

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/RO/M/40**

18 June 2002

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## Committee on Rules of Origin

### MINUTES OF THE MEETING OF 19 APRIL 2002

Chairman: Mr. Stefan Moser

The agenda proposed for the meeting, contained in WTO/AIR/1743, was adopted by the Committee on Rules of Origin (CRO) as follows:

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## **I. OVERALL ARCHITECTURE OF THE HARMONIZED RULES OF ORIGIN**

1.1 The Chairman stated as follows:

### "DEFINITIONS

Consensus on the definitions was confirmed.

### GENERAL RULES

#### General Rule 1: Scope of Application

Consensus on this rule was confirmed.

#### General Rule 2: HS

##### Paragraph 1

Consensus on this rule was confirmed.

Paragraph 2

On the basis of the informal discussions the Chairman proposed the following text for consideration at the next meeting: "The possible effect of amendments to the HS on the harmonized non-preferential rules of origin shall be examined according to the review mechanism referred to in Article 6(3) of this Agreement." Some Members preferred the alternative text contained in document G/RO/45/Rev.1.

General Rule 3: Determination of origin

Consensus on this rule was confirmed.

General Rule 4: Neutral Elements

Consensus on the unbracketted text was confirmed. However one delegation requested that the bracketed text be included in the provision until a complete picture was obtained.

General Rule 5: Packing and Packaging

Consensus had already been reached at the previous session. However one delegation requested that the alternative text be contained in the Chairman's box until a complete picture was obtained.

General Rule 6: Accessories and Spare Parts and Tools

Consensus on this rule was confirmed.

APPENDIX 1

(a) Scope of Application

Consensus on this rule was confirmed.

(b) Minimal Operations and Processes

Consensus on this rule was confirmed. It was agreed that the possibility of application of this rule to Appendix 2 should be reconsidered at a later stage when the work was virtually completed.

Definition 1: Letter (a) through (i)

Consensus on this rule was confirmed.

Definition 2: Products of sea fishing and other products taken from the sea

No consensus was reached. One Member proposed an alternative text for Alternative Text 1(iii).

APPENDIX 2: PRODUCT-SPECIFIC RULES OF ORIGIN

Rule 1: Scope of Application

Consensus on this rule was confirmed.

Rule 2: Application of Rules

Consensus was confirmed on Rule 2(a).

As regards Rule 2(b) the concept of the co-equality of primary rules was acceptable to all Members. Further fine-tuning of the text would be needed at a later stage when the work was virtually completed.

As regards Rule 2(c), consensus was achieved on the following text (subject to HK): "[Unless otherwise specified,] primary rules shall apply only to non-originating materials." The bracketed text would be reconsidered when a complete picture was obtained.

As regards Rule 2(d), it was agreed that this rule be reconsidered at a later stage when the work was virtually completed.

As regards Rule 2(e), no objection was raised.

### Rule 3: Determination of Origin

As regards Rule 3(a) one Member made a new proposal. Members stated that they needed more time to study this proposal. Another Member suggested reversing the order of Rules 3(a) and 3(b).

As regards Rules 3(b), (c) and (f), there was a general agreement among Members on the basic approach to Rule 3, namely, the application of primary rules in the last country of production as the first test, the application of the origin-retaining concept as the second test, and the application of major portion concept as a final test. The gap among the various approaches would become more bridgeable at a later stage when a complete picture was obtained.

Consensus was confirmed on Rules 3(d) and (e). However it was noted that Rule 3(e) might not be necessary, since the application of Rules 3(f) and (g) would result in the same origin outcome.

### Rule 4: Intermediate Materials

The principle of this provision was acceptable to all Members. However, one delegation confirmed its request for the initial bracketed text to be included in the provision until a complete picture was obtained. Another delegation requested that the Chairman's box should contain an indication whereby the originating status was acquired by fulfilling a primary rule or chapter residual rule.

### Rule 5: Interchangeable goods and materials

Some Members questioned the meaning of the interchangeable goods and what type of goods or materials were covered by this Rule. Accordingly, proponents of the Rule were requested to improve the text.

### Rule 6: Putting up in sets or kits

There was growing consensus that putting up in sets was not origin-conferring, and that there was no need for a specific rule as well as for reference in Rule 2(d) of Appendix 2. Three delegations reserved their positions.

### Rule 7: Collection of parts

**There was consensus on deletion of this Rule.**

#### Rule 8: De Minimis

There was general support for this Rule. Some Members stated that the nature of this Rule should be optional for producers (although this Rule itself should be mandatory for all Members)."

1.2 The CRO took note of the statement.

## **II. PRODUCT-SPECIFIC RULES OF ORIGIN**

2.1 The Chairman stated as follows:

"Chapters 1-24 (agricultural products and fish)

### **Raising/slaughtering of animal products**

Issue Nos. 1 and 2: Members supporting option A in Issue No. 2 stated that the HWP should be carried out under the mandate of the Agreement on Rules of Origin, namely substantial transformation, independent of labelling or sanitary concerns, and also pointed out the administrative difficulties associated with the control of fattening periods. Although Members supporting option B in Issue No. 2 shared the view that the solutions to these issues should not prevent Members from taking necessary measures for labelling or sanitary purposes, they stated that fattening of animals determined the quality of meat, and also pointed out that in many countries producers and traders were required to provide information regarding the complete traceability of animal and meat (including fattening periods). It was agreed to delete option C of Issue No. 2. It was also agreed that the country of origin of a pure-bred breeding animal is the country where the animal was born.

Issue No. 12: One delegation made a compromise proposal. Members supporting option A stated that filleting of fish more than doubled the value of fish and that this illustrated complex processing operations of substantial transformation of the product. Some Members supporting option B expressed their concern about some other commercial policies, such as circumvention of anti-dumping duties, labelling, conservation or trade statistics. Other Members supporting option B stated that the "wholly obtained" rule was appropriate for fish.

Issue No. 13: Linked to Issue No.12.

Issue Nos. 49 and 50: As concerns HS ex1604(a) there was growing support for the Chairman's recommendation. The description of HS ex1604(a) needed to be reconsidered in the light of possible changes in heading through minimal additions of batter or breadcrumbs.

### **Drying and Similar Processes**

Issue Nos. 4 and 6: There was growing support for the Chairman's package recommendation. However, with regard to fish, some Members expressed concern about the implications of conferring origin to a country where only drying or smoking had been carried out, for consumer protection or for circumvention of anti-dumping duties. A Member, supporting Option A of Issue No. 4(ii) stated that the value increase by drying was more than 400%.

Issue No.15(2): Some delegations stated that the FAO definition of "heavy salted fish" seemed inappropriate for the purpose of origin control. Other delegations preferred a percentage criteria. Accordingly, one proponent of Option A stated its intention to submit a new proposal to accommodate the concerns expressed by Members supporting option B.

