

**Committee on Rules of Origin****CONVENING NOTICE**

SUBJECT: COMMITTEE ON RULES OF ORIGIN

*Meeting on 21-22 November 2024*

The next meeting of the Committee on Rules of Origin will be held on **Thursday and Friday, 21-22 November 2024** starting at **10AM**.

The meeting will take place **in person** at the Centre William Rappard (WTO building) **and via Interprefy**.

This formal meeting of the Committee will be preceded by an **information session** about the "Work of the World Customs Organization related to rules of origin and the work of the Technical Committee on Rules of Origin". This session will be held on Wednesday 20 November at 16:00 at the Centre William Rappard (WTO building) **and via Interprefy**.<sup>1</sup>

**1 ITEMS PROPOSED FOR THE AGENDA**

1. Preferential Rules of Origin for Least developed countries ([WT/L/917](#); [WT/L/917/Add.1](#))
  - A. Review of Recent Developments in Relation to Preferential Rules of Origin for LDCs - Update and Report by Preference-Granting Members Wishing to Share any Developments
    - (i) Analysis on the Utilization of Japan's GSP for LDCs - Japan
    - (ii) Analysis of the Utilization of the United Kingdom Preferences (Presentation by the LDC Group, [G/RO/W/228](#); [RD/RO/117](#)) – Response by the United Kingdom
  - B. Overview of Recommendations Previously Made by the LDC Group On:
    - (i) Best Practices on Setting Level of Thresholds Percentages in the *ad valorem* percentage requirements ([RD/RO/120](#))
    - (ii) Best Practices of the Methodology to Calculate *Ad Valorem* Percentages and the use of *Ad Valorem* Percentages in Origin Determinations ([RD/RO/119](#))
    - (iii) Best Practices to Determine Substantial Transformation Using Change of Tariff Classification Criterion ([RD/RO/121](#))
    - (iv) Best Practices Concerning Documentary Evidence of Direct Consignment ([RD/RO/124](#))
    - (v) Best Practices Regarding Proof of Origin and Small Consignments ([RD/RO/123](#))
    - (vi) Identifying Best Practices on Cumulation Provisions ([RD/RO/122](#))
  - C. What Future for US Trade Preferences (GSP And AGOA) - Presentation by the LDC Group ([RD/RO/125](#))
  - D. Notifications of preferential rules of origin and preferential imports and tariffs - Report by the Secretariat ([G/RO/W/163/Rev.13](#))
  - E. Modalities for the calculation of "Preference Utilization" - Background Note by the Secretariat (Update) ([G/RO/W/161/Rev.2](#))

<sup>1</sup> The link for this session will be made available on the calendar of WTO meetings and will also be circulated by email in advance of the Session.

- F. Exploring Developments Related to Rules of Origin: The Case for Discussing Convergence at Global and Regional Level - Presentations by the Asian Development Bank and by UNCTAD
- G. Report of the Committee on Rules of Origin to the General Council on Preferential Rules of Origin for Least Developed Countries ([G/RO/W/231](#))
2. Information session on the work of the WCO related to rules of origin and the Technical Committee on Rules of Origin - Report by the Chairman
3. Notifications under Article 5 and under Paragraph 4 of Annex II of the Agreement on Rules of Origin – Report by the Secretariat (Annex I of [G/RO/W/230](#))
4. Draft Transparency Decision and Notification Template on Non-Preferential Rules of Origin – Report by the Chairperson ([JOB/RO/8/Rev.3](#))
5. Thirtieth Annual Review of the Implementation and Operation of the Agreement on Rules of Origin ([G/RO/W/230](#))
6. Draft Annual Report (2024) of the Committee on Rules of Origin to the Council for Trade in Goods ([G/RO/W/232](#))
7. Dates of Next Meetings of the Committee
8. Other Business

## 2 ORGANIZATIONAL ARRANGEMENTS

<b>Documents for the meeting:</b>	<a href="#">Documents Online – Download documents for meetings</a> <a href="#">WTO Calendar</a>
<b>Annotated draft agenda:</b>	<input type="checkbox"/> Not applicable <input checked="" type="checkbox"/> Yes: <a href="#">JOB/RO/14</a> (to be issued)
<b>Relevant digital tools:</b>	<input type="checkbox"/> Not applicable <input checked="" type="checkbox"/> Yes: <a href="#">Collaborative Agenda - WTO eAgenda</a> <a href="#">Notification Portal (wto.org)</a> <a href="#">E-Registration (wto.org)</a>
<b>Rules of Procedure:</b>	<a href="#">G/L/149</a> and <a href="#">WT/L/161</a> <i>mutatis mutandis</i>
<b>Venue and virtual participation:</b>	The meeting will take place in person at the Centre William Rappard (WTO building) and via Interpretfy.
<b>Observer Organizations:</b>	Members of the WTO, Other Governments and International Organizations with Observer Status are requested to inform the Secretariat of the names of their representatives as soon as possible.
<b>Resources for delegates:</b>	<a href="#">WTO   Trade topics - Rules of origin gateway</a> <a href="#">FAQ for CRO Delegates</a> (password protected)
<b>Contact point:</b>	<a href="mailto:rulesoforigin@wto.org">rulesoforigin@wto.org</a>

Ngozi Okonjo-Iweala

**Ministerial Conference  
Ninth Session  
Bali, 3-6 December 2013**

## PREFERENTIAL RULES OF ORIGIN FOR LEAST-DEVELOPED COUNTRIES

MINISTERIAL DECISION OF 7 DECEMBER 2013

The Ministerial Conference,

*Having regard to* paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization;

*Recalling* the "Decision on Measures in Favour of Least-Developed Countries" (Annex F of the Hong Kong Ministerial Declaration) which states that: "Developed country Members shall, and developing country Members declaring themselves in a position to do so should: ensure that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access";

*Considering* that duty-free and quota-free market access for LDCs can be effectively utilized if accompanied by simple and transparent rules of origin;

*Recognizing* that simple and transparent rules of origin may take into account the capacities and levels of development of LDCs;

*Recognizing* that the purpose of rules of origin for preference programmes benefiting LDCs is to ensure that only preference-receiving LDCs and not others benefit from the market access opportunities that have been afforded to them under such arrangements;

*Recognizing* that lower costs of compliance with rules of origin requirements will encourage LDC exporters to avail of market access opportunities provided to them;

*Recognizing* that the objectives of transparent and simple rules of origin that contribute to facilitating market access of LDC products can be achieved in a variety of ways, and that no one method is preferred to another;

*Decides* as follows:

1.1. With a view to facilitating market access for LDCs provided under non-reciprocal preferential trade arrangements for LDCs, Members should endeavour to develop or build on their individual rules of origin arrangements applicable to imports from LDCs in accordance with the following guidelines. These guidelines do not stipulate a single set of rules of origin criteria. Rather, they provide elements upon which Members may wish to draw for preferential rules of origin applicable to imports from LDCs under such arrangements.

### **A. ELEMENTS FOR PREFERENTIAL RULES OF ORIGIN**

1.2. Preferential rules of origin should be as transparent, simple and objective as possible. It is recognized that other than wholly obtained products, origin may be conferred by substantial or sufficient transformation, which can be defined in a number of ways, including through: (a) *ad valorem* percentage criterion; (b) change of tariff classification; and (c) specific manufacturing or

processing operation. It is also recognized that these methods in certain cases may be used in combination.<sup>1</sup>

1.3. In the case of rules based on the *ad valorem* percentage criterion, given the limited productive capacity in the LDCs, it is desirable to keep the level of value addition threshold as low as possible, while ensuring that it is the LDCs that receive the benefit of the preferential trade arrangements. It is noted that the LDCs seek consideration of allowing foreign inputs to a maximum of 75% of value in order for a good to qualify for benefits under LDC preferential trade arrangements.<sup>2</sup>

1.4. The methods for the calculation of value should be as simple as possible. It is recognized that different methodologies are used to calculate the *ad valorem* percentage of value addition. This percentage may be determined on the basis of the principles of simplicity and transparency. For example, in case of methods used for calculation of foreign inputs, Members may exclude costs related to freight and insurance as well as international transportation costs.<sup>3</sup> In case of methods used for calculation of local/domestic content, Members may include national or regional inland transportation costs.

1.5. In the case of rules based on the change of tariff classification criterion, a substantial or sufficient transformation should generally allow the use of non-originating inputs as long as an article of a different heading or sub-heading was created from those inputs in an LDC, notwithstanding that product specific rules with different requirements may also be more appropriate.

1.6. In the case of rules that allow a specific manufacturing or processing operation for the purpose of conferring origin, such rules should, as far as possible, take into account the productive capacity in LDCs. For example, in a number of cases the use of process-based rules for chemical products has made such rules more transparent and easy to comply with. In addition, for articles of apparel and clothing it may be simpler to demonstrate a substantial transformation using such rules instead of the equivalent change of tariff classification.

1.7. Cumulation should be considered as a feature of non-reciprocal preferential trade arrangements. The core objective of cumulation is to allow LDCs to combine originating materials without losing the originating status of the materials and to jointly share materials or production. Certain non-reciprocal preferential trade arrangements provide illustrations of a range of cumulation possibilities, which Members may take into account in designing their preferential rules of origin. For example, such arrangements may allow bilateral cumulation (i.e. cumulation with the respective preference-granting country) as well as cumulation with other LDCs. Other possibilities include cumulation among GSP beneficiaries of a given preference-granting country and/or among developing country Members forming part of a regional group as defined by the preference-granting country.

## **B. DOCUMENTARY REQUIREMENTS**

1.8. The documentary requirements regarding compliance with the rules of origin should be simple and transparent. For instance, requirement to provide proof of non-manipulation or any other prescribed form for a certification of origin for products shipped from LDCs across other Members may be avoided. With regard to certification of rules of origin, whenever possible, self-certification may be recognized. Mutual customs cooperation and monitoring could complement compliance and risk-management measures.

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<sup>1</sup> For example, an across-the-board rule does not preclude having some product specific rules of origin for specific sectors whenever they are more appropriate or when they could offer better market access opportunities for LDCs.

<sup>2</sup> The precise percentage may vary depending on the calculation methodology used in different schemes.

<sup>3</sup> This is without prejudice to the meaning of customs value as defined by the 1994 Agreement on implementation of Article VII of the General Agreement on Tariffs and Trade (WTO Agreement on Customs Valuation).

**C. TRANSPARENCY**

1.9. Preferential rules of origin for LDCs shall be notified as per the established procedures.<sup>4</sup> The objectives of notification are to enhance transparency, make the rules better understood, and promote an exchange of experiences as well as mainstreaming of best practices.

1.10. The Committee on Rules of Origin shall annually review the developments in preferential rules of origin applicable to imports from LDCs, in accordance with these guidelines, and report to the General Council. The Secretariat shall annually provide the Sub-Committee on LDCs with a report on the outcome of such review.

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<sup>4</sup> These notifications are made pursuant to the Transparency Mechanism for Preferential Trade Arrangements (PTAs). It is also noted that the Agreement on Rules of Origin stipulates that Members provide their preferential rules of origin to the Secretariat.





**Ministerial Conference  
Tenth Session  
Nairobi, 15-18 December 2015**

**PREFERENTIAL RULES OF ORIGIN FOR LEAST DEVELOPED COUNTRIES**

MINISTERIAL DECISION OF 19 DECEMBER 2015

The Ministerial Conference,

Having regard to paragraph 1 of Article IX of the Marrakesh Agreement Establishing the World Trade Organization;

Recalling the "Decision on Measures in Favour of Least-Developed Countries" (Annex F of the Hong Kong Ministerial Declaration) which states that: "Developed country Members shall, and developing country Members declaring themselves in a position to do so should: ensure that preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access";

Reaffirming and building upon the guidelines enumerated in the "Ministerial Decision on Preferential Rules of Origin for Least-Developed Countries" adopted at the Bali Ministerial Conference;

Decides, with respect to preferential rules of origin applicable to imports from LDCs under non-reciprocal preferential trade arrangements, as follows:

**1 REQUIREMENTS FOR THE ASSESSMENT OF SUFFICIENT OR SUBSTANTIAL TRANSFORMATION**

1.1. When applying an *ad valorem* percentage criterion to determine substantial transformation, Preference-granting Members shall:

- (a) Adopt a method of calculation based on the value of non-originating materials. However, Preference-granting Members applying another method may continue to use it. It is recognized that the LDCs seek consideration of use of value of non-originating materials by such Preference-granting Members when reviewing their preference programmes;
- (b) Consider, as the Preference-granting Members develop or build on their individual rules of origin arrangements applicable to imports from LDCs, allowing the use of non-originating materials up to 75% of the final value of the product, or an equivalent threshold in case another calculation method is used, to the extent it is appropriate and the benefits of preferential treatment are limited to LDCs<sup>1</sup>;
- (c) Consider the deduction of any costs associated with the transportation and insurance of inputs from other countries to LDCs.

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<sup>1</sup> This provision shall not apply to Preference-granting Members who do not use the *ad valorem* percentage criterion as their main method for the determination of substantial transformation.

1.2. When applying a change of tariff classification criterion to determine substantial transformation, Preference-granting Members shall:

- (a) As a general principle, allow for a simple change of tariff heading or change of tariff sub-heading;
- (b) Eliminate all exclusions or restrictions to change of tariff classification rules, except where the Preference-granting Member deems that such exclusions or restrictions are needed, including to ensure that a substantial transformation occurs;
- (c) Introduce, where appropriate, a tolerance allowance so that inputs from the same heading or sub-heading may be used.

1.3. When applying a manufacturing or processing operation criterion to determine substantial transformation, Preference-granting Members shall, to the extent provided for in their respective non-reciprocal preferential trade arrangements, allow as follows:

- (a) if applied to clothing of chapters 61 and 62 of the Harmonised System nomenclature, the rule shall allow assembling of fabrics into finished products;
- (b) if applied to chemical products, the rule shall allow chemical reactions that form a new chemical identity;
- (c) if applied to processed agricultural products, the rule shall allow transforming of raw agricultural products into processed agricultural products;
- (d) if applied to machinery and electronics, the rule shall allow assembling of parts into finished products, provided that the assembly of parts goes beyond simple assembly.

1.4. Preference-granting Members shall, to the extent possible, avoid requirements which impose a combination of two or more criteria for the same product. If a Preference-granting Member still requires maintaining a combination of two or more criteria for the same product, that Preference-granting Member remains open to consider relaxing such requirements for that specific product upon due request by an LDC.

1.5. Preference-granting Members are encouraged to offer alternative rules for the same product. In such cases, the above-mentioned provisions will be applicable to only one of the alternative rules.

## **2 CUMULATION**

2.1. Recognizing that the development of cumulation possibilities should be considered in relation to the rules applied to determine sufficient or substantial transformation, Preference-granting Members are encouraged to expand cumulation to facilitate compliance with origin requirements by LDC producers using the following possibilities:

- (a) cumulation with the respective Preference-granting Member;
- (b) cumulation with other LDCs;
- (c) cumulation with GSP beneficiaries of the respective Preference-granting Member; and
- (d) cumulation with developing countries forming part of a regional group to which the LDC is a party, as defined by the Preference-granting Member.

