

WTO Ministerial Decisions on Preferential Rules of Origin for Least Developed Countries

update on latest developments

Darlan F. MARTÍ

Secretary, WTO Committee on Rules of Origin

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Overview



- Quick recap: the WTO [Bali \(2013\)](#) and [Nairobi \(2015\)](#) Ministerial Decisions on preferential rules of origin for LDCs: objectives and scope
- Update on trade preferences available to Least Developed Countries
- The implementation of the [Nairobi \(2015\) Ministerial Decision](#)
- Latest developments reported by Members
- Latest developments in the WTO Committee on Rules of Origin

The rationale for focused work on preferential rules of origin is to make such rules “simple and transparent” and therefore enhance the use of existing trade preferences for LDCs

1. Trade Preferences for LDCs

Selected WTO Members	% lines duty-free
Australia	100%
Canada	98.5%
Chile	99.5%
China	96.6%
European Union	99.8%
India	94.1%
Japan	97.8%
Republic of Korea	89.9%
New Zealand	100%
Norway	100%
Russian Federation	61.2%
Switzerland	100%
Chinese Taipei	32.1%
Thailand	71.1%
Türkiye	78.7%
United States	82.4%

Non-reciprocal trade preferences for LDCs: 27 different WTO Members offer non-reciprocal trade preferences to the LDCs
(EU and its Member States counted as 1)

Source: WTO (Table 4, WT/COMTD/LDC/W/70) - 2022

Implementing trade preferences for LDCs



- [2005 Hong Kong Ministerial Declaration](#) : preferential market access for LDCs must improve on 2 tracks:

Coverage

- increase coverage to at least 97% of TL

Rules of Origin

- “simple and transparent”

How to operationalize that objective (*what are “simple” rules?*)

Non-reciprocal trade preferences stem from unilateral concessions and hence, the applicable rules of origin are not negotiated or harmonized

2. Preferential Rules of Origin for LDCs

The 2013 Bali Ministerial Decision

- [Preferential Rules of Origin for LDCs \(WT/L/917\)](#): First WTO legal instrument containing detailed provisions on the design of Preferential Rules of Origin
- Explicit recognition that each Preference Granting Member may maintain its own approach while achieving the objectives of the Decision (*no single system is “better”*)
- Builds upon the previous Decision: [Preferential Rules of Origin for LDCs \(WT/L/917/add.1\)](#)
- Same “spirit”: encourages preference-granting WTO Members to gradually reform their rules of origin
- Lays out a more precise set of provisions for the *simplification and relaxation of specific aspects of rules of origin*
- Enhances transparency provisions and the monitoring and reporting function of the CRO

Nairobi Decision - coverage

Design of RO

- Value, CTC, Process
- Eliminate restrictions and combination RO
- Expand cumulation possibilities

Procedures

- Mainstream and streamline procedures
- Self certification
- Relaxation of direct consignment

Transparency

- Notification
- Impact (utilization rates)
- Examination (best practices)

Work in the WTO Committee on Rules of Origin is necessary for the full implementation of the Ministerial Decisions

3. Latest developments

2022 Committee Decision (G/RO/95)



- Members underscore the importance of **identifying and addressing** as appropriate **specific challenges that least-developed countries (LDCs) face**, as Members may agree, **in complying with preferential rules of origin and origin requirements** to effectively use trade preferences.
- Towards that end, the Committee on Rules of Origin (CRO) should continue its efforts to facilitate the implementation of the Nairobi Ministerial Decision on preferential rules of origin for LDCs (WT/L/917/Add.1) with a view to ensuring that preferential **rules of origin applicable to imports from LDCs are transparent and simple and contribute to facilitating market access**.
- The work of the CRO could include **identifying and agreeing upon best practices** by all Members on preferential rules of origin and related administrative requirements and **further analysing existing origin requirements and the utilization of trade preferences**.
- The CRO should report its work to the General Council ahead of the Thirteenth Ministerial Conference