### **Dairy Products**

Issue Nos. 16-19, 20-22: Several Members shifted their positions to support the Chairman's package recommendation. Others explained why they could not. One delegation emphasized the importance of its proposed Chapter Note for HS Chapter 4. Some delegations supporting option A in Issue Nos. 17 and 18 stated that dairy processing including recombining, *inter alia*, and reconstituting should be recognized as origin-conferring since it could be demonstrated that a new and different product with changed characteristics, commercial realities and utility had emerged. One delegation also stated that raw materials produced in their countries and reconstituted/recombined in another country should not be labelled as a product of their country because they could not guarantee the food quality standards of processing countries. One delegation indicated no flexibility for Issue No. 20 (supporting Option B).

Issue Nos. 91 and 95: No consensus was reached. Most delegations supported option A (origin-conferring) for Issue No. 91. One delegation reconfirmed their strong position in both issues (supporting Option C).

Issue No. 110: There was growing support for the Chairman's recommendation (CTH, except from headings 0401-0403). However, a number of Members supported option A (CTH without exception).

### **Powdering/milling**

Issue No. 19: No consensus was reached. One delegation moved to option B (non origin-conferring) on Issue No. 19.

Issue No. 35: One Member stated that crushing and/or grinding were significant (micro-biological) processes and complicated preparatory processes were also involved, and that, since the final products were almost always a mixture of different materials, conferring origin by application of a major portion rule was difficult and costly. Furthermore, it seemed appropriate that, due to sanitary concerns, origin should be directly conferred to the country where crushing and/or grinding were carried out.

Issue No. 71: One delegation stated that they could maybe be flexible in future for this issue, but they had to maintain their position for the moment above all for consistency reasons.

### **Fats (Chapter 15 products)**

Issue No. 43: There was consensus on option A (CTH, except from 0209) (subject to DOM, GUA, JPN, MOR, SAL, VEN).

Issue No. 44: There was consensus on option B (CTH, except from 1501, or 1502) (subject to GUA, JPN, NZ).

Issue No. 45: Members supporting option A stated that crude oil was inedible and therefore refining substantially transformed the good. Members supporting option B stated that crude oil itself was very pure and refining was insignificant. Some Members shifted their position to support the Chairman's recommendation (option A1(a)), but many Members stated that they had no room for flexibility on this issue. It was agreed to delete option A(2).

Issue No. 46: Many Members shifted their positions towards the Chairman's recommendation (option B), as a result of which a large majority now support option B.

Issue No. 115: There was strong support for the Chairman's recommendation (CTH or Chapter Note). The Secretariat was requested to revise Chapter Note 3 in parallel with the chemical reaction Chapter

Rule in the chemical Chapters. Two Members supporting option B expressed their intention to reconsider their positions.

Issue No. 116: There was strong support for the Chairman's recommendation (CTH). Two Members supporting option B expressed their intention to reconsider their positions.

Issue No. 117: There was some support for the Chairman's recommendation (CTH for ex1517.90(a), CC for ex1517.90(b)). Several Members expressed their intention to reconsider their positions and join the Chairman's recommendations.

Issue No. 118: There was strong support for the Chairman's recommendation (CTHS). Several Members expressed their intention to reconsider their positions.

### **Coffee/tea**

Issue Nos. 30, 32, 81-83: No consensus was reached.

Issue Nos. 31, 79 and 122: No consensus was reached. One Member proposed a compromise in line with option C and proposed a threshold of 85%. Some Members stated that the implications of the origin rule of coffee or tea on labelling or trademarks are the major concern of these issues.

### **Sugar**

Issue Nos. 51-57: Some Members showed flexibility on Issue Nos. 51 and 57 to support the Chairman's package of recommendations. Many Members provided technical information on the refining of sugar and indicated their strong interest in this issue. One Member stated that they had no flexibility in these issues. No consensus was reached.

### **Cocoa**

Issue Nos. 58-64: Some Members shifted their positions to support the Chairman's package of recommendations for Issue Nos. 59, 60, 62 and 63. Two Members who did not support the Chairman's recommendations on Issue Nos. 58 and 64 stated that they had no flexibility.

### **Other issues and beverages**

Issue No. 75: No consensus was reached. It was agreed to delete options A and C.

Issue No. 77: Some Members changed their positions to support the Chairman's recommendation (CC). One delegation stated that if some pulp was added to juice, origin would be granted to the juice-producing country by a major-portion rule. One delegation supporting option A (CTH) recalled that the origin rule of HS 2008 was "CTH", and stated that the proposed rule "CTH" for HS 2009 was consistent.

Issue No. 89: One Member changed its position to support the Chairman's recommendation.

Issue No. 93: No consensus was reached. The Chairman questioned whether the exclusion of Chapter 4 was needed as this split subheading covered products containing less than 50% by weight of milk solids.

Issue No. 96: No consensus was reached. One delegation supporting option B stated that this split subheading covered juice containing a small portion of mineral and that this addition of mineral should not be considered as origin-conferring.

Issue No. 97: Some Members changed their positions to support the Chairman's recommendation. It was agreed to delete option C.

Issue Nos. 98 and 99: No consensus was reached. One Member submitted a compromise proposal focussing on the alcohol content of the grape must.

Issue No. 101: There was consensus on option B (subject to AUS, JPN, MAL).

Issue No. 104: As concerns Korea's proposal, one delegation needed more time for further study and stated that the composition of soju or shochu seemed like vodka.

Issue no. 108: No consensus was reached. One Member supporting option C stated that a change from wine to vinegar was not substantial transformation.

### **Mixtures and blends**

Issue No. 100: Two Members made an alternative proposal of 75% threshold against 85% of option C (see also Issue No. 31). It was agreed to delete option B.

Issue No. 106: Some Members changed their positions to support the Chairman's recommendation (option B (85% threshold)).

Issue Nos. 121-125: It was noted that the mixture proposal contained in document G/RO/W/64 covered only identical or fungible materials and that the coverage, therefore, should be reconsidered in order to apply this proposal for Issue Nos. 121, 123 or 124.

### Chapters 25-27 (mineral products)

Issue No. 1: No consensus was reached, however one delegation changed its position from option A to option B. One Member supporting option B stated that grinding of clinker and addition of other components such as gypsum, mineral additions and SCMs were not regarded as significant value-adding steps; nor did the transformation process of grinding and blending of clinker and the other additions change the chemistry of the clinker component. This Member also proposed a "mixtures" rule that determined the country of origin of the cement based on the country of origin by weight of the total clinker in the cement (as opposed to the total weight of the cement).