2.2. Preference-granting Members remain open to consider requests from LDCs for particular cumulation possibilities in the case of specific products or sectors.



### **3 DOCUMENTARY REQUIREMENTS**

3.1. With a view to reducing the administrative burden related to documentary and procedural requirements related to origin, Preference-granting Members shall:

- (a) As a general principle, refrain from requiring a certificate of non-manipulation for products originating in a LDC but shipped across other countries unless there are concerns regarding transshipment, manipulation, or fraudulent documentation;
- (b) Consider other measures to further streamline customs procedures, such as minimizing documentation requirements for small consignments or allowing for self-certification.

### **4 IMPLEMENTATION, FLEXIBILITIES AND TRANSPARENCY**

4.1. Developing country Members declaring themselves in a position to do so should, with appropriate flexibility, undertake the commitments set out in the above provisions.

4.2. No later than 31 December 2016 each developed Preference-granting Member, and each developing Preference-granting Member undertaking the commitments in accordance with paragraph 4.1 up to that date or thereafter, shall inform the Committee on Rules of Origin (CRO) of the measures being taken to implement the above provisions.

4.3. Preferential rules of origin shall be notified as per the established procedures.<sup>2</sup> In this regard, 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. 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.

4.4. The CRO shall annually review the implementation of this Decision in accordance with the Transparency provisions contained in the Ministerial Decision on Preferential Rules of Origin for Least Developed Countries adopted at the Bali Ministerial Conference.

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<sup>2</sup> These notifications are made pursuant to the Transparency Mechanism for Preferential Trade Agreements (PTAs). It is also noted that the Agreement on Rules of Origin stipulates that Members provide to their preferential rules of origin to the Secretariat.





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**Committee on Rules of Origin**

Original: English/anglais/inglés

**UNOFFICIAL ROOM DOCUMENT<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 21-22 NOVEMBER 2024  
PRESENTATION BY JAPAN

*Analysis on the Utilization of Japan's GSP for LDCs*

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**Comité des règles d'origine****DOCUMENT DE SÉANCE NON OFFICIEL<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 21-22 NOVEMBER 2024  
PRESENTATION BY JAPAN

*Analysis on the Utilization of Japan's GSP for LDCs*

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**Comité de Normas de Origen****DOCUMENTO DE SALA NO OFICIAL<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 21-22 NOVEMBER 2024  
PRESENTATION BY JAPAN

*Analysis on the Utilization of Japan's GSP for LDCs*

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\* In Original language only/En langue originale seulement/En el idioma original solamente.

<sup>1</sup> Documents issued in the RD series are not official WTO documents. They usually appear in their language of submission and will not be translated systematically into the working languages of the WTO. They are intended for use in WTO meeting rooms and are attributed an unofficial symbol for archiving purposes only.

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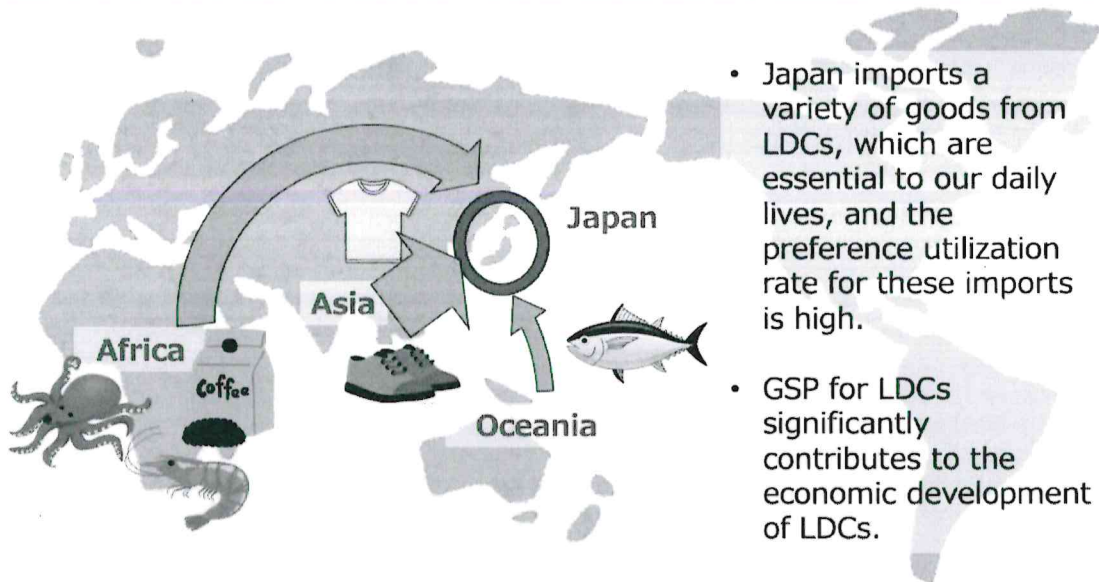
Los documentos de la serie RD no son documentos oficiales de la OMC. Por lo general se distribuyen en el idioma en que han sido presentados y no se traducen sistemáticamente a los idiomas de trabajo de la Organización. Se distribuyen para su uso en las salas de reunión de la OMC y se les asigna una signatura no oficial a efectos de archivo únicamente.

## Analysis on the Utilization of Japan's GSP for LDCs

21-22 November 2024

WTO Committee on Rules of Origin

### Introduction: Trade between Japan and LDCs



### Japan's Generalized System of Preferences: GSP

- ▶ Generalized System of Preferences (GSP)
  - Japan's GSP started in 1971. Our system is valid for 10 years, and every 10 years, we extend it for another 10 years. The current scheme is effective until 31 March 2031.
  - Japan grants preferential tariff treatment under its GSP scheme to 126 developing countries and 4 territories.
  
- ▶ GSP for LDCs
  - GSP for LDCs started in 1980. **Japan grants duty-free treatment for about 98% of all the national tariff lines.**
  - Japan has RTAs with a couple of LDCs. Importers can choose under which preferential scheme they make an import declaration.

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### Preferential Rules of Origin for LDC Members

- ▶ Regulations
  - Cabinet Order for Enforcement of the Temporary Tariff Measures Law
  - Ordinance of Ministry of Finance for Enforcement of the Temporary Tariff Measures Law
- ▶ **Change of Tariff Heading (CTH)** is the general rule
  - Exceptions from CTH are stipulated in the appended table in the Ordinance of Ministry of Finance for Enforcement of the Temporary Tariff Measures Law.

⇒ NB: The word-for-word translation from Japanese legislation to English may make the appended table look longer.
- ▶ Products for which (i) the origin is regarded as being clearly ascertainable from their nature and form; and (ii) the total amount of the customs value is not more than 200,000 yen are **exempted from submitting the C/O.**

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### Analysis ~methodology for the calculation~

▶ Preference Utilization Rate (UR)

$$= \frac{\text{Imports under the GSP for LDCs}}{\text{Imports eligible under GSP for LDCs}}$$

- Denominator excludes imports of tariff lines with MFN duty-free and non-concession, but includes imports of tariff lines with RTA duty-free.
- Numerator only includes imports reported to have taken place under GSP for LDCs, excluding imports under RTA.

⇒ **A couple of LDCs have enjoyed multiple preferential channels, but the Preference Utilization Rate does not reflect this fact.**

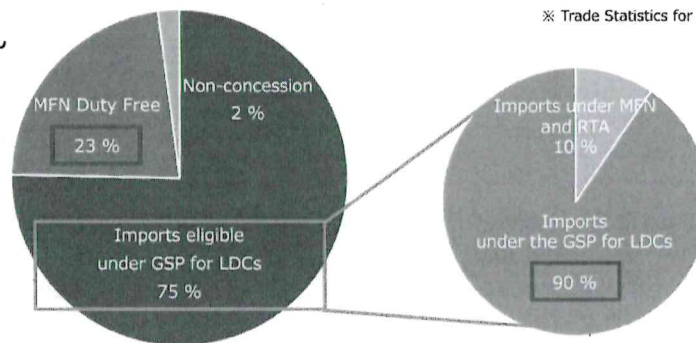
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### Preference Utilization Rate ~LDCs overall~

(Unit : 1,000 JP YEN)

Member	FY 2020	FY 2021	FY 2022	FY 2023
LDCs overall	87.84 %	89.96 %	90.24 %	90.41 %
Total imports	526,183,138	644,430,149	945,277,599	912,887,037
Imports eligible under GSP for LDCs	411,861,475	463,176,575	715,501,258	687,657,835
Imports under GSP for LDCs	361,765,754	416,669,639	645,698,320	621,685,286

~ FY2023 ~



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### Preference Utilization Rate ~Member by Member~

Descending order of total imports in FY2023

(Unit : 1,000 JP YEN)

Member	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	Ref. Rate of duty-free imports, incl MFN duty-free
Cambodia	283,296,167	222,493,821	189,764,870	85.29 %	+RTA duty-free
Bangladesh	220,482,109	202,991,116	192,155,741	94.66 %	94.17 %
Myanmar	214,055,033	192,850,188	179,168,140	92.91 %	+RTA duty-free
Madagascar	43,297,269	37,091,852	35,554,863	95.86 %	96.39 %
Mozambique	25,388,020	341,255	28,856	8.46 %	98.77 %
Mauritania	23,765,781	14,174,474	13,705,689	96.69 %	98.03 %
Lao PDR	22,839,187	10,496,370	7,395,719	70.46 %	+RTA duty-free
Tanzania	15,163,402	323,567	265,654	82.10 %	99.62 %
Sierra Leone	7,914,912	-----	-----	-----	100.00 %
Burkina Faso	6,620,622	48,490	39,337	81.12 %	99.86 %
Democratic Republic of Congo	6,319,190	24,692	0	0 %	99.61 %
Senegal	5,404,717	383,428	296,083	77.22 %	98.38 %
Uganda	2,533,078	121,218	62,486	51.55 %	97.68 %
Togo	2,479,131	2,555	0	0 %	99.90 %
Malawi	2,144,548	479,681	407,995	85.06 %	96.66 %

Member	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	Ref. Rate of duty-free imports, incl MFN duty-free
Nepal	2,012,443	1,599,030	1,192,045	74.55 %	79.54 %
Guinea	1,645,928	346,147	10,002	2.90 %	79.58 %
Zambia	1,432,033	5,647	0	0 %	99.61 %
Timor-Leste	752,695	-----	-----	-----	100.00 %
Yemen	684,804	421,830	153,697	36.44 %	60.85 %
Mali	579,867	6,324	3,114	49.24 %	99.45 %
Rwanda	493,559	24,778	21,951	88.59 %	99.43 %
Niger	416,873	66,766	0	0 %	83.98 %
Haiti	415,829	254,585	0	0 %	38.78 %
Angola	276,840	3,431	0	0 %	98.76 %
Benin	233,594	521	0	0 %	99.78 %
Solomon Islands	219,820	-----	-----	-----	100.00 %
Afghanistan	210,818	54,870	35,582	64.85 %	90.85 %
Guinea Bissau	202,795	202,795	0	0 %	0 %
Burundi	145,829	6,892	0	0 %	95.27 %
Central African Republic	87,322	-----	-----	-----	100.00 %
Chad	67,410	-----	-----	-----	100.00 %

Member	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate	Ref. Rate of duty-free imports, incl MFN duty-free
Lesotho	36,312	1,734	244	14.07 %	95.90 %
Comoros	28,327	-----	-----	-----	100.00 %
Liberia	3,158	-----	-----	-----	100.00 %
Djibouti	2,067	396	0	0 %	80.84 %
Gambia	1,848	-----	-----	-----	100.00 %
Ethiopia	17,609,853	806,910	768,980	95.30 %	99.73 %
Sudan	1,639,989	107,663	84,415	78.41 %	98.58 %
Somalia	928,383	921,432	15,179	1.65 %	2.38 %
Bhutan	106,232	62,139	60,487	97.34 %	98.44 %
Sao Tome and Principe	2,515	794	0	0 %	68.43 %
Kiribati	647,404	641,454	494,137	77.03 %	77.24 %
Tuvalu	297,155	297,155	0	0 %	0 %
Eritrea	2,169	1,835	0	0 %	15.40 %

Accession Process is ongoing.

Non-WTO Member

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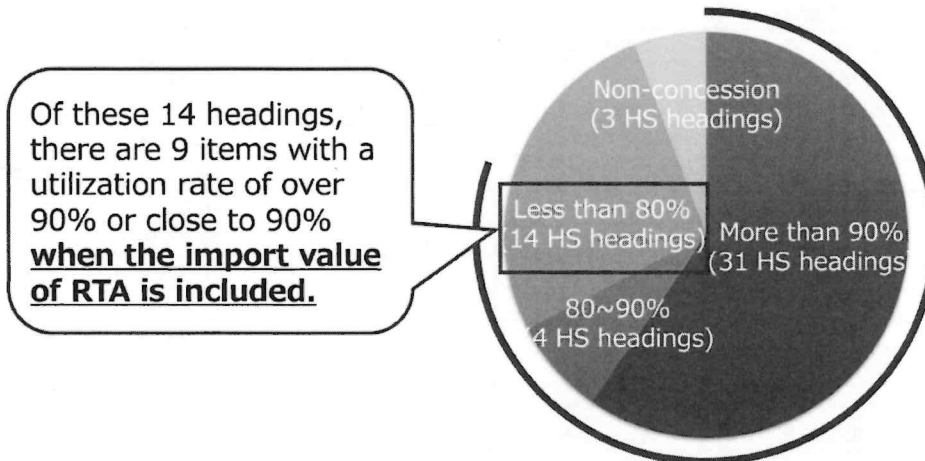
### Analysis on LDC submission (G/RO/W/209)

- ▶ On 4 October 2021, the LDC group submitted an analysis paper on Japan's Rules of Origin.
    - A 13-page table with 52 HS headings was prepared, and it was noted that "there are **consistent pockets of underutilization** that may be caused by stringent product specific rules of origin and/or related administrative requirements".
- ⇒ Japan has further delved into our analysis on Preference Utilization Rate of these 52 HS headings.

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### Preference Utilization Rate for the 52 HS Headings



When the utilization rate of the RTA is also taken into account, 44 out of 52 items have a utilization rate of more than 80%.

