



EXECUTIVE SEMINAR

GLOBAL GOVERNANCE PROGRAMME

RULES OF ORIGIN IN INTERNATIONAL TRADE - EVOLUTION AND NEW FRONTIERS

Scientific Organisers: **Bernard Hoekman** | European University Institute, **Stefano Inama** | UNCTAD

Sala Belvedere

Villa Schifanoia, Via Boccaccio 121 - Florence

30 MAY - 1 JUNI 2017

■ INTRODUCTION

Origin is part of our everyday life from the labelling of “made-in” of a product you use or eat to a fashionable dress you wear or a supplied service you watch on Netflix. Yet, despite an extremely regulated society, there are no multilateral rules of origin. This leaves the consumer, business, trade negotiators, regulators and customs officials in a no man’s land.

The Agreement on Rules of Origin (ARO) should have filled this gap in the 1990s. Consensus is lacking on the adoption of harmonised rules of origin at the World Trade Organisation (WTO) while hundreds of regional trade agreements (RTA) containing rules of origin provisions have been successfully concluded. Business is moving faster than international negotiations. Initial research shows that firms have managed to comply with rules of origin or cope with the lack of discipline, albeit at a cost. Utilisation rates of free trade agreements (FTAs) are relatively high according to recent findings that will be discussed during this event while compliance remains a costly affair, especially in the case of non-preferential rules of origin.

Besides this, existing rules of origin excluding the service component of goods no longer reflect economic realities. A series of questions will be discussed at this seminar: Is the current gap in multilateral rules of origin an anomaly that is worth rectifying? And if so, how can it be rectified? Are the rules of origin contained in RTAs converging towards a viable solution? Are FTAs used effectively by business? How can we measure such utilisation? What could business and trade negotiators do to resume meaningful talks at a multilateral level? How can we reduce the cost of compliance?

■ DRAFT PROGRAMME

30 MAY

11.00 - 11.30 Welcome by **Brigid Laffan** | Director of the Robert Schuman Centre for Advanced Studies and the Global Governance Programme

11.30 - 13.00 ***Introduction to RoO in international trade: Where are we going and what are the issues a stake?***

Bernard Hoekman | European University Institute

This session will discuss the current anomaly of a lack of multilateral guidance on RoO, comparing it with similar disciplines either of a trade or a regulatory nature. It will discuss the different dynamics of multilateral and regional negotiations on rules of origin and the outcomes. The emphasis will be on providing an overview of the research literature on the subject and provide a framework for the sessions that follow.

13.00 - 14.00 Lunch

14.00 - 15.30 **Non-preferential RoO - The experience of the WTO Harmonisation Programme and its recent findings on the impact on Business**

Darlan F. Martí | World Trade Organisation

The Harmonisation Work Programme (HWP) was expected to be concluded by 20 July 1998. Since trade policy considerations are preventing consensus among WTO members on the final adoption of the HWP, the WTO secretariat has engaged in a series of workshops and discussions since 2014 on the implications on business of the current lack of a harmonised set of non-preferential rules of origin. This session will discuss the findings of such an exercise and the prospect for future talks at multilateral level and role of the Committee on Rules of Origin (CRO).

15.30 - 16.00 Coffee break

16.00 - 17.00 **Is convergence possible between non-preferential and preferential RoO?**

Stefano Inama | UNCTAD

Hundreds of FTAs have been successfully concluded including RoO while negotiations on Rules of origin at WTO have been blocked for a decade. Initial research shows a rather surprising degree of convergence across non-preferential and preferential rules of origin in some sectors while divergence remains on other. Is this convergence a sign that there are some lessons learned? What are the limits and boundaries of such convergence and divergence and how can further progress be made?

17.00 - 18.00 **Lessons for the future: What are we fighting for? Comparing the results of the Harmonized Rules of origin with CETA, US-Korea-TPP and EU-Korea's rules of origin**

Stefano Inama | UNCTAD

A close comparison of the results of the HRO with the preferential rules of origin contained in major FTAs shows that certain rules of origin are similar or almost identical for some sectors while there are significant differences for other sectors. This session identifies these specific sectors where there is similarity and measures the degree of convergence and divergence using new methodology.

20.00

Dinner

31 MAY

9.30 - 11.00

The experience of private sector in dealing with Rules of origin

Michel Anliker | KPMG, **Roberto Soprano** | PricewaterhouseCoopers

Evidence collected from the private sector demonstrates that RoO have costs and benefits. The benefits in complying with preferential rules of origin are evident, however their complexity demands a sophisticated software. Companies do not make a big difference among preferential and non-preferential rules of origin as they are lumped together as a trade cost. Simplification of rules of origin and their administration is a constant demand from companies.

