

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG2/W/66
11 May 1990

Special Distribution

Original: English

Group of Negotiations on Goods (GATT)
Negotiating Group on Non-Tariff Measures

PREFERENTIAL RULES OF ORIGIN

Statement by the United States Delegation
1 May 1990

The United States would like to clarify its position on preferential rules of origin. Our position is that preferential rules of origin, those used to implement Article XXIV and XXIV-type arrangements, should be subject to GATT disciplines, both with regard to principles and procedures and harmonization. A large and increasing portion of international trade is covered by preferential rules; exempting them from coverage would severely curtail any benefits an agreement on origin would provide.

Principles and procedures: Almost all of the principles and procedures we are considering, such as transparency, predictability, neutrality, advance notification, consultation, etc., are applicable to both preferential and non-preferential rules. We recognize that the principle of non-discrimination poses certain problems, but believe this could be easily accommodated through drafting.

We do not support grandfathering in existing preferential rules with regard to principles and procedures.

Harmonization: We also believe that preferential rules should be examined in the context of the harmonization negotiations. We are flexible with regard to the outcome of the harmonization negotiations on rules. In past meetings we have described a number of possible outcomes, including developing a common rule for all preferential programmes; grandfathering in existing rules; developing common disciplines, such as a ceiling for value-added rules of origin.

We have listened to the concerns of others on this issue and would like to respond to these concerns at this time:

First, a fear has been expressed that the result of including preferential rules of origin in the harmonization work will result in a more restrictive origin regime. This is not our intent. We believe there is more risk in leaving the situation undisciplined as it is now. In addition, the lack of predictability and transparency is in fact a trade restriction.

Second, we do not agree with the assertion that since preferential rules are negotiated bilaterally and laid down in their own mechanism they should be excluded from the harmonization negotiations. We consider this to be an argument in favour of bilateralism. Our goal in this Negotiating Group is to develop multilateral trade rules.

GATT SECRETARIAT
UR-90-0276

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Article XXIV arrangements are examined in the context of GATT disciplines. For example, if there is a customs valuation section in the agreement, it is examined in the context of Article VII obligations. Why should origin be different? A GATT agreement on origin would serve as the benchmark for examining rules of origin contained in Article XXIV arrangements.

Third, we have heard the argument that preferential rules should not be subject to principles and procedures because they are already transparent, predictable, etc. If this is the case, we do not understand what harm would be done in subjecting these rules to principles and procedures which apparently are already being applied. In this case, we would be simply obligating contracting parties to do what is already being done.

We hope this statement clarifies our position.