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**Committee on Rules of Origin**

**SUMMARY OF THE INFORMAL SESSION CELEBRATING THE 25TH ANNIVERSARY OF  
THE WTO AGREEMENT ON RULES OF ORIGIN – 4 MARCH 2020**

**1 INTRODUCTION**

1.1. An informal session of the Committee on Rules of Origin (CRO) was organized on 4 March 2020 to celebrate the 25th Anniversary of the WTO Agreement on Rules of Origin (the Agreement, or ARO), which had been finalized by GATT Contracting Parties in December 1990, and which had come into force in 1995 along with the other Agreements concluded during the Uruguay Round.

1.2. The session offered Members an opportunity to reflect upon the Committee's work over these 25 years and to look ahead to its future work.

1.3. After opening remarks from Mrs Suja Rishikesh Mavroidis, Director of the WTO Market Access Division, and Mrs Uma Muniandy (Singapore), Chairperson of the Committee, participants heard presentations from the WTO Secretariat, the World Customs Organization (WCO), the International Chamber of Commerce (ICC), the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC), and the private sector. These presentations are summarized below.

**2 DARLAN F. MARTÍ, SECRETARY TO THE COMMITTEE ON RULES OF ORIGIN,  
WTO SECRETARIAT**

2.1. Mr Martí described the history of the negotiations that had led to the WTO Agreement on Rules of Origin, as well as the progress that had been made in the CRO on the Harmonization Work Programme (HWP). He explained that the Committee was currently in a period of transition; its goal was the harmonization of rules of origin, although Members held differing perspectives about the regimes that should be adopted across the board.

2.2. To provide an overview of the current situation and the status of rules of origin, Mr Martí explained that rules of origin served an important function in today's international trading system. Due to the existence of *inter alia* Free Trade Agreements FTAs, sanitary and phytosanitary measures, import quotas and anti-dumping duties, the conditions applying to the importation of identical imported goods differed depending on their origin. Goods were treated differently on the basis of rules of origin that served to identify the appropriate treatment and measures to be applied.

2.3. The first concerns over origin had emerged during the early days of the GATT. In fact, country of origin marking regulations ("made in ..." labels), had first been introduced in the 1950s in the context of consumer protection policies. Quotas allocated by country (for example, for textiles and clothing products) had also required a determination of origin. In the 1970s and 1980s, an increase in the use of anti-dumping measures and the use of different standards for determination of origin had created uncertainty for producers. Concerns were subsequently expressed over arbitrary definitions of origin and a general lack of predictability and transparency. In addition, governments had been at liberty to set and change their rules of origin at whim, which to traders had often been a source of frustration. Furthermore, companies seeking arbitration in disputes regarding rules of origin had recourse only to the national courts of the importing country in question.

2.4. The ICC had recommended that GATT Contracting Parties standardize their rules of origin already in 1958; even so, the GATT contained very few disciplines relating to rules of origin. The most significant instrument to have been developed regarding rules of origin was the 1974 International Convention on the Simplification and Harmonization of Customs Procedures

(the Kyoto Convention). However, the Kyoto Convention was vague; it lacked oversight and enforcement; and it was adhered to by only a modest number of governments.

2.5. It had been decided that rules of origin should be included as an issue for negotiation at the outset of the Uruguay Round, and the first draft of the Agreement was finalized already in 1990. The purpose of the Agreement was to establish clear and predictable rules of origin that would lead to an increase in trade and economic growth, with standardization and harmonization considered to be the best ways of achieving this. It was also believed that such objectives would ensure that rules of origin remained technical and neutral instruments that would not create unnecessary obstacles to trade. Although Members did ponder the benefits of harmonizing all rules of origin, a decision was subsequently taken to harmonize only those rules used for non-preferential purposes. Nevertheless, Annex II of the Agreement contains certain general disciplines on the use of preferential rules of origin.

