

The Future of Rules of Origin From a Global Perspective: The UNCTAD angle

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A global perspective on the future of RoO

- The fragmentation and complexity of the international trading system is increasing and the importance of RoO will increase as well
- There are new areas where RoO may be used to enforce trade policy measures as sanctions and environmental policies. Ex Carbon Border adjustment Mechanism
- Multiple FTAs with hundreds of PSROs is an increased challenge for firms and especially SMEs
- The impact of IT on RoO: Are they really providing a solution ?
- There is proliferation of websites on RoO
- The prospects are bright for those making a living from RoO...

Any prospect for intergovernmental action ?

- The WTO agreement on Rules of origin does not contain multilateral provisions on RoO nor there is any prospect in the near future
- Negotiations at WTO in the CROs are mainly on RoO for LDCs: the current debate focus on a report to the General council where the views are diverging
- Will a new mandate to the CRO will emerge ?
- A proposal on transparency of non-preferential RoO is on the table since 2019
- Work at WCO on RoO are taking place in the TCRO with a limited mandate
- The updating of annex K of revised Kyoto convention supported by EU, China Japan, New Zealand, Norway, Eurasian Customs Union, UNCTAD is a valid plurilateral initiative: will it succeed?

Are megaregional FTAs providing a solution?

- The new trend of mega-regionals is often welcomed as a tool to simplify RoO and related administrative procedures
- RCEP has been branded as providing a common RoO platform replacing the spaghetti bowl of ASIAN FTAs
- However recent studies* have shown that RCEP does not provide incremental value over and above the existing FTAs
- Firms are profit driven, unless megaregionals offer better preferential margin and RoO firms will continue to use previous FTAs
- Rules of origin and administrative procedures in Megaragionals are the result of compromises among many partners involved in difficult negotiations and rarely offer best practices and models.

* See for example:

Crivelli, Pramila, and Stefano Inama. "A Preliminary Assessment of the Regional Comprehensive Economic Partnership", ADB Briefs No. 206, January 2022. [doi:10.22617/BRF220009-2](https://doi.org/10.22617/BRF220009-2)

"The Regional Comprehensive Economic Partnership Agreement: A New Paradigm in Asian Regional Cooperation?", Asian Development Bank, Manila, May 2022. [doi:10.22617/TCS220172-2](https://doi.org/10.22617/TCS220172-2)

What an IGO can do?

- UNCTAD will continue its advocacy and research on RoO with partners WTO, WCO, ADB
- UNCTAD and European University Institute have established a research community and round table of experts: Next appointment in spring 2024

Areas of research:

- **Convergence on drafting product specific rules of origin**
- Studies are undergoing with ADB to show potential areas of PSROs convergence across FTAs in Asia
- Among 5 FTAs examined AANZA holds the highest number of convergences with the least stringent PSRO (a count of 3276, at the six-digit level).
- Objective is to show to Governments that PSROs could be simplified towards convergence

Agreement	RCEP	AANZFTA	ACFTA	AJCEP	AKFTA
Stringency score	8327	6734	9920	10779	8109
Least stringent, individually	185	1024	313	28	217
Least stringent, convergent	2868	3276	2478	2082	2891

Source: Crivelli, Inama, and Pearson (2023)
<http://dx.doi.org/10.22617/TCS230396-2>

What an IGO can do?

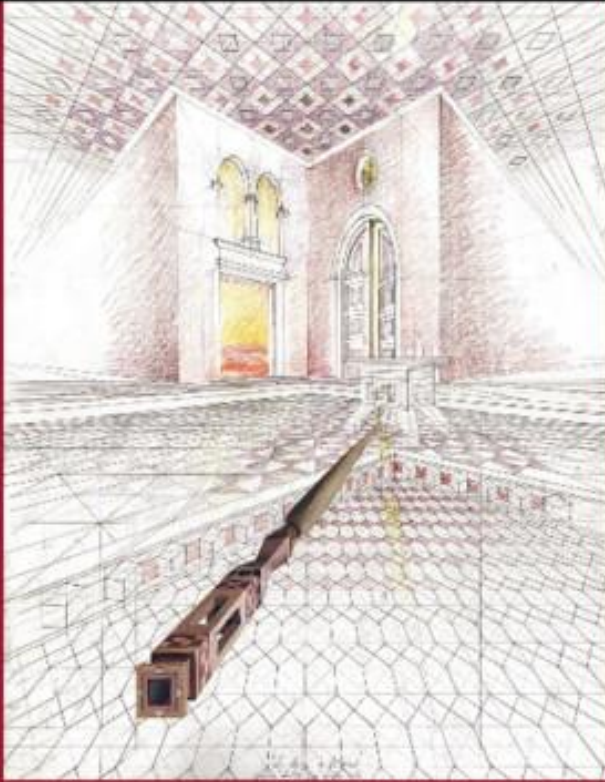
Expanding the coverage and feature of the UNCTAD website on utilization rates