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Descending order of total imports in FY2023

(Unit : 1,000 JP YEN)

HS Heading	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate
6203	88,610,737	88,610,737	87,114,889	98.31 %
6204	75,668,321	75,668,321	73,640,880	97.32 %
6110	73,321,695	73,321,695	70,707,630	96.43 %
6109	54,944,382	54,944,382	52,369,486	95.31 %
4202	37,714,138	37,714,138	22,794,217	60.44 %
7502	34,359,993	34,359,993	34,359,993	100.00 %
6104	26,336,488	26,336,488	25,737,678	97.73 %
6403	26,235,456	26,235,456	18,423,520	70.22 %
6205	25,920,088	25,920,088	25,041,110	96.61 %
6202	22,799,805	22,799,805	21,430,357	93.99 %
6201	21,227,869	21,227,869	19,302,045	90.93 %
6211	19,866,239	19,866,239	19,587,717	98.60 %
0307	15,917,917	15,610,188	13,961,441	89.44%
6103	15,651,278	15,651,278	15,260,876	97.51 %
6402	15,318,768	(non-concession)	-----	-----
6206	14,850,298	14,850,298	14,499,028	97.63 %
6210	12,307,343	12,307,343	11,284,694	91.69 %

+RTA:90.84 %

+RTA:96.08 %

11

HS Heading	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate
6107	10,365,650	10,365,650	9,971,543	96.20 %
6404	9,503,869	9,503,869	3,784,898	39.82 % +RTA:95.05 %
6105	9,434,988	9,434,988	9,019,135	95.59 %
6108	8,958,747	8,958,747	8,888,372	99.21 %
6106	8,336,323	8,336,323	8,276,904	99.29 %
0306	6,376,480	6,376,480	6,010,908	94.27 %
6601	6,370,163	6,370,163	2,973,053	46.67 % +RTA:99.76 %
6111	6,175,986	6,175,986	6,054,030	98.03 %
0713	4,678,643	1,736,857	1,722,264	99.16 %
6102	4,508,055	4,508,055	4,079,155	90.49 %
6302	2,924,198	2,924,198	2,815,606	96.29 %
6307	2,895,102	2,895,102	616,471	21.29 % +RTA:89.66 %
6208	2,762,090	2,762,090	2,725,150	98.66 %
6207	2,754,848	2,754,848	2,729,252	99.07 %
6101	2,551,006	2,551,006	2,411,056	94.51 %
6505	2,419,118	2,419,118	1,506,854	62.29 %
6115	2,211,155	2,211,155	2,033,684	91.97 %
6116	2,155,501	2,155,501	2,107,865	97.79 %

12

HS Heading	Total imports	Imports eligible under GSP for LDCs	Imports under GSP for LDCs	Preference Utilization Rate
4203	2,099,450	(non-concession)	-----	-----
6114	1,505,867	1,505,867	1,367,303	90.80 %
6306	1,413,430	1,413,430	0	0.00 %
5607	1,282,996	832,379	601,165	72.22 %
3307	1,270,262	1,270,262	1,740	0.13 % +RTA:99.97 %
3926	1,256,492	1,256,492	590,991	47.03 % +RTA:91.41 %
0304	1,062,010	1,062,010	903,239	85.05 %
6405	970,777	970,777	783,693	80.73 %
6305	889,570	847,900	145,032	17.10 % +RTA:99.94 %
6406	853,816	(non-concession)	-----	-----
6112	753,549	753,549	734,608	97.49 %
3923	740,319	739,967	291,160	39.35 % +RTA:99.66 %
6209	681,297	681,297	596,983	87.62 %
1504	661,682	661,682	119,845	18.11 %
0303	647,322	647,322	208,160	32.16 %
1605	376,940	376,940	376,366	99.85 %
4107	369,025	369,025	369,025	100.00 %

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## Main Takeaways

- ▶ As Preference Utilization Rate for LDCs has remained at nearly **90%** for four consecutive years, Japan's GSP for LDCs is being fully utilized.
- ▶ It seems that there is a positive correlation between trade volume and the Preference Utilization Rate, with some exceptions.
- ▶ Some Members with low Preference Utilization Rate enjoy the MFN duty-free or RTA duty-free for a large portion of their imports.
- ▶ Preference Utilization Rate for tariff lines that LDCs had thought too stringent is relatively higher than the Rate for overall LDC imports.  
⇒ LDCs already have sufficient capacity to add value domestically.

14

## Data Sources

- ▶ Trade Statistics for all the importations  
Ministry of Finance, Japan  
<<https://www.customs.go.jp/toukei/info/>>
  - ▶ Trade Statistics for importations under GSP for LDCs  
Ministry of Finance, Japan  
<<https://www.customs.go.jp/kyotsu/import/tokkei/index.htm>>
  - ▶ Trade Statistics for importations under RTA  
Ministry of Finance, Japan  
<<https://www.customs.go.jp/kyotsu/kokusai/toukei/index.htm>>
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**Committee on Rules of Origin**

Original: French/français/francés

**UNOFFICIAL ROOM DOCUMENT<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 29 APRIL 2024  
PRESENTATION BY NIGER ON BEHALF OF THE LDC GROUP – MR. HAROUNA ZAKARI

*Analyse des Taux d'utilisation du Royaume-Uni (2021-2023)*

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**Comité des règles d'origine****DOCUMENT DE SÉANCE NON OFFICIEL<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 29 APRIL 2024  
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**Comité de Normas de Origen****DOCUMENTO DE SALA NO OFICIAL<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 29 APRIL 2024  
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*Analyse des Taux d'utilisation du Royaume-Uni (2021-2023)*

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\* In Original language only/En langue originale seulement/En el idioma original solamente.

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## ANALYSE DES TAUX D'UTILISATION DU ROYAUME-UNI (2021-2023)

CRO Avril 2024

### Analyse préliminaire :

- Une analyse préliminaire du DCTS du Royaume-Uni a été faite par le groupe des PMA G/RO/W/216
- Le DCTS britannique est entré en vigueur le 19 juin 2023, marquant le passage de la première série de règles d'origine basées sur les RdO de l'UE aux nouvelles règles d'origine prévues par le DCTS britannique.
- Le présent document est une analyse des taux d'utilisation du DCTS britannique afin d'évaluer l'évolution de l'UR et des volumes d'échanges.

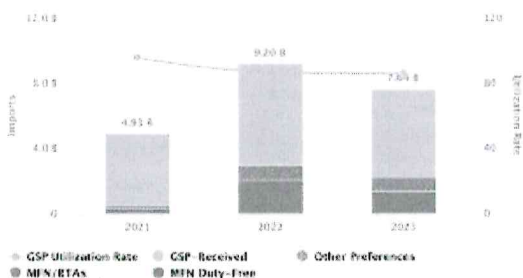
**Tableau 1.1 : Du SGP de l'UE au DCTS du Royaume-Uni**

Year	Rules of Origin System	Note
2021	Règles d'origine pour les pays les moins avancés dans le cadre du schéma de préférences généralisées (SGP) identiques aux règles d'origine de l'UE dans le cadre de l'EBA 'Tout sauf les armes'	Le Règlement douanier (Origine des marchandises imposables : Programme de préférences commerciales) (Sortie UE) 2020 contient les règles concernant la manière dont l'origine des marchandises est déterminée et les règles concernant le cumul de l'origine, ainsi que le tableau des opérations qui constituent une étape importante de fabrication.
2022	Règles d'origine pour les pays les moins avancés dans le cadre de son schéma de préférences généralisées (SGP)	Annnonce de nouvelles RoO au Royaume-Uni faite en août 2022
2023	- Avant juin : Règles d'origine pour les pays les moins avancés dans le cadre de son Schéma de préférences généralisées (SGP) -Après le 19 juin : règles d'origine pour les pays les moins avancés dans le cadre du système commercial des pays en développement (DCTS)	Le nouveau système de règles d'origine est entré en vigueur avec le régime DCTS le 19 juin 2023.

## ANALYSE DES DONNÉES INITIALES DU TAUX D'UTILISATION DES PRÉFÉRENCES COMMERCIALES

## Graphique et tableau 2.1 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance des PMA

Evolution of the GSP and Other Preferences utilization rate (UR, right scale) and imports by tariff treatment (left scale)



- Le taux d'utilisation (TU) britannique était de 95,5 % avant le DCTS britannique en 2021.
- On note un léger déclin de 10 % : 86,5 % en 2022 et 86,7 % en 2023.
- Dans la phase post-COVID, entre 2021 et 2022 : augmentation "brutale" du volume global des échanges. Le volume ayant bénéficié du GSP a augmenté d'un tiers (de 4,4 à 6,2 milliards).
- De 2022 à 2023 : diminution du commerce global, qui passe de 9,2 à 7,64 milliards d'euros.
- La diminution des échanges bénéficie de préférences commerciales autres : de 6,2 à 5,3 milliards d'euros. Elle peut être attribuée à la faible performance à l'exportation de certains grands exportateurs de vêtements.

Taux d'utilisation du GSP et importations par traitement tarifaire

Year	Total	Dutiable	Imports (in thousand US dollars)					Utilization Rate	
			GSP-Received	Other Preferences	All preferences (GSP+Other)	MFN/RTAs	MFN Duty-Free	GSP	
2023	7 639 811	6 226 539	5 311 156	2 356	5 313 814	692 725	1 413 362	86.79%	
2022	9 204 658	7 148 000	6 182 449	1 517	6 184 965	964 035	2 056 658	86.49%	
2021	4 925 527	4 615 597	4 408 215	5 570	4 414 785	200 812	309 930	95.51%	

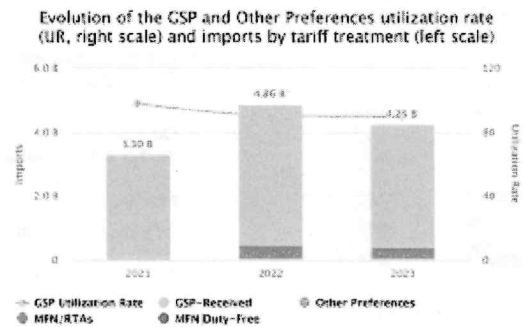
## Tableau 2.2 : Les 10 principales importations passibles de droits de douane en provenance des PMA

HS	Product Description	Total	Dutiable	GSP-Received	Other Preferences	All preferences (GSP+Other)	MFN/RTAs	MFN Duty-Free	GSP 2023
6110	Jerseys, pullovers, cardigans and similar articles, knitted or crocheted	860 081	860 081	740 148	53	740 200	119 881	0	86.06 %
6109	T-shirts, singlets and other vests, knitted or crocheted	784 235	784 228	683 533	0	683 533	100 695	7	87.16 %
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, etc.	592 814	592 814	514 778	2	514 780	48 034	0	91.90 %
6104	Women's or girls' suits, ensembles, etc., knitted or crocheted	563 941	563 941	521 123	0	521 123	42 818	0	92.41 %
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc.	544 103	544 103	492 945	0	492 945	51 158	0	90.60 %
6205	Men's or boys' shirts	261 533	261 533	240 032	0	240 032	21 501	0	91.78 %
6108	Women's or girls' panties and similar articles, knitted or crocheted	204 641	204 641	197 980	0	197 980	6 655	0	96.75 %
6107	Men's or boys' briefs and similar articles, knitted or crocheted	179 626	179 626	124 625	0	124 625	55 001	0	69.38 %
6103	Men's or boys' suits, ensembles, etc., knitted or crocheted	179 528	179 427	136 519	0	136 519	42 908	102	76.09 %
6105	Men's or boys' shirts, knitted or crocheted	145 727	145 727	114 423	0	114 423	31 304	0	78.52 %
Other	Other	3 323 613	1 910 419	1 545 348	2 302	1 547 649	362 770	1 413 193	80.89 %



## PERFORMANCE DE CERTAINES LDC EN ASIE ET EN AFRIQUE

Graphique et tableau 2.3 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance du Bangladesh



- De 2022 à 2023 : baisse du commerce global de **4,86 à 4,25 milliards** alors que le TU est restée inchangée
- À partir de 2021-2022 : une diminution du taux d'utilisation a été observée, conformément à la tendance générale du tableau précédent.

GSP utilization rate and imports by tariff treatment

Imports (in thousands US \$/M\$)

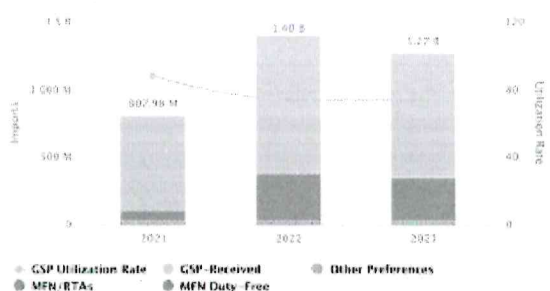
Year	Total	Dutiable	Imports (in thousands US \$/M\$)				Utilization Rate	
			GSP-Received	Other Preferences	All preferences (GSP+Other)	MFN/RTAs	MFN Duty-Free	GSP
2023	4 252 646	4 200 100	3 750 736	0	3 750 736	421 452	22 452	99.0%
2022	4 982 379	4 921 567	4 351 601	0	4 351 601	470 658	40 652	99.0%
2021	3 297 483	3 259 821	3 196 572	0	3 196 572	64 249	37 463	97.88%

**Tableau 2.4 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance du Bangladesh (2023)**

HS	ProductDescription	Total	Dutiable	GSP Received	Other Pref.	All Preferences	MFN/RTAs	MFN Duty-free	GSP UR
6109	T-shirts, singlets and other vests, knitted or crocheted	695 599	695 599	624 271	0	624 271	71 328	0	89.75%
6110	Jerseys, pullovers, cardigans and similar articles, knitted or crocheted	548 115	548 115	497 709	0	497 709	50 406	0	90.80%
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, etc	465 411	465 410	435 243	0	435 243	30 167	0	93.52%
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc	462 920	462 920	426 722	0	426 722	36 197	0	92.18%
6104	Women's or girls' suits, ensembles, etc, knitted or crocheted	393 270	393 270	375 348	0	375 348	17 921	0	95.44%
6205	Men's or boys' shirts	237 012	237 012	219 722	0	219 722	17 289	0	92.71%
6107	Men's or boys' briefs and similar articles, knitted or crocheted	167 734	167 734	114 436	0	114 436	53 297	0	68.22%
6108	Women's or girls' panties and similar articles, knitted or crocheted	157 033	157 033	153 451	0	153 451	3 582	0	97.72%
6105	Men's or boys' shirts, knitted or crocheted	119 229	119 229	100 562	0	100 562	18 666	0	84.34%
6206	Women's or girls' blouses, shirts and shirt-blouses	91 914	91 914	86 890	0	86 890	5 023	0	94.53%
Other	Other	9 14 406	891 944	764 377	0	764 377	127 567	22 462	85.70%

**Graphique et tableau 2.5 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance du Cambodge**

Evolution of the GSP and Other Preferences utilization rate (UR, right scale) and imports by tariff treatment (left scale)



Taux d'utilisation du GSP et importations par traitement tarifaire

Year	Total	Dutiable	Imports (en millions US dollars)				Utilization Rate	
			GSP Received	Other Preferences	All preferences (GSP+Other)	MFN/RTAs	MFN Duty-Free	GSP
2023	1 269 727	1 245 528	919 558	0	919 558	329 937	25 087	73.66%
2022	1 402 311	1 245 528	1 018 487	0	1 018 487	364 814	19 207	73.64%
2021	907 961	709 285	493 076	0	493 076	96 219	18 687	87.31%

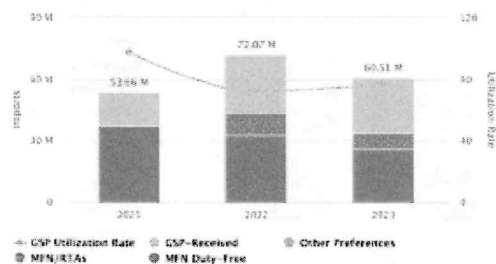
- Les échanges entre le Royaume-Uni et le Cambodge portent essentiellement sur le textile et l'habillement.
- De 2022 à 2023, les échanges sont passés de 1,4 à 1,27 milliard, tandis que l'UR est restée inchangée au cours de la même période.
- À l'image de la situation du Bangladesh, le taux d'utilisation a diminué entre 2021 et 2022, passant de 87,8 % à 73,6 % en 2022.
- En 2023, il n'y a pas eu de reprise significative, le TU restant à 73,6 %.

