- (ii) all rules of origin and origin requirements notified were made available through the "Origin Facilitator" tool (<https://findrulesoforigin.org>). The Facilitator is a free, publicly available online tool which allows users to retrieve most-favoured-nation (MFN) and preferential tariff rates as well as requirements related to origin at the tariff-line level.

¹ Document [WT/MIN\(22\)/24](#), paragraph 8.

² Paragraph 4.3 reads: "[...] Furthermore, the CRO shall develop a template for the notification of preferential rules of origin, to enhance transparency and promote a better understanding of the rules of origin applicable to imports from LDCs".

³ Document series [G/RO/W/163](#) has been updated regularly to describe in detail these notifications.

The Facilitator is the result of a collaboration between the WTO Secretariat, the International Trade Centre, and the World Customs Organization.

2.5. The Committee encourages all preference-granting Members to ensure that their notifications are complete and up to date, including any Internet links.

2.2 Preferential Tariffs and Preferential Import Statistics

2.6. MFN treatment, preferential tariff rates, and preferential import statistics are needed to calculate the utilization rates of non-reciprocal LDC trade preferences. Tariff rates are needed to identify the existence of a preference (that is, the fact that the tariff is above zero on an MFN basis). Information about preferential import statistics is used to calculate the proportion of imports that receive preferential treatment under at least one preferential arrangement.

2.7. Members made significant progress in improving the availability of data on preferential tariffs and imports in compliance with the *Transparency Mechanism for PTAs* (WT/L/806). However, significant gaps remain in this area that impact the ability of the Secretariat to conduct a comprehensive analysis of current rates of preference utilization. As of [September] 2023:⁴

- (i) Complete data⁵ is available for: [Australia; Canada; Chile (since 2014); China; European Union; Iceland; India (since 2015); Japan (since 2015); Republic of Korea; Montenegro (since 2017); Switzerland (since 2012); Chinese Taipei; Thailand (since 2015); Türkiye; United Kingdom (since 2020); and United States. In addition, China and India advised at the June 2023 Committee meeting that they had liaised with the Secretariat regarding the provision of enhanced datasets to the WTO's Integrated Database (IDB), which would facilitate more accurate analysis of the uptake in the Generalized System of Preferences (GSP preferences)]; and
- (ii) no data, or only partial information, is available for: [Armenia; Kazakhstan; Kyrgyz Republic; Morocco; New Zealand (tariffs only); Norway; Russian Federation (tariffs only); and Tajikistan.]

2.8. In addition, one significant gap that has emerged concerns the availability of information on imports entering under "other" preferential schemes, whether these be regional trade agreements, other preferential arrangements, or special national regimes which offer tariff concessions.⁶ In fact, before concluding that LDCs are not utilizing, or not fully utilizing, a preferential trade arrangement, it is first necessary to verify whether or not benefits are being received under other preferences that may be available. In the absence of such data, a full analysis of trade between LDCs and preference-granting Members, including on the impact of rules of origin on the utilization of preferences, is not possible. In this sense, Members currently are encouraged – but are not obliged – to notify to the WTO their preferential imports and tariffs under such schemes.⁷

2.9. The Committee encourages all Members to consider the details of their IDB notifications and to improve them where possible. The Secretariat shall, upon request, provide technical assistance in relation to the submission of the data required for the IDB.⁸

⁴ Document series [G/RO/W/163](#) has been updated regularly to describe in detail these notifications [to be updated in light of developments by 15 September].

⁵ Data is available for all Members since 2010 unless otherwise indicated.

⁶ Tariff concessions include any special programme which allow imports of certain goods to be temporarily or permanently exempt from the "normal" import duty. They may be implemented for social, humanitarian, economic or industry assistance purposes. Typical concessionary regimes include imports into free trade zones and duty drawback for manufacturing exporters.

⁷ See paragraph 2 of the IDB Decision "*Modalities and operation of the Integrated Database (IDB)*" ([G/MA/367](#)).

⁸ Members may contact the Secretariat through the following email address: ldb@wto.org. See document [G/MA/367](#), paragraph 12, 23-254 on technical assistance.