Issue No. 8: No consensus was reached. The proponent of option B modified their proposal as follows:

Note 3: [Goods of headings 27.07 or 27.10 that have been blended to conform to specific predetermined physical specifications, which are different from the specifications of the input materials, are deemed to be goods of the country where the blending occurred, provided that not more than [70] per cent by volume of the product is composed of blending components originating from a single country other than the country where the blending occurred. (US)]

### Chapters 28-40 (chemical products)

Issue Nos. 1-3: Switzerland and the United States were requested to submit a joint proposal.

Issue No. 4: Some Members supporting option A confirmed their strong interest in these products. No consensus was reached.

Issue No. 5: One Member changed its position from option B to option A, and stated that the addition of diluent resulted in a change of strength and concentration of chemicals. No consensus was reached.

Issue No. 7: Some Members raised questions as to whether or not the separation process was possibly carried out in Chapters 38 or 39 and whether or not the purification rule could address this issue concerning Chapter 33. The proponents of option A were requested to provide more detailed technical information.

Issue No. 22: One Member supporting option A stated that doped chemical compounds classified in heading 38.18 could be cut into discs or wafers, followed by polishing or coating with an expitaxial layer. Members supporting option B needed more time to reflect on this question. No consensus was reached.

Issue No. 30: Based on informal discussions, the Chairman made the following recommendations:

- HS 3925: CTH
- HS 3926.20: same rule as to be decided for textile products
- HS 3926.10, 3926.30, 3926.40 and 3926.90: CTH

#### Chapters 41-43 (leather)

Issue Nos. 6 and 7: There was growing consensus for the Chairman's recommendation. Two delegations expressed their strong opposition to this recommendation.

#### Chapters 50-63 (textile products)

##### **Fibres, yarns**

Issue Nos. 4 and 5: Linked to Issue Nos. 12 and 13.

Issue No. 23: Linked to Issue No. 24. (Chairman's package recommendation: Option A for No. 23; Option B for No. 24).

##### **Dyeing and printing**

Issue No. 11: Linked to Issue Nos. 12 and 13.

Issue Nos. 12 and 13: One Member changed its position to support the Chairman's recommendations. One Member supporting option B indicated no flexibility for the dyeing or printing issues but stated that they would like the proponents of option A to elaborate the definition of "printing", particularly with respect to complex printing. Other Members supporting option B confirmed their positions. Members supporting option A stated that option A/3 (A/2) was already a compromise proposal. One Member stated that coating of fabrics increased the value of fabrics by three times.

##### **Coating**

Issue No. 16: There was consensus on option B (subject to IND, PAK, SG).



Issue No. 37: There was consensus on option A for the rubber-coating in this issue. As concerns plastic-coating, one Member changed its position to support the Chairman's recommendations. One Member proposed a "30% value-added rule" as a compromise solution; one Member supporting option E stated that 50% weight criteria were appropriate but they would further consult with industry to find whether it would be possible to lower the percentage. Some Members stated that the implementation of a weight criterion would be technically difficult; other Members, however, stated that percentage of plastics was usually indicated in commercial documents like an invoice and that technical tests for customs purposes were a common practice although the technical tests were not required for every transaction.

Issue No. 44: There was consensus on option D (subject to MAL, SG).

### **Embroidery**

Issue No. 35: Two Members changed their positions from option C1 to C3. One Member modified its position on the distance between the patterns (30 cm.).

Issue No. 47: Two Members changed their positions from option C to B.

Issue No. 58: It was agreed to delete option A.

### **Quilted Articles**

Issue No. 36: No consensus was reached.

Issue No. 60: It was agreed to delete option C. The CRO will discuss whether heading 6307.90 should be excluded.

Issue No. 81: No consensus was reached. The CRO will discuss whether heading 6307.90 should be excluded.

### **Apparel**

Issue No. 45: One Member supporting option A1 stated that the same rule should be applied for both knitted apparel (Issue No.45) and for woven apparel (for No.46) while Members supporting Option B stated that the significance of assembly for knitted apparel and woven apparel were not the same. One Member stated that option A2 was a compromise proposal.

Issue No. 46: One Member supporting option B stated that the apparel industry is a fashion industry in which the design and cutting added more than three fourths to the value of the apparel, while the process of assembly of parts presents from 7-10% of the total production process, and expressed strong concern over the implications on trade remedies agreements since it was easy to internationally circumvent the origin of dumped/subsidized products if those assembly processes were to be origin-conferring. Another Member supporting option A pointed out that the laser cutting was a very simple process and that assembly rule appeared a better alternative to the cutting rule.

Issue No.49: No consensus was reached.

### **Flat products, three-dimensional products**

Issue Nos. 55, 59, 61-67, 69 and 71:

On the basis of informal discussions, the Chairman invited Members to consider the following rules as a compromise:

- Flat products (Issue nos. 48, 54, 55, 59, 61, 62, 69): "CTH, provided the starting material is prebleached or unbleached fabric"
- Three-dimensional Products (Issue nos. 63-67, 70, 71): "CTH"

### **Residual rules**

Issue Nos. 74, 75 and 77: No consensus was reached.

### Chapters 64-67 (footwear)

Issue No. 9: On the basis of the informal discussions, the Chairman amended his recommendations as follows for consideration at the next meeting:

- HS ex6406(a) (uppers to which an inner sole is attached permanently which completely closes the bottom): CTHS
- HS ex6406(b) (other): CTHS
- HS ex6406(c) (parts of upper): CTH

A majority of Members changed their positions to support the Chairman's recommendation.

Issue No. 11: No consensus was reached.

Issue No. 12: It was agreed to change the description of this issue to "Footwear".

On the basis of the informal discussions, the Chairman amended his recommendations as follows for consideration at the next meeting:

- HS 6401-6405: CTH, except from HS ex6406(a)

A majority of Members changed their positions to support the Chairman's recommendation.

Issue Nos. 13-14: Due to the change in title of issue No. 12, these issues were suggested to be deleted.

### Chapters 68-70 (glassware)

Issue Nos. 9, 10 and 11: There was a growing support for the Chairman's recommendations.

### Chapters 72-73 (iron and steel)

Issue Nos. 3 and 5: No consensus was reached. It was confirmed that coating of stainless steel usually did not take place in the normal course of business. Some Members questioned the meaning

of option D. The intention of the Chapter Note on coating is that on matrix level the coating will not be recognized as substantial transformation. To apply, the Chapter Note is proposed as an alternative primary rule and if met, would confer origin to the coating. One Member supporting option D of HS ex 72.16(d) reiterated their position. It was agreed to delete option C of HS ex 72.25(d) as well as option D of HS ex 72.29(b). One Member supporting option D stated that the coating of hot-rolled products or galvanized steel was more than a process involving a simple process of uncoiling the hot coil, sprinkling the spray, painting and then recoiling. It required a multi-stage process which consisted of pre-treatment, coating, baking and post-treatment. The surface of the colour steel had three layers – zinc coating, chromate coating and oil coating – which covered the base metal. The coloured steel was considered a new product, creating almost 100% of added value and was used for interior and exterior decorations of buildings due to its high corrosion resistance and weatherproof qualities, and also for electric home appliances such as refrigerators, air conditioners, etc., for its attractive appearance.

