

Rules of Origin in international trade regulations



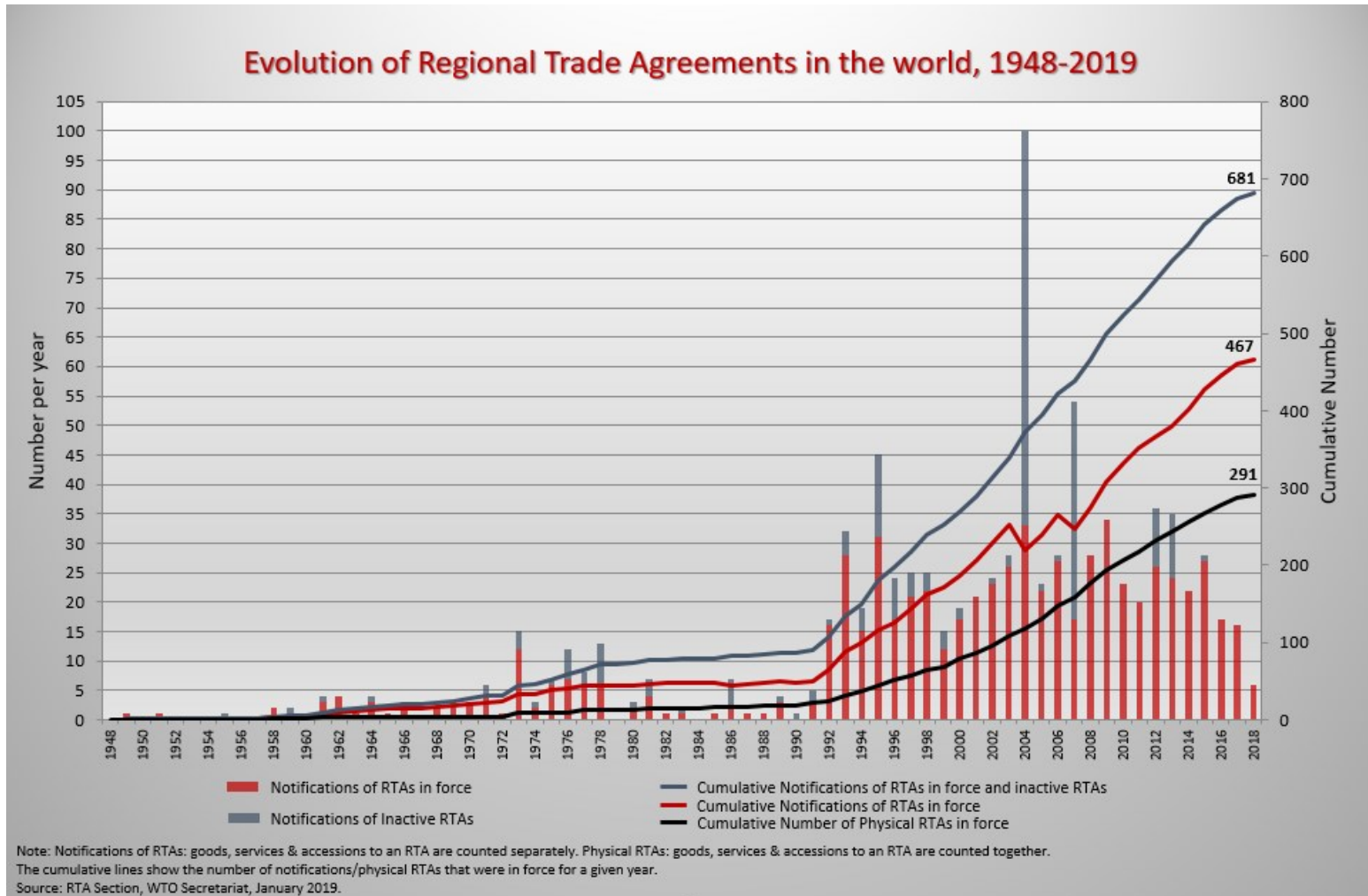
**RULES OF ORIGIN IN INTERNATIONAL TRADE:
TECHNIQUES AND APPLICATION FOR THE ARAB
REGION**