Tableau 2.6 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance du Cambodge (2023)

HS	Product Description	Total	Dutiable	GSP Received	Other Pref	All Preferences	MFN/RTAs	MFN Duty-free	GSP UR
6110	Jerseys, pullovers, cardigans and similar articles, knitted or crocheted	237 317	237317	176 116	0	176 116	61 200	0	74.21%
6104	Women's or girls' suits, ensembles, etc. knitted or crocheted	144 053	144 053	124 216	0	124 216	19 836	0	86.23%
6103	Men's or boys' suits, ensembles, etc. knitted or crocheted	79 985	79 864	43 131	0	43 131	36 752	101	53.99%
6109	T-shirts, singlets and other vests, knitted or crocheted	74 185	74 178	49 636	0	49 636	24 340	7	67.19%
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, etc.	72 197	72 197	60 601	0	60 601	11 595	0	83.94%
8712	Bicycles and other cycles(including delivery tricycles),not motorised	47 666	47 866	45 349	0	45 349	2 516	0	94.74%
6403	Footwear, with rubber, plastics, leather soles, leather uppers	47 255	47 249	39 132	0	39 132	8 117	5	82.82%
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc.	43 754	43 754	33 919	0	33 919	9 835	0	77.52%
4202	Trunks, suit, camera, jewelry, cutlery cases, travel, tool, similar bags, wholly or mainly covered by leather, composition leather, plastic sheeting, textile materials, vulcanised fibre, paperboard	38 664	38 664	10 108	0	10 108	28 556	0	26.14%
6402	Other footwear with outer soles and uppers of rubber or plastics	38 050	38 050	29 720	0	29 720	8 330	0	78.11%
Other	Other	448 456	425 703	307 783	0	307 783	117 939	20 753	72.30%

Graphique et tableau 2.7 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance d'Éthiopie

Evolution of the GSP and Other Preferences utilization rate (UR, right scale) and imports by tariff treatment (left scale)



- Entre 2022 et 2023 : légère baisse, de 72,07 à 60,51 millions, ce qui correspond à la tendance générale observée pour les autres PMA précédents.
- Le niveau des échanges est beaucoup plus faible (en millions).
- Bien que le taux d'utilisation ait légèrement augmenté, passant de 72 % à 77 %, le niveau du commerce total et du commerce taxable a diminué d'environ 2022 à 2023.

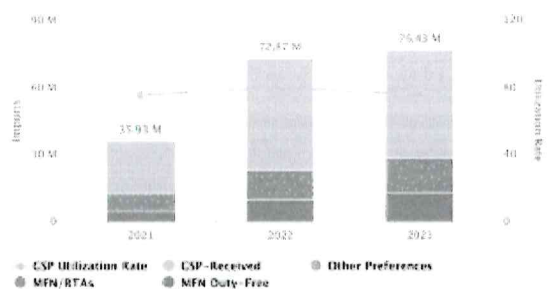
Year	Imports (in thousand US dollars)							Utilization Rate
	Total	Dutiable	GSP-Received	Other Preferences	All preferences (GSP+Other)	MFN/RTAs	MFN Duty-Free	
2023	60 514	14 691	26 023	0	26 023	7 000	25 023	77.05%
2022	72 174	39 607	39 633	0	39 633	10 974	30 497	72.28%
2021	52 861	14 521	16 122	0	16 122	3.9	37 148	97.59%

**Tableau 2.8 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance d'Éthiopie (2023)**

HS Section	Product Description	Total	Dutiable	GSP Received	Other Pref	AI Preferences	MFN/BTA	MFN Duty-free	GSP UR
0603	Cut flowers and flower buds for ornamental purposes, fresh, dried, etc.	25 285	25 285	19 934	0	19 934	5 351	0	<b>78.84%</b>
0109	T-shirts, singlets and other vests, knitted or crocheted	1 842	1 842	1 829	0	1 829	12	0	<b>99.29%</b>
6206	Women's or girls' blouses, shirts and shirt-blouses	1 087	1 087	1 084	0	1 084	2	0	<b>99.72%</b>
1905	Bread, pastry, cakes, etc; communion wafers, rice paper, etc.	911	911	911	0	911	0	0	<b>100.00%</b>
1104	Cereal grains otherwise worked (excl. rice) part of cereals	813	813	813	0	813	0	0	<b>100.00%</b>
9204	Women's or girls' suits, ensembles, jackets, dresses, skirts, etc.	455	455	97	0	97	357	0	<b>21.32%</b>
6110	Jerseys, pullovers, cardigans and similar articles, knitted or crocheted	346	346	84	0	84	261	0	<b>24.28%</b>
6210	Garments, made up of fabrics of 56.02, 56.03, 59.03, 59.06 or 59.07	315	315	0	0	0	315	0	<b>0.00%</b>
	Insulated wire, cable and other electric conductors, connector fitted or not, optical fibre cables of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors								<b>0.00%</b>
8544	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc.	297	297	0	0	0	297	0	<b>0.00%</b>
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc.	284	284	194	0	194	90	0	<b>68.31%</b>
Other	Other	28 874	3 051	1 852	0	1 852	1 199	25 622	<b>60.70%</b>

**Graphique et tableau 2.9 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance de Madagascar**

Evolution of the GSP and Other Preferences utilization rate (UR, right scale) and imports by tariff treatment (left scale)



- Entre 2022 et 2023 : le commerce équitable entre le Royaume-Uni et Madagascar est resté stable, aucune diminution n'ayant été observée.
- Une augmentation notable peut être observée entre 2021 et 2022 avec le doublement du volume du commerce total et du commerce passible des droits de douane au cours de cette période : de 23 millions à 49 millions d'euros.

GSP utilization rate and imports by tariff treatment

Year	Total	Dutiable	Imports (in thousand US dollars)				Utilization Rate	
			GSP-Received	Other Preferences	All preferences (GSP+Other)	MFN/BTAs	MFN Duty-Free	GSP
2022	75 431	53 525	47 792	47	47 839	15 696	12 906	75.22%
2023	72 874	52 426	47 779	0	47 779	12 645	9 447	75.42%
2021	35 927	31 185	23 360	0	23 360	7 524	4 743	74.41%

Tableau 2.10 : Utilisation du traitement préférentiel spécial du Royaume-Uni pour les importations en provenance de Madagascar

HS Section	Product Description	Total	Dutiable	GSP Received	Other Pref.	All Preferences	MFN/RTAs	MFN Duty-free	GSP UR
6110	Jerseys, pullovers, cardigans and similar articles, knitted or crocheted	14 435	14 435	11 947	40	11 988	2 447	0	82.76%
0905	Vanilla	12 073	12 073	7 966	0	7 966	4 107	0	65.98%
6114	Other garments, knitted or crocheted, nes	4 989	4 989	4 950	0	4 950	38	0	99.22%
6211	Track suits, ski suits and swimwear/ other than garments	4 682	4 682	4 389	0	4 389	293	0	93.74%
6205	Men's or boys' shirts	3 558	3 558	3 085	0	3 085	472	0	86.71%
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, etc	3 512	3 512	2 950	0	2 950	562	0	84.00%
6204	Women's or girls' suits, ensembles, jackets, dresses, skirts, etc	3 390	3 390	2 438	1	2 440	950	0	71.92%
0306	Crustaceans, fresh, chilled or frozen	2 827	2 809	2 774	0	2 774	35	17	98.75%
6109	T-shirts, singlets and other vests, knitted or crocheted	1 892	1 892	1 610	0	1 610	281	0	85.10%
0907	Cloves	1 853	1 853	1 613	0	1 613	240	0	87.05%
Other	Other	23 214	10 325	40 64	4	4 068	6 257	12 889	39.36%

**TAUX D'UTILISATION LE PLUS ÉLEVÉ ET LE PLUS BAS AU NIVEAU DE LA RUBRIQUE ET PRINCIPAUX FOURNISSEURS**

Tableau 3.1 : Utilisation du DCTS - TU le plus élevé

HS Subheading Code	Product Description	Values of Imports in 1000 USD							GSP Utiliz. Rate (%)	Principal Suppliers (with their respective ISO3 codes and shares in total trade of the product)						
		Total	Dutiable	GSP / DCTS		Other Preferences		MFN Received		1st Partner		2nd Partner		3rd Partner		
				Covered	Received	Covered	Received			ISO3 Code	Trade Share (%)	ISO3 Code	Trade Share (%)	ISO3 Code	Trade Share (%)	
	TOTAL FOR ALL PRODUCTS	7696288	6226580	6226577	5341498	10780	2319	882764	85.8							
61100	T-shirts, pullovers...	419361	419361	419361	408753	127	17	30771	93.0	BGD	83.4	KHM	27.7	MMR	8.4	
62032	Trousers...men's or boys'	309055	309055	309055	282129		59	0	27356	91.1	BGD	95.5	KHM	3.3	MMR	0.9
62042	Trousers...women's or girls'	260382	260382	260382	217493		2	0	27889	91.2	BGD	90.8	KHM	7.4	MMR	1.6
61042	Trousers...knitted or crocheted	232106	232106	232106	217766		24	0	14341	93.8	BGD	82.8	KHM	13.5	MMR	1.6
62052	Shirts...men's or boys'... (not knitted or crocheted)	164302	164302	164302	146441		144	0	16361	90.1	BGD	86.2	KHM	4.9	MDG	2.0
62046	Trousers...women's or girls'... (not knitted or crocheted)	96339	96339	96339	87939		118	0	8600	91.1	BGD	69.4	KHM	19.7	MMR	9.1
62120	Brasieres...	91981	91981	91981	88243		6	0	3740	95.9	BGD	76.0	MMR	15.4	KHM	8.3
61120	Garments and clothing accessories...	85031	85031	85031	79869		0	0	5144	94.0	BGD	39.4	KHM	9.5	MMR	1.0
62036	Shirts...	25047	25047	25047	23293		7	0	2352	90.9	BGD	96.2	KHM	3.0	MDG	0.4
61200	Bicycles and other cycles...	71196	71196	71196	65363		0	0	5411	93.6	KHM	67.2	BGD	32.8	SEN	0.8
62049	Trousers... (other than... cotton/synthetic fibres)	62361	62361	62361	57492		1	0	5470	91.3	BGD	74.9	KHM	13.0	MMR	9.7
62040	Blouses...	62013	62013	62013	59772		13	0	2243	96.4	BGD	79.7	KHM	12.5	MMR	5.7
61043	Dresses; women's or girls'...	61423	61423	61423	56408		59	0	3015	95.1	BGD	67.4	KHM	24.9	MMR	6.3
62021	Briefs and panties...	15222	15222	15222	14026		0	0	1196	97.6	BGD	95.5	KHM	0.3	MMR	0.2

Tableau 3.2 : Utilisation du DCTS - TU le plus bas

HS Subheading Code	Product Description	Values of Imports in 1000 USD							GSP Utiliz. Rate (%)	Principal Suppliers (with their respective ISO3 codes and shares in total trade of the product)						
		Total	Dutiable	GSP / DCTS		Other Preferences		MFN Received		1st Partner		2nd Partner		3rd Partner		
				Covered	Received	Covered	Received			ISO3 Code	Trade Share (%)	ISO3 Code	Trade Share (%)	ISO3 Code	Trade Share (%)	
	TOTAL FOR ALL PRODUCTS	7696288	6226580	6226577	5341498	10780	2319	882764	85.8							
61071	Underpants and briefs...	145727	145727	145727	92543		2	0	57178	63.5	BGD	97.0	KHM	1.4	LAO	0.4
61032	Trousers...men's or boys', of cotton, knitted or crocheted	99133	99133	99133	86495		0	0	32618	67.1	KHM	55.8	BGD	41.1	MMR	3.1
42021	Cases and containers...of sheeting of textile materials	13877	11877	13877	918		7	0	12959	3.5	KHM	81.6	BGD	14.9	MMR	3.1
69049	Footwear...	39482	39482	39482	26843		0	0	12619	68.0	KHM	62.5	MMR	16.7	BGD	13.9
42022	Cases and containers...of plastic or of textile materials	18321	18321	18321	5742		7	0	12578	11.1	KHM	55.8	MMR	38.1	BGD	14.5
61019	Coats... (excluding those of heading no. 6101)	26749	26749	26749	14821		0	0	11325	36.7	KHM	79.7	BGD	18.1	MMR	2.2
42022	Cases and containers...of sheeting of plastics or of textile materials	21839	21839	21839	11390		0	0	10459	32.1	KHM	62.2	MMR	21.4	BGD	13.7
69060	Hats and other headgear...	17416	17416	17416	7409		27	0	9327	45.0	BGD	64	KHM	21.3	NPL	7.7
69022	Tents of synthetic fibres	22452	22452	22452	12336		0	0	9916	35.8	BGD	91.8	KHM	8.2	ETH	0

## CONCLUSION ET VOIE A SUIVRE

### Conclusion et perspectives d'avenir

- Le DCTS britannique est une expérience notable en matière de règles d'origine, y compris des mesures pour les PMA.
- L'analyse initiale montre que les TU sont toujours élevés, malgré la mise en œuvre récente de nouvelles règles.
- Malgré l'impact du COVID-19, les TU sont restés relativement élevés en 2021.
- Toutefois, d'importantes poches de sous-utilisation ont été identifiées :
  - près d'un milliard d'euros de volume commercial bénéficiant du traitement NPF en 2022 et
  - plus de 800 millions en 2023

→ Cette constatation est importante et souligne la nécessité d'agir pour réduire la perte potentielle d'économies de droits.

## Conclusion et perspectives d'avenir

- Des recherches récentes ont montré que de nombreuses entreprises, même dans les pays de l'UE et de l'Association européenne de libre-échange (AELE), ignorent l'existence des préférences commerciales.

→ **Mettre en évidence les défis auxquels sont confrontées les entreprises et les PME des PMA pour s'orienter dans les changements complexes associés au DCTS britannique.**

- Il est essentiel d'agir rapidement en raison des délais d'adaptation variables pour les entreprises des PMA.
- Il est essentiel de sensibiliser les entreprises du Royaume-Uni et des PMA. Il est essentiel de fournir des informations accessibles et une assistance pour comprendre et s'adapter au nouveau DCTS britannique, en particulier aux règles d'origine.

## Conclusion et perspectives d'avenir

### Le Groupe des PMA de l'OMC recommande

- Une vaste campagne de diffusion sous l'égide de l'aide au commerce pour promouvoir l'utilisation du nouveau DCTS et de ses règles d'origine, ainsi que celles d'autres Pays donneurs de préférences, afin de favoriser l'utilisation des préférences commerciales accordées aux PMA.

