

UNDERSTANDING THE LINKAGES BETWEEN RULES OF ORIGIN AND THE UTILIZATION OF TRADE PREFERENCES

**OVERVIEW OF THE WORK OF THE WTO SECRETARIAT FOR
THE COMMITTEE ON RULES OF ORIGIN (CRO)**

Darlan F. Martí

Secretary of the WTO Committee on Rules of Origin

October 2023

Mandate given to the CRO



- **2005:** preferential rules of origin applied to LDCs must be “**simple and transparent**” ([Hong Kong Ministerial Declaration](#))
- **2013:** guidelines to ensure that rules of origin take into account the **limited productive capacity** of LDCs (Bali Ministerial Decision, [WT/L/917](#))
- **2015:** detailed **provisions and guidelines about the design of origin criteria and documentary requirements. Strengthened role for the WTO CRO** in examining current practices and the utilization of preferences and monitoring the implementation of the Decisions (Nairobi Ministerial Decision, [WT/L/917/Add.1](#))
- **2022:** Members underscored the importance of **identifying and addressing**, as appropriate, the **specific challenges that LDCs face**, as Members may agree, in complying with preferential rules of origin and origin requirements **to effectively use trade preferences.**
- The CRO should continue its efforts to facilitate the implementation of the Nairobi Ministerial Decision with a view to ensuring that preferential rules of origin are transparent and simple and contribute to facilitating market access.
- The work of the CRO could include **identifying and agreeing upon best practices** by all Members and **further analysing existing origin requirements and the utilization of trade preferences.** (Committee Decision [G/RO/95](#))

3 pillars



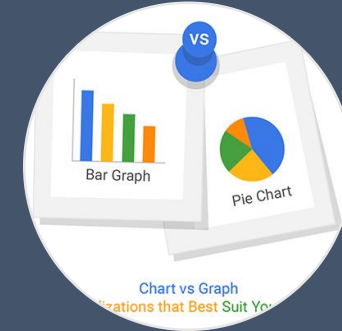
TRANSPARENCY

Notification applicable RO and
import statistics



SUBSTANTIVE PROVISIONS

Discussion and analysis of
existing practices



PREFERENCE UTILIZATION

Calculate utilization rates to
identify trends



Preference utilization

- Work of the WTO Secretariat has mainly focused on the calculation of utilization rates
- Identify patterns or trends
- Examine more specifically the rules of origin in sectors or schemes in which the utilization of preferences is particularly low



Modalities
[G/ROW/161/Rev.1](#)

Overview
[G/ROW/168/Rev.1](#)

“Underutilization”
[G/ROW/179](#)

Agricultural goods
[G/ROW/185](#)