3 RECENT DEVELOPMENTS REPORTED TO THE CRO

3.1. A number of developments relating to preferential rules of origin and related administrative requirements have been reported to the Committee since 2017, including the following:

- (i) Thailand initiated stakeholder consultations with a view to extending the duration of its preferential trade arrangement for LDCs. The consultation would also aim at expanding the coverage of eligible products and improving the rules of origin ([G/RO/77](#); [G/RO/91](#));
- (ii) China introduced a series of improvements, including new cumulation options (bilateral and regional cumulation). The government also implemented simplified documentary requirements for country-of-origin certification, allowing for the use of an importer's declaration based on any advance origin ruling issued by the customs administration of China. A *de minimis* value for low-value shipments (not more than CNY 6,000) was also introduced for which no certification was required. Finally, a system of electronic certification was rolled out to further simplify certification procedures ([G/RO/77](#); [G/RO/85](#));
- (iii) Australia reported that it had initiated a comprehensive review process of its GSP, including the applicable preferential rules of origin (paragraphs 4.1 to 4.7 of [G/RO/M/67](#); [G/RO/85](#));
- (iv) Japan informed Members about the simplification of preferential rules of origin for knitted apparel of HS Chapter 61 ([G/RO/77](#); [G/RO/81](#); [G/RO/85](#));
- (v) the European Union (EU) updated the Committee on several occasions on the introduction of its Registered Exporter System (REX System) for self-certification ([G/RO/79](#); [G/RO/94](#)). The REX System is also being utilized for imports to Norway ([G/RO/85](#)), Switzerland and Türkiye ([G/RO/87](#));
- (vi) Iceland reported that new legislation governing non-reciprocal preferences for LDCs was being prepared and would be notified in due course ([G/RO/89](#));
- (vii) the Russian Federation highlighted the key elements of its revised preferential rules of origin for LDCs being implemented under the Eurasian Economic Union (EAEU)'s Common System of Tariff Preferences, which had entered into force in January 2019. The new rules are based on a calculation of the value of non-originating materials ([G/RO/91](#));
- (viii) the United Kingdom updated Members on the continuation of its trade preferences for LDCs during the transition period until 31 December 2020 and after its withdrawal from the European Union ([G/RO/91](#)). The UK also informed Members about its Developing Countries Trading Scheme (DCTS) and the revised rules of origin to be implemented under it. The new rules simplified product-specific rules, introduced cumulation with up to 95 other eligible Members, and introduced the possibility of deducting freight and insurance costs from the calculation of the value of non-originating materials ([G/RO/97](#));
- (ix) Canada introduced changes to allow additional apparel products to qualify for duty-free treatment when imported into Canada in 2017 ([G/RO/82](#)); and
- (x) Norway expanded cumulation possibilities in 2017 by introducing cumulation among LDCs after an inter-ministerial working group had examined the Norwegian GSP scheme in light of the Nairobi Ministerial Decision. ([G/RO/85](#)).

4 IMPLEMENTATION OF THE BALI AND NAIROBI MINISTERIAL DECISIONS

4.1. Different submissions of the LDC Group compared the existing practices of preference-granting Members with the relevant paragraphs of the Nairobi Decision in order to highlight the aspects that, in the view of the LDC Group, needed to be reformed (Annex 3 contains a full list of such submissions). However, views about the status of implementation of the Nairobi Decision often diverged among the LDC Group and preference-granting Members.

4.1 Requirements for the Assessment of Sufficient or Substantial Transformation

4.1.1 *Ad valorem* percentage Criterion

4.2. Different submissions by the LDC Group have analysed preference-granting Members' practices in light of the relevant paragraphs of the Nairobi Ministerial Decision, and have highlighted the following:

- (i) The LDC Group reiterated the Group's preference, and the Nairobi Ministerial Decision's recommendation, for a method of calculation based on the ex-works price or free on board (f.o.b.) value of non-originating materials. Non-originating materials should be allowed up to 75% of the final value of goods;
- (ii) all preference-granting Members (except Australia, New Zealand, and the United States) whose rules were based on the *ad valorem* percentage criterion already use a method of calculation based on the value of non-originating materials;
- (iii) currently, only Canada and the United Kingdom meet the threshold of 75% of the value of non-originating materials; and
- (iv) currently, only the United Kingdom explicitly allows for the deduction of the costs of freight and insurance from the value of non-originating materials. Other preference-granting Members do not have such an allowance, or their rules were unclear in this respect.