**TUNIS, TUNISIA
1-2 JULY 2019**

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INCREASING NUMBER OF PREFERENTIAL AGREEMENTS

RTAs notified to the GATT/WTO (1948-2019) by year of entry into force



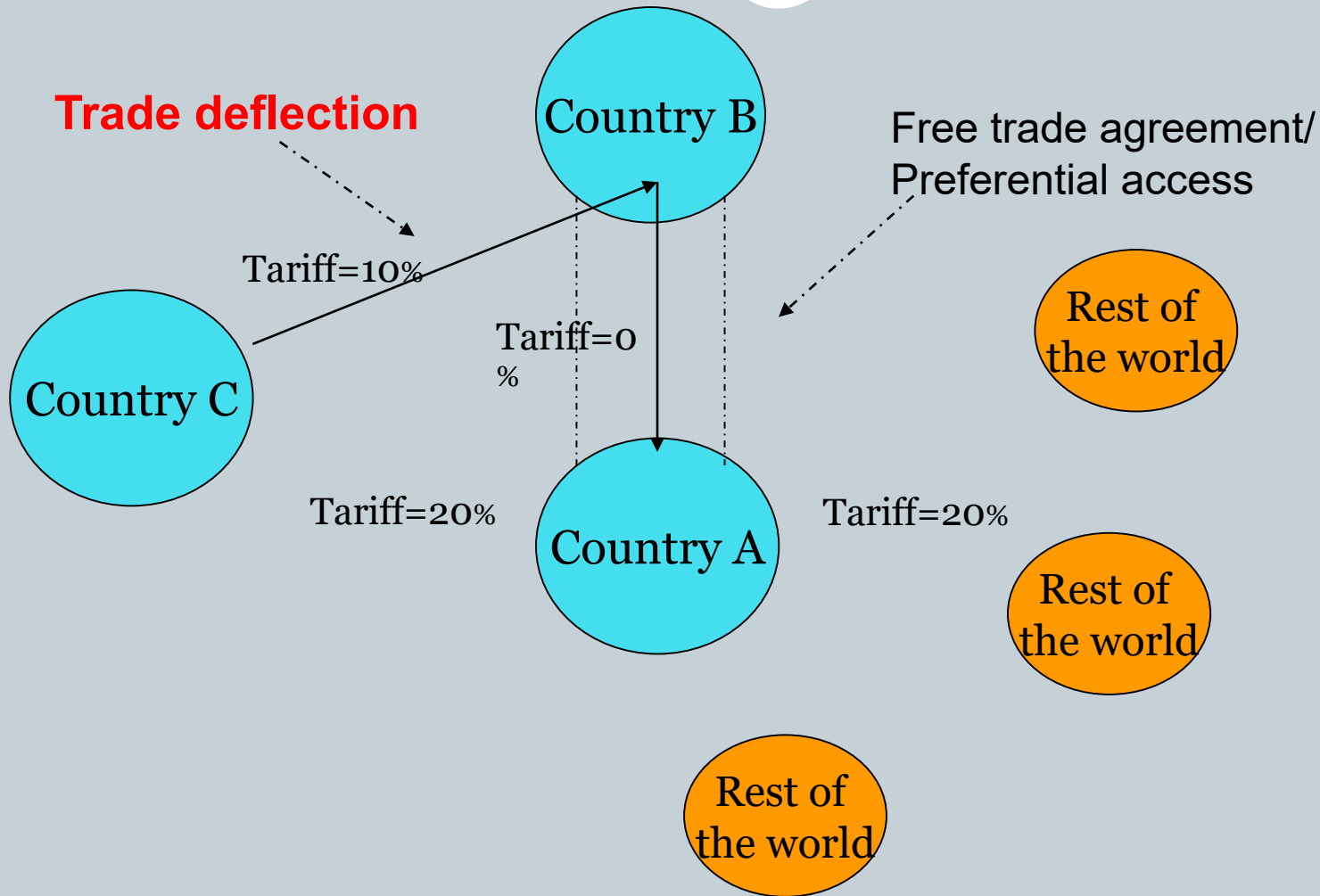
Proliferation of Rules of Origin

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- Purpose of rules of origin
 - PTA opens up a market to goods from partner country
 - Rules of origin:
 - ✦ Limit the preferential market access to goods originating in partner country
 - ✦ Avoid transshipment
 - ✦ Avoid trade deflection
- Rules of origin can be used as protectionism
- Different origin systems are now being mixed due to cross-regional agreements

Prevention of trade deflection

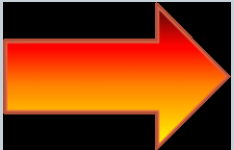
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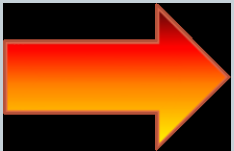
How can RoO distort trade?

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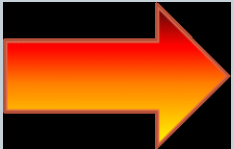
- Sourcing from third countries is fundamental in a fragmented world economy
- RoO are seen by exporters as a cost
 - ✦ Production-related costs
 - ✦ Administrative costs



These costs have to be balanced against the benefit from fulfilling the RoO – which is tariff preference



Strict RoO often lead to lower utilization of trade preferences



The purpose of rules of origin – to prevent trade deflection – has to be balanced against this fact

Overlapping rules of origin

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- Product coverage
- Tariff reduction schemes
- Requirements to receive a preferential treatment
 - “Originating products” (origin criteria, PSRs, cumulation, *de minimis* etc.)
 - Territorial requirements (direct transportation, non-manipulation etc.)
 - Proofs of origin
- Origin procedures

Rules of origin multilateral level

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- Rules of origin as a tool for regional integration
- Value added or change in tariff classification criteria
- Cumulation provisions
- Include Free Zones / Special Economic Zones or not
- Direct transport requirements
- Certification of origin