*L'expérience a montré que ces renforcements de capacités et diffusion des connaissances présentent un meilleur «rapport coût/bénéfice» et une plus grande portée lorsqu'ils sont menés par des agences multilatérales plutôt qu'à un niveau purement bilatéral axé sur un seul pays octroyant des préférences.*



**Merci**

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**Committee on Rules of Origin**

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PRESENTATION ON BEHALF OF THE LDC GROUP BY MOZAMBIQUE, CAMBODIA AND ZAMBIA

*Best practices on setting level of thresholds percentages in the ad valorem percentage requirements*

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**Comité des règles d'origine****DOCUMENT DE SÉANCE NON OFFICIEL<sup>1</sup>**

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World Trade Organization  
Least Developed Countries Group

## Best practices on Setting level of thresholds percentages in the Ad valorem percentage requirements

WTO Committee on Rules of Origin  
21-22 November 2024

Delegation (Presenter): Cambodia-Mozambique-Zambia



### Former LDC Documents:

- [GROW/202](#) and [RD/RO/91](#), Submission of LDC to the Committee on Rules of Origin ad valorem criterion - Communication from the LDC Group, November 2020

## Recalling Paragraph 1.3 of Bali Decision and 1.1 (b) and 1.5 of Nairobi Decision

### 1.3 of Bali Decision:

- *"In the case of rules based on the ad valorem percentage criterion, given the limited productive capacity in the LDCs, it is desirable to keep the level of value addition threshold as low as possible, while ensuring that it is the LDCs that receive the benefit of the preferential trade arrangements. It is noted that the LDCs seek consideration of allowing foreign inputs to a maximum of 75% of value in order for a good to qualify for benefits under LDC preferential trade arrangements."*
- Given the limited productive capacity in the LDCs, it is desirable to keep the level of value addition threshold as low as possible, while ensuring that it is the LDCs that receive the benefit of the preferential trade arrangements.
- It is noted that the LDCs seek consideration of allowing foreign inputs to a maximum of 75% of value in order for a good to qualify for benefits under LDC preferential trade arrangements.

### 1.1 (b) of Nairobi Decision:

- *"Consider, as the Preference-granting Members develop or build on their individual rules of origin arrangements applicable to imports from LDCs, allowing the use of non-originating materials up to 75% of the final value of the product, or an equivalent threshold in case another calculation method is used, to the extent it is appropriate and the benefits of preferential treatment are limited to LDCs."*

### 1.5 of Nairobi Decision:

- *"Preference-granting Members are encouraged to offer alternative rules for the same product. In such cases, the above-mentioned provisions will be applicable to only one of the alternative rules."*

## Some initial considerations

- The LDC WTO group recognizes the UK reform of RoO that has taken into account the threshold level of 75% and introduced it as alternative to CTC.
- Almost all FTAs are not using a general percentage criterion RoO in isolation.
- The issue at stake in this presentation is how to determine a level of percentage that is commercially viable for businesses and investors based in LDCs taking into account GVCs.
- Studies suggesting level of thresholds based on econometrics and not on commercially viable and tested realities are unrealistic.
- LDCs believe that the level of percentage should vary depending on the industrial sector at stake and matched with LDC industrial environment.
- In some sectors the ad valorem percentage criterion may not be the most appropriate method: other methods to define substantial transformation should be used.
- LDCs call on the international community to fund studies based on commercially viable **Bill of Materials (BOM)** to determine viable thresholds or alternative PSRO.

## Best practices identified

*What levels of threshold are WTO members using that are as low as possible, while ensuring that it is the LDCs that receive the benefits of the preferential trade arrangements?*

- PGM countries are using different levels of thresholds calculated in different manners and this generate compliance costs for firms. Alignment of method of calculation and realistic level of thresholds among PGM is a best practice that should be pursued.

*Which WTO Members are closer to the 75% threshold proposed by the LDCs?*

- Using or approaching the 75% threshold with alternative PSRO as adopted by UK should be considered a benchmark of best practices even if margin of improvement may remain for certain products

*What is a desirable level of percentage taking into account the global value chains (GVCs)?*

- The desirable level of thresholds should be industry /sector specific rather than based on arbitrary assumptions or on econometrics models
- Is it realistic to set a level of percentage that is not arbitrary or is it preferable to adopt another methodology for certain sectors?
- The setting of the level of percentage should be based on commercially viable BOM industry-specific matching GVC and based on LDC costs/benefits analysis.
- To this end, LDCs call on donors to fund studies focused on commercially viable BOM in the context of LDCs under Aid for Trade assistance. The LDC WTO group stands ready to engage in dialogue with prospective donors.

## What levels of threshold are PGMs using?

PGM	Numerator	Denominator	Percentage Level	Distance from The LDC proposed level
United Kingdom	Value of non-originating materials	Ex-works price	Maximum 75% of non-originating material	In compliance
European Community (EBA)	Value of non-originating material	Ex-works price	Maximum amount of non-originating material 70%*	5% + issue of freight and insurance
Switzerland	Value of non-originating material	Ex-work price	Maximum 70% of non-originating materials	5% + issue of freight and insurance
Canada	Value of non-originating materials	Ex-factory price	Maximum amount of non-originating materials 60% for LDCs	15% + issue of freight and insurance
South Korea	Value of non-originating material	FOB price	Maximum 60% of non-originating materials	15% + issue of freight and insurance
Eurasian CU	Customs value ? **	Ex-works price ? **	Maximum 50% of non-originating material	25% + issue of freight and insurance
Thailand	FOB price minus value of non-originating material	FOB Price	Maximum 50% of non-originating materials	25% + issue of freight and insurance
Chile	Value of non-originating material	FOB price	Maximum 50% of non-originating materials	25% + issue of freight and insurance
Japan	Value of non-originating material	FOB price	Maximum amount of non-originating material 40%*	35% + issue of freight and insurance

? Most used percentages

\*\* English translation of the legal text not available

## What levels of threshold are PGMs using?

PGM	Numerator	Denominator	Percentage Level	Distance from The LDC proposed level
India	FOB price minus the value of non-originating materials	FOB price	Minimum 30% value added by subtraction	5% + issue of freight and insurance
China	FOB price of finished goods minus CIF value of NoM *	FOB price	Minimum 40% value added by subtraction	15% + issue of freight and insurance
Chinese Taipei	Value of non-originating material	FOB price	Minimum 50% value added by subtraction	25% + issue of freight and insurance
United States	Cost of materials produced in preference-receiving country plus the direct cost of processing carried out there	Appraised value of the article at the time of entry into the United States	Minimum 35%	10% + issue of freight and insurance and methodology of calculation
AGOA	Same as above	Same as above	Same as above	Same as above
New Zealand	Cost of materials + expenditures in other items of Factory or work cost in New Zealand or LDCs	Ex-factory cost	Minimum 50% Value added by addition	25% + issue of freight and insurance and methodology of calculation
Australia	"allowable factory cost"	Ex-factory cost	Minimum 50% value added by addition	25% + issue of freight and insurance and methodology of calculation

\* China numerator = CIF deduction allowed when NoM purchased locally

## Setting adequate thresholds - Example 1: Sport Shoe

- What is a desirable level of percentage for a competitive shoes-manufacturing firm based in a LDC taking into account the thresholds current used by PGM?



## Level of percentage - Example 1: Sport Shoe

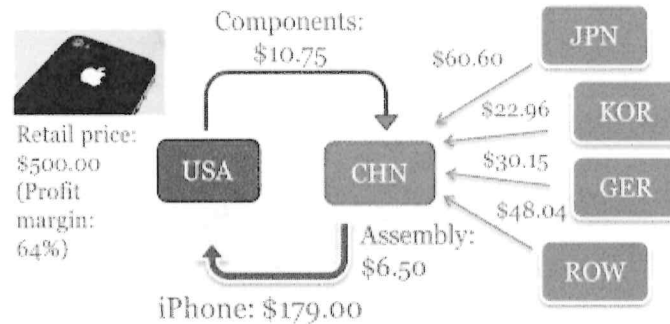
a)	Non-originating materials	8 €
b)	Wages	0.4 €
c)	Direct costs of processing	1.6 €
	Allowable (assumed)	0.8 €
	Not allowable (assumed)	0.8 €
d)	Profits producer	2 €
	Total cost (Ex-Works Price)	12 €
	Total cost (FOB)	13 €

- China:**  $\frac{FOB - VNOM}{FOB} = \frac{FOB - (a)}{FOB} = \frac{13 - 8}{13} = 38\% < 40\% \rightarrow$  Non-Originating
- CAN:**  $\frac{VNOM}{EW} = \frac{(a)}{EW} = \frac{8}{12} = 67\% > 60\% \rightarrow$  Non-Originating
- USA:**  $\frac{VOM + DCP}{EW} = \frac{(b) + (c,1)}{EW} = \frac{0.4 + 0.8}{12} = 10\% < 35\% \rightarrow$  Non-Originating
- LDCs:**  $\frac{VNOM}{EW} = \frac{(a)}{EW} = \frac{8}{12} = 67\% < 75\% \rightarrow$  Originating

This example assumes that all non originating raw material originates in countries where no cumulation is applicable.

## Setting adequate thresholds - Example 2: iPhone<sup>1</sup>

- What is a desirable level of percentage taking into account the global value chains?



1. Disclaimer: UN non-promotion of commercial entities

Source: King and Debert, 2010

## Level of percentage - Example 2: iPhone

- What is a desirable level of percentage for an iPhone manufacturing firm based in a LDC taking into account the thresholds current used by PGM?

a) Material and components	172.5 €
b) Direct costs of processing	6.5 €
c) Profits producer (assumed ~8%)	14 €
<b>Total cost (Ex-Works Price)</b>	<b>193 €</b>

- EU:**  $\frac{VNOM}{EW} = \frac{(a)}{EW} = \frac{172.5}{193} = 89.4\% > 70\% \rightarrow$  Non-Originating
- CAN:**  $\frac{VNOM}{EW} = \frac{(a)}{EW} = \frac{172.5}{193} = 89.4\% > 60\% \rightarrow$  Non-Originating
- USA:**  $\frac{VOM+DCP}{EW} = \frac{(b)}{EW} = \frac{9.5}{193} = 3.4\% < 35\% \rightarrow$  Non-Originating
- LDCs:**  $\frac{VNOM}{EW} = \frac{(a)}{EW} = \frac{172.5}{193} = 89.4\% > 75\% \rightarrow$  Non-Originating



## Using a Bill of Materials (BOMs) to define appropriate level of thresholds

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- Manufacturing firms start the assembly process by creating a BOM.
- A BOM is a centralized source of information, listing the items and instructions needed to create a product.
- Every line of the BOMs includes the product code, part name, part number, part revision, description, quantity, unit of measure, size, length, weight, and specifications.
- It includes all alternative and substitute part numbers and parts contained in the drawing notes.
- Once a BOM is identified for a series of products that may be produced in LDCs then the viable level of thresholds may be identified as it has been done in the example of shoes and iPhones.

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## Lessons learned from examples 1 & 2

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- The shoes example shows that manufacturing represents a minuscule fraction of the cost of the final shoe. Yet, it is the only entry point of LDC firms.
- Thus, PSRO for shoes should acknowledge commercial realities by moving from an abstract percentage to a CTC PSRO as already adopted by EU, UK, Switzerland.
- The iPhones example shows that even a manufacturing giant like China would not get origin under the current PGM rules as the threshold levels are simply too high. Another PSRO recognizing that assembly operations may be origin conferring may be explored.
- Modern rules of origin contained in FTAs show that the percentage criterion is mostly used in combination with a CTC and is seldom used as a stand-alone criterion.
- The large majority if not the totality of FTAs does not use anymore a percentage criterion as a stand-alone criterion.

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## **Additional issues and best practices to be considered when assessing level of percentage**

- Extent of cumulation granted by PGMs matter when assessing the thresholds of percentage requirements.
- However, cumulation is a second-best choice as it is conditional to a number of additional requirements varying extensively from PGM such as being member of a regional agreements, graduation from LDC status, ancillary documentary requirements.
- As best practice it is preferable to devise RoO that allows sourcing of inputs from the best competitive supplier of inputs rather than relying on cumulation.

## **Recommendations and best practices**

- LDCs has identified the following best practices and work ahead:
  1. Whenever it is used, the level of percentage should be calculated according to the LDCs proposal of not more than 75% of non-originating materials out of the ex-works price with deduction of cost of insurance and freight and provide as well as an alternative criterion.
  2. Notwithstanding this, in some sectors, other methodologies such as CTC and specific working or processing should be used to better reflect the processing stages of the GVCs.
  3. The presentations on item CTC will provide useful examples on alternative methodologies to define substantial transformations for those sectors.
  4. Whenever a threshold of level of percentage is set, such threshold should be based on a BOM of an actual or potential firm based on a LDC firm to manufacture a competitive good rather than on arbitrary criteria or econometric assumptions.
  5. LDCs call on Donors to fund field studies to identify commercially viable levels of thresholds in LDCs or alternative PSROs.



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**Committee on Rules of Origin**

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*Best practices of the methodology to calculate ad valorem percentages and the use of  
ad valorem percentages in origin determinations*

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Least Developed Countries Group

## Best practices of the methodology to calculate ad valorem percentages and the use of ad valorem percentages in origin determinations

WTO Committee on Rules of Origin  
21-22 November 2024

Delegation (Presenter): Zambia-Cambodia



### Former LDC Documents:

- [GIROW/202](#) and [RO/RO/91](#), Submission of LDC to the Committee on Rules of Origin ad valorem criterion - Communication from the LDC Group, November 2020

## Recalling Paragraph 1.1 of the Nairobi Decision

- Paragraph 1.1 of the Nairobi Decision requires preference-granting members to ***"adopt a method of calculation based on the value of non-originating materials"***.
- At the same time, it allows ***"Preference-granting Members applying another method to continue to use it"***, recognizing ***"that the LDCs seek consideration of use of value of non-originating materials by such preference-granting Members when reviewing their preference programmes."***
- It also requires the Preference-granting Members to consider developing or building ***"on their individual rules of origin arrangements applicable to imports from LDCs, allowing the use of non-originating materials up to 75% of the final value of the product, or an equivalent threshold in case another calculation method is used, to the extent it is appropriate, and the benefits of preferential treatment are limited to LDCs"*** as well as ***"consider the deduction of any costs associated with the transportation and insurance of inputs from other countries to LDCs."***

## Best practices identified

01

- *Adopt a method of calculation of ad valorem percentage calculated on the basis of value of materials.*

02

- *Consider the deduction from the value of non-originating materials of costs associated with the transportation and insurance of inputs from other countries to LDCs.*

Questions about best practices that have been identified:

1. Which Preference-granting Members (PGMs) are using a value of materials criterion?
2. Which PGMs are not using a value of material criterion?
3. Which PGMs are adopting or considering to adopt the deductions of cost of insurance and freight from value of non-originating materials?

## Comparison of Percentage criteria calculation methodology Value Added V. Value of materials

### a) Method Based on Value Addition

$$\frac{\text{Direct cost of processing + value of originating material}}{\text{Appraised value (ex - factory price)}} = \dots\%$$

### b) Method Based on Value of Non-Originating Materials

$$\text{LVC} = \frac{\text{VNM}}{\text{EW}} \times 100 \leq 75\%$$

Where:

LVC: LDC Value Content, expressed as a percentage;

EW: Ex-Works price;

VNM: Value of Non-Originating Materials that are acquired and used by the producer in the production of the good.