4.3. Some preference-granting Members objected to such proposals stating that their present rules of origin already comply with the Nairobi Decision.

4.1.2 Change of Tariff Classification Criterion

4.4. Submissions by the LDC Group also analysed preference-granting Members' practices related to the use of rules of origin based on the change of tariff classification (CTC) criterion. The LDC Group focused on the rules used by the European Union, Japan, Norway, and Switzerland, and noted the following:

- (i) The LDC Group reiterated the Group's preference for the parameters contained in the Nairobi Ministerial Decision in this area, most notably, the elimination of exclusions and restrictions associated with CTC rules and the elimination of rules which impose a combination of two or more criteria for the same product;
- (ii) according to the LDC Group, exclusions and restrictions continue to be widespread and in most cases are not justifiable. Such rules are often also stricter than the rules of origin which have been agreed to in the context of free trade agreements; and
- (iii) the LDC Group circulated a list of product-specific rules used by Japan which, in its view, should be reformed ([G/RO/W/209](#)). Following this submission, bilateral consultations took place between the LDC Group and Japan in 2019. No further progress has been reported to the CRO and, according to the LDC Group, the points raised about the complexity of rules of origin in Japan still needed to be addressed.

4.1.3 Specific Working and Processing Criterion

4.5. The LDC Group has noted in different submissions that this criterion could be usefully used for textiles and clothing provided that it reflects a single transformation requirement (for example, "manufacture from fabric" for items of HS Chapter 62, as applied by the European Union and Japan). The same criterion could be used for HS Chapters 28 to 30 (namely, "chemical reaction").

4.2 Cumulation

4.6. The LDC Group pointed out that cumulation possibilities can provide important flexibility. However, cumulation possibilities should not be a substitute for simple and liberal rules of origin,

since cumulation is often associated with a series of administrative procedures and conditions. In this sense, the general and product-specific rules of origin had to be considered together with cumulation for a full appraisal of the leniency or stringency of the rules.

4.7. In this respect, the LDC Group noted difficulties related to the use of cumulation by Cambodia under the European Union's GSP ([G/RO/W/220](#)). The submission raised important cross-cutting issues concerning cumulation, the procedures attached to cumulation, and the graduation of LDCs and neighbouring countries in the same regional group. The submission shared lessons learned and best practices that preference-giving Members could adopt (i) to facilitate compliance with origin requirements; (ii) to mitigate any adverse effects arising from graduation by facilitating cumulation procedures; and (iii) to maintain regional value chains, as implicitly recommended by paragraph 2 of the Nairobi Decision on cumulation.

4.8. The submission described the complex and lengthy procedures to request extended cumulation in the European Union, noting that, since December 2022, when the application had been lodged, there had not been a formal response from the EU. The submission also highlighted that Canada had provided examples of best practices in addressing similar challenges, and explained that ACP countries participating in an economic partnership agreements (EPAs) with the EU could be facing similar difficulties in deriving the benefits of cumulation. The EU explained that the matter would be further discussed with Cambodia.

5 DOCUMENTARY REQUIREMENTS

5.1 Proof of Origin

5.1. The Nairobi Ministerial Decision recognizes self-certification as a useful trade facilitating practice. In that context, the LDC Group noted that the European Union, Norway, and Switzerland had introduced self-certification under the Registered Exporter System (REX). The Canadian GSP and the US AGOA also provided for self-certification, while Japan allowed for self-certification of origin in certain instances. The LDC Group requested the delegations of Chile; China; India; the Republic of Korea; the Russian Federation; Chinese Taipei; and Thailand to introduce self-certification as an option for certain goods.