2.6. The HWP was launched in 1995, and from 1995 until 2000, the CRO and the WCO Technical Committee on Rules of Origin worked tirelessly in Geneva and Brussels to harmonize Members' rules of origin on an HS nomenclature product-sector basis. During this time, Members succeeded in agreeing upon harmonized rules of origin for approximately two thirds of all products (HS codes). However, the HWP was not completed because of the complexity of the issues involved. In particular, certain delegations feared that harmonized rules would restrict the ability of their governments to implement anti-dumping measures. For these reasons, there are currently no harmonized, non-preferential rules of origin, and Article 2 of the Agreement contains the only disciplines guiding Members on the use of non-preferential rules of origin.

2.7. As outlined in the Agreement, countries began to notify the Secretariat of their currently applicable rules of origin. According to those notifications, 50 Members had rules of origin in place, while 60 did not. All Members had at least one regime for preferential rules of origin. However, Members' notifications in this area did not necessarily reflect accurately their current practices. In some cases, the notifications were outdated (92 of the relevant notifications had been received in 1995, and significantly fewer notifications had been received in subsequent years). In other cases, the notifications seemed to contain only partial information (for example, they did not always describe whether or not a Member required certificates of non-preferential origin and, where a Member did so, under what circumstances). Moreover, a total of 77 WTO Members had reported that they had anti-dumping investigation authorities, while only 50 reported that they had implemented legislation relating to non-preferential rules of origin. Similarly, a WCO survey had reported that 8% of WCO Members required the presentation of non-preferential origin certificates in all cases, whereas 80% had reported making use of this requirement in certain cases. Such information was not adequately captured in Members' notifications.

2.8. Mr Martí considered that, given the range and variety of rules of origin being adopted by WTO Members, as well as the subsequent uncertainty generated by such a situation, simplification and standardization in this area must remain a high priority.

### **3 STEFAN MOSER (SWITZERLAND), FORMER CHAIR OF THE COMMITTEE ON RULES OF ORIGIN**

3.1. Mr Moser explained that, although most enterprises thought of rules of origin in preferential terms, including in order to obtain such benefits as tariff reductions, access to reliable information on non-preferential rules of origin was also of paramount importance to avoid incurring unexpected costs when goods reached the border.

3.2. Although the Agreement was largely silent on implementation, new agreements, such as the Trade Facilitation Agreement (TFA), had provided additional impetus for simplifying origin requirements.

3.3. Article 2 of the Agreement was the main WTO instrument on rules of origin. It formulated the understanding that Members should not change their rules of origin in order to manipulate trade patterns, although this now seemed somewhat naive given that modifications to rules of origin were used to do precisely that. The difficulty encountered when attempting to address this issue was that implementation was very difficult in practice and required making an assessment of the intention of the Member that had enacted a change in its rules of origin.

3.4. Even though the HWP remained unfinished, it had not been in vain, and many countries had adopted systems that incorporated its results into their FTAs.

3.5. Current issues regarding rules of origin in international trade were no different to those of the 1990s. If anything, the problems had only become more acute and more generalized as preferential origin requirements had multiplied. Therefore, harmonization remained an important trade objective.

#### **4 METTE AZZAM, SENIOR TECHNICAL OFFICER, ORIGIN SUB-DIRECTORATE, TARIFF AND TRADE AFFAIRS DIRECTORATE, WCO SECRETARIAT**

4.1. Ms Azzam described the history and significance of the Revised Kyoto Convention (RKC), and other origin-related tools that the WCO had prepared.

4.2. The RKC was the only international agreement that dealt with origin procedures and certification, including both preferential and non-preferential rules of origin (Annex K of the RKC). At the same time, the RKC had existed now for 25 years and it was insufficiently detailed to meet the needs of the current trading environment.