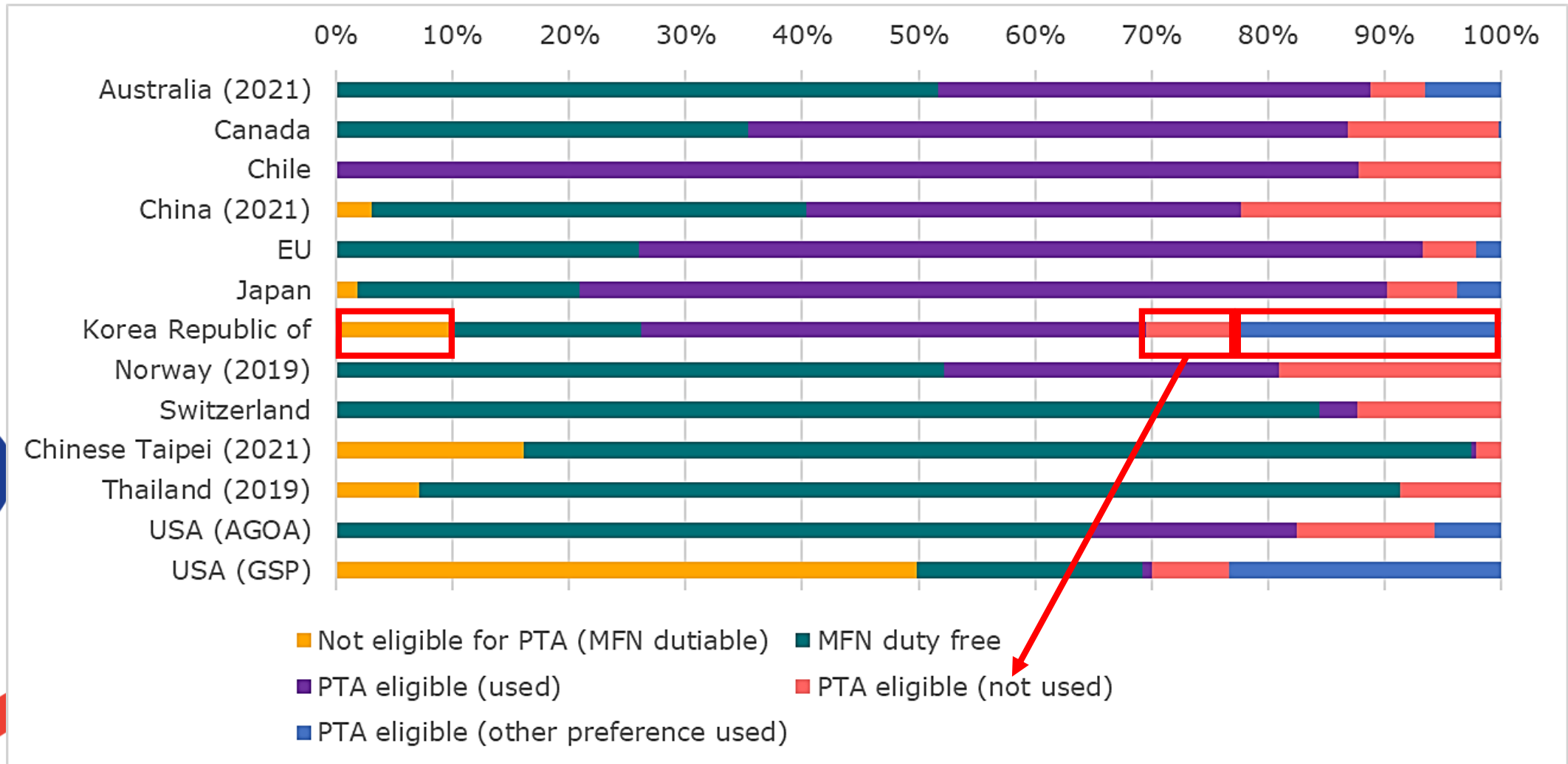
Direct consignment
[G/ROW/187/Rev.1](#)

Minerals & metals
[G/ROW/203](#)

Trends over time
[G/ROW/204](#)

Certification
[G/ROW/212](#)