5.2 Trade Facilitation Measures for Small Consignments

5.2. The issue of "minimizing documentation requirements for small consignments" has not yet been discussed in the Committee.

5.3 Documentary Evidence of Direct Consignment

5.3. The LDC Group noted in certain submissions that documentary evidence related to direct consignment could constitute an obstacle for certain LDCs, especially landlocked and island LDCs. In this respect, the LDC Group noted that most preference-granting Members required documentary evidence of non-manipulation in case of transit (either a through-bill of lading or a certificate of non-manipulation). In this sense, the LDC Group noted that the "non-alteration" rule introduced by the European Union could constitute a best practice in this area. Under the EU's new regime, the non-manipulation (non-alteration principle) clause shall be considered satisfied *a priori* unless customs administrations have a doubt about the goods ([G/RO/W/191](#)).

5.4. The LDC submission concluded that the non-alteration principle provision introduced by the European Union, or similar arrangements, such as those adopted by Australia and New Zealand, constituted a best practice that other preference-giving Members should progressively adopt.

6 IMPACT OF PREFERENTIAL RULES OF ORIGIN ON PREFERENCE UTILIZATION: THE ANALYSIS OF PREFERENCE UTILIZATION RATES

6.1. Further to paragraph 4.3 of the Nairobi Ministerial Decision⁹, Members have:

- (i) Agreed to modalities for the calculation of utilization rates; and
- (ii) considered several notes describing patterns of utilization of trade preferences by LDCs.

6.1 Linking Preference Utilization Rates and Preferential Rules of Origin

6.2. Preference utilization rates are a useful marker to examine the impact of origin-related requirements. In fact, customs will only grant preferential treatment to goods which are deemed to "originate" in the beneficiary country. In practice, a good must simultaneously satisfy three requirements:

- (i) A good must be wholly obtained in the beneficiary country or comply with minimum substantial transformation requirements (that is, satisfy general or product-specific rules of origin);
- (ii) a good must demonstrate compliance with such requirements by being accompanied by the prescribed proof of origin (namely, a certificate of origin delivered by a designated competent authority or certifying body, or a self-declaration of origin); and
- (iii) a good must in principle be directly consigned from the beneficiary country to the preference-granting country to avoid any risks of further manipulation in third or transit countries or, in case of transit, goods must satisfy the prescriptions in relation to documentary evidence about non-manipulation (or non-alteration) in transit.

6.3. If a preference is fully utilized (that is, a utilization rate of 100%), it *necessarily* indicates that these three requirements have been simultaneously met, and therefore that origin requirements did not hinder the utilization of the preference.

6.4. To the contrary, low preference utilization rates could indicate that these requirements are too demanding or too costly, and that in certain cases they cannot be met. Therefore, the calculation and monitoring of preference utilization rates offer a useful means by which to examine the extent to which rules of origin are facilitating market access for LDCs while allowing for the full use of the preferences available to them.

6.2 Modalities for the Calculation of Utilization Rates

6.5. First, regarding the methodology for the calculation of utilization rates, the Secretariat had proposed to use the following formula based on the discussion in [G/RO/W/161](#), namely the modalities of calculation agreed by the CRO:

		$pur_{i,p}^{value} = \frac{\sum_j \sum_p PTA_{j,p}^{reported}}{\sum_j \sum_p PTA_{j,p}^{eligible}}$
$pur_{i,p}^{value}$:	PREFERENCE UTILIZATION RATE (per cent) based on import value by preference granting Member	
where:	i	= preference granting Member
	j	= preference receiving Member
	p	= product
	$PTA_{j,p}^{reported}$	= imports reported to have taken place under the PTA preferential duty scheme
	$PTA_{j,p}^{eligible}$	= imports under any eligible tariff line, i.e. preferential duty < MFN duty rate.