4.3. At present, there were over 350 FTAs in force globally, creating a "spaghetti bowl of rules of origin". Nevertheless, commonalities did exist between these various systems and this was encouraging. The major models in the trading system were the following: the North American Free Trade Agreement (NAFTA) (currently transitioning to the United States-Mexico-Canada Agreement (USMCA)); the Pan-Euro-Med model; the Association of Southeast Asian Nations (ASEAN); and the Trans-Pacific Partnership (TPP). Against this background, the WCO Secretariat had endeavoured to provide tools that WCO Members could use to develop their own practices. The WCO did not use the word harmonization because in practice it was extremely difficult to convince countries to agree to apply the same standards. Instead, the WCO's tools sought in general to "streamline" procedures, which in turn would facilitate trade if all governments then moved in the same direction.

4.4. The WCO Secretariat had also prepared studies and non-binding guidelines, which were practical tools designed to help Members in their daily work. The WCO Revenue Package (so named because revenue collection was the principal purpose of customs agencies) addressed the following: origin verification, certification, and irregularities; advance rulings (ARO and TFA had made advance rulings legislation a requirement, and the recent push for TFA implementation was contributing towards generalizing legislation in this area); and origin infrastructure. In addition, the WCO Secretariat had also prepared guidelines for the implementation of the WTO Ministerial Decisions on Preferential Rules of Origin for Least Developed Countries (LDCs).

#### **5 DARLAN F. MARTÍ, SECRETARY TO THE COMMITTEE ON RULES OF ORIGIN, WTO SECRETARIAT**

5.1. Mr Martí explained the steps that had been taken as a result of the WTO, in its 2013 and 2015 Ministerial Decisions, expanding its work in the area of rules of origin. The 2013 Bali and 2015 Nairobi Ministerial Decisions had established new guidelines on rules of origin to ensure that LDCs could benefit from preferential market access schemes.

5.2. The 2005 Hong Kong Decision on Measures in Favour of Least Developing Countries had required developed Members and developing country Members in a position to do so to grant duty-free and quota-free treatment to goods originating in LDCs. In order to ensure that LDCs could fully benefit from these preferences, given their industrial and production limitations, this commitment had been complemented by the requirement that the rules of origin used in such preferential schemes were to be simple and transparent.

5.3. The 2013 Ministerial Decision had established the first legal instrument containing detailed provisions on the designation of preferential rules of origin. These efforts had been complemented by the 2015 Ministerial Decision. Taken together, these decisions had covered the design of rules of origin and had also introduced requirements on certification and direct consignment. In addition, the decisions had established clear, institutionalized examination and monitoring mechanisms, including, for example, the use of utilization rates to serve as indicators of the effectiveness of preference schemes.

5.4. The decisions contained binding and non-binding language and strengthened transparency. They equipped delegations with an effective tool for monitoring the impact of preferential rules of origin. They also allowed for a comparison between different requirements and the identification of best practices. And while this work had focused on preferential rules of origin for LDCs, the lessons learnt from this exercise had been relevant to all WTO Members and had proven especially useful in the context of regional trade agreements. In sum, the 2013 and 2015 Ministerial Decisions had been instrumental in expanding and strengthening the WTO's work on rules of origin.

## **6 HELEN CHANG, PROJECT OFFICER, TRADE FACILITATION TEAM, MARKET ACCESS DIVISION, WTO SECRETARIAT**

6.1. Ms Chang identified origin-related provisions in the WTO Trade Facilitation Agreement (TFA), as well as certain provisions that had been omitted from the Agreement. Ms Chang explained that the TFA and the ARO converged in places, while in others they were complementary. Where there were contradictions, no element in one of the agreements was to be construed in such a way as to diminish the obligations set out in the other. Therefore, when examining a particular obligation from the TFA, one must at the same time take into account all other WTO provisions that also covered that obligation.

6.2. Although both the ARO and the TFA contained transparency obligations, only the ARO required Members to notify their rules of origin to the WTO Secretariat. The TFA required that Members publish their rules of origin "in a non-discriminatory and easily accessible manner", and publication was also a requirement under the ARO. Under the TFA, Members were encouraged but not obliged to make all published information available on the internet.

