

WHY SOULD LDC LIKE CAMBODIA SUPPORT WTO MC DECISION PREFERENTIAL RULE OF ORIGIN

by Mr. SOK Sopheak, DG for International Trade, Cambodia



- 1) Express appreciation to UNCTAD for its initiative of organizing workshop to provide opportunity for LDCs and other countries to discuss concrete measures and identify best practice for LDCs to utilize trade preferences on ROO for market access and to increase global value chain
- 2) Continuous brainstorming workshops organized by UNCTAD for LDCs are needed to get LDCs clear position and understand what we really need from DFQF and preferential ROO
- 3) Even it is binding but Bali Decision provides mandate and platform for discussion on best practices on ROO for LDCs
- 4) Concrete proposal of LDCs is important and LDCs need a clear structure and mechanism for further discussions on this issue

POLICY CHALLENGES AND OPPORTUNITIES



1) Export of LDCs is relying on DFQF and Preferential Rules of Origin:

HONG KONG WTO Ministerial Declaration, Annex F: "*preferential rules of origin applicable to imports from LDCs are transparent and simple, and contribute to facilitating market access*".

2) From 2008 till the Bali Decision the LDC proposal on rules of origin was mainly discussed in the context of a LDC package that took the final form in a WTO document 10 containing the following elements:

1. A decision on the implementation of DFQF Decision (Annex 1);
2. Adoption of simple and flexible preferential rules of origin criteria to further enhance exports from LDCs, in line with the LDC proposal (Annex 2);
3. A submission in area of cotton, covering both trade and development assistance aspects (Annex 3);
4. A submission on the operationalization of LDCs' Services Waiver (Annex 4).

3) The LDCs have proposed two texts. These two texts of the LDCs rules of origin proposal were tabled to update their content in the light of:

- a) The relevant changes on rules of origin introduced by some Preference Giving countries,
- b) To provide more narrative background and explanations to the technical choices made by LDCs in drafting the legal text of the LDCs proposal
- c) To further refine certain technical issues such recognition that in certain sectors, like textiles and clothing product specific rules of origin may be necessary.

I may brief you all on how the changes in Preferential ROO impact to LDCs Trade:

4) Reflection to LDCs' proposals by preference giving countries is very helpful for market opportunity LDCs:

Good example of Canada and EU

OPPORTUNITIES FOR LDCs



- 1) The EU reform in fact introduced drastic changes to the EU rules of origin in favor of LDCs and to developing countries as well:
 - introduced a differentiation in favor of the LDCs that are benefitting of more lenient rules of origin than Developing countries in certain sectors;
 - allowed a single transformation process in textile and clothing¹³, a request that the LDCs have been advocating for more than a decade;
 - raised the threshold of the use of non originating materials in many sectors from 40% to 70 % for LDCs; and eased the cumulation rules ¹⁴.
 - Self Declaration could be considered for implementation by 2017

No.	DESTINATION	DESCRIPTION	2012	2011	VARIATION	
			AMOUNT (USD)	AMOUNT (USD)	AMOUNT (USD)	PERCENTAGE
GRAND TOTAL IN VALUE:			5,614,449,389.93	4,802,548,320.22	811,901,069.71	16.91%