6.6. More recently, the notes of the Secretariat have reflected a change of focus from "utilization" to "non-utilization" or "underutilization" instead. The methodology and data needs are identical, but, in the view of the Secretariat, the results allow for a more comprehensive analysis of the factors that define trade between LDCs and preference-granting Members. Underutilization rates reflect the

⁹ Paragraph 4.3 reads: "[...] Members reaffirm their commitment to annually provide import data to the Secretariat as referred to Annex 1 of the PTA Transparency Mechanism, on the basis of which the Secretariat can calculate utilization rates, in accordance with modalities to be agreed upon by the CRO".

proportion of imports which pay MFN duties despite being eligible for *at least one* trade preference programme as reflected in the following formula:¹⁰

$$pur_{i,p}^{value} = \frac{\sum_j \sum_p MFN_{j,p}^{pref\ eligible}}{\sum_j \sum_p PTA_{j,p}^{eligible}}$$

$pur_{i,p}^{value}$: PREFERENCE UNDERUTILIZATION RATE (per cent) based on import value by preference granting Member

where:

- i = preference granting Member
- j = preference receiving Member
- p = product
- $MFN_{j,p}^{pref\ eligible}$ = imports under any preference eligible tariff line, i.e., preferential duty < MFN duty rate, but are imported under the Most-Favoured-Nation (MFN) tariff
- $PTA_{j,p}^{eligible}$ = imports under any eligible tariff line, i.e. preferential duty < MFN duty rate.

6.3 Preference Utilization by LDCs

6.7. Different notes by the Secretariat and by the LDC Group and other delegations have reported on preference utilization rates and assessed the relevant implications (see Annex 1 and 2). In addition, the following events were organized which explored the factors that influence the utilization of trade preferences, including rules of origin:

- (i) A first [Webinar](#) organized by the Secretariat 2021 "What drives the utilization of trade preferences";
- (ii) a second, follow-up [Webinar](#) organized by the Secretariat in 2022 on "What drives the utilization of trade preferences"; and
- (iii) a [webinar](#) organized by the delegation of the United States during the 8th WTO Aid for Trade Review on "How can exporting countries improve utilization of US Trade Preference Programs?"

6.8. The examination of import statistics for the 2015-2019 period confirms that utilization of preferences can be improved in all preferential arrangements. It also confirms that utilization rates vary significantly across different preference-granting Members. Even in cases of overall high levels of utilization, there might also be "pockets" of non-utilization in certain sectors, and some preferential arrangements show a low or very low level of utilization.

6.9. In addition, preference utilization rates show significant annual variations, which confirms the benefits of examining multiple years to identify structural patterns and trends. Strong variations could also be an indication that the utilization of preferences is influenced by trade values.

6.10. While the discussions in the CRO were useful to better understand the impact of rules of origin on preference utilization, they also highlighted various limitations in the data that require the Committee's further consideration. In many cases, the relevant preference-granting Member identified discrepancies between the analyses and their own internal research, while in certain other cases, temporary tariffs and other factors not available to the Secretariat were identified as limiting the scope of the analysis.

6.4 Factors Not Related to Rules of Origin Which Affect the Utilization of Trade Preferences

6.11. The Secretariat has indicated in its notes that additional factors, not related to rules of origin, may help explain low rates of preference utilization, including:

- (i) The existence of several competing preferential schemes or the availability of other tariff concessions (for example, Australia grants trade preferences to Cambodia both under the "Australian System of Tariff Preferences" (ASTP) and under the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). As a result, low preference utilization under one scheme does not necessarily indicate problems related

¹⁰ G/RO/W/161/Rev.1 [to be issued].

to origin requirements in a specific scheme, and could rather simply reflect that trade is being channelled through multiple schemes); and

- (ii) economic operators may not be aware of the availability of preferences or may simply choose not to claim any preferential benefits, including because they perceive these benefits to be insignificant (such as a tariff margin that is too small) or because they perceive compliance costs to be too high (for example, the time or documentation needed to obtain a certificate of origin is too long, or the costs of consigning goods directly are too high).