#### Chapters 74-81 (non-ferrous metals)

Issue No. 9: There was growing consensus towards the Chairman's recommendation (CTH, provided that the cross-sectional area of the input material is reduced by at least 25%).

Issue No. 10: One Member joined the Chairman's recommendations.

Issue No. 14: The Chairman amended the recommendation as follows: "CTH, provided the wall thickness of the input material is reduced by at least 25%".

Issue No. 17: There was consensus on the following rules (subject to CAN, MEX, PHI, VEN):

For 7419.10: CTH  
 For 7419.91: CTH  
 For 7419.99: CTSH  
 For ex 7508(a): CTH  
 For ex 7508(c): CTHS  
 For 7616.91: CTH  
 For 7616.99: CTSH

#### Chapters 82 and 83 (articles of metal)

Issue No. 1: One delegation made the following proposal:

"Note 2

Good produced by assembling components other than blanks:

When application of the primary rules of this Chapter does not result in an origin determination, the country of origin of a good produced by assembling components other than blanks shall be the country of origin of the cutting or working part."

#### Chapters 84, 85 and 90 (machinery)

Issue No. 1: One delegation suggested reporting this issue to the General Council for discussion and decision. It was suggested that the Swiss compromise proposal should be included in the negotiating

text as option C, together with the existing options A and B. One delegation explained that option A was outlined as follows: (1) obtaining parts from components is origin-conferring with exceptions on a product-specific basis; (2) obtaining parts from parts of the same heading is origin-conferring by the application of the five-part rule; (3) assembly of machines from parts is origin-conferring with exceptions on a product-specific basis; and (4) modification of machines is not origin-conferring (however some machines are possibly treated as parts).

Issue No. 13: One Member stated that this issue should deal with a situation in which a part of disassembled parts was repaired (or replaced) and then reassembled. Some Members needed more time for further reflection if a rule was necessary or not.

Issue No. 20: No consensus was reached.

Issue No. 33: Linked to Issue Nos. 59, 60 and 61. No consensus was reached.

Issue No. 51: One Member supporting option C stated that origin should be conferred to a country in which music was produced rather than a medium. Other Members pointed out that origin of a good should be considered in terms of production of a good rather than intellectual property. One Member changed its position from option C to option A.

Issue No. 55: It was agreed to delete this issue.

Issue Nos. 56, 59-62, 75-77: No consensus was reached.

#### Chapters 86-89 (transportation equipment)

Issue Nos. 69 and 70: No consensus was reached. One Member supporting option D2 stated that a chassis fitted with an engine had the essential characteristics of motor vehicles because it could move by itself without additional equipment. The process of fitting an engine onto a chassis was a complicated one including the assembly of transmission, electric power steering system and electrically controlled suspension system; on the other hand, putting the body onto the chassis fitted with its engine and installing other interior equipment were relatively simple ones that did not bring about substantial changes. But special purpose motor vehicles (HS 8705), such as crane lorries, fire-fighting vehicles, etc., had special functions and purposes and needed additional specific equipment and systems. For example, to generate strong water pressure, fire-fighting vehicles needed special equipment and technology by which the power generator was interlinked with the engine. Therefore it required more expertise, time and effort, and was much more complicated and labour-intensive than general purpose motor vehicles.

Issue No. 71: It was agreed to delete this issue.

Issue No. 72: It was agreed to delete this issue. However two options – "CTH" and "CTH, or value added rule" – should remain in the matrix and be included in the registry of deleted issues.

Issue No. 73: It was agreed to delete this issue. However two options – "CTH" and "CTHS; or value added rule" – should remain in the matrix and be included in the registry of deleted issues.

Issue No. 74A: It was agreed to delete this issue. However two options – "CTH" and "CTH, except from 88.03; or 45% value added rule" – should remain in the matrix and be included in the registry of deleted issues.

#### Chapter 91 (watches and clocks)

Issue No. 1: No consensus was reached. One Member indicated that they continued to support Option A (i.e. the country of origin should be based on where the movement is made) after further consultation with domestic industry. The Member also informed the CRO that their industry had raised questions concerning the detailed interpretation/implementation of the other two Options (i.e. Option B, CTH and Option C, CTH plus 50% value addition) on the table and the implications of the CTH rule on origin marking. In respect of Option B, the Member requested (i) clarification on the definition of “final assembly” and the minimum assembly processes that constitute “final assembly”; and (ii) confirmation on their understanding that, should Option B be adopted and if an origin marking is to be applied on the watches and clocks, the originating place to be marked should be the place where the final assembling processes took place, regardless of the origins of the different components. On (i), the supporters of Option B stated that Option B was a simple CTH rule with no other conditions attached. As such, as long as the materials used in the production were classified in HS headings different from that for watches and clocks, the CTH rule would then be met. Besides, Option B essentially required “encasing” to be done for origin-conferring purpose. On (ii), Members made no comment on the Member's understanding. The Member, therefore, hoped that Members could consider this matter at a later stage. On Option C, the Member also had similar concern over the interpretation of the CTH rule and the definition of “50% value addition”.

#### Chapter 92 (musical instruments)

Issue No. 1: No consensus was reached.

#### Chapters 93-97 (other articles)

Issue No. 6: The representative of Argentina stated that they were unable to join the consensus and proposed a "CTH, or 45% value addition" rule.

Issue No. 7: No consensus was reached.

Issue No. 12: There was a growing consensus on the Chairman's recommendation (CTH).

Issue No. 33: The representative of the European Communities stated that they joined the consensus for heading 95.06, and that the proposed Chapter Note for Chapter 93 was only relevant for heading 93.07 and the wording of that Note should, for consistency reasons, be similar to Chapter Note 1 of Chapter 82."

2.2 The representative of Ecuador stated that although Ecuador did not participate in the meetings of the CRO, they would submit their positions in writing and be in a position to defend those positions at the June meeting.

2.3 The CRO took note of the statements made.

### **III. ENDORSEMENT OF PROPOSALS ON HARMONIZED RULES OF ORIGIN**

3.1 The CRO endorsed the following proposals on harmonized rules of origin:

- Chapters 1-24 – Issue No. 27: to endorse Option A (each primary rule of split headings ex06.03(a) and ex06.04(a) should read "CTHS").
- Chapters 1-24 – Issue No. 33: to delete this issue.

