

Committee on Rules of Origin

PROGRESS REPORT OF THE COMMITTEE ON RULES OF ORIGIN TO THE COUNCIL FOR TRADE IN GOODS ON THE STATUS OF THE HARMONIZATION WORK PROGRAMME

1. One of the main objectives of the Agreement on Rules of Origin is to harmonize non-preferential rules of origin, as envisaged under Article 9 in Part IV of the Agreement. The Harmonization Work Programme (HWP), which was launched on 20 July 1995, was scheduled for completion, pursuant to Article 9.2(a) of the Agreement, within three years of its initiation, i.e. by 20 July 1998. However, while the Committee on Rules of Origin (CRO) and the Technical Committee on Rules of Origin in Brussels (TCRO) – the body responsible for the technical aspects of the work - made substantial progress in the HWP during this three-year period, the work, due to the complexity of issues, has not been completed as scheduled. While recognizing that the CRO was mandated to complete the HWP within three years of its initiation and the importance of concluding its Work Programme forthwith so as to provide more certainty in the conduct of world trade and to ensure that rules of origin do not themselves create restrictive, distorting or disruptive effects on international trade, the Council for Trade in Goods (CTG) and the General Council, in July 1998, approved the recommendations of the CRO that it, in cooperation with the TCRO, should continue the work identified in Articles 9.2(c) and 9.3 of the Agreement; that Members commit themselves to make their best endeavour to complete the HWP by November 1999; that the TCRO shall submit the final result of its work to the CRO by the end of May 1999 for final consideration by the CRO; that the CRO shall report to the CTG on the progress of work in February, June and October 1999; and that in June 1999 the CRO shall review the status of the HWP and make a recommendation on a deadline for completing that work (G/RO/25). This progress report is made in this context.

2. Since its meeting in February 1999, the CRO has held two meetings, in April and June 1999, and discussed the issue of application of residual rules, as well as implications of the implementation of the harmonized rules of origin on other WTO Agreements. As concerns the issue of application of residual rules, it was considered necessary to clarify further points raised by delegations concerning certain administrative aspects concerning the options A, B and C transmitted to the Committee by the TCRO as well as points raised concerning matter of substance. The Secretariat has sent these questions to the proponents of the options as well as to the TCRO. On the basis of these enquiries, some Members held informal consultations to explore a new approach rather than the ones indicated in the three options (G/RO/M/22). The new approach was discussed in the TCRO at its Seventeenth Session. As concerns the implications of the implementation of the harmonized rules of origin on other WTO Agreements, the CRO discussed a proposal made by India in April 1999 on implications of certain major proposals for harmonized rules of origin (G/RO/W/42).

3. The TCRO continued its discussions over the overall architecture of the harmonized rules of origin and rules of origin for specific products in Chapters 1-97 at its two sessions in March and May 1999 (G/RO/35 & 37). As concerns the overall architecture of the harmonized rules of origin, the TCRO submitted to the CRO the provisional text with brackets and observations indicating the remaining concerns of various Members. In respect of certain questions of overall architecture, the discussions were considered to have been exhausted and templates have been prepared for decision by the CRO. As concerns product-specific rules, including residual rules, the TCRO has completed its

discussions and prepared templates of unresolved issues for decision by the CRO. The Chairman of the TCRO submitted on 9 June 1999 to the CRO his report on final results under the HWP.

Status of the Harmonization Work Programme at the end of June 1999

A. Overall Architecture

Several texts are in square brackets (G/RO/37/Add.1).