6.3. Advance rulings were treated in the same way in the TFA and the ARO, meaning that Members did not have two separate obligations in this regard (in other words, there was no need to establish two distinct bodies, each issuing its own advance rulings). Nevertheless, the language of the two agreements differed to some extent. The ARO required that an advance ruling be issued no later than 150 days after the request had been made, whereas the TFA stipulated that the period to issue an advance ruling should be bound, but without providing an explicit indication of time-frame (advance rulings were typically issued within 60 to 90 days). Moreover, the TFA established a new obligation, namely that, in the event that a request for a ruling was declined, a Member was obliged to communicate to the applicant its reasons for doing so. Lastly, the ARO stated that advance rulings must remain valid for three years, whereas the TFA stated that they must remain valid for a reasonable period of time unless circumstances changed.

6.4. On the topic of small consignments, attempts had been made to establish a monetary value below which Members would not collect duties, although actual practice in this area varied to such an extent that delegations had not been able to agree on what that value should be. Nevertheless, a conditioned obligation had been established for the introduction of facilitated procedures for small value consignments. This was not an area covered by the ARO.

6.5. During the TFA negotiations, an objective of some Members had been to eliminate the "consularization" of trade documents, thus expanding WTO disciplines relating to origin. However, certain other delegations had objected on the grounds that these procedures were a source of revenue collection. In consequence, this aspect was not currently covered by the disciplines established in either the ARO or the TFA.

6.6. On digitalization, the TFA was technology-neutral, as was the ARO. For this reason, it included only best endeavour provisions with regard to the issuance or acceptance of electronic documents.

## **7 MARTIN VAN DER WEIDE, POLICY ADVISER ON ORIGIN AT THE NETHERLANDS CHAMBER OF COMMERCE AND DEPUTY CHAIR OF THE INTERNATIONAL CERTIFICATE OF ORIGIN COUNCIL AT THE INTERNATIONAL CHAMBER OF COMMERCE (ICC)**

7.1. Mr Van der Weide noted that Chambers of Commerce were key players in the area of rules of origin: they issued certificates of origin and also interpreted the origin rules of the importing country. He described how Chambers of Commerce typically issued certificates of origin. He explained that the ICC worked to promote high-quality certificates via a number of initiatives. He also described a new self-certification project currently under way at the ICC.

7.2. In this regard, he noted that the concept of self-certification was not new, but complete self-certification, without any requirements in the importing country, was without precedent. The path towards self-certification could also be challenging for smaller companies, which often feared making mistakes in this area. Self-certification involved risks for importers, who could find themselves liable for the payment of any duties or penalties.

7.3. The working title of this new ICC project was "Genesis", and its objective was to build an in-house engine and integrated interface system permitting Chambers of Commerce worldwide to certify invoice declarations within the framework of preferential rules of origin in FTAs. The goal was to create options for self-certification to simplify processes. If the importer or exporter wished to do so, Genesis would also permit them to verify their self-certification with the Chamber of Commerce. Genesis allowed only for interactions between importers and exporters, but not suppliers, as suppliers were not as involved in the detail of processes involving rules of origin. The ICC hoped to finalize and launch the Genesis initiative in the summer of 2020.

## **8 DZMITRY KNIAHIN, MARKET ANALYST, TRADE AND MARKET INTELLIGENCE, MARKET DEVELOPMENT DIVISION, INTERNATIONAL TRADE CENTRE (ITC)**

8.1. Mr. Kniahin gave an overview of the new ITC-WTO-WCO Origin Facilitator (<https://findrulesoforigin.org>), which was the first and largest publicly available database of product-specific rules of origin and origin requirements. The database covered almost all regional trade agreements (RTAs) currently in force, as well as non-reciprocal preferential schemes for LDCs.