- Chapters 1-24 – Issue No. 103: to endorse Option C (the primary rule of subheading 2207.10 should read "CTH").
- Chapters 1-24 – Issue No. 107: to delete this issue.
- Chapters 28-40 – Issue No. 9: to endorse the following rules: "CTH except by mere dilution or by mere addition of alcohol to odoriferous substance or to a perfume base" for heading 33.03.
- Chapters 28-40 – Issue No.13: to endorse Option A (the primary rule of split headings ex34.01(a) and ex34.05b) should read "CTHS"; the primary rule of split heading ex34.05(a) should read "CTH".
- Chapters 44-49 –Issue No. 5*bis*: to delete this issue.
- Chapters 50-63 – Issue No.2: to endorse the following primary rules: "CTH" for heading 51.05, "CC" for heading 52.03.
- Chapters 50-63 – Issue No. 17: to endorse Option B (each primary rule of split heading ex54.04(a)(2) and ex54.05(a)(2) should read "CTH, except from heading 39.20 or 39.21").
- Chapters 50-63 – Issue No. 26: to endorse Option B (the primary rule of split heading ex56.08(c) should read "CTH, except from 58.04").
- Chapters 50-63 – Issue No. 39: to endorse Option B (the primary rule of split heading ex59.05(b) should read "CTH, provided the starting material is unbleached fabric, felt or non-woven fabric").
- Chapters 50-63 – Issue No. 44: to endorse Option D for split heading ex60.02(c) (the split heading ex60.02(c) should be deleted, and ex60.02(d) should be renumbered as ex.60.02(c)).
- Chapters 50-63 Issue No. 54: to endorse the following primary rule of split heading ex62.09: "CC, except by cutting and/or hemming only.
- Chapters 50-63 – Issue No. 57: to endorse Option B (split headings ex63.01(a), ex63.02(a), ex63.03(a), ex63.04(a), ex63.05(a) and ex63.06(a) should be deleted).
- Chapters 64-67 – Issue No. 3: to endorse Option A (the primary rule of heading 65.05 and 7108.13 should read "CTH".
- Chapters 68-70 – Issue No. 7: to endorse Option B (the primary rule of heading 68.13 should read "CTH".
- Chapter 71 – Issue No. 5: to delete this issue (the proposed Chapter Note should be deleted).
- Chapters 72-73 – Issue No. 4: to endorse the following Note (primary rule) for Chapter 72: for the purposes of this Chapter, the expressions "cold-rolled" (cold-reduced) and "cold-formed" mean cold reduction resulting in changes to the crystalline structure of the workpiece. The expressions do not include very light cold-rolling and cold-forming

processes (skin pass or pinch pass) which act only on the surface of the material and do not result in change to its crystalline structure; to endorse the following primary rule: "CTH, except from 72.13 through 72.15; or change from headings 72.13 through 72.15, provided the material has been cold-formed in conformity with the Chapter Note" for heading 72.17; "CTH, except from 72.21 through 72.22; or change from headings 72.21 through 72.22, provided the material has been cold-formed in conformity with the Chapter Note" for heading 72.23, "CTH, except from 72.27 through 72.28; or change from headings 72.27 through 72.28, provided the material has been cold-formed in conformity with the Chapter Note for heading 72.29.

- Chapters 72-73 – Issue No.6: to endorse the following primary rule: "CTH" for subheadings 7304.21, 7304.29 and 7304.90, split subheadings ex7304.39(a), ex7304.39(b), ex7304.49(a), ex7304.49(b), ex7304.59(a) and ex7304.59(b); "CTH, or CTSHS from split subheading ex7304.39(a)" for subheading 7304.31; "CTH or CTSHS from split subheading ex7304.49(a)" for subheading 7304.41; "CTH, or CTSHS from split subheading ex7304.59(a)" for subheading 7304.51.
- Chapters 72-73 – Issue No. 7: to endorse Option A (the primary rule of split heading ex73.08(a) should read "CTHS").
- Chapters 72-73 – Issue No. 8: to endorse Option B (the primary rule of split heading ex73.08(b) should read "CTH").
- Chapters 72-73 – Issue No. 9: to endorse Option B (the primary rule of split heading ex73.08(c) should read "CTH, except from heading 72.08 through 72.16, 73.01, 73.04, 73.05 or 73.06").
- Chapters 72-73 – Issue No. 11: to endorse Option B (the primary rule of heading 73.15 should read "CTH").
- Chapters 74-81 – Issue No.13: to endorse Option A (the primary rule of heading 75.01 should read "CTH or change within this heading to mattes or sinters containing 90 % or more of nickel from mattes or sinters containing not more than 75 % of nickel"; the primary rule of split subheading ex7601.10(a) should read "CTSHS"; the primary rule of subheading 7801.10 should read "CTSH", the primary rule of subheading 8001.10 should read "CTH or manufacture of refined tin of this subheading from unrefined tin of the same subheading"; each primary rule of split heading ex8101(b)-ex8112.91(b) should read "CTHS".
- Chapters 74-81 – Issues Nos. 15 and 16: to endorse the following primary rules: "CTSH" for subheadings 7507.11, 7507.12 and 7507.20; "CTHS for split headings ex78.05(a) and (b), ex79.06(a) and (b), ex80.06(a) and (b), split headings ex81.01(g)(1)-ex81.11(g)(1) and ex81.13(h)(1); "CTHS or cold-rolling from articles of this split heading" for split headings ex81.01(g)-81.11(g) and ex81.13(h); "CTSHS, or cold-rolling from articles of this split subheading" for split subheading ex8112.19(d), ex8112.20(g)-ex8112.40(g), and ex8112.99(d); "CTSHS" for split subheadings ex8112.19(d)(1), ex8112.20(g)(1)-ex8112.40(g)(1) and ex8112.99(d)(1).
- Chapters 74-81 – Issue No. 18: to endorse Option A (the primary rule of split heading ex76.10(a) should read "CTHS").