6.5 Factors Related to Rules of Origin

6.12. Different submissions of the LDC Group and notes prepared by the Secretariat have explored the linkages between rules of origin and origin-related administrative requirements and the utilization of trade preferences. This link is complex and preference utilization rates do not always allow for clear-cut conclusions. The following points could be noted in this regard:

- (i) The under or non-utilization of preferences is common in many sectors, including sectors for which simple rules of origin apply, such as agricultural goods or minerals (that is, wholly obtained products). The LDC Group pointed to low utilization rates in the case of the preferences of China's and India. Low utilization rates affected a wide range of tariff lines, from raw materials, natural products, and agricultural products, to garments and other industrial products. The analysis showed zero utilization, especially for certain African LDCs. The delegation of China objected to these findings, explaining that benefits under other preferences or duty relief schemes could explain the low utilization of China's LDC preferences. China's response emphasized the need for the notification of a correct and complete dataset. The LDC Group called on China and India to provide the WTO Secretariat with an appropriate and complete set of data;
- (ii) the utilization of trade preferences also varies greatly from one LDC to another. Going forward, a better understanding of these differences – and particularly the case of LDCs who managed to improve their utilization rates, such as Afghanistan or Rwanda – could yield useful insights about the mechanics behind better preference utilization;
- (iii) there might be a "learning by doing effect" in the case of at least one PTA-LDC (Chile). It would be useful to better understand any strategies that were implemented to increase awareness of, and compliance with, preferential origin requirements;
- (iv) direct consignment obligations seem to have a significant impact on the ability of LDCs to utilize their available trade preferences. Landlocked LDCs find it more difficult to benefit from trade preferences. In fact, the analysis shows that there is a significantly lower utilization of preferences in the case of landlocked LDCs. In a detailed analysis of utilization rates for Switzerland, the LDC Group identified large pockets of underutilization. Bilateral consultations between Switzerland and the LDC Group helped to identify reasons linked to the direct consignment requirement. However, reforms to facilitate LDC compliance with this requirement, and to contribute to a higher utilization of the Swiss preferences, have not yet been reported to the CRO;
- (v) the modalities concerning proofs of origin also seem to have a significant impact on the ability of LDCs to utilize trade preferences. Self-certification is associated, in general, with better preference utilization. Nevertheless, these findings need to be interpreted with caution given limitations in the methodology and data, as well as the difficulties in isolating the impact on origin certification of other factors; and
- (vi) better preference utilization also requires trade facilitation reforms in beneficiary LDCs, in particular to promote trade preferences among economic operators, and facilitate and simplify the administrative procedures for the application and delivery of certificates of origin.

6.13. Going forward, some preference-granting Members have noted that it would be useful for preference-granting Members and beneficiary LDCs to strengthen their cooperation for the

calculation of utilization rates, and to strive together to improve the accuracy of the relevant research.

6.14. In relation to the utilization of trade preferences, Members also took note of the launch by UNCTAD of the online platform "[Database on Generalized System of Trade Preferences Utilization](#)". This tool provides information on the utilization of the GSP schemes, as well as other trade preferences granted to developing countries and LDCs by Canada, the European Union, Japan, and the United States.

7 WAY FORWARD

7.1. [Members reaffirm their commitment and shared responsibility to achieving the objective of implementing preferential rules of origin for LDCs that are simple and transparent and that contribute to facilitating market access. Members agree to continue their work in the CRO, and in particular:

- (i) Continue an examination of substantive aspects of the preferential rules of origin used by preference-granting Members in light of the provisions of the Bali and Nairobi Ministerial Decisions;
- (ii) identify, as appropriate, lessons learned and best practices to design and administer rules of origin;
- (iii) preference-granting Members shall review their legislation in light of the provisions of the Nairobi Ministerial Decision and any agreed best practices and report on any developments to the CRO. Members that are not in a position to align their legislation with such provisions and best practices shall submit the reasons for such non-alignment;
- (iv) the Committee shall continue to report on the progress made in implementing the Ministerial Decisions and any recommendations to the General Council; and
- (v) in the context of the efforts made to improve the functioning of the CRO, it is recommended that the CRO may be provided with funds from the technical assistance budget of the WTO to carry out research on identifying specific difficulties encountered by LDCs in meeting rules of origin and related administrative requirements.]