12th Ministerial Conference



- We welcome the decision of the Committee on Rules of Origin (CRO) adopted on 14 April 2022 (G/RO/95) on Preferential Rules of Origin and the Implementation of the Nairobi Ministerial Decision.
- We instruct the CRO to report its work to the General Council ahead of the Thirteenth Ministerial Conference



Strands of the technical work in the COR



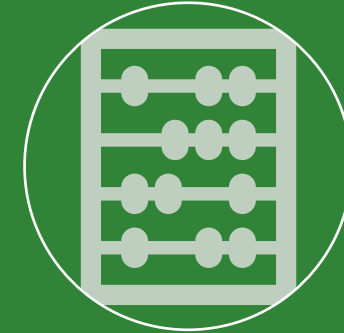
Transparency

(notification about applicable requirements and easy access to them)



Examination of the rules

(examination of the rules in light of the requirements of the Ministerial Decisions)



Impact

(calculation of utilization rates to identify rules of origin that may be hindering the full use of preferences)





RULES OF ORIGIN FACILITATOR

Your gateway to trade agreements



WORLD TRADE ORGANIZATION

What are you exporting?

EXPORT FROM

Select country

IMPORT TO

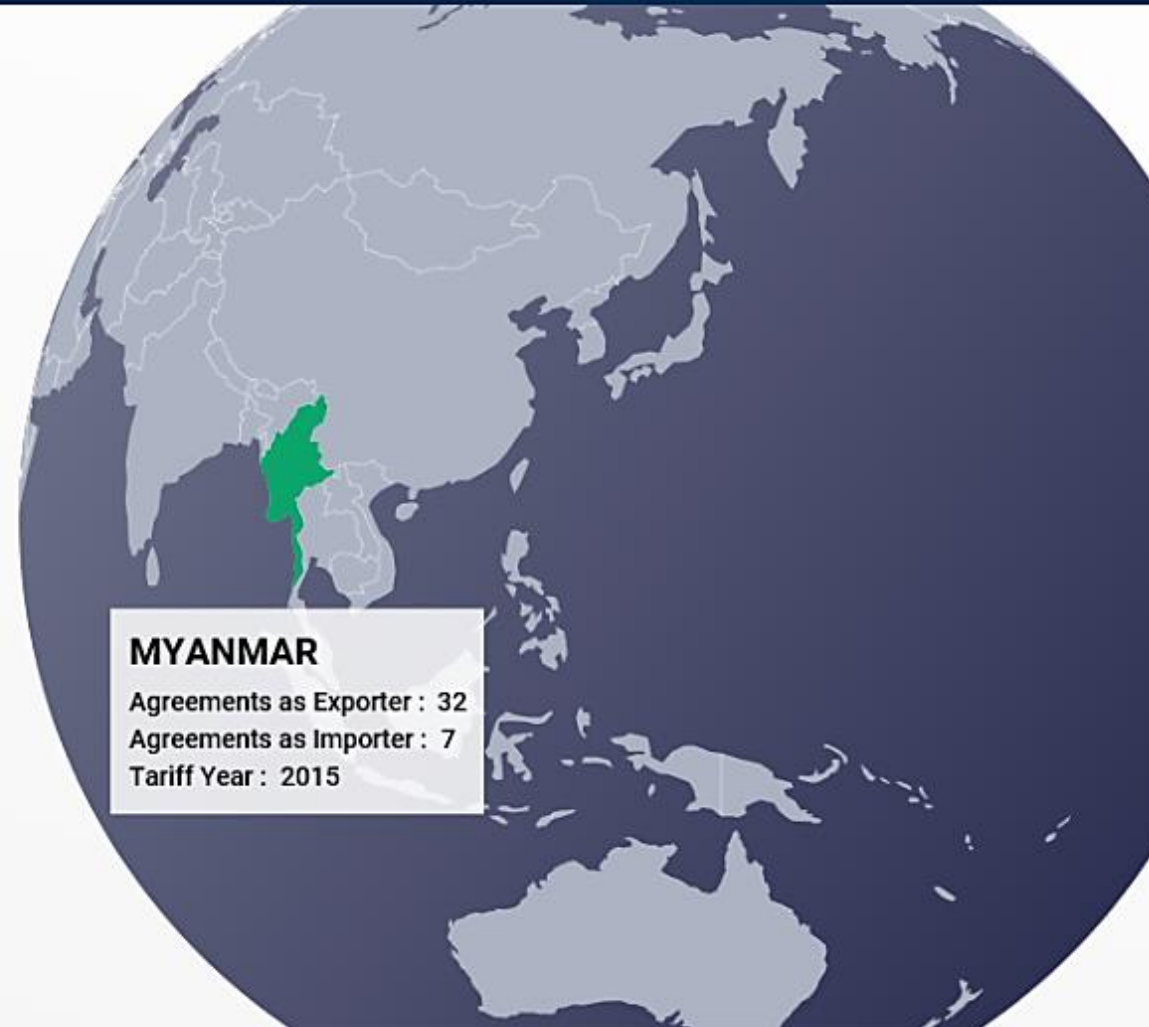
Select country

PRODUCT NAME OR HS CODE ⓘ

Search product by code or name

What's my product code?

SEARCH



MYANMAR
 Agreements as Exporter : 32
 Agreements as Importer : 7
 Tariff Year : 2015

Access to origin requirements at the tariff line level

Standardized information provided by delegations has been organized and simplified to provide easier access to origin requirements:

