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RULES OF ORIGIN: PROPOSAL FOR WORKING PARTY

The attached paper is distributed at the request of the member from the United States in connexion with item 1 of the Annotated Provisional Agenda (CG.18/W/32) for the tenth meeting of the Group to be held on 22-23 October 1979.

RULES OF ORIGIN: PROPOSAL FOR WORKING PARTY

Rules of origin are used for a variety of purposes, such as determining eligibility for m.f.n. treatment, the application of generalized system of preferences (GSP) schemes, the determination of origin for marking requirements, and basic statistical programmes.

Requirements for a determination of origin can be found in at least twelve provisions of the GATT, including Article I:1, yet the GATT provides no guidance as to how origin should be determined and broadly differing practices have developed. Further, the importance of origin rules is likely to increase with the entry into force of the MTN codes.

The harmonization of origin rules has been considered at various times in a number of fora over the past twenty-seven years. These fora include the International Chamber of Commerce, the OECD, UNCTAD and the CCC. The result, so far, has been a plethora of reports but no movement towards harmonization.

At the present time, very little is known about the different methods in use for determining country of origin. There has been some examination of origin rules used in the context of free-trade agreements as a result of the review procedures of Article XXIV. The OECD and UNCTAD have also compiled useful information on origin rules applied in the context of GSP. However, origin rules are used for a large number of other purposes and neither the nature of these rules nor their implications for the world trading system have been studied.

It is proposed that a working party be established to conduct such a study and consider the desirability of establishing an international norm or norms regarding the determination of origin. The first step would be to review current origin rule practices in all areas of trade, including those used in preferential arrangements. A key element of this review would be the preparation of a compendium of origin rules currently in use, perhaps with a review of the history of their development. The second step would be a study of the trade effects, current and potential, of divergent origin rule practices. Finally, based on results of the first two elements of the work programme, the working party would consider the desirability of either establishing guidelines or harmonizing origin rule practices.