8.2. There were a significant number of factors involved in the creation of this database. For example, companies found it difficult to take advantage of preferences granted in RTAs because of the highly technical nature of rules of origin, as was confirmed by a recent business survey indicating that rules of origin was one of the areas that posed most difficulty.

8.3. The ITC-WTO-WCO Origin Facilitator was an intuitive tool now available to the public that could be used, for example, to compare trade agreements side by side to see which terms provided the lower tariff, and which rules of origin were more restrictive, making compliance more difficult.

8.4. One of the main goals of the database was to reduce the complexity of rules of origin. Not only did it grant easier access to an applicable rule, it also codified all the rules into 14 types, each explained in simple terms. This created a universal language for the various types of rules of origin that could be used in the future to refer to and further classify them. An analysis of the data in the Facilitator revealed that the most common type of rule was "change of tariff heading".

8.5. The ITC was working to complete the database, including coverage of all 450 or so RTAs currently in force globally. The database could then subsequently also cover non-preferential rules of origin once that information was available. Additional features would also be added soon, including content in French and Spanish, and an alert to flag the application of trade remedies, including anti-dumping duties.

## **9 SIMON NEUMUELLER, ECONOMIC AFFAIRS OFFICER, MARKET ACCESS DIVISION, WTO SECRETARIAT**

9.1. Mr. Neumueller described academic efforts to attempt to quantify the costs for companies of complying with rules of origin, as well as the research gaps that currently existed in this area.

9.2. Compliance costs were slightly different in the case of preferential and non-preferential rules of origin. For example, compliance with preferential rules of origin was a choice for a company, whereas compliance with non-preferential rules of origin was compulsory. To be in compliance with rules of origin required businesses to understand the specific rules that applied and to be familiar with the various and often distinct national requirements. The greater the number of export markets a company had, the more exposed it would be to divergent requirements. Some costs derived from compliance with the rule itself, whereas other costs were administrative (for example, certification).

9.3. Transparency was a key factor. If businesses did not know the rules, they could not be expected to comply with them. And knowing and complying with the rules was especially difficult for micro,

small and medium-sized enterprises (MSMEs). Furthermore, administrative costs for obtaining certificates of origin were not negligible.

9.4. One study had estimated the cost of complying with rules of origin to be as high as 6.8% (in the case of the USA and NAFTA) and 8% (in the case of the European Union and Pan-Euromed rules).

9.5. In the case of preferential rules of origin, additional costs could derive from trade diversion: when companies chose to change their suppliers in order to qualify for preferences under RTAs.

9.6. Studies had also shown that more flexible rules of origin allowed for more foreign intermediate inputs during production. In addition, they had shown that there was a learning curve for exporters in terms of their ability to comply with rules of origin. And some studies had questioned the use of rules of origin at all.

9.7. In terms of how rules of origin affected companies, there were still many unknown elements, in part because there were so many variables that were so difficult to quantify. For example, the precise aspect of rules of origin that was costly to corporations was still uncertain. It could be that the rules were too strict and that to comply with them was subsequently too difficult, or it could be that the administrative costs of certification were excessive.

## **10 LAWRENCE M. FRIEDMAN, PARTNER, BARNES, RICHARDSON & COLBURN**

10.1. Mr Friedman stated that many of his clients had experienced difficulty navigating rules of origin, including in the context of a few court cases in the United States. This underscored that rules of origin were complex; it also signalled that implementation of these requirements was highly subjective due to the lack of a cohesive set of domestic and international standards.

10.2. It was often difficult for MSMEs to know what the applicable rules of origin were, especially in the area of non-preferential rules of origin. Furthermore, while many of the concepts relating to rules of origin seemed obvious to trade experts, even basic concepts could sometimes be difficult for businesses to understand. On occasion, Mr Friedman had seen US companies adapt their supply chains to comply with a trade agreement, such as NAFTA, only to then be confused about why they could not export on the basis of the same preferences to Australia under the US-Australia FTA.

