

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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Group of Negotiations on Goods (GATT)
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RULES OF ORIGIN

Communication from the European Community

The following communication has been received from the delegation of the European Community with the request that it be circulated to the members of the Group.

The Community would like to submit the following communication with a view to clarifying its position on the principle that one rule of origin should apply for all non-preferential purposes.

Non-preferential rules of origin are used for a wide range of purposes. They are necessary to implement measures and instruments of commercial policy such as anti-dumping duties, etc. They also apply for the purposes of trade statistics, public procurement and, in some countries, for the application of MFN treatment and origin marking.

As far as the Community is concerned the use of non-preferential origin rules does not vary depending on the purposes they serve. The same rule - including any interpretative rulings thereon - applies for all non-preferential purposes.

This principle of having a single rule of origin serving all non-preferential purposes is not applied by all contracting parties. Some of them apply origin rules and interpretations which may be different in different areas, for example separate rules for the same commodity for anti-dumping and public procurement and another for determining whether MFN treatment applies and for origin marking.

The Community thinks that such a differentiation depending on the non-preferential purposes served is not in accordance with the principles of neutrality, predictability and consistency.

The Community has engaged in the GATT discussions on rules of origin with the expectation of a meaningful result. This would not really be the case if contracting parties were allowed to continue applying different rules of origin for different non-preferential purposes. It is not desirable that such important areas as anti-dumping and public procurement should be subject to different origin rules.

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The outcome of the negotiations should not result in some contracting parties applying all obligations arising from the Agreement and the harmonization, while other contracting parties make extremely important exceptions.

It is the Community's understanding that any GATT Agreement on rules of origin should be balanced, that is, that it should apply to all parties equally. This balance could be achieved either by laying down in the Agreement the principle that one rule of origin should apply for all non-preferential purposes; or by limiting this Agreement for all contracting parties to origin rules applied for MFN treatment and origin marking.

The Community's preference is clearly for the first of these two alternatives because it feels that this would be a substantial improvement for international trade.

The second alternative, i.e. a GATT Agreement on rules of origin limited for all contracting parties to MFN treatment and origin marking would considerably reduce the benefit to international trade. For some contracting parties, including the Community, such an Agreement and in particular the harmonization exercise would even be meaningless since they do not need origin rules for those purposes because of their liberal approach in granting MFN treatment to all products regardless of their origin, and because they do not have a general requirement that non-local products must bear an origin marking. The Community would regret if the outcome of the negotiations would lead to a general proliferation of a system of multiple origin rules for non-preferential purposes.