

**World Trade Organization
Least Developed Countries Group**



Specific Manufacturing or Processing Operation Rules
(Paragraph 1.6 of the Decision)

8, October Florence, Italy

Recalling Paragraph 1.6 of the Decision

- In the case of rules that allow a specific manufacturing or processing operation for the purpose of conferring origin, such rules should, as far as possible, take into account the productive capacity in LDCs.
- For example, in a number of cases the use of process-based rules for chemical products has made such rules more transparent and easy to comply with.
- In addition, for articles of apparel and clothing it may be simpler to demonstrate a substantial transformation using such rules instead of the equivalent change of tariff classification.

Questions

- Which WTO members are using specific manufacturing or processing operations to take into account the productive capacities in LDCs ?
- Which WTO members are using process-based rules for chemical products ?
- Which WTO members are using specific and processing requirements for textile and clothing ?
- For which other sectors could specific manufacturing or processing operations be used ?

Point of view of LDCs

- There is evidence that in certain sectors a percentage calculation or a CTC is not the best practice to determine substantial transformation
- Garments and chemicals are sectors where a rule based on specific working or manufacturing operations seems to be a best practice to have a RoO that is simple and transparent
- Can we identify sectors where a specific working or processing operations may be adopted as best practice?

Which WTO members are using specific manufacturing or processing operations ?

Country / group of countries	Use of specific working or processing operations	Sectors where RoO on working and processing apply	Comments / additional requirements
European Community (EBA)	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Textile and clothing, some chemical and metals • No chemical reaction rule 	<ul style="list-style-type: none"> • Single stage in textile and clothing HS chapters 61-62
Japan	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Textile and clothing • No chemical reaction rule 	<ul style="list-style-type: none"> • Single stage in textile and clothing HS chapters 61-62
Canada	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Textile and clothing • No chemical reaction rule 	<ul style="list-style-type: none"> • Cumulation with all beneficiaries makes de facto basis single stage possible
United States	<ul style="list-style-type: none"> • No 	<ul style="list-style-type: none"> • None • No chemical reaction rule 	
AGOA	<ul style="list-style-type: none"> • Yes 	<ul style="list-style-type: none"> • Apparel • No chemical reaction rule 	<ul style="list-style-type: none"> • Single stage on clothing under the "Special Rule for Apparel"

Which WTO members are using specific manufacturing and processing requirements for textile and clothing ?

- Canada, EU, Japan, US (AGOA) are using a single stage manufacturing and processing requirement for clothing.
- One single transformation from fabric to garments should be adopted for clothing of HS chapter 61 and 62 by all preference-giving countries.
- A similar rule should be adopted for textile products.

For which other sectors could specific manufacturing or processing operations may be used ?

- a) For agro-processing products substantial transformation shall be recognized when raw agricultural products are transformed into agro processed products. Ex. Process of canning of raw agricultural products into preserved food preparation.
- b) For chemical products when a chemical reaction takes place.
- c) In clothing when fabrics are assembled into finished garments.
- d) In machinery and electronics when the assembly (not simple assembly) of parts results into a finished products.
- e) In metals and articles thereof for processes such as coating, heat treatment, etc.

Others sectors where a specific manufacturing and processing operations may be simple and transparent ?

Conclusions and Recommendations

- Single transformation stage on textile (ex. yarn to fabric) and clothing (ex. fabric to garments) should be used by all preference-giving countries.
- The LDC group is ready to submit some examples of best practices where specific working or processing could be used in some specific sectors.