## Percentage criteria: Value Added V. Value of materials

- The disadvantages of a value-added calculation:

- 01 ▪ Itemization of costs to the single unit of production. It requires accounting, and discretion may be used in assessing unit costs.
- 02 ▪ Currency fluctuations may affect the results of the calculation.
- 03 ▪ Low labor costs in LDCs may result in low value added and instead of being a factor of competitiveness may penalize LDC producers.

## Challenges in the determination of value-added calculations

The definition of direct processing costs is rather complicated:

- A** ▪ *Items included in the direct costs of processing operations:* like labor, dies (metal), mold, research and inspection
- B** ▪ *Items not included in the direct costs of processing operations:* like profit and general overhead expenses

- A search in US Customs Online Search System (CROSS) reveals a significant number of requests for rulings and clarifications on the application of direct cost of processing.
- See for instance ruling HQ H312424 African Growth and Opportunity Act; Ethiopia; footwear; double substantial transformation and value-content.

## 1. Which PGMs are using a value of materials criterion? (i)

PGM	Methodology	Numerator	Denominator	Level of Percentage	Compliance with VoM Criterion Yes / No
European Union (EBA)	Maximum Value of non-originating materials	Value of non-originating material	Ex-works price	Maximum 70%	Yes
Japan	Maximum Value of non-originating materials	Value of non-originating material	FOB price	Maximum 40%	Yes
Canada	Maximum Value of non-originating materials	Value of non-originating material	Ex-factory price	Maximum 60% for LDCs, 80% with cumulation	Yes
Norway	Maximum Value of non-originating materials	Value of non-originating material	Ex-works price	Maximum 70%	Yes
Switzerland	Maximum Value of non-originating materials	Value of non-originating material	Ex-work price	70%	Yes
United Kingdom	Maximum Value of non-originating materials	Value of non-originating materials	Ex-works price	Maximum 75%	Yes
Eurasia CU	Maximum Value of non-originating materials	Value of non-originating material	Ex-works price	Maximum 50%	Yes

## 1. Which PGMs are using a value of materials criterion? (ii)

PGM	Methodology	Numerator	Denominator	Level of Percentage	Compliance with VoM Criterion Yes / No
South Korea	Maximum Value of non-originating materials	Value of non-originating material	FOB price	Maximum 60%	Yes
Chile	Maximum Value of non-originating materials	Value of non-originating material	FOB price	Maximum 50%	Yes
China	Calculation by subtraction of non-originating materials	FOB price minus value of non-originating material	FOB price	Minimum 40%	Yes
India	Calculation by subtraction of non-originating materials	FOB price minus value of non-originating material	FOB price	Minimum 30%	Yes
Thailand	Calculation by subtraction of non-originating materials	FOB price minus value of non-originating material	FOB Price	50%	Yes
Chinese Taipei	Value added by subtraction	Value of non-originating material	FOB price	50%	Yes

## 2. Which PGMs are not using a value of materials criterion?

PGM	Methodology	Numerator	Denominator	Level of Percentage	Compliance with VoM Criterion Yes / No
United States (GSP)	Value added by addition: direct costs of processing + value of originating materials	Cost of materials produced in preference-receiving country plus the direct cost of processing carried out there	Appraised value of the article at the time of entry into the United States	Minimum 35%	No
United States (AGOA)	Same as above with the exclusion of textiles and clothing	Same as above	Same as above	Minimum 35%	No
New Zealand	Value added by addition	Cost of materials + expenditures in other items of Factory or work cost in New Zealand or LDCs	Ex- factory cost	50%	No
Australia	Value added by addition	"allowable factory cost"	Ex-factory cost	50%	No

## Example of best practices used in US, Australia, New Zealand FTAs

- For those PGM that are not yet adopting identified best practices the LDCs request to consider, according to the Nairobi decision, the adoption of best practices identified that would consist in two steps:
  - a) adoption of a calculation based on value of materials;
  - b) adaptation of level of percentages to specific industrial sector and/or provide alternative RoO such as CTC or specific working or processing operations.
- The LDC understands that the methodologies below are those used in the context of FTAs and not in Unilateral preference programs like GSP of AGOA. Nevertheless, LDCs calls for a favorable consideration.
  - (a) Build-down Method  $RVC = \frac{AV - VNM}{AV} \times 100$ 

**Where:**

    - RVC is the regional value content, expressed as a percentage;
    - AV is the adjusted value, and
    - VNM is the value of non-originating materials that are acquired and used by the producer in the production of the good. VNM does not include the value of a material that is self-produced
  - (b) Build-up Method  $RVC = \frac{VOM}{AV} \times 100$ 

**Where:**

    - RVC is the regional value content, expressed as a percentage;
    - AV is the adjusted value, and
    - VOM is the value of originating materials that are acquired or self-produced and used by the producer in the production of the good



## Adjustments to Value of materials criteria

- The calculation method of the ad valorem criteria suggested by LDCs is based on adjustments made to the value of non-originating materials permitting the deduction of insurance and freight costs from the customs value of non-originating materials.
- The deduction of the cost of insurance and freights from the value of non-originating materials ensures a fair calculation cutting off an exogenous cost depending on the geographical location of the LDC.
- This method of calculation of the value of materials used in manufacturing may greatly facilitate compliance with the RoO for LLDCs (16 LDCs) and SIDS (11 LDCs).

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### 3. Which PGMs are adopting or considering to adopt the deductions of cost of insurance and freight? (i)

Preference Granting Members	Deductions allowed (general practice)	Deductions allowed (LDCs)	Comments
United Kingdom	Yes	Yes	Comply
United States	Yes, in FTAs	Unclear	Need clarification
European Union	Unclear	Unclear	Need clarification
Japan	Unclear	Unclear	Need clarification
Canada	Yes, in some FTAs	Unclear	Need clarification
Norway	Unclear	Unclear	Need clarification
Switzerland	Unclear	Unclear	Need clarification
New Zealand	Yes, in some FTAs	Unclear	Need clarification

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### 3. Which PGMs are adopting or considering to adopt the deductions of cost of insurance and freight? (ii)

Preference Granting Members	Deductions allowed (general practice)	Deductions allowed (LDCs)	Unclear
Australia	Yes, in FTAs with US	Unclear	Need clarification at the next CRO
Eurasia CU	Unclear	Unclear	Need clarification at the next CRO
China	Unclear	Unclear	Need clarification at the next CRO
India	Unclear	Unclear	Need clarification at the next CRO
South Korea	Unclear	Unclear	Need clarification at the next CRO
Chinese Taipei	Unclear	Unclear	Need clarification at the next CRO
Thailand	Unclear	Unclear	Need clarification at the next CRO

### Main issues emerging from identification of best practices by LDC on adoption of value of materials calculation

- Majority of PGMs are in compliance using a method of calculation based on a value of non-originating materials.
- Those PGMs still using different value-added methodology percentages are encouraged to consider modernizing their RoO according to the best practices used in their FTAs.

## **Main issues emerging from identification of best practices by LDC on deduction of cost of insurance and freight on the value of non-originating materials**

- It is clear from the review of the notifications that the large majority of Preference-granting members with the notable exception of UK either do not adopt a deduction of cost and/or have unclear rules on this regard.
- It is therefore necessary to clarify, possibly at this CRO meeting or next which countries are allowing such deductions precisely where in their legislations and/or if they are not adopting the reason why not adopting it and if they are considering to adopt it in the near future.
- Preference granting members that are adopting such deductions are kindly invited to share their best practices at the next CRO meeting.

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## **Additional issues and best practices to be considered**

- Many PGMs are using the ad valorem percentage across the board with 1) standard level of percentage for all products and 2) are not providing alternatives PSROs.
- Modern rules of origin contained in FTAs show that the percentage criterion is mostly used in combination with a CTC and is seldom used as a standalone criterion across the board for all products.
- The above practice contradicts paragraph 1.5 of Nairobi Decision: *Preference-granting Members are encouraged to offer alternative rules for the same product.*
- Using a single across the board percentage for products may not be commercially viable.
- **Best practice** is to introduce different percentages according to industrial sectors (see PPT on level of percentages) and/or alternative PSRO based on other criteria: CTC or specific working or processing.

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#### 4. Which PGMs are using solely an across the board percentage criterion with same threshold level for all products and not alternative PSRO? (i)

Preference Granting Members	Using an across the board ad valorem percentage with no alternatives methods	Using same level of percentage for all products	Using best practices in other preferential arrangements	Using best practices under RoO for LDCs
<b>United States</b>	Yes	Yes, except textiles and clothing where specific working of processing is required	Yes	No
<b>Canada</b>	Uses different percentages for LDCs and non LDCs	Yes, except textiles and clothing where specific working of processing is required	Yes	No
<b>Australia</b>	Yes	Yes	Yes	No
<b>New Zealand</b>	Yes	Yes	Yes	No

#### 4. Which PGMs are using solely an across the board percentage criterion with same threshold level for all products? (ii)

Preference Granting Members	Using an across the board ad valorem percentage with no alternatives methods	Using same level of percentage for all products	Using best practices in other preferential arrangements	Using best practices under RoO for LDCs
<b>Eurasia CU</b>	Yes	Yes	Yes	No
<b>China</b>	Yes	Yes	Yes	No
<b>India</b>	Yes (India apply an additional CTSH criterion)	Yes	Yes	No
<b>South Korea</b>	Yes	Yes	Yes	No
<b>Chinese Taipei</b>	Yes	Yes	Yes	No
<b>Thailand</b>	Yes	Yes	Yes	No
<b>UK</b>	NO	NO	Mostly compliant	

## Recommendations and future CRO work (1)

LDCs identified the following best practices and suggest the following actions for next CRO meeting :

- 1**
- Whenever it is used, the level of percentage should be calculated according to the LDCs proposal based on a value of materials calculation.

### Suggested action and agenda item

- PGMs maintaining a different calculation may wish to provide concrete examples on how their different calculation is working effectively in a concrete LDC firm-level case.

- 2**
- Notwithstanding the above, in some sectors, other methodologies such as CTC and/or Specific working or processing may be used as alternatives to better reflect the processing stages of the GVCs and trade facilitation considerations.

### Suggested action and agenda item

- The LDC presentation on CTC will provide useful examples of alternative methodologies to define substantial transformations for some sectors and provide suggestion for the way forward.

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## Recommendations and future CRO work (2)

- 3**
- As emerged from the last CRO, certain administrations like the EU are unclear on the mechanism and technicalities on the deduction of the cost of insurance and freight from the value of non-originating materials.
  - As the LDCs pointed out, other administrations like the US in FTAs and recently UK for LDCs have already adopted such best practice.

### Suggested action and agenda item

- LDCs suggests that these latter administrations may wish to share such technicalities and experience during next CROs for the benefit of all WTO members.

- 4**
- It is necessary to clarify, which PGM are allowing such deductions identify precisely where in their legislations and/or if they are not adopting the reason why not adopting it and if they are considering to adopt it in the near future.

### Suggested action and agenda item

- PGM to present their practices and legislation on this issue by not later than February 2025.

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**Committee on Rules of Origin**

Original: English/anglais/inglés

**UNOFFICIAL ROOM DOCUMENT<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 21-22 NOVEMBER 2024  
PRESENTATION ON BEHALF OF THE LDC GROUP BY TOGO, BANGLADESH AND SENEGAL

*Best practices to determine substantial transformation using change of tariff classification  
criterion*

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**Comité des règles d'origine**

**DOCUMENT DE SÉANCE NON OFFICIEL<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 21-22 NOVEMBER 2024  
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**Comité de Normas de Origen**

**DOCUMENTO DE SALA NO OFICIAL<sup>1</sup>**

FORMAL MEETING OF THE COMMITTEE ON RULES OF ORIGIN – 21-22 NOVEMBER 2024  
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\* In Original language only/En langue originale seulement/En el idioma original solamente.

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World Trade Organization  
Least Developed Countries Group

## Best practices to determine substantial transformation using Change of Tariff Classification Criterion

WTO Committee on Rules of Origin  
21-22 November 2024

Delegation (Presenter): Togo-Bangladesh-Senegal



### References:

- [G/ROW/184/Rev.1](#), Rules of origin based on A change of tariff classification, October 2021
- [G/ROW/208](#), Further submission on rules of origin based on a change of tariff classification - The case of rules of origin used by Japan, October 2021

## Recalling Paragraph 1.2 of the Nairobi Decision

- "a) As a general principle, allow for a simple change of tariff heading or change of tariff sub-heading;*
- b) Eliminate all exclusions or restrictions to change of tariff classification rules, except where the Preference-granting Member deems that such exclusions or restrictions are needed, including to ensure that a substantial transformation occurs;*
- c) Introduce, where appropriate, a tolerance allowance so that inputs from the same heading or sub-heading may be used."*



## Recalling Paragraph 1.4 and 1.5 of the Nairobi Decision

*"1.4. Preference-granting Members shall, to the extent possible, avoid requirements which impose a combination of two or more criteria for the same product. If a Preference-granting Member still requires maintaining a combination of two or more criteria for the same product, that Preference-granting Member remains open to consider relaxing such requirements for that specific product upon due request by an LDC.*

*1.5. Preference-granting Members are encouraged to offer alternative rules for the same product. In such cases, the above-mentioned provisions will be applicable to only one of the alternative rules."*

## Best practices identified

- LDC group identified in doc submissions G/ROW/184/Rev.1 of 19 October 2021 and G/ROW/209 of October 2021 that numerous PSRO using a CTC are not matching the best practices as contained in paragraph 1.2, 1.4 and 1.5 of the Nairobi Decision as follows:
  - Paragraph 1.2 (a) and (b) provides that PGMs should be using a CTC requirement that: 'allow for a simple change of tariff heading or change of tariff sub-heading' with limited exceptions
  - Paragraph 1.2 (c) provides that PGMs introduce "a tolerance allowance so that inputs from the same heading or sub-heading may be used
  - Paragraph 1.4 provides that PGM should avoid combination of two of more origin criteria for the same products i.e. a percentage requirement + a CTC
  - Paragraph 1.5 encourage PGM to provide alternatives i.e. a percentage requirement or a CTC

### Questions about best practices that have been identified:

1. Which PGMs are using a CTC requirement that **"allow for a simple change of tariff heading or change of tariff sub-heading"**?
2. How many exclusion to the simple CTH or CTSH are WTO members using? What kind of exclusion to the simple CTH or CTSH are PGMs members using?
3. What are the best practices of PSRO using CTC that may be used ?


