

WORLD TRADE ORGANIZATION

RESTRICTED

G/RO/4

25 January 1996

(96-0266)

Committee on Rules of Origin

SECOND REPORT TO THE COMMITTEE ON RULES OF ORIGIN

Note by the Secretariat

1. In conformity with paragraph 2(c)(ii) of Article 9 of the Agreement on Rules of Origin, the Technical Committee on Rules of Origin has submitted to the Committee on Rules of Origin its Second Report. The Report pertains to the initial work of the Technical Committee on Rules of Origin concerning the use of change in tariff heading or subheading for the elaboration of rules of origin on the basis of the criterion of substantial transformation of goods.
2. The attached Report (WCO document 39.843) is herewith circulated to Members together with the letter of transmission of the Chairman of the Technical Committee on Rules of Origin.

Brussels, 20 January 1996

Dear Mr. Osakwe,

I have pleasure in sending you the Second Report of the Technical Committee on Rules of Origin.

Please accept, Mr. Osakwe, the assurance of my highest consideration.

Yours sincerely,

R. Janeczko
Chairman
Technical Committee on Rules of Origin

Mr. Chiedu Osakwe
Chairman
Committee on Rules of Origin
World Trade Organization

SECOND REPORT TO THE COMMITTEE ON RULES OF ORIGIN

1. In accordance with the provisions of Article 9.2(c)(ii), the Committee on Rules of Origin (the Committee) shall find herewith a report on the initial work of the Technical Committee on Rules of Origin (the Technical Committee) concerning the use of change in tariff heading or subheading, for the elaboration of rules of origin on the basis of the criterion of substantial transformation of goods.

2. Since the Technical Committee's Second Session, many Members have implemented or actively pursued internal negotiations and consultation procedures between administrations on the one hand and between administrations and professional organizations on the other, so as to:

- draft rules of origin proposals for particular products or product sectors, taking into account chapters or sections of the Harmonized System (HS) nomenclature;
- formulate proposals regarding the possible content and form of general rules aimed at facilitating the interpretation and application of rules of origin.

3. Given the interests at stake, this preparatory phase is particularly delicate. Hence, aware of these difficulties and of the fact that careful drafting of Members' contributions is vital for the smooth development of the Technical Committee's work, the Chairman of the Technical Committee wishes to stress his satisfaction regarding the work completed and the quality of proposals already made at this stage.

4. To date, five Members have partially or fully completed this work within their administrations and have sent proposals. These Members are:

- Japan, on 20 December 1995: Chapters 1 to 27, 41 to 49, 64 to 81 and 91 to 97;
- Canada, 3 January 1996: Chapters 1 to 27, 41 to 49, 64 to 81 and 91 to 97;
- European Communities, 3 January 1996: Chapters 1 to 27, 41 to 49 and 64 to 67;
- United States, 3 January 1996: Chapters 25 to 27;
- Switzerland, 3 January 1996: Chapters 1 to 27, 41 to 46, 64 to 81 and 91 to 97.

5. All of these proposals are presented in a uniform manner, with the exception of the proposal from Canada which departs somewhat from the general format of presentation. These proposals will be included in the working documents of the Technical Committee, chapter by chapter, on the basis of the criteria set out below (paragraph 12), for distribution to Members.

6. Further contributions are expected in the near future. If time permits, these will be added to the working documents.

7. In accordance with the decisions taken by the Technical Committee, various other tasks have been commenced.

8. A provisional detailed plan of work for the next two Technical Committee sessions has been drawn up:

The provisional agendas take account of the order in which the Technical Committee has agreed to examine the various chapters of the Harmonized System (HS) nomenclature, i.e.:

At the Third Session (11 to 22 March 1996), the following chapters will be examined successively:

25 to 27, 41 to 49, 64 to 71, 91 to 97, 72 to 81 and 1 to 24.

At the Fourth Session, the following Chapters will be examined successively:

28 to 40, 50 to 63 and 82 to 90.

9. The provisional agendas have been sent to Members of the Technical Committee, accompanied by a letter from the WCO Secretary General. The main purpose of this letter was to remind Members to submit their proposals to the Origin Project Secretariat as soon as possible, so that the working documents could be drafted and circulated within the time limits laid down in the Technical Committee's Rules of Procedure.

10. Formats for documents, structured chapter by chapter and based on the 1996 version of the HS, have been prepared. They could be used by all Members to formulate, in a harmonized fashion, their proposals concerning the substantial transformation of goods.

11. Members have been informed that these documents are available on the WCO Electronic Bulletin Board, which should facilitate the drafting of Members' proposals. Members can use these formats containing all current tariff headings and subheadings and all the corresponding heading texts and insert their proposals for rules and comments.

12. Consideration has also been given as to how the various proposals received should be distributed to Members. A method of presentation has been designed, based on the principle of grouping together all the proposals for the same chapter and, within that chapter, for the same heading or subheading.