Overview: utilization and non-utilization



Source: WTO IDB, 2020 or latest year available

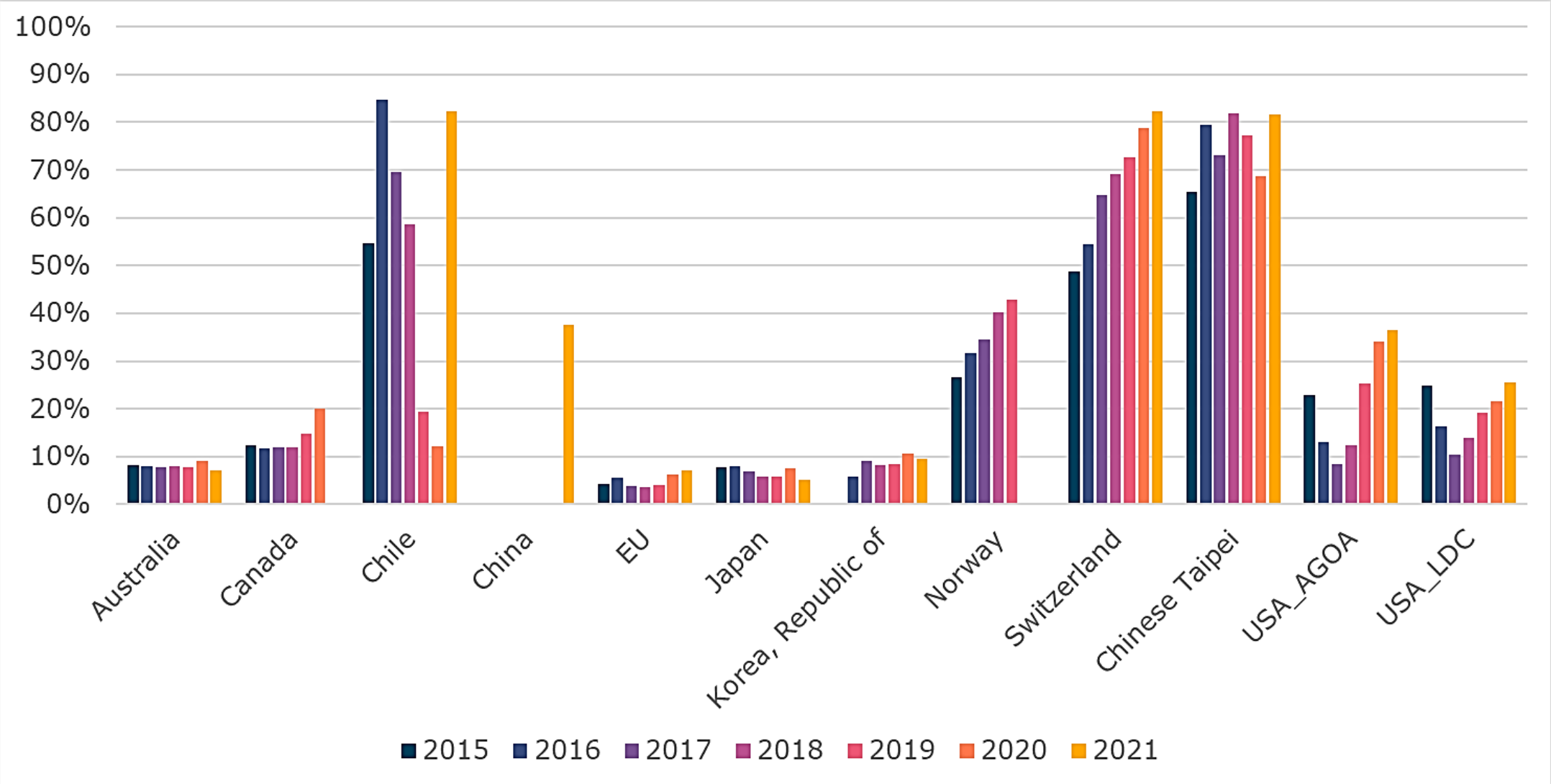
Data considerations

To accurately calculate *underutilization* rates, a full overview of trade between preference-granting Members and LDCs is needed:

- Preferential tariffs
- Imports under LDC preferences (DFQF)
- Imports under any other preferential programmes that may be available and the relevant tariffs:
 - RTAs;
 - temporary duty concessions
 - Other DFQF schemes
- Trade entering under MFN

Without comprehensive data, analysis of utilization or *underutilization* is potentially misleading

Non-utilization rates (%) across preferences



Source: WTO IDB (2015-2021) based on [G/RO/W/204](#) (updated)

Capacity to utilize preferences varies strongly also among LDCs
 even for products subject to a simple rule of origin (wholly obtained)
Fruits, vegetables and plants



	Eligible for preferences (USD)	NON - utilization
Democratic Rep. of the Congo	3,848,643	92%
Lesotho	3,042,853	61%
Lao People's Democratic Rep.	14,423,709	60%
Uganda	157,580,672	42%
Malawi	41,376,636	39%
Tanzania	398,078,240	22%
Mozambique	161,473,904	21%
Nepal	2,474,957	16%
Madagascar	169,501,056	15%
Zambia	25,398,150	14%
Niger	3,047,094	12%
Bangladesh	8,467,613	10%
The Gambia	30,175,404	10%
Burkina Faso	35,651,688	8%
Togo	42,372,880	5%
Senegal	178,893,776	4%
Haiti	47,758,864	3%
Cambodia	174,687,120	2%
Rwanda	22,274,728	1%

Source: WTO IDB (2019) based on [G/ROW/185](#) (not updated)

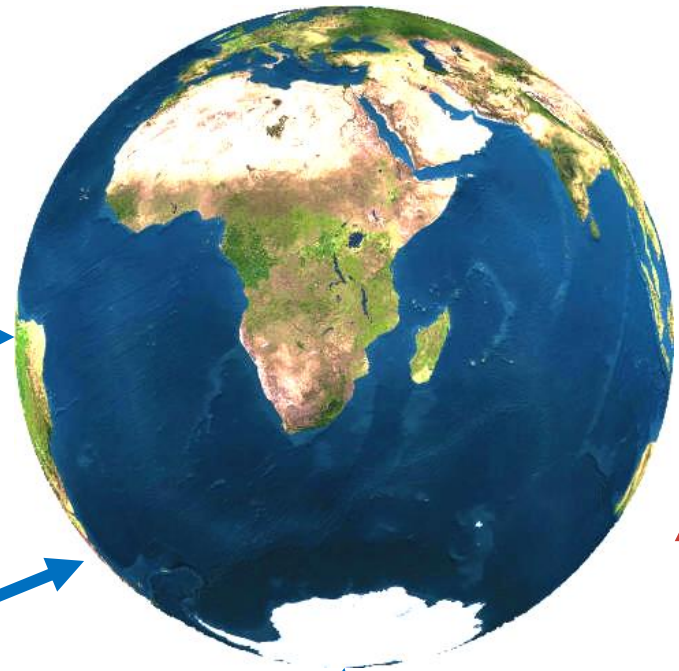
Preferential origin requirements: 3 components

