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Committee on Rules of Origin

UTILIZATION RATES UNDER PREFERENTIAL TRADE ARRANGEMENTS FOR LEAST DEVELOPED COUNTRIES UNDER THE LDC DUTY SCHEME

Note by the Secretariat¹

1. Paragraph 4.3 of the 2015 (Nairobi) Ministerial Decision on preferential rules of origin for least developed countries (LDCs) stipulates that the Secretariat may calculate the rates of utilization of Preferential Trade Arrangements (PTA) implemented by WTO Members for LDCs. Preferential utilization rates could indeed provide a useful tool for the examination of preferential rules of origin in light of the objectives and provisions of the Ministerial Decision.
2. In this connection, Members have adopted, at the end of 2016, modalities for the calculation of utilization rates as recommended in paragraph 3.2(a) of document G/RO/W/161. This modality compares the value of imports which "reportedly" benefitted from preferences with the value of total imports which would have been "eligible" for such preferences. Only MFN dutiable lines are considered under this modality. In other words, the calculation only takes into account those tariff lines on which there is an actual LDC duty scheme preference.
3. This note provides a preliminary report on preference utilization granted to products exported from LDCs in the year 2015 (or latest year available) on the basis of the data currently available with the Secretariat. In fact, the calculation of utilization rates for a given PTA is only possible if the following information is available²:
 - (i) The list of tariff lines for which a tariff preference is available under a Member's LDC duty scheme; and
 - (ii) The value of imports for each of these tariff lines under both:
 - a. The LDC duty scheme (i.e. reported as having actually received preferences), and
 - b. Other treatment (MFN dutiable or other preferences that may be available).
4. The Secretariat has been notified of data as follows:
 - (i) Data is complete and currently available for the schemes of nine WTO preference-granting Members: Australia; Canada; Chile; EU; India; Korea; Norway; Chinese Taipei; and the United States.
 - (ii) Data is currently not available for the schemes implemented by China; Iceland; Japan; Kazakhstan; Kyrgyz Republic; Morocco; New Zealand; Russian Federation; Switzerland; Tajikistan; and Turkey.
 - (iii) A recent data submission by Thailand is currently under review.
5. On that basis, the Secretariat has prepared the following two tables:
 - (i) Table 1 presents information for each preference-granting Member, detailed by 22 product categories as used in the WTO World Tariff Profiles. It should be noted that

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

² Document G/RO/W/163/Rev.1 contains a summary of notification requirements under the PTA Transparency Mechanism (WT/L/806) as well as a detailed status of notifications received and information available with the Secretariat for each PTA.

the exact list of LDC beneficiaries under each duty scheme may vary as they are defined by each preference granting Member.

- (ii) Table 2 presents preference utilization of each preference granting Member's LDC duty scheme for products from LDC beneficiary countries which are WTO Members.

6. The percentage shares shown range from 0% to 100% (full utilization). They refer exclusively to preference-granting Members' WTO LDC duty scheme. For developed Members these are defined by the "Enabling Clause" - paragraph 2 of the Decision of 28 November 1979 on Differential and More Favourable Treatment Reciprocity and Fuller Participation of Developing Members. For developing Members these are notified under the 1999 waiver granting developing country Members a waiver to the extent necessary to provide preferential tariff treatment to products of least developed countries, which was renewed in 2009 for another 10 years³.

7. It should be noted, as a consequence, that other preferential duty schemes which may be available to the LDCs are not taken into account in this analysis. These are, for example, Australia's preferential duty scheme for countries of the "Forum Islands" or the US "African Growth and Opportunity Act (AGOA)", among others. In the presence of such competing preferential schemes for LDCs traders are likely to select the preferential duty scheme that makes their transaction easier. Hence, the utilization rates of some members' LDC duty schemes are likely be lower than they would have been in the absence of other, possibly more favourable, schemes.

³ See WT/L/759 of 29 May 2009.