ORIGIN FACILITATOR

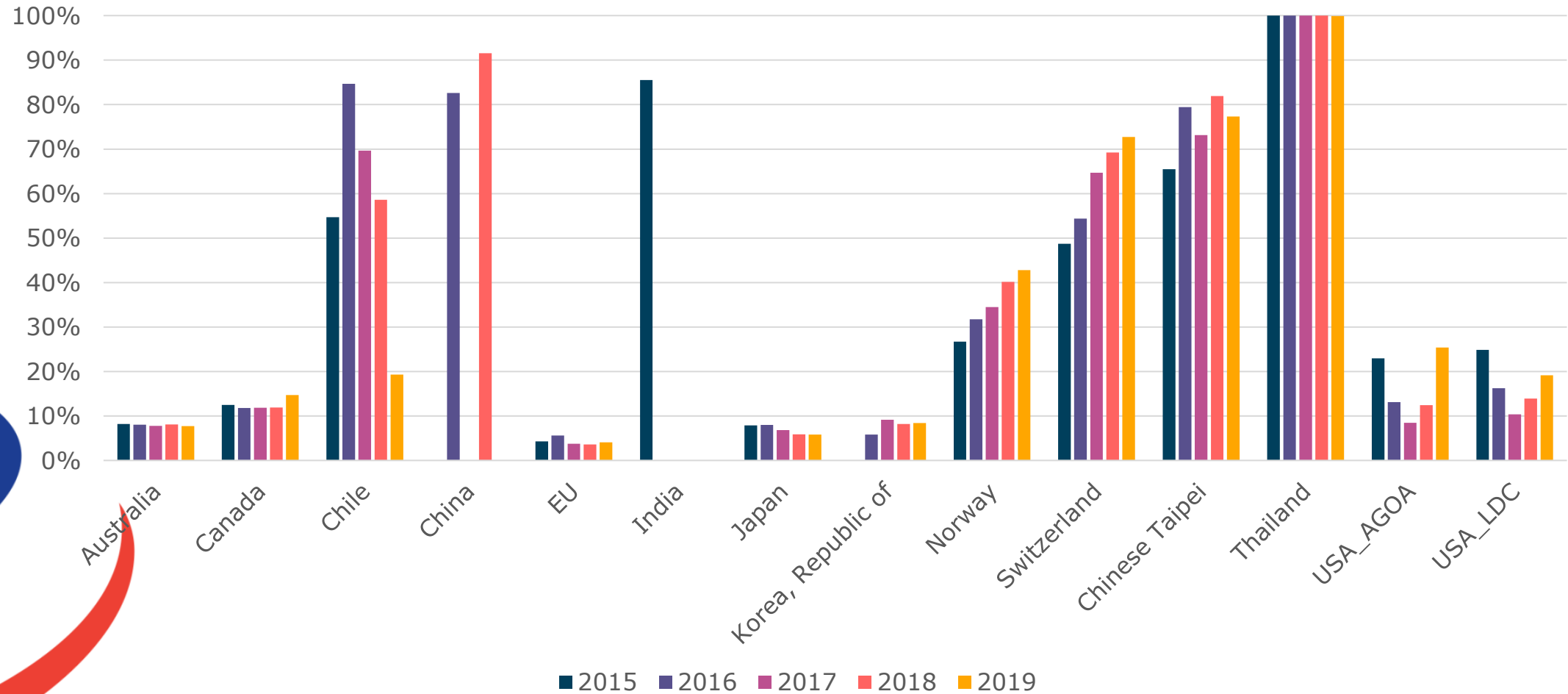
<https://findrulesoforigin.org/>

Secretariat research on the impact of RO on the utilization of preferences (by LDCs)



- Notes by the WTO Secretariat: [G/RO/W/168/Rev.1](#); [G/RO/W/179](#); [G/RO/W/185](#); [G/RO/W/187/Rev.1](#); [G/RO/W/203](#); [G/RO/W/204](#) and [G/RO/W/212](#)
- Utilization can improve in all schemes and sectors, but underutilization is more acute in some cases
- At the aggregate level, there is no apparent connection between the origin criterion and the levels of underutilization. Underutilization is consistently high in some sectors subject to the “wholly obtained” criterion, including agricultural goods
- During the 2015-2019 period, there were no major reforms of rules of origin, so it is not possible to identify the impact that changes to product-specific rules of origin might have had. However, the type of the rule does not seem to influence significantly utilization rates
- This seems to confirm that other factors could have a strong influence (direct consignment, certification obligations, split consignments, awareness). Better understanding such linkages could also help identify best practices.