B. Appendix 1 – Wholly obtained goods

The texts in square brackets are as follows (G/RO/W/13/Rev.3):

- Paragraph 1(g) (Non-repairable articles)
- Paragraph 1(h) (Parts recovered from non-repairable articles)
- Paragraph 1(i) (Goods obtained from goods from paragraphs 1(a)-1(h))
- Paragraph 2 (Products taken from the sea outside a country)

C. Appendix 2 – Product-specific rules of origin

The number of unresolved issues transmitted to the CRO for decision, for each product group, is as follows:

Chapter number	Document symbol	Unresolved issues transmitted to the CRO for decision
1-24 (Agricultural products and fish)	G/RO/22/Add.1 G/RO/27/Add.1 G/RO/37/Add.3	120
25-27 (Mineral products)	G/RO/W/23/Rev.1 G/RO/27/Add.1	6
28-40 (Chemicals)	G/RO/27/Add.1 + Corr.1	36
41-43 (Leather)	G/RO/W/23/Rev.1 G/RO/23	5
44-49 (Wood and paper)	G/RO/19/Add.1 G/RO/27/Add.1	11
50-63 (Textiles)	G/RO/W/27 G/RO/27/Add.1 G/RO/37/Add.3	75
64-67 (Footwear)	G/RO/19/Add.1 G/RO/27/Add.1	14
68-70 (Ceramics)	G/RO/19/Add.1 G/RO/23 G/RO/27/Add.1	11
71 (Precious stones and metals)	G/RO/19/Add.1 G/RO/27/Add.1	4
72-73 (Steel)	G/RO/27/Add.1	12
74-81 (Metals)	G/RO/27/Add.1 + Corr.1	24
82-83 (Articles of metal)	G/RO/27/Add.1 G/RO/37/Add.3	18

Chapter number	Document symbol	Unresolved issues transmitted to the CRO for decision
84-90 (Machinery)	G/RO/37/Add.2	86
91 (Clocks and watches)	G/RO/W/23/Rev.1	6
92 (Musical instruments)	G/RO/19/Add.1	2
93-97 (Miscellaneous articles)	G/RO/37/Add.3	32
		TOTAL: 462

Continuation of the Harmonization Work Programme

1. In accordance with paragraph 4 of G/RO/25, the CRO is required to review in June 1999 the status of the HWP and to make a recommendation on a deadline for completing the HWP.
2. Delegations expressed differing views on how to proceed with the continuation of the HWP.
3. As concerns the continuation of the HWP, one delegation proposed the scheduling of substantive meetings of the CRO in July, September and October 1999 to discuss all aspects of the remaining work including overall architecture, implications of some proposals for harmonizing rules of origin on the rights and obligations of Members under other WTO Agreements, and product-specific rules as, according to that delegation, is mandated in G/RO/25. This delegation emphasized that these issues were related to each other and their early resolution would be facilitated by their simultaneous consideration. This proposal included the suggestion that, based on the progress made in these meetings, the consideration of a deadline for the completion of the HWP in the CRO could be postponed to the end of the meeting in October 1999, when Members would have a better appreciation of the remaining work.
4. Several delegations supported this proposal as, in their view, it places emphasis on continuation of substantive work of the CRO as mandated, and further that in October 1999, the CRO would be in a better position to reflect on the recommendation of a deadline. Other delegations stated the view that they were equally interested in the continuation of the HWP, and that valuable time should not be taken away from completing the HWP by postponing the consideration of a deadline, given the unlikelihood of achieving such a recommendation in October 1999.
5. Another Member stated that, in its view, it appeared clear that it would not be possible for the CRO to meet the November 1999 best-endeavour deadline set out in the current mandate. This Member also stated that a long procedural discussion at the October 1999 meeting on establishing a recommendation on a deadline should be avoided. Based on these reasons, that Member proposed that the CRO recommend now a deadline of July 2000 for completing the remaining work.
6. In the course of the discussion, there was consensus on a number of elements:
 - all Members emphasized the importance of the continuation and completion of the HWP;
 - all Members agreed that there remains a substantial amount of work for the CRO to complete the HWP;
 - all Members agreed that they want to continue the substantive work on all outstanding issues, including the overall architecture and product-specific rules, as early as possible;

- all Members agreed that they want to continue the substantive work on the issue of the implications of the implementation of the harmonized non-preferential rules of origin on other WTO Agreements;
- all Members emphasized the importance of early establishment of harmonized non-preferential rules of origin for facilitating trade.

7. The CRO could not reach agreement on the proposals mentioned in paragraphs 3-5 above, including on the recommendation on a deadline.