Table 1: LDC scheme preference utilization (in %) by product groups, 2015

Product category	Australia	Canada	Chile	European Union	India	Korea, Republic of	Norway	Chinese Taipei	United States of America
Animal products				20.4	0	98.2	100		0
Dairy products		0		0					
Fruits, vegetables, plants	35.6	58.5	0	92.6	0.7	43.9	99.3	89.2	1.7
Coffee, tea	23.0	40.6	0	54.5	0	82.6	100	0	
Cereals and preparations	66.6	80.1	0	97.8	0.5	27.0	99.6	0	27.1
Oilseeds, fats and oils	89.5	31.9	0	96.2	65.3	2.0	100		0
Sugars and confectionery	55.1	23.4		67.0	0	0			75.0
Beverages and tobacco	55.0	23.2	0	99.0	0	71.3			0
Cotton									
Other agricultural products		40.7	0	14.8	74.9	5.6	100		
Fish and fish products	0	97.9	57.0	89.7	0.1	98.3	0	100	50.2
Minerals and metals	24.8	21.4	99.2	98.1	17.7	93.1		34.9	0.6
Petroleum			100	89.9	0				0
Chemicals	54.6	65.7	0	16.6	0	20.4		1.1	30.4
Wood, paper, etc.	25.8	84.0	0	70.9	0	34.1			54.4
Textiles	81.0	86.3	1.2	90.8	0	67.8	98.3	8.0	
Clothing	90.0	88.4	2.9	95.4	0	25.1	97.2	0.4	
Leather, footwear, etc.	22.2	85.9	3.5	95.9	1.2	83.3		48.8	2.4
Non-electrical machinery	0.2	0.1	0	0.9	0	0		0	0
Electrical machinery	3.8	0.1	0	14.3	5.0	24.3		0	15.2
Transport equipment	0	82.4	0	65.6	0	0		0	66.5
Manufactures n.e.s.	6.9	21.3	0	58.7	0	17.0		0.2	8.9

Notes:

- The calculations are based on notifications through the PTA Transparency Mechanism and refer to the year 2015 (or latest available year, i.e. 2014 for the Republic of Korea and 2016 for Australia).
- Empty fields are shown when no imports have been reported; the number zero refers to instances where no preference utilization has been reported.
- Numbers in italics refer to shares based on calculations with annual import values smaller than US\$25,000. The corresponding utilization rates should be interpreted with caution.
- Data is not available for the following Preference Granting WTO Members: China; Iceland; Japan; Kazakhstan; Kyrgyz Republic; Morocco; New Zealand; Russian Federation; Switzerland; Tajikistan; Thailand; and Turkey.

Table 2: LDC scheme preference utilization (in %) by LDC WTO Members, 2015

Exporting country	Australia	Canada	Chile	European Union	India	Korea, Republic of	Norway	Chinese Taipei	United States of America
Afghanistan	27.0	2.9	0	59.0	0	0	100.0		26.3
Angola	0	0	98.6	45.2	0	0	100.0		0
Bangladesh	93.1	89.0	3.3	97.5	0	87.8	97.7	55.5	
Benin	0	2.3		58.0	4.6	30.4			
Burkina Faso	0	53.6	0	84.7	0	0			
Burundi	0	0	0	89.0	0	28.8	100.0		
Cambodia	61.3	88.7	2.3	93.1	1.9	16.4	95.3	13.1	61.1
Central African Republic	0	0	0	1.5	0	0			
Chad	0	0	0	0	0	0			0
Democratic Republic of the Congo	47.0	0		39.6	0	97.2			
Djibouti	0	0		0	0	0	100.0		0
Guinea	0	0.2		47.2	0	0			0
Guinea-Bissau		0		0	0	0			
Haiti	9.2	25.8	0	89.0	0	0	74.7	100.0	0.8
Laos People's Democratic Republic	19.3	67.4	0	97.0	0	23.9	98.2	0	
Lesotho	68.1	77.2		70.8	0	0			
Liberia, Republic of	0	0	0	0	0	0	100.0		0
Madagascar	13.9	78.9	0	0.8	77.6	97.2	98.9	0	0
Malawi		31.9	0	92.1	0	98.4			0
Mali	0	0	0	74.5	0.4	0	72.1		27.6
Mauritania	0	0	0	95.7	0	99.9	0		
Mozambique	0	0	0	96.9	0.3	56.7			0
Myanmar	48.8		0.6	94.9	0.7	5.9	87.2	0.2	
Nepal	63.1	55.7	2.3	92.4	0	14.1	99.7	37.7	31.0
Niger	0	14.7		81.0	0	0			
Rwanda	0	57.0	0	68.7	58.5	69.7	17.8		0
Senegal	0	12.0	0	97.3	0.6	32.8	98.3	98.4	0
Sierra Leone	0	0	0	83.3	0	0			0
Solomon Islands	14.2	0	0	98.0	0	0			71.1
Tanzania	0	16.2	0	84.5	6.0	85.6	98.3	0	0
The Gambia		0	0	98.2	0	0			
Togo	0	79.6		91.1	0	0			0.3

Exporting country	Australia	Canada	Chile	European Union	India	Korea, Republic of	Norway	Chinese Taipei	United States of America
Uganda	0	6.8	0	97.6	15.6	93.9	99.9		5.1
Vanuatu	0	35.4	0	9.2	0	0			
Yemen		0		41.0	0	99.9			51.0
Zambia	0	33.1	0	68.8	93.1	89.8	95.6		0

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