## 1. Which PGMs are using a CTC requirement that: "allow for a simple change of tariff heading or change of tariff sub-heading"? (i)

PGM	Application of simple CTH or CTSH ?	Comments	Compliance
European Union (EBA)	• YES, for some products	<ul style="list-style-type: none"> <li>Simple CTH and CTSH is used for some products but for a large number of products there are exceptions of different nature such as CTH with single or multiple exceptions</li> <li>CTH with HS headings exceptions</li> <li>CTC with HS chapter exceptions</li> <li>CTC or percentage criterion</li> <li>CTH is main criteria</li> </ul>	<ul style="list-style-type: none"> <li>Not in compliance as there are multiple limitation to simple CTH or CTSH</li> <li>Alternative criteria are provided for some HS chapters</li> </ul>
Japan	• YES, for some products	<ul style="list-style-type: none"> <li>List rules are containing multiple exception</li> <li>CTH with single or multiple exceptions</li> <li>CTC with single or multiple HS chapter exclusions</li> <li>CTC and percentage criterion</li> <li>Extremely detailed and difficult description of products subject PSRO beyond HS description</li> </ul>	<ul style="list-style-type: none"> <li>Not in compliance as there are multiple limitations to simple CTH or CTSH</li> <li>Alternative criteria are NOT provided for entire HS chapters even where Japan provides for MFN duty-free entry</li> </ul>
UK	• YES, for many products	<ul style="list-style-type: none"> <li>Exceptions to simple CTH and CTSH are relatively limited with respect to EU and Japan</li> <li>Alternative criteria are provided for the large majority of products often at HS chapter level</li> </ul>	<ul style="list-style-type: none"> <li>Almost in compliance</li> <li>For many products using a CTSH</li> <li>Using extensively alternatives RoO</li> </ul>
Norway	• As in the case of the EU		• As EU
Switzerland	• As in the case of the EU		• As EU
China	• YES, as alternative rules to percentage criterion	<ul style="list-style-type: none"> <li>Simple CTH is the criteria with no exception</li> <li>Alternative criteria provided</li> <li>China may wish to explore the introduction of PSRO for specific sectors to facilitate compliance with RoO requirements</li> </ul>	<ul style="list-style-type: none"> <li>Partial compliance as for certain products, simple CTH or RVC 40% may not suitable for LDCs</li> </ul>
India	• YES, CTC used in addition to percentage criterion (30% value addition using the subtraction method)	<ul style="list-style-type: none"> <li>Not in compliance as double requirement of ad valorem percentage and CTSH</li> <li>Simple CTSH is the criteria with no exceptions</li> </ul>	<ul style="list-style-type: none"> <li>Not in compliance as double requirements have to be met</li> </ul>

## 1. Which PGMs are using a CTC requirement that: "allow for a simple change of tariff heading or change of tariff sub-heading"? (i)

PGM	Application of simple CTH or CTSH ?	Comments	Compliance
United States (GSP and AGOA)	• NO	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>US may wish to consider the use of CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
Canada	<ul style="list-style-type: none"> <li>NO, CTC not used in GPT</li> <li>CTC extensively used in FTAs</li> </ul>	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>Canada may wish to consider the use of CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
New Zealand	• NO, in FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin and alternative criteria are provided	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>NZ may wish to consider the use of CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
Australia	• NO, in FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin and alternative criteria are provided	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>Australia may wish to consider the use of CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
Eurasian CU	• NO, but used in FTAs	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>EURASIAN CU may wish to consider the use of simple CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
South Korea	• NO, in FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin CTC is not used	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>SK may wish to consider the use of CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
Chinese Taipei	• NO, in FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin CTC is not used	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>Chinese Taipei may wish to consider the use of simple CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>
Thailand	• In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin CTC is not used	<ul style="list-style-type: none"> <li>In FTAs CTC is used extensively as the main origin criteria for product-specific rules of origin</li> </ul>	<ul style="list-style-type: none"> <li>Thailand may wish to consider the use of simple CTC requirement for specific industrial sectors to facilitate compliance with RoO requirements and introduce alternative criteria</li> </ul>

## 2. How many exclusion to the simple CTH or CTSH are WTO members using?



Rules of origin Stringency criteria	Japan*		EU/CH/ Norway	
	Coverage by chapters	Coverage by headings	Coverage by chapters	Coverage by headings
1. Manufacture from any heading	0	2	6	16
2. Simple CTH	2	11	26	23
3. CTH with one heading exception	2	37	1	14
4. CTH with exceptions or ad valorem percentage	5	26	41	45
5. CTH with Multiple exceptions	8	114	0	20
6. CTC with one HS chapter exception	4	5	8	7
7. CTC with multiple chapter exceptions	3	28	1	0
8. CTC with exceptions and ad valorem percentage	0	0	5	21

Source: Author's calculation

\* This calculation concerns only products and sectors included in the list of product-specific RoO

## Updating Annex I of LDC submission G/RO/W/184 - 2019

- Annex I of the LDC submission contained examples of product specific rules of origin (PSRO) adopting the CTC that are not in conformity with Nairobi Decision as detailed in the annex.
- These PSROs have been summarized in comparative tables of products specific rules of origin among EU and Japan with specific suggestions of best practices in a number of cases. Norway and Switzerland are adopting the same rules as the EU.
- The following tables (not exhaustive and complete) has been updated with the insertion of UK PSRO showing that PSRO simplification is possible and achievable.
- The table was assembled to start a constructive debate that, albeit initiated, has yet to lead to any substantive debate.

### CHRONOLOGY

2019: Submissions G/RO/W/184 2019 Annex I (EU and Japan)

2021: Revision G/RO/W/184.Rev 1 Annex I (Japan)

2024: updated Annex I (UK)

## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EU		Japan		UK		Comments	Technical elements	Suggested Best Practice RoO
EBA HS Chapter Description of Product	EBA	Japan HS Chapter Description of Product	Japan RoO	UK OCTS				
Chapter 9 Coffee, tea, mate and spices	Manufacture from materials of any heading		Change of Tariff Heading (CTH)	CTSH; or Blending, crushing or grinding	While in this case the General rule of CTH and CTSH are respected, there is a significant variation between the EU and Japan. The EU RoO requires manufacture from any heading including the material classified in the same heading i.e. a change of tariff subheading. In the case of Japan, the CTH requirement excludes CTSH. This means that the process of roasting or decaffeinating the coffee is a substantial transformation under the EU rules and not under Japan rules. UK PSRO is even more liberal than EU as it introduces specific working or processing operations such as blending, crushing or grinding as origin conferring operations.	Heading 09 01 coffee is subdivided in 09 01 - Coffee, not roasted 0901 11 - Not decaffeinated 0901 12 - Decaffeinated - Coffee roasted 0901 21 - Not decaffeinated 0901 22 - Decaffeinated 0901 90 - Other	Manufacture from materials of any heading or CTSH including blending, crushing or grinding. Such rule would recognize that roasting and decaffeinating and blending coffee is a substantial transformation together with other specific working or processing.	

## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EU		Japan		UK		Comments	Technical elements	Suggested Best Practice RoO
EBA HS Chapter Description of Product	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS				
Chapter 16 Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	Manufacture — from materials of any heading, except meat and edible meat offal of Chapter 2 and materials of Chapter 16 obtained from meat and edible meat offal of Chapter 2, and — in which all the materials of Chapter 3 and materials of Chapter 16 obtained from fish and crustaceans, molluscs and other aquatic invertebrates of Chapter 3 used are wholly obtained	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates 1) Containing less than 30% by weight of a meat and edible meat offal of bovine animals other than internal organs and tongues (containing rice), and cattle fish and squid (containing rice) (prepared or preserved) other than those in airtight containers 2) Other	Manufactured from products other than those of Chapter 1, 2, 3, 5, 10, 11, 16 or 19	OC except Chapter 2 and 3	CTC requirements are far exceeding the general CTH and CTSH as they exclude a number of HS chapters classifying materials that are the primary components of the products of chapter 16 i.e. for canned products like tuna and sausages the rules requires that the tuna and the meat are wholly obtained in the case of the EU, Japan and UK. In the case of Japan, the exclusions are much more encompassing since they exclude the use not only of meat but also of live animals of chapter 1. In addition, the first RoO of Japan also excludes the use of other ingredients that can be used to prepare finished products of chapter 16 such as rice (HS 10), cereals (HS 11), paste products of HS chapter 18 etc.	The manufacture of processed foodstuff headings 1601 through 1605 from any other chapter (US-Singapore FTA) is normally a demanding industrial operation. Japan's description of products subject to different PSRO is complex.	A change to processed foodstuff headings 1601 through 1605 from any other chapter (US-Singapore FTA) Such rule would recognize that meat/fish preparations from primary products is a substantial transformation.	

## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan	UK	Comments	Technical elements	Suggested Best Practice RoO	
	EBA	Japan HS Chapter Description of Product	Japan RoO				UK DCTS
<b>Chapter 19</b> Preparations of cereals, flax, starch or milk, pastycooks' products	Manufacture from materials of any heading, except that of the product, in which: — the weight of the materials of Chapters 2, 3 and 16 used does not exceed 20 % of the weight of the final product, and — the weight of the materials of headings 1006 and 1101 to 1108 used does not exceed 20 % of the weight of the final product, and — the individual weight of sugar (1) and of the materials of Chapter 4 used does not exceed 40 % of the weight of the final product, and — the total combined weight of sugar (1) and the materials of Chapter 4 used does not exceed 60 % of the weight of final product	19.01 (1) Milk extract  19.01 (2) Food preparations containing more than 25% by weight of flour, groats, meal and pellets of rice, wheat, triticale or barley, starch, or any combination thereof, excluding cake-mixes and a kind used as infant food or dietetic purpose (mostly containing starch)	Manufactured from products other than those of Chapter 10, 11 or 19  Manufactured from products other than those of Chapter 4, 7, 8, 10, 11 or 19	CTH	Both rules by the EU and Japan are going far beyond the general requirement of CTH and CTSH as they are either limiting and/or excluding the use of a number of ingredients that are the essential components of products of chapter 19. In the case of the EU the rule requires to limit the use of non-originating meat and fish, preparations classified in HS 16 b) wheat and flours (HS 11 01 to 11 08) preparations of rice (HS 10 06), wheat, and sugar. In the case of Japan, the rules are much more demanding since they are excluding altogether the use of non-originating materials classified in entire chapters of the HS as detailed in the rule for the specific headings 19 01 to 19 05. The practice by Japan to assign different rules of origin within a heading on the basis of descriptions that are not matching the HS title in the case of heading 19 01, is quite difficult to administer. In fact, it requires a double exercise of 1) classifying goods to apply the correct origin requirement, and 2) comply with the applicable rules of origin. UK CTH rule is by far more liberal.	The compliance with such rules requiring not to use portion of ingredients or not use them at all are difficult to administer requiring sophisticated accounting techniques. MSMEs in LDCs may not possess the accounting expertise required to comply with such rules.	A change to headings 1901 through 1905 from any other chapter or CTH. This rule would recognize that the making of pasta products and other products of chapter 19 products from primary products of other chapters or headings is a substantial transformation.

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## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan	UK	Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO			
<b>Heading 20.06</b> Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (dried, glacé or crystallised)	Manufacture in which the value of all the materials of Chapter 17 used does not exceed 30 % of the ex-works price of the product	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (dried, glacé or crystallised)	Manufactured from products other than those of Chapter 7, 8, 9, 12, 17 or 20	CTH	The EU rules only place a limitation on the use of sugar of chapter 17. The Japan rule excludes the use of fruits and vegetables classified in chapter 7 and 8 and other HS chapters as described in the rule. This Japan rule is far exceeding any requirement of substantial transformation since it requires that all ingredients are originating, almost all ingredients are originating. UK PSRO is in full compliance.	A change to a good of heading 20 06 from any other chapter or CTH. Such rule would be recognized as substantial transformation the process of making of products of heading 2006 from primary products of chapter 7 and 8 using non-originating sugar of chapter 17.

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## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan	UK		Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS			
<b>Heading 33.02</b> Essential oils and resinsoids; perfume; cosmetic or toilet preparations, except for	Manufacture from materials of any heading, except that of the product. However, materials of the same heading as the product may be used, provided that their total value does not exceed 20 % of the ex-works price of the product or Manufacture in which the value of all the materials used does not exceed 70 % of the ex-works price of the product	Mixtures of interferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry, other preparations based on interferous substances, of a kind used for the manufacture of beverages	Manufactured from products other than those of heading 33.02, provided that the value of non-originating products used does not exceed 50 % of the value of the products	CTSH or 75% MaxVOM (EXW)	Both rules under EU and Japan are requiring in addition to a CTC of CTH level to meet an ad valorem percentage criterion. The Japan rule is more restrictive since it requires a cumulative requirement and each requirement is more restrictive than under the EU rules, i.e. a specific restriction on using heading 33.02 and a lower threshold 50% of VOM. The UK PSRO is much more liberal as it provides for CTSH or 75% of VOM=Full compliance	Products of heading 3302 are usually obtained by mixing in deliberate components and percentages of other primary materials of heading 3301	A change to a good of heading 33.02 through 33.01 from any other heading or CTSH or MaxVOM (EXW)

## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan	UK		Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS			
<b>Heading 44.16</b> Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	Manufacture from materials of any heading, except that of the product or Manufacture in which the value of all the materials used does not exceed 70 % of the ex-works price of the product	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves	Manufactured from products other than those of heading 44.16, excluding staves of wood (even staves only one principal surface of which has been sawn, or sawn staves, at least one principal surface of which has been cut lengthwise, each of which has not been worked other than sawing)	CTH or 75% MaxVOM (EXW)	In this case the EU rules requires a CTH or ad valorem percentage requirement of 70%. The CTH requirements means that assembly of staves into barrels is not origin conferring. Thus the only alternative is to comply with the 70% ad valorem percentage. In the case of Japan the rule excludes all parts of barrels of HS 44.16, excluding staves of wood as further specified in the rule. In both cases the rules appear overly stringent as making barrels from staves is a rather complex manufacturing operation. UK CTH rule does not recognize assembly of staves into barrel as origin conferring and 75% VOM=Full compliance	Heading 44.16 is restricted to products of the other two or more coopers' trade finishing operations. The heading also covers parts of articles of heading 44.16. It means that there is no CTC possible within the heading.	Assembly of staves is accompanied by the other two or more coopers' trade finishing operations, such as fitting, stopping, impregnating, painting, staining or varnishing

Updated examples of Annex I from LDC submission of 2019  
PSRO Comparison Table EU, Japan and UK



EBA HS Chapter Description of Product	EU	Japan		UK	Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS			
<b>Heading 52.07</b> Yarn and thread of cotton put up for retail sale	Spinning of natural fibres or extrusion of man-made fibres accompanied by spinning	Cotton yarn (other than sewing thread) put up for retail sale	Manufactured from chemical products, from products of heading 47.01 to 47.06, or from natural textile fibres, man-made staple fibres or textile fibre waste, neither carded nor combed	CTSH or 75% Max NOM (EXW)	In this case the EU is not using a CTC but a specific working or processing operations requiring to carry out the spinning and the extrusion. The Japan rules requires that the textiles fibres are not carded or combed and additionally not to use wood pulp or other cellulose materials classified from heading 47.01 to 47.06. This latter use of CTC rule appears to be an additional requirement of extraordinary complexity. The UK rule allow CTSH or 75 Max NOM meaning that manufacture yarn for retail sale from yarn in bulk is an origin conferring operation.	Heading 5207 is composed of two subheadings 5207.10 containing 85% or more by weight of cotton 5207.30 other	CTSH or 75% Max NOM (EXW)

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Updated examples of Annex I from LDC submission of 2019  
PSRO Comparison Table EU, Japan and UK



