

## THE RTA EXCHANGE DIALOGUE SERIES:

### Towards Inclusive Rules of Origin

A joint initiative of the International Centre for Trade and Sustainable Development (ICTSD) and the Inter-American Development Bank (IDB)

International Conference Centre of the Graduate Institute, Geneva, 21-22 November 2016

#### Background

Over the past decades regional trade agreements (RTAs)<sup>1</sup> have proliferated alongside the GATT/WTO system. All these agreements have evolved through time and most now contain disciplines that are wider in scope, deeper in integration, and significantly more sophisticated than the multilateral trading system. RTAs have also served as incubators and testing ground for new global trade rules. As such many of these agreements effectively enable today's international production-sharing possibilities and are at the center of developments in supply chains and the fragmentation of value-addition. According to the IDB, countries participating in global supply chains tend to source on average 15% more of their foreign value-added from members of the same RTA than from non-members – a phenomenon partly due to rules of origin (RoO). While being a member of a trade agreement does not necessarily impede the development of supply chains with non-member countries, empirical evidence suggest that rules of origin have significant implications in the way firms choose the location in which they fragment production. Strict rules of origin might therefore result in the sub-optimal functioning of value chains by disincentivising the use of cheaper parts and materials from third countries. This constitutes a compelling argument in favour of the simplification and harmonization of rules of origin and expansion of cumulation across RTAs but also GSP schemes to reduce the implicit costs faced by active and potential participants in international production networks.

Strict and diverse sets of rules of origin have traditionally affected the ability of developing countries including LDCs to fully benefit from the enhanced market access granted through preferential schemes or negotiated under their RTAs. In the WTO, this issue has gained significant momentum with the Bali -and subsequently Nairobi – decisions. As we move to the next WTO Ministerial Conference in 2017, this constitutes an area where several Members have expressed interests in moving beyond the current best-endeavour language promoting harmonization. At the same time, negotiations under way notably in the context of mega-regional agreements such as the Pacific Alliance or the EU-US Transatlantic Trade and Investment Partnership (TTIP) also provide a critical opportunity to harmonise rules of origin. If this is done with commitments to apply the same rules in their respective RTAs and GSP schemes with a mechanism allowing for diagonal cumulation across RTAs, this could result in major efficiency gains and will directly benefit poorer countries.

---

<sup>1</sup> RTA here refers to the use given to the acronym in the GATT/WTO to designate preferential trade arrangements, whether of bilateral, plurilateral, regional or cross-regional composition. In this sense, it encompasses free trade agreements (FTAs), as well as regional and cross-regional integration schemes of diverse depth, including customs unions.

## Final Agenda

### Monday 21 November 2016

#### 14:00 – 14:15 **Welcome Remarks**

RICARDO MELÉNDEZ-ORTIZ, ICTSD  
ANTONI ESTEVADEORDAL, IDB

#### 14:15 – 15:30 **Session I: Recent Trends in RTAs**

*This session will provide a general overview of recent developments in preferential trade arrangements, including bilateral, plurilateral, regional or cross-regional agreements. It will highlight relevant trends in the negotiations of RTAs looking at their scope, coverage and participation and the possible implications for the multilateral trade system.*

*Speaker:* ROBERT KOOPMAN, WTO  
*Discussant:* MIGUEL RODRIGUEZ MENDOZA, Independent Consultant

#### 15:30 – 15:45 **Coffee/Tea**

#### 15:45 – 17:30 **Session II: Preferential Rules of Origin: An Overview**

*This session will provide an overview of critical issues around the design and implementation of rules of origin including their purposes and effects, the different regimes or families of RoO existing around the world, their restrictiveness and their utilisation. It will also briefly touch upon issues around cumulation and harmonisation based on relevant experiences to date.*

*Moderator:* JEREMY HARRIS, IDB

*Speakers:*

- BRIAN STAPLES, Origin Institute
- ERLINDA MEDALLA, Philippines Institute for Development Studies
- MARIA DONNER ABREU, WTO

## Tuesday 22 November 2016

### 09:00 – 11:00 **Session III: Rules of Origin: A Sectoral Approach**

*This session will review RoO as they pertain to different key sectors. In doing so it will discuss the implications of different models and approaches to RoO for the operation of regional and international supply chains but also for small and medium enterprises (SMEs) versus large firms, with a particular focus on developing countries.*

Moderator: CHRISTOPHE BELLMANN, ICTSD

Speakers:

- *A private sector perspective on challenges by key sectors:* ANNA JERZEWSKA, Independent Consultant
- *LDCs/LIC challenges faced in using DFQF/GSP schemes:* KIM ELLIOTT, Center for Global Development
- *Textiles and clothing:* GAIL STRICKLER, former USTR
- *Fisheries:* LIAM CAMPLING, Queen Mary University of London (by video conference)

11:00 – 11:30 **Coffee/Tea**

11:30 – 13:00 **Open Discussion**

13:00 – 14:00 **Light lunch**

### 14:00 – 15:45 **Session IV: Consolidation and Harmonisation Models**

*This session will review attempts at promoting harmonisation and simplification of RoO including through expanded cumulation. It will do so by analysing past experience aimed at fostering convergence among existing RoO schemes in the context of selected regional trade arrangements.*

Moderator: ANTONI ESTEVADEORDAL, IDB

Speakers:

- *The Pan-Euro-Med cumulation zone:* JEREMY HARRIS, IDB
- *Cumulation under the Pacific Alliance: the challenge of merging six bilateral relationships:* RAFAEL CORNEJO, Independent Consultant
- *Enabling cumulation with third parties, the Canada, Peru, Colombia experience:* FELIPE QUINTERO, Colombian Trade Ministry
- *The challenges of cumulation in Africa, the case of CFTA:* ECKART NAUMANN, Trade Law Centre for Southern Africa (TRALAC)

Discussant: GASTON FERNANDEZ, Ministry of Foreign Affairs, Chile

15:45 – 16:00 **Coffee/Tea**

16:00 – 17:45 **Session V: Experimenting with New Approaches**

*This session will discuss concrete steps towards simplified and harmonised RoO while fostering convergence and coherence-building between RTAs and the multilateral trade system. It will explore options to be pursued at the WTO to further harmonisation (e.g. in the form of multilateral guidelines) but also at the regional level (e.g. through intermediate agreements on cumulation), looking both at options to renegotiate existing rules and options to facilitate administrative procedures and promote interoperability among different schemes.*

Moderator: RICARDO MELÉNDEZ-ORTIZ, ICTSD

Speakers:

- *Integration through intermediate agreements of cumulation of RoO:* JEREMY HARRIS, IDB
- *Administration and compliance approaches:* PING LIU, World Customs Organization (WCO)
- *Mega-regional agreements (TPP and ASEAN EU FTAs) and implications for LDCs:* STEFANO INAMA, UNCTAD
- *How to streamline non-preferential rules-of-origin?:* FREDERIC PAYOT, Swiss State Secretariat for Economic Affairs

Discussant: LUCIAN CERNAT, European Commission

17:45 – 18:15 **Ways Forward on Rules of Origin and the RTA Exchange**

RICARDO MELÉNDEZ-ORTIZ, ICTSD

ANTONI ESTEVADEORDAL, IDB