8 REFERENCES TO DOCUMENTS CONSIDERED BY THE CRO (2013-2023)

Annex 1 contains a list of documents submitted by delegations. Annex 2 contains the list of background notes prepared by the WTO Secretariat. Annex 3 contains the list of annual reports from the CRO to the General Council on preferential rules of origin for LDCs since 2013.

ANNEX 1

DOCUMENTS CONCERNING PREFERENTIAL RULES OF ORIGIN FOR LDCS

List of Documents Submitted by the LDC Group on Preferential Rules of Origin for LDCs (2013-2023)

Document Symbol	Title	Member	Date of Discussion
G/RO/W/148	Challenges Faced by LDCs in Complying with Preferential Rules of Origin under Unilateral Preference Schemes	LDC Group	November 2015
G/RO/W/154	Elements for a Discussion on Preferential Rules of Origin for LDCs	LDC Group	April 2015
G/RO/W/159	Implementation of the Ministerial Decisions on Preferential Rules of Origin for Least Developed Countries	LDC Group	April 2016
G/RO/W/169	Possible Agenda Items for a Dedicated Session of the CRO Meeting on Preferential Rules of Origin for LDCs	LDC Group	October 2017
RD/RO/52	Developments Regarding Methods of Calculation of the Percentage Criterion (Paragraph 1.1 of the Nairobi Decision)	Tanzania and Lao PDR (on behalf of the LDC Group)	October 2017
RD/RO/53	Developments Regarding Methods using a Change of Tariff Classification Criterion to Determine Substantial Transformation (Paragraph 1.2 of the Nairobi Decision)	Benin (on behalf of the LDC Group)	October 2017
RD/RO/54	Developments Regarding Methods using a Specific Manufacturing or Processing Operation Criterion to Determine Substantial Transformation (Paragraph 1.3 of the Nairobi Decision)	Myanmar (on behalf of the LDC Group)	October 2017
RD/RO/55	Developments Regarding Methods using a Combination of Requirements to Determine Substantial Transformation (Paragraphs 1.4 and 1.5 of the Nairobi Decision)	Tanzania (on behalf of the LDC Group)	October 2017
RD/RO/56	Developments Regarding Cumulation Provisions (Paragraphs 2.1 and 2.2 of the Nairobi Decision)	Cambodia (on behalf of the LDC Group)	October 2017
RD/RO/57	Developments Regarding Documentary Requirements (Paragraph 3 of the Nairobi Decision)	Nepal (on behalf of the LDC Group)	October 2017
RD/RO/58	Utilization Rates under Preferential Trade Arrangements for Least Developed Countries	Yemen (on behalf of the LDC Group)	October 2017

Document Symbol	Title	Member	Date of Discussion
G/RO/W/174	Implementation of the Nairobi Ministerial Decision on Preferential Rules of Origin for LDCs	LDC Group	April 2018
RD/RO/73	Identifying Low Utilization of Trade Preferences Due to the Stringency of Rules of Origin: New Evidence	Tanzania (on behalf of the LDC Group)	October 2018
G/RO/W/184 and Rev.1 RD/RO/79 (presentation)	Rules of Origin Based on a Change of the Tariff Classification Criterion	LDC Group Tanzania (on behalf of the LDC Group)	May 2019
G/RO/W/186 and RD/RO/80 (presentation)	Further Evidence from Utilization Rates	LDC Group Bangladesh (on behalf of the LDC Group)	May 2019
G/RO/W/191 and RD/RO/82 (presentation)	Direct Consignment Rules and Low Utilization of Trade Preferences	Cambodia (on behalf of the LDC Group)	October 2019
G/RO/W/192 and RD/RO/84 (presentation)	Further Evidence from Utilization Rates: Utilization by LDCs of China's Preference	LDC Group Tanzania (on behalf of the LDC Group)	October 2019
RD/RO/87	Fifth Anniversary of the Nairobi Ministerial Decision: Review of Implementation, Identification of Gaps and the Way Forward	Yemen and Cambodia (on behalf of the LDC Group)	March 2020
G/RO/W/202 and RD/RO/91	Submission of the LDC Group to the Committee on Rules of Origin <i>Ad Valorem</i> Criterion (Paragraph 1.1 of the Nairobi Decision)	LDC Group Tanzania and Afghanistan (on behalf of the LDC Group)	November 2020
G/RO/W/198	Submission of Chad on Behalf of the LDC Group on Preferential Rules of Origin for Least Developed Countries	LDC Group	November 2020
G/RO/W/209	Further Submission on Rules of Origin Based on a Change of Tariff Classification: The Case of Rules of Origin used by Japan	LDC Group	October 2021
G/RO/W/210	Taking Note of the Implementation of the Bali and Nairobi Ministerial Decisions at MC12	LDC Group	October 2021
G/RO/W/211	Examination of Existing Origin-Related Documentary Requirements (Paragraph 1.8 of the Bali Decision and Paragraph 3.1 of the Nairobi Decision)	LDC Group	April 2022
G/RO/W/216	Preliminary Examination of Proposed New Rules of Origin under the UK Developing Countries Trading Scheme (DCTS)	LDC Group	October 2022
G/RO/W/220	The Impact of GSP Graduation on LDCs and Cumulation – The Case of Cambodia	Cambodia	June 2023