- Chapters 82-83 – Issue No. 11*bis*: to endorse Option A (the primary rule of split subheading ex8302.60(a) should read "CTSHS"; the primary rule of split subheading ex8302.60(b) should read "CTH").
- Chapters 82-83 – Issue No. 13: to endorse Option B (the primary rule of heading 83.05 should read "CTH").
- Chapters 84, 85 and 90 (for headings 90.17, 90.18, 90.21 and 90.23) – Issue No. 2: to endorse the following chapter Note:  
 "X. Parts and accessories produced from blanks: The country of origin of goods that are produced from blanks which, by application of the Harmonized System General Interpretative Rule 2(a), are classified in the same heading, subheading or subdivision as the complete or finished goods, shall be the country in which the blank was finished provided finishing included configuring to final shape by the removal of material (other than merely by honing or polishing or both), or by forming processes such as bending, hammering, pressing or stamping.
- Chapters 84-85 and 90 – Issues Nos. 14, 21-31, 32, 44, 50 54 and 57: to delete these issues.<sup>1</sup>
- Chapters 86-89 – Issue No. 70 *bis*: to delete this issue.
- Chapters 86-89 – Issue No. 68: to endorse the following primary rule: "CTH, except from heading 73.09 or 73.10" for heading 86.09.
- Chapter 91 – Issue No.3: to endorse Option B (each primary rule of headings 91.08 and 91.09 should read "CTH, except from split heading ex91.10(b)").
- Chapter 91 – Issue No.5: to endorse Option C (each primary rule of subheading 9113.10 and 9113.20 should read "CTH or change from parts to finished goods classified in the same subheading).
- Chapters 93-97 – Issue No. 1: to endorse the following primary rules: "CTH, with the exclusion of locks, breeches, breech boxes, frames or barrels of heading 93.05; or assembly if accompanied by the production of at least one of the essential parts of the mechanism (lock, breech, breech box, frame) or of the complete barrel" for split headings ex93.01(a) and ex93.04(a), headings 93.02 and 93.03; "CTH" for split headings ex93.01(b) and ex93.04(b).
- Chapters 93-97 – Issue Nos. 23-26 and 28: to endorse the following primary rule for subheadings 9607.11, 9607.19, 9608.10-9608.40, 9608.60 and 9613.10-9613.80: "CTSH, provided at least one part originates in the country of assembly".

3.2 The representative of Malaysia stated that they joined consensus for the sake of moving forward and reserved the right to revisit some issues if necessary, at the appropriate time, when the subject of overall coherence was discussed.

3.3 The CRO took note of the statement.

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<sup>1</sup> Two options are to be kept in the relevant documents. Split heading ex85.37(a) should be deleted.



#### **IV. IMPLICATIONS OF THE IMPLEMENTATION OF THE HARMONIZED RULES OF ORIGIN ON OTHER WTO AGREEMENTS**

4.1 The Chairman recalled that there had been seven submissions on the table: from India (G/RO/W/28/Rev.1, 30, 42 and 50); from the United States (G/RO/W/32, 48 and 65); from the Dominican Republic and Honduras (G/RO/W/33); from El Salvador (G/RO/W/34); from Korea (G/RO/W/38); and from Japan (G/RO/W/66 and 74); from Australia and New Zealand (G/RO/W/83).

4.2 The representative of Japan stated that their intention to submit document G/RO/W/74 was to facilitate the Harmonization Work Programme (HWP) and that they could be more flexible in certain specific issues of chapter 1-24 if an explicit understanding was established among Members on the following two points: (i) in certain cases, it is rather inappropriate to thoroughly and automatically apply the results of the ongoing harmonization work to the labelling requirements on foods applied domestically; and (ii) it is not logical in itself to refer to the harmonized rules of origin (HRO) in deciding whether to apply sanitary and phytosanitary measures.

4.3 The representative of Brazil stated that there would be no apparent inconsistency between measures taken under SPS requirements or labelling requirements (origin labelling of all ingredients of a good, in addition to marking of the origin of the good) and rules of origin for customs purposes. Those measures could be taken in parallel with a determination of origin according to the results of the HWP for customs or statistical purposes.

4.4 He also stated that the issue of implications first surfaced in the Committee in 1998, although at that point it was circumscribed to one particular aspect. Later that same year, a paper was submitted by one delegation arguing that the issue was broader than the one specific aspect initially raised, and that the matter should be addressed in a wider context, with reference to implications of HRO for other Agreements. One other delegation also made specific proposals as to how the harmonized rules of origin should be applied to other WTO Agreements. Notwithstanding the importance apparently attributed by these delegations to the issue of implications, it was not until mid-2001 that the Committee was presented with more comprehensive views on some possible implications of HRO on other WTO Agreements. It should be stressed that these submissions coincided with period in which the Committee was taking important strides in the HWP on the basis of the new methodology of the Chairman's recommendations. Despite the timing of these papers, the Committee had taken the trouble to engage in very substantive discussions on the issues raised, both within the regular programme of work, such as the first day of the current session, and in dedicated informal inter-sessional consultations convened specifically to deal with these issues. These discussions seemed to provide the required level of comfort to some, but not to all. It was not news to any delegation that the HWP was the integral part of the Uruguay Round and was, as stated at the General Council last December, an outstanding implementation issue and should be addressed as such. Any backtracking at this point in time would amount to upsetting the balance of rights and obligations undertaken in Marrakesh, and further to the intrinsic consequences of such a situation that could not help but have a profound impact on the new round of trade negotiations set in motion by Ministers in Doha last November. Ministers in Doha also reiterated the importance they attached to this matter by urging the Committee to complete its work by December 2001. The Agreement on Rules of Origin (the Agreement) already outlined clearly the relationship between it and other Agreements of the WTO. In a nutshell, these provisions stated that whenever there was a requirement in a WTO Agreement for determination of origin, then the HRO agreed to as an integral part of the Agreement should be applied equally, or in other words, consistently. It was the strong view of his delegation that it was far beyond the mandate of this body to specify each and every circumstance in which such a situation might arise. He also doubted the ability of other Committees to foresee definitively every possibility under the respective Agreements in which a determination of origin might be warranted. This broad understanding was apparently shared by a significant number of

delegations and would thus constitute a resolution of the issue. However, there were still those who were not satisfied by this. To them, nothing short of a major reinterpretation of the Agreement would be sufficient. He noted that what was required by these delegations would be an explicit decision to overturn the applicability of the HRO to specific Agreements mentioned in Article 3 of the Agreement itself. It was almost as if these delegations were seeking to withdraw their signature from portions of the Agreement.

4.5 The representative of Brazil further noted that other delegations had legitimate concerns with regard to specific points pertaining to the implementation of other WTO Agreements. While understanding these concerns, he felt that the manner in which these concerns were first raised had clouded the issue by drawing inappropriate and non-existent linkages to the Agreement on Rules of Origin. His delegation stood ready to continue to engage constructively with these delegations in order to explore fully the alleged implications for other Agreements.

4.6 He concluded that any Member adopting a measure consistently with its rights and obligations derived from other WTO Agreements would only benefit further from the predictability and trade-facilitating effects of HRO. The CRO was at a critical juncture in its work, not only because Members could finally see some light at the end of the tunnel in that outstanding issues would soon be elevated to a higher body, but also because Members had begun an ambitious new round of multilateral trade negotiations. The option Members had was to conclude the HWP expeditiously or to risk sliding backwards in all that the CRO had achieved, with several undesirable consequences. On the one hand, Members might see an increase in the recourse to autonomous non-preferential rules of origin adopted at the national level. On the other, most Members would face the uncertainty and the anti-trade facilitating consequences of these autonomous rules of origin.