- At present UR data on Canada, EU, US, Japan under GSP
- Next step progressive inclusion of URs of FTAs of EU,US and Japan
- Seeking partnerships with RECs such as COMESA,ALADI,ASEAN to include south-south URs

Identify Best practices on proof of RoO and certification:

- A study and survey with ADB in Vietnam
- The objective is to get governments and administrations to introduce trade facilitation reforms in Asia

Rules of Origin in International Trade



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CAMBRIDGE

Resources

- **Rules of origin in International Trade** (2022) Stefano Inama, Cambridge University Press. <https://www.cambridge.org/core/books/rules-of-origin-in-international-trade/999ED0B7C1BA1B612CAB1193615369C9>
- Getting to better rules of origin for LDCs using utilization rates - from the WTO Ministerial decision in Hong Kong (2005) to Bali (2013), Nairobi (2015) and beyond, Geneva. UNCTAD/ALDC/2019/3, eISBN: 978-92-1-005550-5
<https://unctad.org/webflyer/getting-better-rules-origin-ldcs-using-utilization-rates>
- Compendium of technical notes prepared for the LDC WTO group on preferential rules of origin (2020). UNCTAD/ALDC/2020/6
<https://unctad.org/webflyer/compendium-technical-notes-prepared-least-developed-countries-wto-group-preferential-rules>
- **UNCTAD-COMESA Study:** Utilization rates of African RECs (forthcoming)

Additional Resources I

- **Crivelli, P. and S. Inama. 2021.** “Improving market for LDCs: The impact of the EU Reform of Rules of Origin on Utilization Rates and Trade Flows under the Everything But Arms Initiative (EBA)”, *UN LDC5 Conference paper*
https://www.un.org/ldc5/sites/www.un.org.ldc5/files/t6_inama_eu_reform_2021_16_helsinki_final_20210816_clean.pdf
- **Crivelli, P., Inama, S., and J. Kasteng. 2021.** “Using utilization rates to identify rules of origin reforms: the case of EU free trade area agreements”, *EUI RSC*, 2021/21, Global Governance Programme-437 <https://cadmus.eui.eu/handle/1814/70396>
- **Ghetti, PP. and S. Inama, 2020.** The Real Cost of Rules of Origin: A Business Perspective to Discipline Rules of Origin in a Post COVID-19 Scenario, *Global Trade and Customs Journal*, Vol. 15, Issue 10, pp. 479-486, <https://doi.org/10.54648/gtcj2020086>
- **UNCTAD website of utilization rates** of trade preferences granted by QUAD countries available at: <https://unctad.org/topic/trade-agreements/trade-preferences-utilization>

Additional Resources II

- **UNCTAD-EUI platform of experts**, researchers, practitioners, government officials and the private sector to discuss developments in the area of RoO and URs on an annual basis (June 2019, February 2020, October 2021)
 - Rules of Origin | Interview Series: <https://globalgovernanceprogramme.eui.eu/rules-of-origin-interview-series/>
 - Trade Facilitation and Rules of Origin: <https://globalgovernanceprogramme.eui.eu/trade-facilitation-and-rules-of-origin/>
- Ongoing cooperation with researchers from the **Asian Development Bank** on studying Rules of Origin and URs in the Asian region and especially mega-regionals (CPTPP and RCEP).
 - Crivelli, P. and S. Inama. 2021. Making RCEP Successful Through Business-friendly Rules of Origin. Asian Development Blog. <https://blogs.adb.org/blog/making-rcep-successful-through-business-friendly-rules-origin>.
 - Inama, S., P. Crivelli, and P.M. Ha, 2022. The Low Use by Firms of ASEAN Trade Preferences: Will RCEP Follow the Same Destiny? An Agenda for Rescue to Reform Rules of Origin in the Asian and Pacific Region. Global Trade and Customs Journal, 17(6). <https://doi.org/10.54648/gtcj2022033>
 - Crivelli, P., S. Inama, and M. Pearson. 2022. An Analysis of the Product-Specific Rules of Origin of the Regional Comprehensive Economic Partnership. Manila: Asian Development Bank <https://dx.doi.org/10.22617/TCS220167-2>
 - Crivelli, P., S. Inama, and M. Pearson. 2023. An Assessment of Rules of Origin in RCEP and ASEAN+1 Free Trade Agreements. Manila: Asian Development Bank. <http://dx.doi.org/10.22617/TCS230396-2>