1 **PRODUCT-SPECIFIC ORIGIN CRITERIA**
(substantial transformation, cumulation, de-minimis, etc.)

2 **PROOF OF ORIGIN**
(self-declaration or certificate of origin prescribed by the *importing* country but delivered in the *exporting* country)

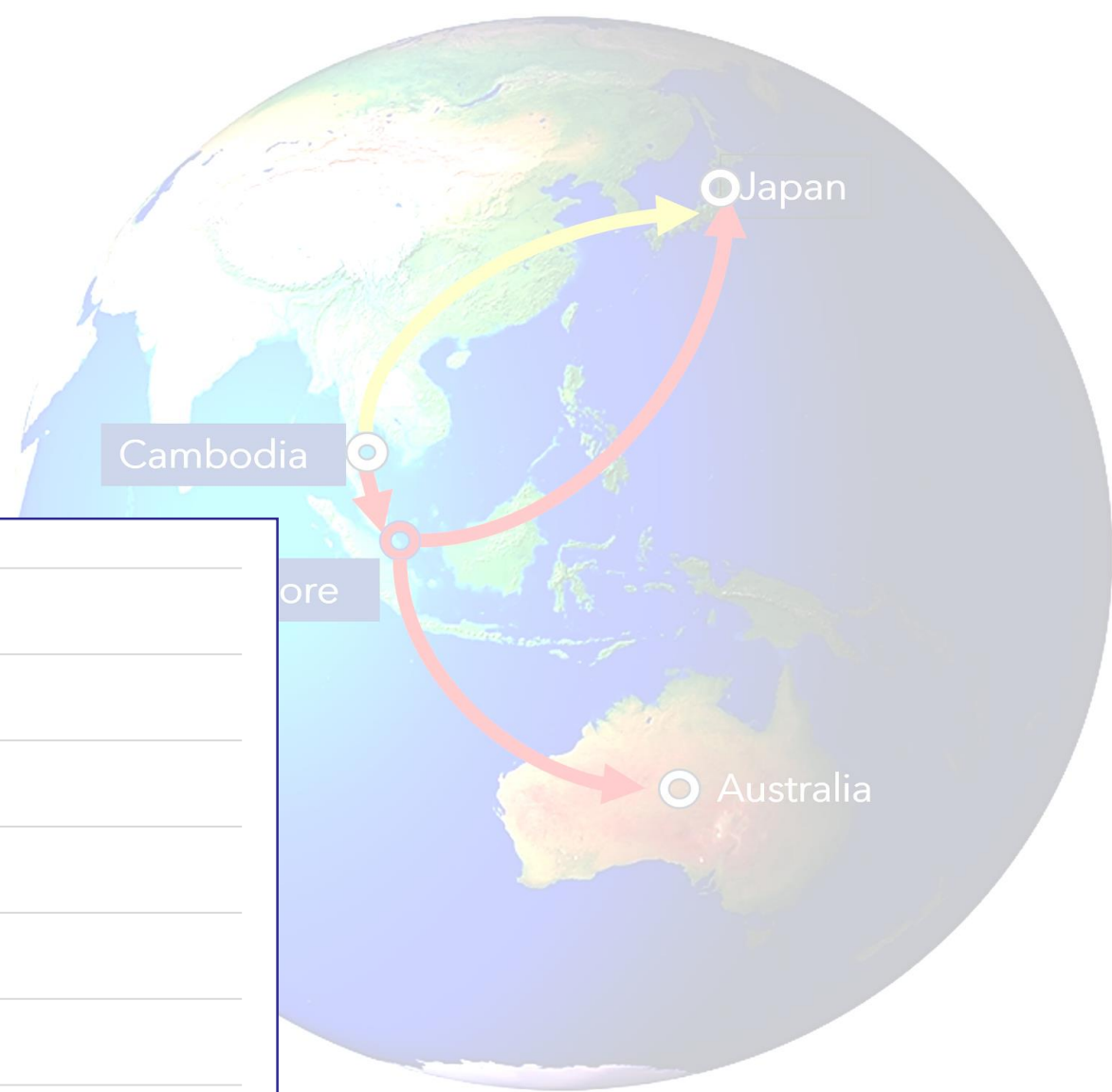
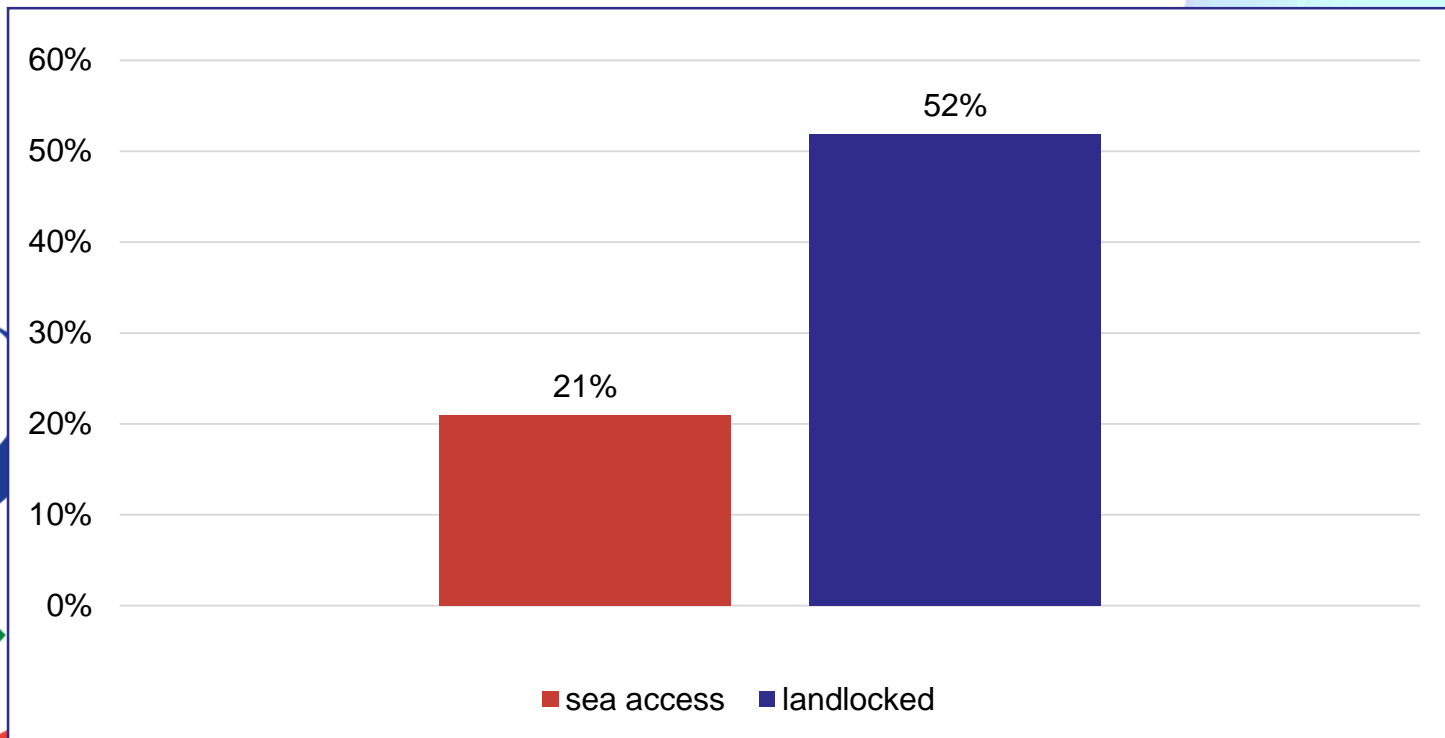
3 **DIRECT TRANSPORTATION**
from the country of origin to the preference-granting country.
Or "**non manipulation**" during transportation and transit