4.7 The representative of New Zealand supported Japan's approach contained in document G/RO/W/74, on the relationship between SPS measures and the harmonized rules of origin. HRO should not be applied to SPS measures because in the SPS context the issue of origin was only secondary to the primary object of assessing the risk of a certain product on the basis of characteristics of that product. She also raised a question as to whether a Member could require a good to have an origin mark based on HRO and, at the same time, another mark of origin derived from the Member's domestic consumer labelling laws as well as from the application of a geographical indication to the good.

4.8 The representative of Egypt supported Japan's approach on the relation between SPS and HRO, noting that SPS measures were applied in order to protect animals and plants in accordance with its own requirements.

4.9 The representative of Australia supported the views of Japan, Brazil, New Zealand and Egypt. The objective of the SPS Agreement was to protect human, animal or plant life or health, and concerned the nature of the goods in and of themselves, irrespective of their origin. As concerns labelling issues, it would be possible to avoid any conflict between HRO and other labelling regimes. The principle objectives of HRO, as applied by the customs authorities at the border, was to attribute a single origin for each product imported in a country, whereas the purposes of domestic food labelling was to meet other trade objectives, such as consumer demand for product information, or the prevention of deceptive practices. Governments might legitimately have different requirements for satisfying these objectives and accordingly Members should retain the right to determine their domestic labelling requirements for products sold in their domestic markets.

4.10 The representative of India stated that the Committee should not seek to interpret any WTO Agreements, but that it would be useful to clarify that the origin determination at the border for customs or statistical purposes was not an alternative to, but supplemental to the requirements for SPS or labelling purposes, depending upon the requirements from either domestic consumer interests or

from the SPS point of view. She emphasized that there was no hierarchy implicit or explicit in these two purposes and provisions of various WTO Agreements, since there was no conflict among them.

4.11 The representative of Korea shared the views expressed by other Members and stated that the labelling requirements went beyond the scope of rules of origin. The requirements for labelling of origins of ingredients of a good or other information would be made by each domestic regulation or legislation, while HRO would be applied for marking of origin of a good. SPS measures had different objectives from the origin determination.

4.12 The representative of the United States stated that it was not the CRO's duty at present to interpret other WTO Agreements. The CRO, instead, should seek more clarity and a better understanding as to how HRO would apply once the HWP was concluded. Although he appreciated some of the concerns that Japan had raised in its submission, especially with respect to SPS, he questioned whether this unique treatment of SPS would be the appropriate approach. There were concerns in other areas, a few of which the submission from the US (G/RO/W/65) highlighted. It would be useful to consider the implications of the implementation of HRO across all areas and to devise simpler, more practical solutions to that question, rather than a multilateral pick-and-choose approach. It might also be more practical for individual Members to identify when they would use HRO for trade measures covered by the WTO once the HWP was completed, rather than a multilateral approach on this issue at this stage. In this connection he drew attention to the fact (G/RO/W/45) that 38 Members had notified that they do not have non-preferential rules of origin. While many of these same Members were known to utilize anti-dumping measures, it would appear that rules of origin were not being used for such measures, given that these Members had notified that they did not have non-preferential rules of origin. He then raised a question as to whether the existence of HRO would require changes in those practices by those Members.

4.13 The representative of Argentina stated that the issues before the CRO were also being discussed in the other Committees. For example, as regards labelling, a proposal for a compulsory labelling regime was objected to in a certain Committee. Accordingly, it would be very difficult to find a solution for the issue in the CRO. He also stated that it was not appropriate for the CRO to choose certain trade policy measures for which HRO would be applicable.

4.14 The representative of New Zealand stated that the joint submission from Australia and New Zealand (G/RO/W/83) contained their views on the implications of HRO upon other WTO Agreements, like labelling requirements as well as on wider issues, i.e. the coherence and trade facilitation issues which were important in assessing whether the outcome of the HWP was consistent with the original goals set out in the Agreement. The objective of the submission was to provide a reminder of the key principles underpinning the HWP. The objectives and principles set out in Article 9.1 of the Agreement explicitly provided the basis for the HWP. There are a large number of parameters set for the HWP, including: the importance of substantial transformation; the need to avoid creating restrictive or disruptive effects on international trade and, in fact, to provide more certainty to international trade; the need for rules to be administered in a predictable and reasonable manner; the importance of ensuring the rules to be understandable; and, the need for the rules to be coherent. From these principles, it was taken that the drafters of the Agreement envisaged that harmonization would produce trade neutral rules, which provided a liberal standard for determining substantial transformation. She suspected that the CRO had strayed from some of these principles during its work. Obviously an outcome that left traders worse off than they were today would be quite contrary to the intent of the Agreement. While appreciating the efforts that the chairman and Members had made in order to improve our working methods, she pointed out that the departure from the benchmark of substantial transformation could be seen in the working methods of the CRO. It seemed that the approach to developing special packages of trade-offs could produce results which were at odds with the substantial transformation criterion. She then stated that the burden of proof should not automatically be placed on minority position holders, but on those proposing a rule that

deviated from the criterion of the last substantial transformation. She urged Members to consider this point very carefully before basing any rules of origin on the weight of numbers or a package of trade offs. Another issues that the submission raised was coherence, that is, HRO should be coherent. An integral part of the HWP, therefore, would be consideration of the result in terms of the overall coherence. The work of the CRO would not be complete until that review had taken place. Ensuring that HRO were coherent, she suggested that a summary of those rules which have already been endorsed, or emerging themes, be articulated at the beginning of each product group in the negotiating text. This would help provide a snapshot of the work to date and help highlight any potential inconsistencies between rules already endorsed and those still outstanding. She also suggested discussing how the overall coherence review would be carried out as well as how to address any lack of coherence found. As concerns "trade facilitating effects", she stated that the Agreement was predicated on the desire for the HWP to be a tool for further trade liberalization and to avoid adding further costs to international trade. A number of questions was raised in their submission (G/RO/W/83) with respect to the implementation of HRO, such as documentation requirements, compliance costs for exporters and customs authorities, the legal implications of an origin certificate. It would be very helpful, in order to ensure that the results of the HWP were consistent with the Agreement, to assess how the work would facilitate trade, and in this context if Members would outline how they might administer and enforce HRO. She wished that their submission provided a sense that the success of the HWP would not be measured by its completion alone, but also by whether it faithfully implemented the aims and objectives of the guiding mandate in the Agreement. If these aims and objectives were ignored, there would be a potential credibility issue facing the CRO.

