

**MULTILATERAL TRADE  
NEGOTIATIONS  
THE URUGUAY ROUND**

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RULES OF ORIGIN

Statement by the United States Delegation

30 November 1989

The delegation of the United States would like to reiterate its interest in the issue of rules of origin and offer several clarifications to our proposal tabled last September (MTN.GNG/NG2/W/43).

First, the United States remains committed to seeking an agreement on rules of origin in the Uruguay Round. Our proposal suggests that we can achieve agreement on principles and procedural rules in the Round, and start work on harmonization of origin rules.

Indeed, principles and procedural rules are a critical element in establishing GATT discipline in this area.

While we would also like to conclude work on harmonization by the end of the Uruguay Round, we don't believe this is feasible given the complexity and technical nature of the issue.

We need to use the opportunity of the Round, however, to start the important work on harmonization.

This scenario is possible - the principles and procedural rules provided in our proposal stand independent of the harmonization exercise. These principles and procedural rules are equally applicable with one, a handful, or a multitude of origin rules.

Of course, once harmonization is achieved, we will need to review the principles and procedural rules to determine whether they are still applicable or certain changes are necessary. Our proposal envisions such a review.

US Proposal on Harmonization: Relationship of the GATT and the Customs Co-operation Council

With regard to the reports requested of the Customs Co-operation Council (CCC) in the US proposal, my delegation would like to emphasize that we are asking the CCC to produce three separate reports.

The first report, which we refer to as the "change in tariff classification" report, would be a technical examination of the adequacy of the Harmonized System (HS) nomenclature to serve as a basis for making origin determinations.

In cases where the HS is adequate, the CCC would be asked to produce lists of the specific nomenclature changes which confer origin. In cases where the HS is deemed inadequate, the CCC would be asked to report this fact, perhaps indicating the reasons for this assessment. We would not be asking the CCC to suggest alternative rules in the latter case.

We want the "change in tariff classification" report to be technical, objective and balanced. We would not want the CCC considering secondary criteria, such as trade policy considerations nor existing rules, when they prepare this report. We are not asking the CCC to offer recommendations on value-added, processing, or other rules that don't involve change in tariff classification.

Should the CCC believe that it needs more guidance with respect to this report, we would suggest that the Kyoto Convention principle of "substantial transformation" may be a useful benchmark.

In the second report indicated in our proposal, the CCC would be called upon to produce a product-specific report of existing rules of origin. This would be a descriptive report whereby the CCC would be asked to identify those products and/or sectors in which countries have found it necessary to implement special rules of origin. By special we mean different from the usual origin rule. This report could take the form of headings of specific products and sectors with an indication of the various rules used by countries to confer origin.

A programme-specific report is the third report mentioned in the US proposal. In this report the CCC would be asked to identify the various origin rules countries use on a programme basis. This report would include a description of the preferential, anti-dumping, QR-related and other rules countries use. It would build on the compendium on rules of origin prepared by the CCC several years ago.

We would expect the GATT contracting parties to help the CCC in the last two reports by providing information on their origin systems. The CCC should use the best information available, however, in the event that this information is not forthcoming.

These three reports would be provided to the GATT and would serve as a basis for negotiation.

The CCC rôle would not end here. We envision continuing cooperation between the two organizations throughout the negotiations.

### Preferential Rules

The United States believes that preferential rules of origin, including those used to implement Article XXIV arrangements, as well as the GSP programme, should be put on the table for negotiation. We have listened to the concerns expressed by several delegations on this matter.

We believe, however, that to achieve our objective of seeking to minimize the number of rules countries use, we must look at all rules of origin. The only exception we would make are those rules of origin used for government procurement purposes given the exclusion of government procurement from the GATT, as well as the separate negotiations underway in this area.

We must not lose sight of our objective of seeking to minimize the number of rules of origin in use in order to increase predictability in the multilateral trading system and to reduce the potential for origin rules to serve as a non-tariff measure to trade.

This objective applies to all rules regardless of whether they are used for preferential or non-preferential purposes.

My delegation would also note that the outcome of the negotiations on preferential rules or non-preferential rules for that matter are not prejudged in the US proposal. Indeed, many different outcomes are conceivable.

### Conclusion

We hope that the points we have made today have clarified certain aspects of the US proposal.

The Negotiating Group on Non-Tariff Measures needs to work intensively over the coming months in order to produce an agreement on origin in the Round. We would hope we could start today by entering into a substantive discussion of the issue. We would be interested in learning the views of participants not only on the feasibility of the proposed CCC reports, but on the principles and procedural rules provided in the US and Hong Kong proposals.