

WCO & Rules of Origin



WCO GLOBAL CONFERENCE ON RULES OF ORIGIN
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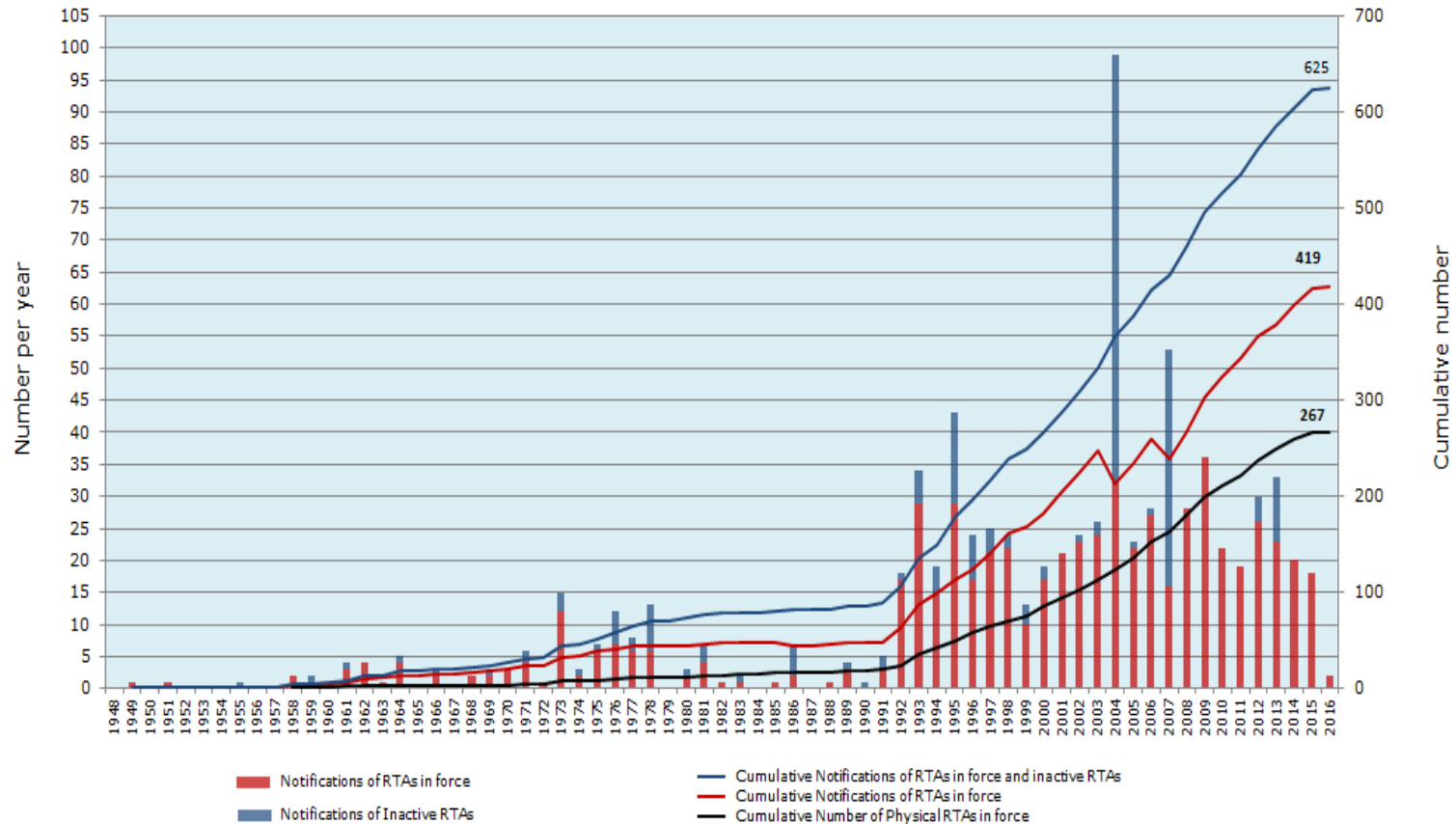
INCREASING NUMBER OF PTAs