Document Symbol	Title	Member	Date of Discussion
G/RO/W/222 and RD/RO/102 (presentation)	Further Evidence from Utilization Rates Utilization by LDCs of China and India's Preference	LDC Group Senegal (on behalf of the LDC Group)	June 2023
RD/RO/103	Alternative Methods of Assessing Utilization of Preferential Rules of Origin of LDCs	China	June 2023

ANNEX 2

LIST OF BACKGROUND NOTES PREPARED BY THE SECRETARIAT ON PREFERENTIAL RULES OF ORIGIN FOR LDCS (2013-2023)

Document Symbol	Title	Date
G/RO/W/161 [and Rev.1 to be issued]	Modalities for the Calculation of "Preference Utilization"	25 August 2016
G/RO/W/168/Rev.1	Utilization Rates under Preferential Trade Arrangements for Least Developed Countries under the LDC Duty Scheme	4 October 2017
G/RO/W/178	Preferential Rules of Origin for Least-Developed Countries Rules of Origin Based on the Criterion of Change of Tariff Classification	15 October 2018
RD/RO/W/179	Utilization Rates under Preferential Trade Arrangements for Least Developed Countries under the LDC Duty Scheme	15 October 2018
G/RO/W/185	Utilization Rates under Preferential Trade Arrangements for Least Developed Countries Under the LDC Duty Scheme	9 May 2019
G/RO/W/187/Rev.1 and RD/RO/81 (presentation)	Impact of Direct Consignment Requirements on Preference Utilization by LDCs	17 October 2019
G/RO/W/203 and RD/RO/89 (presentation)	Calculation of Utilization Rates under Preferential Duty Schemes for Least Developed Countries: The Case of Minerals and Metals	13 November 2020
G/RO/W/204 and RD/RO/94 (presentation)	Utilization of Trade Preferences by Least Developed Countries: 2015-2019 Patterns and Trends	7 May 2021
G/RO/W/212 and RD/RO/99 (presentation)	Certification of Origin and the Utilization of Trade Preferences by Least Developed Countries	6 June 2023

ANNEX 3

LIST OF REPORTS TO THE GENERAL COUNCIL ON PREFERENTIAL RULES OF ORIGIN FOR LDCS

Year	Annual Reports to the General Council	
	Draft	Adopted
2014	-	G/RO/76
2015	G/RO/W/156	G/RO/77
2016	G/RO/W/164/Rev.2	G/RO/79
2017	G/RO/W/173	G/RO/85
2018	G/RO/W/180	G/RO/87
2019	G/RO/W/188/Rev.1	G/RO/89
2020	G/RO/W/201	G/RO/91
2021	G/RO/W/207	G/RO/94
2022	G/RO/W/213/Rev.1	G/RO/97
2023	[To be issued]	[To be issued]