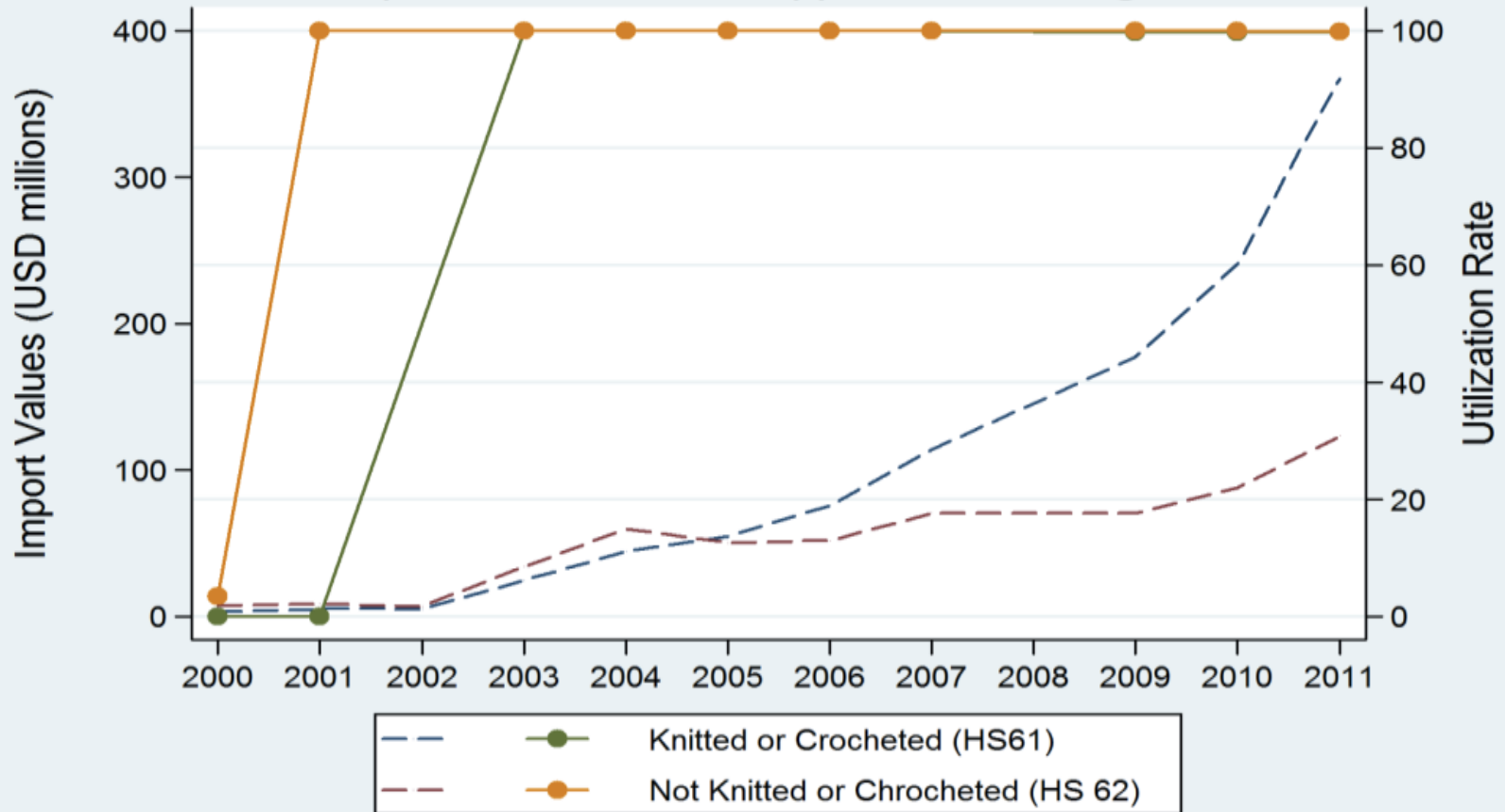
- 2) An example of export increase after alignment/changing of Pre. ROO:
 - 2011: USD 4.5 Billion to 2012: USD 5.6 Billion. Increased by 16.9%
 - 2013: the increase rate is about the same (16%).

MARKET OPPORTUNITIE FOR LDCs



Cambodia Utilization Rate

Canada Imports of Articles of Apparel & Clothing Accessories



Note: Dashed lines represent import values (left axis)