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Evolution of Regional Trade Agreements in the world, 1948-2016



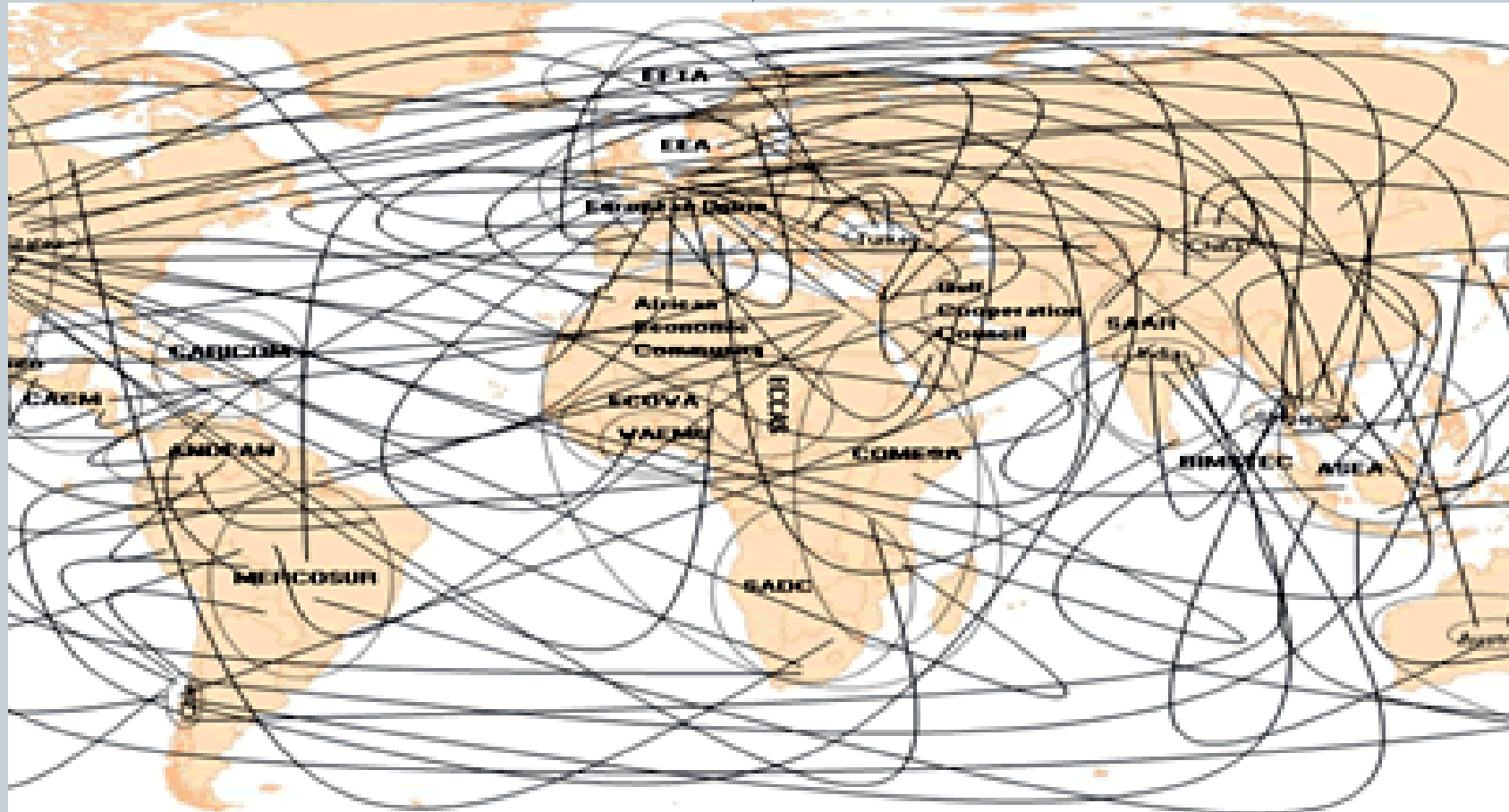
Note: Notifications of RTAs: goods, services & accessions to an RTA are counted separately. Physical RTAs: goods, services & accessions to an RTA are counted together.
Source: WTO Secretariat.

