



**United Nations Conference on
Trade and Development**

Division for Africa, Least Developed Countries
and Special Programmes (ALDC)



**5th Meeting of the Continental Free Trade Area
Technical Working Group on Rules of Origin**

**Lessons learned from WTO LDC Negotiations
on Specific Manufacturing or Processing
Operation Rules**

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Recalling Paragraph 1.6 of the Bali 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.

Recalling Paragraph 1.3 of the Nairobi Decision

“Preference-granting Members shall, *to the extent provided for in their respective non-reciprocal preferential trade arrangements*, allow as follows:

- a) if applied to clothing of chapters 61 and 62 of the Harmonized System nomenclature, the rule shall allow assembling of fabrics into finished products;
- b) if applied to chemical products, the rule shall allow chemical reactions that form a new chemical identity;
- c) if applied to processed agricultural products, the rule shall allow transforming of raw agricultural products into processed agricultural products;
- d) if applied to machinery and electronics, the rule shall allow assembling of parts into finished products, provided that the assembly of parts goes beyond simple assembly.”

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?

1. Which WTO members are using specific manufacturing or processing operations? (i)

Country / group of countries	Use of specific working or processing operations	Sectors where RoO on working and processing apply	Comments / additional requirements
European Union (EBA)	Yes	Textile and clothing, some chemical and metals	Single stage in textile and clothing HS chapters 61-62
Japan	Yes	Textile and clothing	Single stage in textile and clothing HS chapters 61-62
Norway	Yes	Textile and clothing, some chemical and metals	As above
Switzerland	Yes	Textile and clothing, some chemical and metals	As above

1. Which WTO members are using specific manufacturing or processing operations? (ii)

Country / group of countries	Use of specific working or processing operations	Sectors where RoO on working and processing apply	Comments / additional requirements
Canada	Yes	Textile and clothing	Cumulation with all beneficiaries makes de facto basis single stage possible
United States (AGOA)	Yes	Apparel	Single stage on clothing under the "Special Rule for Apparel"

All other preference giving countries are not using specific manufacturing or processing operations

2. Which WTO members are using specific manufacturing and processing requirements for the specific sectors?

Country / group of countries	Fabrics into Clothing	Chemical reaction for Chemical Products	Raw into Agro-Processing	Assembly for Machinery and Electronics
European Union (EBA)	Yes	NO	NO	NO
United States (GSP)	NO	NO	NO	NO
United States (AGOA)	Yes	NO	NO	NO
Japan	Yes	NO	NO	NO
Canada	Yes	NO	NO	NO

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.

Thank you for your attention

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