MARKET OPPORTUNITIES FOR LDCs

Cambodia Utilization Rate

EU Imports of Articles of Apparel & Clothing Accessories

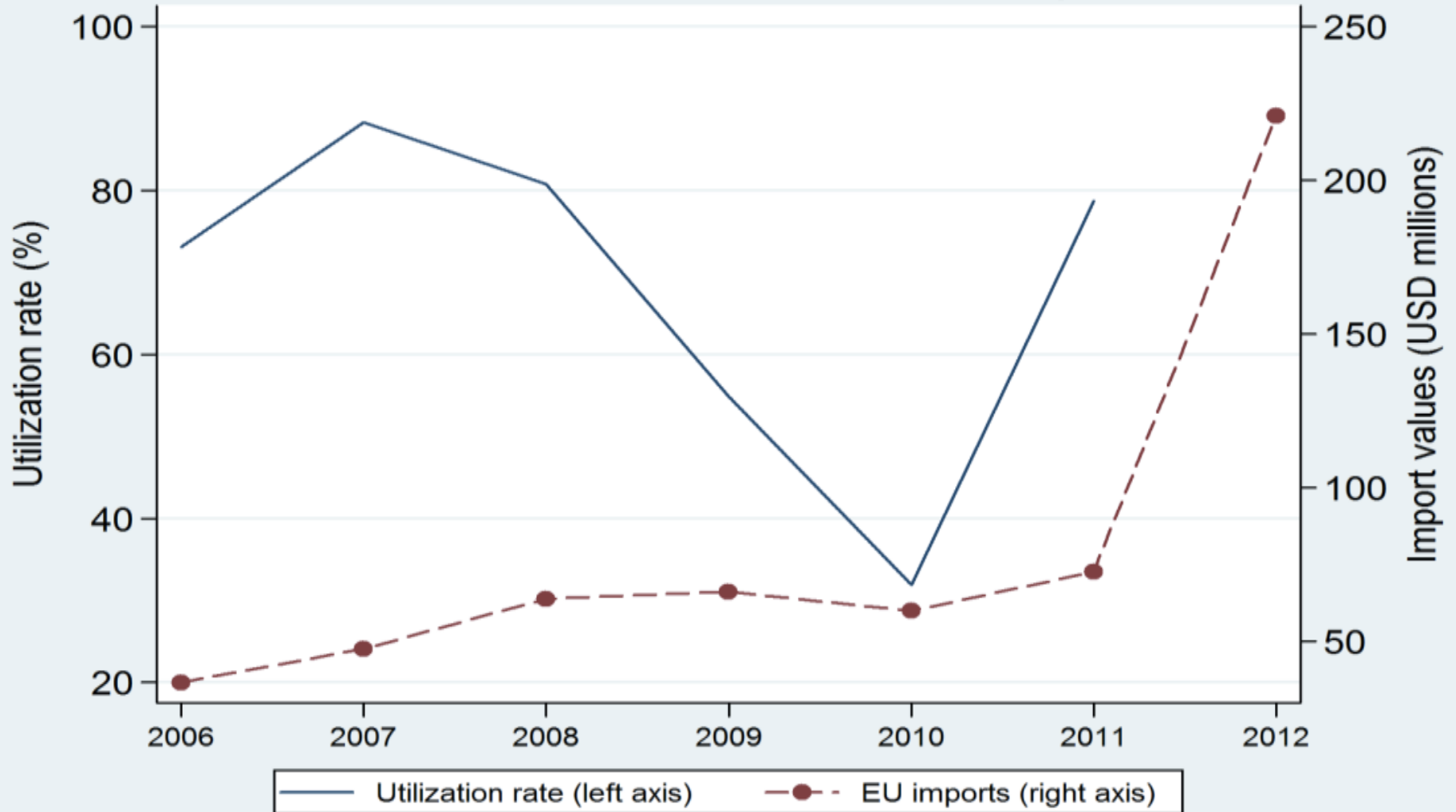


Note: Dashed lines represent import values (left axis)

MARKET OPPORTUNITIES FOR LDCs



Cambodia Utilization Rate of Bicycles



WHAT WOULD BE FURTHER STUDY FOR LDCs BENEFITS



More specifically the following issue should be object of research and discussion at the next meeting so that progress in building upon the decision may be measured by taking into account the following factors:

- 1) some preference giving countries should make efforts to adopt a value of material calculation rather than value added and should come close to close to the 75% figure contained in the Decision;
- 2) the cost of transport and insurance of inputs should be deducted or added depending on the calculation method adopted;
- 3) for textiles and clothing, a single transformation criteria should adopted i.e. from yarn to fabric for fabrics and from fabrics to garments for garments;
- 4) allowance of self-declaration by the registered exporters (self certification project)
- 5) no request by preference giving countries compulsory of non-manipulation certificate
- 6) nature, scope and geographical coverage of cumulation

FOLLOW UP ACTION and TA TO LDCs on PREFERENTIAL RULE OF ORIGIN



- 1) This meeting is a welcomed initiative as it helps LDC WTO group to prepare adequately their position in view of the next WTO Committee on rules of origin (CRO) meeting of 10 April. This is the first CRO meeting after Bali and the LDCs WTO group should be in a position to state their views on the way forward of the Decision on Preferential ROO.
- 2) Cambodia would like to propose that prior to the regular CRO meetings, the progress made in building upon the Decision should be discussed in workshops or expert group meetings and present to the formal CRO meeting by LDCs or its representative. This would allow the identification of best practices in building upon the Decision and openly discuss with preference giving countries their rules of origin concerns.
- 3) LDCs wish to request that the UNCTAD in cooperation with WTO and WCO carry out a series of research and studies on Preferential Rules of Origin for LDCs
- 4) LDC wish to request that all preference giving countries make publically available to WTO and UNCTAD secretariat the utilization rates of their DFQF schemes to assess their impact on LDC trade.
- 5) Preference giving countries may kindly discuss with LDCs when they wish to change their ROO in order to avoid distortion of trade of LDCs
- 6) Support Mr. Stefano Inama last slide of his presentation on way forward