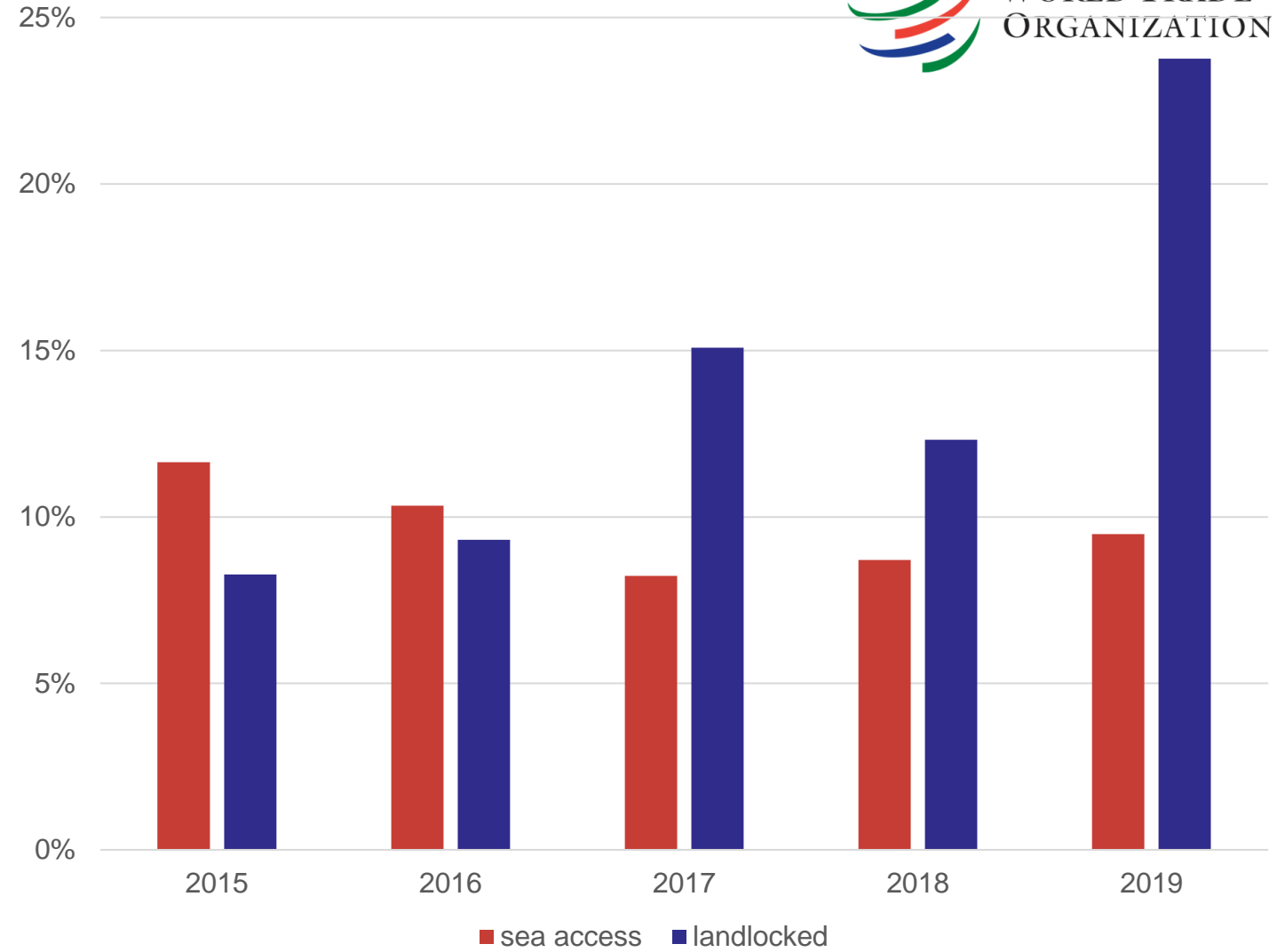
Underutilization across schemes



Underutilization rates by group of LDCs:

Landlocked LDCs vs. LDCs with sea access

- **Landlocked LDCs find it harder to utilize trade preferences** and that trend has been intensifying
- Analysis by the Secretariat raised the hypothesis that this could be related to difficulties in complying with direct consignment obligations (ex. through bill of lading or certificates of non-manipulation)



Source: WTO Secretariat, G/RO/W/204, Data for India and China excluded

Better understanding the factors that drive preference utilization



- Two webinars explored the linkages between rules of origin and the utilization of trade preferences
- Speakers explored the different factors which influence the ability and willingness of businesses to utilize trade preferences and shared their experience monitoring the utilization rates of their trade preferences. Experience shared included those of government officials from Australia; Canada; Chile; Japan; South Africa; Switzerland; Türkiye; the United States; and the EFTA Secretariat (Iceland; Liechtenstein; Norway; and Switzerland). Academics also presented research in this area.
- 2021: ["What drives the utilization of trade preferences" \(1\)](#) (via Zoom, recording available)
- 2022: ["What drives the utilization of trade preferences" \(2\)](#) (via Zoom, [recording available](#)).

Path to reforms



Review of developments : annual reports to the General Council

Australia; Eurasian Economic Union; Thailand; New Zealand..: review of preferences and RO

Japan; Canada: simplification of some product specific rules

China: expansion of cumulation possibilities (bilateral, regional cumulation with some RTA partners)

Russia (Euro Asian Economic Union): adoption of the Ministerial Decision's language (60% of VNOM)

New UK preferential scheme with explicit reference to WTO work

Better data: more detailed analysis of preferential trade patterns

Lessons learnt are relevant for rules of origin in different contexts (RTAs and CU)

Thank you for your attention!

Darlan F. Marti
Secretary, Committee on Rules of Origin
World Trade Organization (WTO)
Darlan.Marti@wto.org