4.15 The representatives of Brazil and the Philippines thanked Australia and New Zealand for submitting their paper and stated that every proposal on the table was based on the criterion of substantial transformation, and that it might not be very helpful to suggest placing the burden of proof on rules that deviated from the criterion of last substantial transformation.

4.16 The representative of the Philippines stated that there was no conflict between HRO and the labelling and SPS Agreements. Rules of Origin determined the single origin of a good, but they did not preclude the domestic regulations that might require multiple origins of ingredients of the good. She also stated that the purpose of the joint submission from Australia and New Zealand was to highlight the importance of ensuring that the outcome of the HWP should be consistent with the original objectives and principles of the Agreement, and that the outcome should benefit international trade and not create uncertainty.

4.17 The representative of Norway supported the views of Australia and New Zealand, especially the objectives and principles of the HWP on the issue of coherence as well as on the issue of trade facilitation.

4.18 The representative of the European Communities stated that HRO should be equally applied for all purposes as set out in Article 1 of the Agreement. However, there seemed to be problems for some Members with regard to the implications of the implementation of HRO on other WTO Agreements. She also stated that an explicit common understanding of the following view would be very useful for the completion of the remainder of the HWP: "If other WTO Agreements require that origin be determined for specific purposes of those Agreements, HRO would then have to be used."

4.19 The representative of the United States stated that the conclusions specified by the EC would probably be the conclusions that the CRO might reach under this issue. In this regard he referred the last paragraph of the US submission (G/RO/W/65) which suggested several options: one being a relatively straightforward option and similar to those articulated by the EC; and a second alternative, conducting a further examination of the implications question through communication with all of the other WTO bodies responsible for the matters as outlined in Article 1 of the Agreement.

4.20 The representative of New Zealand supported the suggestion for communication with other WTO bodies.

4.21 The representative of India, in connection with the submission from Australia and New Zealand, pointed out that the distinction between the WTO Agreements listed in Article 1.2 of the Agreement and other WTO Agreements not listed in Article 1, might not be a useful approach since those non-preferential commercial policy instruments referred to in Article 1.2 of the Agreement were not an exhaustive list of policy instruments (Article 1.2 uses the words "include" and also "such as").

4.22 The representative of Canada stated that it was the other WTO Agreements that had to determine whether or not rules of origin would be applied for them and that if Members had to use rules of origin, they then had to apply HRO. In respect of the submission from Japan, the issue concerned a question as to whether or not Members could have supplementary information for consumers or the authorities concerned in addition to the origin of the good. She pointed out that no Member disagreed with that notion, although some had stated that they were still reviewing their positions. In respect to the submission from Australia and New Zealand, she agreed with them that the burden of proof should not totally and automatically be placed on Members who were in the minority position to set out why they supported a certain position. Those in the majority position should not be allowed to abdicate their responsibilities to set out their reasoning of why their proposals denoted substantial transformation and should have an equal burden of proof in that respect.

4.23 The representative of Japan stated that they were able to witness some fruitful and constructive exchange of views during the informal meeting of this Committee held on Monday, 8 April regarding the implications of the Harmonized Rules of Origin on other WTO agreements, in particular, on the points raised in document G/RO/W/74 submitted by Japan. They noted that the following line of thinking was broadly shared by Members on that occasion, as regards the areas about which Japan was concerned regarding their relations with the Harmonized Rules of Origin:

- (i) the policy objectives for Members to carry out domestic consumer labelling on foods, as well as sanitary and phytosanitary measures, were quite different from the objectives of origin determination for customs purposes, which are to be enforced under the Harmonized Rules of Origin;
- (ii) since these objectives were not alternative and no hierarchy existed among them, it could be said that there should be no conflict, but instead that they were supplementary in nature and should coexist without any particular trouble.

Although the above might not be a definitive conclusion in a legal sense, Japan believed that it provided useful guidelines as a working basis, thus providing clarity to Members for continuing the ongoing harmonization process in this Committee. In this regard, Japan wanted to suggest that the details of such discussion, having taken place during the harmonization work, be concisely recorded in an appropriate form, for example, in the formal report of the Chairman of the Committee, which shall ultimately be attached to the final results of the harmonization work when presented to the General Council. If such treatment was given, through which Japan's concerns could be accommodated, his delegation would be prepared to exercise further flexibility in the course of the talks on product-specific rules which relate to agricultural products.

4.24 The representative of India stated that India did not agree that it was necessary for the CRO to send details of the discussion on the submission of Japan (G/RO/W/74) to the General Council.

4.25 The representative of Colombia stated that the implementation of HRO was closely linked to other WTO Agreements. In this connection, the CRO should reach a common understanding that, as clearly stipulated in Article 3(a) of the Agreement, HRO should be applied equally for all the purposes set out in Article 1 of the Agreement, which would help all parties involved achieve a

satisfactory balance by guaranteeing predictability and transparency in the implementation of the agreed commitments. The common understanding also would be able to link consumers, producers and operators ensuring that they were not subject to discretionary application of HRO which might incur heavy costs to the flow of international trade.

4.26 The representatives of Chile and the Philippines stated that the implications issue should be reported to the General Council after the June session of the CRO.

4.27 The CRO took note of the statements made and agreed to revert to this issue at the next meeting.

## **V. NOTIFICATIONS UNDER ARTICLE 5 AND PARAGRAPH 4 OF ANNEX II OF THE AGREEMENT ON RULES OF ORIGIN**

5.1 The Chairman recalled that since the last meeting the Secretariat had circulated a document informing delegations of notifications submitted by Croatia, Lithuania, Moldova and Myanmar (G/RO/N/36). To date, 80 Members had made notifications of non-preferential rules of origin and 82 Members had made notifications of preferential rules of origin.

5.2 The Chairman expressed concern that a number of Members had not yet complied with the notification requirements. He urged Members who had not yet notified to do so as early as possible.

5.3 The CRO took note of the statement.

## **VI. ELECTION OF OFFICERS**

6.1 The CRO elected Mr. Stefan Moser (Switzerland) as Chairman, and Mr. Ronaldo Costa Filho (Brazil) as Vice-Chairman of the CRO for 2002.

## **VII. OTHER BUSINESS**

### **A. Agenda for the next meeting**

7.1 The CRO agreed the agenda for the next meetings as follows:

<b>24-25 June</b>	Identification of core policy issues to be reported to the General Council for discussion and decision
<b>26-27 (a.m.) June</b>	Identification of issues to be resolved in the Committee
<b>27 June (p.m.)</b>	Implications of the HWP on other WTO Agreements
<b>28 June</b>	<ul style="list-style-type: none"><li>- Reporting of the informal meetings;</li><li>- Endorsement of the proposals on the harmonised rules of origin;</li><li>- Other business</li></ul>

### **Formal Meeting**

**28 June**

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