Knowledge
↕
Access to information



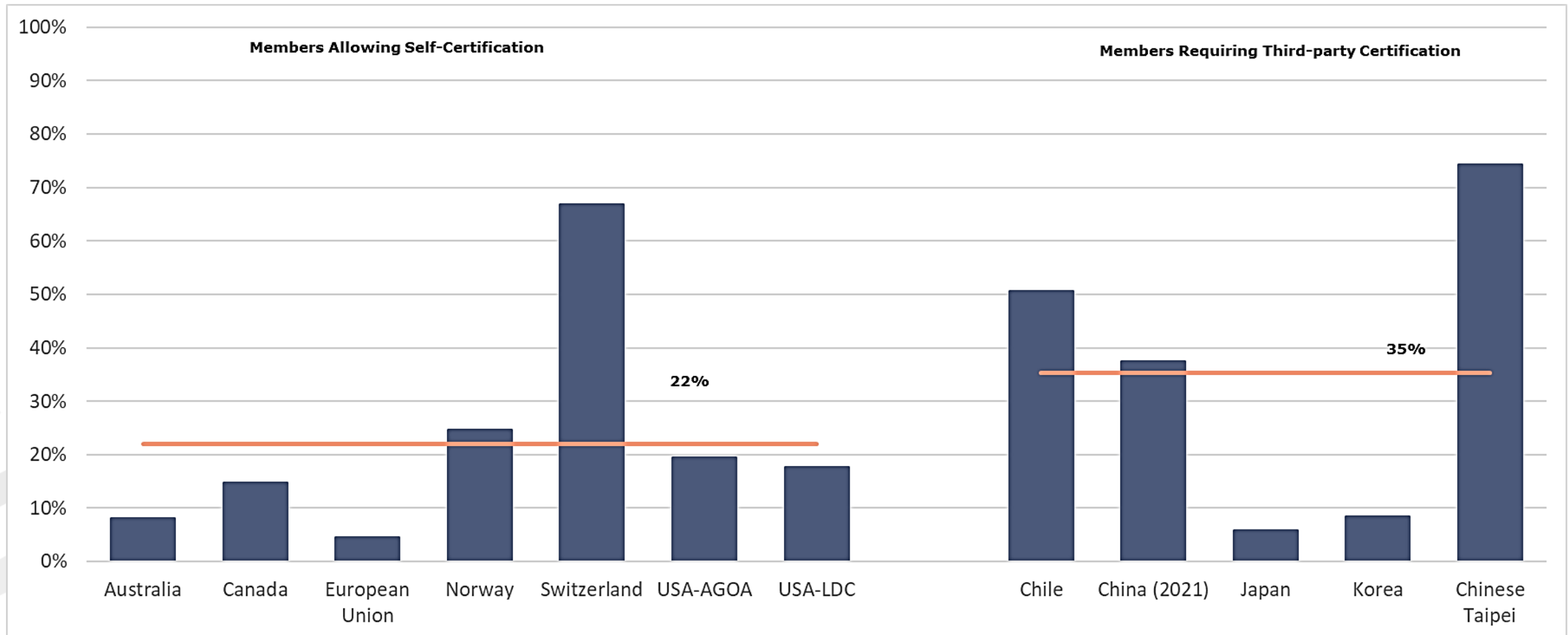
MFN
tariff

Consignment requirements



Source: IDB (2019) from [G/ROW/187/Rev.1](#) (not updated)

Average preference *underutilization* (2015-2020) for preference-granting Members requiring a certificate of origin vs preference-granting Members allowing self-certification



Source: WTO IDB (2015-2020) based on [G/ROW/212](#) (updated)

Preliminary observations



- Full / high utilization rates *necessarily* indicates that all origin requirements are being met. However, it does not mean that the preference programme is deploying all its potential (developmental) benefits.
- Low / Non-utilization could be an indicator that rules of origin are restricting preferential market access:
 - importance of studying obligations related to certification and consignment in addition to the origin criteria
- However, other factors could also be influencing low utilization rates:
 - Availability of other tariff preferences not known to the Secretariat;
 - Lack of awareness about preferences among operators or deliberate choice not to claim a preference
 - Preferential margins are not high enough?
- Work in the CRO is not conclusive yet and needs to be furthered so that these linkages can be better understood:
 - need for complete statistics (notification of trade under all preferences available)
 - Need for data covering several years (trends)

THANK YOU FOR YOUR ATTENTION

WTO Committee on Rules of Origin - rulesoforigin@wto.org

[Visit: Rules of Origin Gateway](#) (WTO Website) and “Events”

- 2021: ["What drives the utilization of trade preferences" \(1\)](#) (via Zoom, recording available) – Australia; Belgium; EU; Japan; South Africa; Switzerland.
- 2022: ["What drives the utilization of trade preferences" \(2\)](#) (via Zoom, [recording available](#)) – Canada; Chile; EFTA; Türkiye; USA

Visit: [Origin Facilitator](#) (database)