EBA HS Chapter Description of Product	EU	Japan		UK	Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS			
<b>Chapter 64</b> Footwear, gaiters and the like, parts of such articles, except for	Manufacture from materials of any heading, except from assemblies of uppers affixed to inner soles or to other sole components of heading 6405	Footwear, gaiters and the like, parts of such articles, except for	Manufacture from products other than those of the different tariff heading (excluding heading 64.06) of the product	CTH or 75% Max NOM (EXW)	The EU rules is rather liberal since it allows a CTH, only excluding the use of particular parts of shoes that are assemblies of uppers affixed to inner soles of other sole components. This means that all other parts of shoes can be used to assemble shoes. In the case of Japan, the use of non-originating parts of shoes is not allowed as it excluded all materials classified in heading 6405. UK PSRO is in full compliance.	Parts of shoes are classified under heading 64.06 that is further subdivided in 5 headings	CTH or 75% Max NOM (EXW)

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## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan		UK	Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS			
<b>Heading 72.16</b> Flat-rolled products, bars and rods, angles, shapes and sections of iron or non-alloy steel	Manufacture from ingots or other primary forms or semi-finished materials of heading 7206 or 7207	Angles, shapes and sections of iron or non-alloy steel	Manufactured from products other than those of heading 72 07 to 72 16	CTH or 75% VNIOM	Under the EU rules the CTC required the manufacturing of angles shape and sections from two specific heading, namely 7206(ingots) or 7207 (semi finished products obtained by hot rolling or forging ingots). In the case of Japan the same rules are excluding products of heading 7207. This rule is more restrictive as it means that the process of rolling ingots into semi-finished products of heading 72 07 has to be carried out in LDC's. UK PSRO CTH does not excludes any heading and introduce alternative 75VNIOM		CTH or 75% VNIOM

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## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan		UK	Comments	Technical elements	Suggested Best Practice RoO
	EBA	Japan HS Chapter Description of Product	Japan RoO	UK DCTS			
<b>Chapter 84, chapter rule</b> Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof, except for	Manufacture from materials of any heading, except that of the product or Manufacture in which the value of all the materials used does not exceed 70 % of the ex-works price of the product	Nuclear reactors, boilers, machinery and mechanical appliances, parts thereof, except for	Change of Tariff Heading (CTH)	CTH or 75% MaxHom (EAW)	The EU rules of origin are obviously more lenient than the Japanese since they allow Change of tariff heading or to fulfil at least 70% of VNIOM. The Japanese rule formally comply with the paragraph 2.1 of the Fibron. However, given the nature of the HS there are a series of heading where a CTH rule applied across the chapter is contentuitive and demanding. As an example, it would question that the assembly of parts of turbo jets or rocket engines into finished engines of turbo jets and rocket engines of 84 12 is a substantial transformation. However a CTH rule does not recognize such complex processes as origin conferring.  UK rule is formally in compliance yet the complexity of chapter 84 call for further reflections.	Chapter 84 is a complex HS chapter with 87 heading and the HS has not been conceived for rules of origin purposes	Given the complexity of the chapter including products of a different nature. The LDC WTO group will table a proposal at a later stage.

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## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan	UK	Comments	Technical elements	Suggested Best Practice RoO	
	EBA	Japan HS Chapter Description of Product	Japan RoO				UK DCTS
<b>Chapter 85, chapter rule</b> Electrical machinery and equipment and parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles; except for	Manufacture from materials of any heading, except that of the product or Manufacture in which the value of all the materials used does not exceed 70 % of the ex-works price of the product	Electrical machinery and equipment and parts thereof, sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	Manufactured from products provided that the value of non-originating products used of the different tariff heading from that of the products does not exceed 40 % of the value of the products, and the value of non-originating products used of the same tariff heading as that of the product does not exceed 5 % of the value of the products. It also not clear why such stringent rule while the majority of chapter 85 is MFN free	CTH or 75% Maximum (EXW)	In the case of Japan, the General CTC rule of CTH and CTSH is not respected since there is an additional requirement that the material classified in another heading not to exceed 40% VNM. The CTC rules of Japan is placing a limitation on the use of non-originating materials classified in other heading of 40% of the value of the finished product. In the context of such rule the 5% allowance of non-originating materials classified in the same heading does not liberalize the rule. The EU rules of origin are obviously more lenient than the Japanese since they allow Change of tariff heading with a general tolerance rule of up to 15% of the value of the product) or to fulfil ad valorem 70% of VNM. UK rule is formally in compliance yet the complexity of chapter 85 call for further reflections.	Chapter 85 is a complex HS chapter with 87 heading and the HS has not been conceived for rules of origin purposes	Given the complexity of the chapter including products of a different nature The LDC WTO group will table a proposal at a later stage

## Updated examples of Annex I from LDC submission of 2019 PSRO Comparison Table EU, Japan and UK

EBA HS Chapter Description of Product	EU	Japan	UK	Comments	Technical elements	Suggested Best Practice RoO	
	EBA	Japan HS Chapter Description of Product	Japan RoO				UK DCTS
<b>Heading 87.12</b> Bicycles	Manufacture in which the value of all the materials used does not exceed 70 % of the ex-works price of the product	Bicycles	Manufactured from products provided that the value of non-originating products used of the different tariff heading from that of the products does not exceed 40 % of the value of the products, and the value of non-originating products used of the same tariff heading as that of the product does not exceed 5 % of the value of the products	CTH or 75% Maximum (EXW)	In this case the EU is not using the CTC but an ad valorem percentage criterion of 70 %VNM. In the case of Japan the General CTC rule of CTH and CTSH is not respected since there is an Additional requirement that the material classified in another heading not to exceed 40% VNM. This means that parts of bicycles classified in heading 87.14 can be used up to 40 of VNM in the case of Japan and 70% in the case of the EU. The further provision of Japan of allowing materials classified in the same heading up to 5 % of the value of the products does not significantly liberalize a restrictive rule. UK PSRO is in full compliance	Chapter 84 is a complex HS chapter with 87 heading and the HS has not been conceived for rules of origin purposes	CTH or 75% Maximum (EXW) or processing rule

## Summary of the comparison of use of CTC with best practices of Nairobi decision of selected PGMs

- The CTC rules are mostly applied by EU, Norway, Japan, Switzerland and UK
- **EU, Norway, and Switzerland:**
  - There have been significant positive changes in the EU rules of origin<sup>1</sup> following the reform of the EU rules of origin in 2011 that have also been adapted by Norway and Switzerland
  - However, the comparison shows that PSRO especially in agro-processing and other sectors need further improvements to comply with Nairobi decision and best practices as identified in annex 1
- **Japan:**
  - liberalized the rules of origin for chapter 61, Garments, knitted or crocheted in 2015
  - The comparison shows that Japan PSRO are resulting the most complicated and difficult to apply also due to an extremely detailed description of additional PSRO going beyond HS description
  - several steps should be undertaken to adapt best practices in conformity with Nairobi Decision as detailed in this presentation
- **UK:** The comparison shows that UK PSRO sets a new benchmark in many HS chapters and headings showing that compliance with Nairobi decision and best practices is possible and feasible opening new trading opportunities to LDC.
- **India and China** are applying a CTH rule as alternative in the case of China or in conjunction with an ad valorem percentage in the case of India
- India is not complying with best practices as it requires a combination of requirements.
- China is invited to adopt PSRO for some specific sectors to take into account inherent technical limitation resulting from the alternative application of CTH or ad valorem percentage rule.

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<sup>1</sup> See WTO document [G/RO/W/146](#) of November 2015: "Challenges faced by LDCs in complying with preferential rules of origin under unilateral schemes"

### Which PGMs have introduced best practices including "a tolerance allowance so that inputs from the same heading or sub-heading may be used"? (i) Paragraph 1.2 (c) of Nairobi Decision

PGM	Application of tolerance allowance?	Comments
European Union (EBA)	Yes	<ul style="list-style-type: none"> <li>• 15% of the weight of the product for products falling within Chapters 2 and 4 to 24 of the Harmonized System, other than processed fishery products of Chapter 16.</li> <li>• 15% of the ex-works price of the product for other products, except for products falling within Chapters 50 to 63 of the Harmonized System, for which the tolerances mentioned in Notes 6 and 7 of Part of Annex 13a, shall apply.</li> </ul>
United States (GSP)	Not applicable	<ul style="list-style-type: none"> <li>• Not applicable.</li> </ul>
United States (AGOA)	Not applicable	<ul style="list-style-type: none"> <li>• To be further analyzed in the case of textile and clothing.</li> </ul>
Japan	Yes	<ul style="list-style-type: none"> <li>• Non-originating materials used in the production of a good classified under Chapter 50 through 63 of the Harmonized System that do not satisfy an applicable rule for the good shall be disregarded, provided that the totality of such non-originating materials does not exceed 10 percent in weight of the good.</li> </ul>
Canada	Not applicable	<ul style="list-style-type: none"> <li>• To be further analyzed in the case of textile and clothing.</li> </ul>
Norway	Yes	<ul style="list-style-type: none"> <li>• As in the case of the EU.</li> </ul>
UK	Yes	<ul style="list-style-type: none"> <li>• (i) Non-originating materials which, according to the conditions set out in the tables in Part 2 and Part 3 of Schedule 1, are not to be used in the manufacture of the goods, may nevertheless be used provided that (a) in relation to goods falling within any of Chapters 2 and 4 to 24 except processed fishery goods mentioned in Chapter 16, the net weight of the non-originating materials does not exceed 15% of the net weight of the goods;</li> <li>• (b) in relation to goods to which sub-paragraph (a) does not apply except goods falling within any of Chapters 50 to 63, for which the allowances mentioned in Notes 4 and 5 of Part 1 of Schedule 1 apply, the total value of the non-originating materials does not exceed 15% of the ex-works price of the goods; (c) the percentage for the maximum content of non-originating materials in relation to the goods as specified in the tables in Part 2 and Part 3 of Schedule 1 is not exceeded.</li> </ul>

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Which PGMs have introduced best practices including “a tolerance allowance so that inputs from the same heading or sub-heading may be used”? (ii)  
Paragraph 1.2 (c) of Nairobi Decision

PGM	Application of tolerance allowance?	Comments
Switzerland	Yes	As in the case of EU
New Zealand	Not applicable	
Australia	Not applicable	
Eurasian CU	Not applicable	
China	To be clarified as transition is not clear	For original goods manufactured, or processed with materials of non favored nation, if the non-original materials used in the production process do not conform to the provisions of the first paragraph of this article, but if the transaction price of the non-original materials determined in accordance with the Customs valuation Agreement does not exceed 10% of the price of the goods and complies with other applicable provisions of these measures, the goods shall still be regarded as original goods of the favored nation.
India	NO	No reference in the notification, to be clarified
South Korea	Not applicable	
Chinese Taipei	Not applicable	
Thailand	Not applicable	

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Which PGM have avoided “a combination of two or more criteria for the same product”?  
Paragraph 1.4 of Nairobi Decision

PGM	Application of a combination of two or more criteria?	Compliance
India	Yes, for ALL products	NO. The general rule of origin applicable to all products requires to fulfill a percentage AND a CTC at six-digit level.
European Union (EBA), Norway and Switzerland	Yes, for some products	NO. In a number of PSRCs, especially in the agri-processed sectors there are a number of multiple requirements for the same product.
Japan	Yes, for many products and at times entire chapters	NO. The use of multiple requirement for the same products is quite widespread covering entire HS chapters.
All other preference granting members	Not using a combination of criteria	

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### Which Preference-granting Members are "offering alternative rules for the same product"?

Paragraph 1.5 of Nairobi Decision

PGM	Offering alternative rules	Comments
China	Yes, for all products	The general rule of origin provide for two different RoO applicable to all products requires to fulfill a percentage OR a CTC at heading level. Yet such across the board alternative RoO may be further refined by introduction of lenient PSROs in some sectors.
European Union (EBA), Norway and Switzerland	Yes, for some products	In a number of PSROs even at chapter level these preference granting countries are offering alternative rules.
Japan	Yes	No alternative found.
UK	Yes, for many products CTC with or 75% MaxNOM (EXW).	The most common is the use of CTC or CTSH in combination with a MaxNOM of 75%.
All other preference granting members	NONE	NONE

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### Findings and Recommendations to adopt best practices in CTC in conformity with best practices and Nairobi Decision

- Issues to be considered to bring into conformity with the paragraph 1.2, 1.4 and 1.5 of the Nairobi Decisions the current use of the CTC criterion by the PGM using CTC as main methodology:
  1. **The exceptions to the general rules of CTH and CTSH are the norm rather than the exception for the CTC group.**
    - For instance, the rules of origin of Japan provides for CTH as a general rule, however there are 26 pages of exceptions<sup>1</sup> to such general rule covering the majority of the HS chapters and at time entire HS chapters;
  2. **The exceptions to the general rules of CTH and CTSH are by far much stricter than the general rules going beyond any conceivable requirement for substantial transformation and as such they are not justifiable.**
  3. **In some cases, the same Preference-granting Members have adopted more lenient rules of origin for the same products under FTAs that they have negotiated with other partners and/or there are existing best practices under other FTAs on how substantial transformation could be achieved adopting less stringent requirements.**
  4. The new UK PSRO are, in many cases, an example of best practices that PGM may wish to consider to adopt.

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<sup>1</sup> See website of Japan Ministry of Foreign Affairs at <https://www.mofa.go.jp/files/000077857.pdf>

## Findings and Recommendations to adopt best practices in CTC in conformity with best practices and Nairobi Decision

- Issues to be considered to bring into conformity with the paragraph 1.2, 1.4 and 1.5 of the Nairobi Decision the current use of the CTC criterion by the PGM using ad valorem percentage criteria as main methodology:
  1. **Consider the adoption of CTC products specific rules of origin for certain sectors**
    - An across-the-board percentage criteria for all products does not adequately take into account the diversity of goods. An example of a simple CTH for foodstuff of chapter 16 may be easier to comply while ensuring that substantial transformation has taken place.
  2. **Alternative rules should be provided according to paragraph 1.5 of Nairobi decision**
  3. The new UK PSRO are, in many cases, an example of best practices that PGM may wish to consider to adopt

<sup>1</sup> See website of Japan Ministry of Foreign Affairs at <https://www.mofa.go.jp/files/000277857.pdf>

## Recommendations and way forward

- This presentation outlines a number of product specific rules of origin of the EU, Japan, Norway, Switzerland that are going beyond the concept of substantial transformation and are not in conformity with best practices and the Nairobi Decision.
- In addition, this presentation highlights that India is adopting a combined requirement not in conformity with paragraph 1.4 and the China alternative requirements may be further refined. Both countries may wish to draw from the best practices used by UK as identified in this presentation.
- The revised presentation of annex I contains specific proposals on how EU, Switzerland, Norway and Japan may comply with the Nairobi Decision and invite these countries to engage in bilateral discussions.
- In a similar vein, the revised presentation of annex 1 provides a series of best practices that may be used by India and China to improve their RoO.
- Other PGM not using CTC may also consider adoption of PSROs based on CTC and alternative criteria.
- The LDC will further develop annex I to provide further examples of best practices and engage in bilateral discussions.
- The results of the bilateral/plurilateral discussions will be reported to the CRO for further consideration.