11.00 - 11.30

Coffee break

11.30 - 13.00

Measuring the utilization of FTAs and their link with rules of origin: Evidence from EU, US FTAs and unilateral trade preferences for LDCs

Jonas Kasteng | Swedish Board of Trade, **Stefano Inama** | UNCTAD, **Pramila Crivelli** | Goethe University Frankfurt

The issue of utilisation rate has been used by UNCTAD since 1975 to measure the effectiveness of the GSP schemes and the stringency of rules of origin. Most recently the utilisation rate and how to calculate it has been discussed in the CRO in the context of the Nairobi decision for preferential rules of origin for LDCs. Given the proliferation of FTAs, governments are beginning to analyse whether the FTAs that have been negotiated are effectively used by business and what is the link with the stringency of rules of origin.

13.00 - 14.00

Lunch break

14.00 - 15.30

Drafting rules of origin in FTAs using input-output approaches and lessons learned

Stefano Inama | UNCTAD

Drafting rules of origin is the most challenging task for a negotiator. Recent FTAs include new approaches to RoO. Most of the product specific rules of origin are drafted using the harmonised system, a customs classification nomenclature that is also used for trade statistics. This session will discuss the recent trends in drafting RoO in FTAs drawing from most recent experiences

and a methodology to assess the impact of product-specific rules of origin in a given sector and how to draft alternative RoO.

15.30 - 16.00

Coffee break

16.00 - 17.30

Rules of origin as non-tariff measures (NTMs): how to define and simplify them?

Michel Anliker | KPMG, **Roberto Soprano** | PricewaterhouseCoopers, **Julien Gourdon** | OECD

Rules of origin are often quoted by business as one of the most annoying NTMs. Yet utilisation rates are relatively high indicating that firms are able to comply. In order to address a problem, you first need to define it. This is why efforts have been made to classify rules of origin to better understand and address them. Can we examine way and means to classify Rules of origin? What are the most useful classification method? Can we identify specifically what business complaints are about? Is it about the stringency of the rules or the procedural/administrative procedures related to origin? A precise response is needed if the negotiators have to be convinced that there is scope for resuming talks at the multilateral/regional level.

1 JUNE

09.30 - 11.30

Exploring ways and means to make progress at multilateral and regional level on RoO

After more than a decade there has been hardly any progress on the debates at the multilateral/regional level on rules of origin, both in formal and informal contexts. The stalemate in negotiations under the ARO meant that, *de facto* there is no multilateral fora to discuss RoO issues. Can the multilateral community find a new mandate a to make progress on this issue with credible and achievable objectives (simplification, mainstreaming of best practices, guidelines, etc.). Do we have any starting point or lessons learned?

Michel Anliker | KPMG

María-Isabel García-Catalán | European Commission

Bernard Hoekman | European University Institute

Stefano Inama | UNCTAD

Darlan Marti | World Trade Organisation

Roberto Soprano | PricewaterhouseCoopers

11.30 - 12.00

Coffee break

12.00 - 13.00

Considering the a new frontier of rules of origin: how to include the services component?

María-Isabel García-Catalán | European Commission

Rules of origin are currently centred on manufacturing processes and the origin criteria based on a change of tariff classification commonly used do not take into account the service components embedded into goods. Can we find a RoO methodology to take into account the services component? What are the

	implications?
13.00 - 14.00	Lunch break
14.00 - 16.00	Assignments for group work The participants will be divided into groups to further elaborate and refine the different proposals and issues in order to make progress on the issue of rules of origin at the multilateral/regional level. The terms of reference will be presented by the course organisers to test the participants' knowledge and to better understand the complexities of rule of origin and will be based on case studies and concrete examples.
16.00 - 16.30	Coffee break
16.30 - 17.30	Presentations by leaders of the groups
17.30	Farewell cocktail and distribution of certificates

■ **SPEAKERS**

Michael Anliker	KPMG, Switzerland
Pramila Crivelli	Goethe University Frankfurt, Germany
María-Isabel García-Catalán	European Commission, Belgium
Julien Gourdon	OECD, France
Bernard Hoekman	European University Institute, Italy
Stefano Inama	UNCTAD, Switzerland
Jonas Kasteng	National Board of Trade, Sweden
Darlan F. Martí	World Trade Organisation, Switzerland
Roberto Soprano	PricewaterhouseCoopers, Belgium