THE SPAGHETTI BOWL OF COMPLEX AND OVERLAPPING RULES OF ORIGIN LEGISLATIONS



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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

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
- Cumulation provisions
- Direct transport requirements
- Certification of origin
- Value added or change in tariff classification criteria

Recent trends in PTAs



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- **Level of development of participating countries**
 - North-North agreements
 - North-South agreements
 - South-South agreements
- **Tariff reduction schemes**
 - Preferential rate (lower than MFN)
 - Zero-rate (complete abolition of customs and other duties)

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 (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 food)
 - ✦ 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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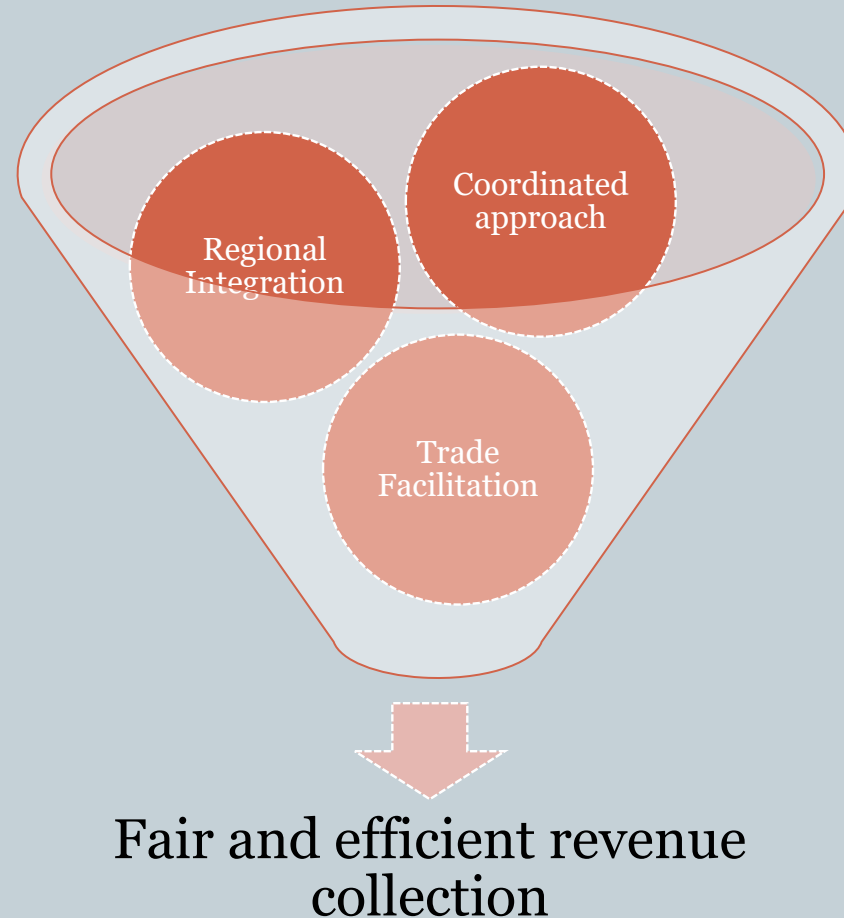
- Mega-regional agreements
 - TPP
 - TTIP
 - RCEP
 - CFTA
 - EU-ACP EPA
- “More preference is less preference”

WCO activities and tools



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Fair and efficient revenue
collection

WCO activities and tools



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- **Comparative Study on preferential rules of origin**
 - Increase the level of support and understanding of Customs and business
 - Recurrent themes which apply to all preferential arrangements
 - Highlight of major differences and basic standards and norms
- **Database of preferential rules of origin**
 - Legal text of preferential rules of origin under FTAs
 - “Search” and “compare” functions
 - Product Specific Rules of Origin are included

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

- **Update of preferential rules of origin**
 - Study on the use of CTH-based rules of origin
 - Guide for the technical update of preferential rules of origin

- **Diagnostic tool for control of classification, valuation and origin**
 - Common infrastructure
 - Diagnostic tables

- **Guidelines on advance rulings for classification, valuation and origin**