Recent trends in PTAs

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- **Geographical coverage of the PTAs**
 - From RTA to FTA
 - ✦ Half of FTAs in force are not regional
 - ✦ EU gives a good picture of the development of PTAs
 - ✦ Africa: most agreements with other African countries
 - ✦ Asia: both regional and cross-regional (started negotiating FTAs lately)
 - Regional differences
 - ✦ Europe leading in number of PTAs
 - ✦ African countries have fewest and almost no cross-regionals
 - ✦ North, South and Central-America have many cross-regionals
 - ✦ Asia still relatively low number of PTAs per country
 - ✦ MENA region relatively low number of PTAs per country

Recent trends in PTAs

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- **Types of PTAs**

- **Bilateral PTAs**

- ✦ Mostly used for across the globe agreements
- ✦ Driven by political and economic considerations
- ✦ Easier to negotiate technical complex issues bilaterally
- ✦ PTAs between developing countries often on bilateral basis
- ✦ Increase in bilateral PTAs due to lack of new regional opportunities

- **Plurilateral PTAs**

- ✦ Mostly used for agreements within a region
- ✦ Also used where existing regional blocs negotiate on behalf of their members (GCC, ASEAN, MERCOSUR, EU, COMESA etc.)

Recent trends in PTAs

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- **Degree of market integration**
 - Most negotiations stay at PTA level (not going towards Customs unions etc.)
 - FTA account for 75 % of PTAs in force
- **Product coverage of PTAs**
 - Substantially all trade (WTO principle, GATT 1994 Art. XXIV)
 - Possible to exclude sensitive goods (often agriculture and textiles)
 - ✦ The higher the MFN, the less likely to include product in PTA
 - ✦ The higher the competitive advantage in partner country, the less likely to include product in PTA

Recent trends in PTAs

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- **PTA coverage / scope**
 - Trade in goods
 - Trade in services
 - Investment
 - IPR
 - Technical barriers to trade
 - Dispute settlement
 - Human rights, labor rights, child labor etc.
 - Environmental protection
 - Sustainable development (poverty alleviation)
 - Government procurement

Most of these policy areas are not addressed multilaterally

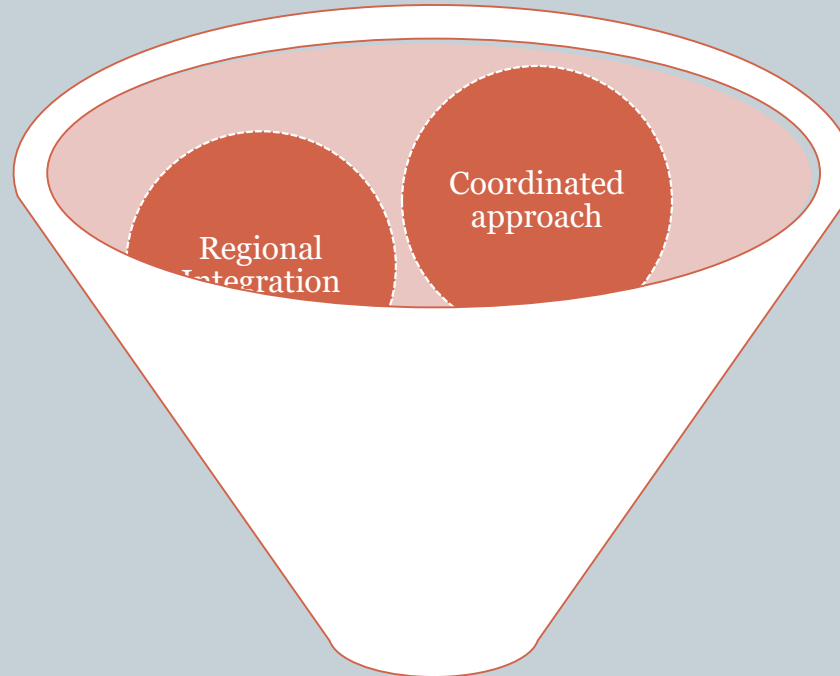
Future prospects for PTAs

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- Mega-regional agreements
 - AfCFTA
 - CPTPP (former TPP)
 - TTIP
 - EU-ACP EPA
- “More preference is less preference”

WCO activities and tools

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Fair and efficient revenue
collection

WCO activities and tools

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- WCO Origin Compendium
- Comparative Study on preferential rules of origin
- WCO database of preferential trade agreements:
 - Available through the WCO Library
 - Being revamped and integrated with HS and valuation
- <http://findrulesoforigin.org/>
 - Joint WCO – ITC origin facilitator

WCO activities and tools

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- **Origin certification**
 - Study on trends in origin certification
 - Guidelines on origin certification
- **Origin verification**
 - Study on trends in preferential origin verification
 - Guidelines on origin verification
- **Origin irregularities**
 - Origin irregularity typology study
 - Guide to counter origin irregularities
- **Diagnostic Tool on Tariff Classification, Valuation and Origin Work and Related Infrastructure Common infrastructure**
 - Diagnostic tables
- **Guidelines on advance rulings for classification, valuation and origin**