10.3. In one case, Chinese materials were being shipped to Canada and Mexico before being incorporated into a final product. The final product qualified for duty-free entry into the US under NAFTA preferential rules of origin because of the value-added content from Mexico that comprised part of the product. However, the non-preferential substantial transformation rule of Section 301 on goods imported from China meant that customs ultimately determined that the importer had to pay duties on the product as if China had been its origin.

10.4. The complex nature of origin labelling and other local requirements complicated the picture still further. For example, Mexico's mandatory standards ("NOMs"), and Nigeria's prohibition on dual or multiple markings, made it more difficult for businesses to export.

10.5. He also highlighted the fact that US standards were continually evolving and highly complex. A particular area of concern was what to do about software, firmware, and other intangibles, and whether their origin also needed to be taken into account. Another example concerned the minimum requirements for substantial transformation. The level of subjectivity in the substantial transformation test was undeniable. For example, adding bristles in the US to a handle created in Japan was considered to be a substantial transformation; however, adding the soles in the US to the upper part of a pair of shoes imported from Indonesia was not.

10.6. The complexity and subjectivity of these rules resulted in an equally complex supply chain, which in turn led to a dazzling array of production, assemblies, and subassemblies, leading to the final classification and importation of a given product.



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**11 ANNA MARCINOWSKI, SENIOR MANAGER, CUSTOMS AND FOREIGN TRADE, DAIMLER AG**

11.1. Ms Marcinowski discussed her role in managing the complex international supply chains of Daimler AG, including a review of the many challenges the company faced in the area of rules of origin. She reviewed the company's financial structure. And she explained why Daimler had car and truck production sites all over the world.

11.2. Daimler AG, as a large multinational company, considered it important to establish an internal body with clear responsibilities for managing origin requirements; monitoring changes in supply chains and production networks was also crucial. On the external side, global companies needed to train their suppliers regarding rules of origin and to maintain a close working relationship with customs authorities.

11.3. Formerly, the management of rules of origin had been less challenging than was currently the case because there had been fewer major changes in FTAs; in this sense, the trading environment had been somewhat predictable. More recently, the management of rules of origin had become more challenging in the context of Daimler AG's constantly growing and increasingly complex international supply chains, coupled with an expansion of the use of FTAs around the world, plus the increased sophistication of trade policy tools used in political disputes. Uncertainty and unpredictability had also contributed to these difficulties. For example, there were still no clear determinations on Brexit. The change from NAFTA to USMCA was also altering the trading landscape through increases in local content requirements and changes in labour standards.

11.4. Companies were also experiencing high levels of political pressure to move away from the combustion engine and to channel more investment into electric technologies; this was forcing automotive companies such as Daimler AG to rethink their supply chains.

11.5. Renegotiation periods for FTAs were too long and there were in any case too many FTAs, making it impossible for companies to react quickly. Some FTAs provided for such options as full culmination or model-based averaging but there was no harmonization across the board.

11.6. Non-preferential origin rules were a mandatory requirement and the consequences for non-compliance were severe. In addition, non-preferential origin rules had increasingly been used as a weapon in international trade and political disputes, especially as concerned the application of anti-dumping duties.

11.7. In terms of preferential rules of origin, companies would greatly benefit from a reduction in the time taken to renegotiate FTAs; they would also benefit from non-preferential rules of origin not being used in trade and political disputes.

**12 LISA McAULEY, CEO, GLOBAL TRADE PROFESSIONALS ALLIANCE, UNIVERSITY OF NEW SOUTH WALES**

12.1. Ms McAuley explained that the emergence of global value chains and new RTAs had created an environment where the regimes for rules of origin were continually evolving. She discussed how the costs and risks associated with rules of origin could be reduced, as well as the work that the Global Trade Professionals Alliance (GTPA) was doing to make this a reality.

12.2. Developing global standards that supported traceability and product certification, as well as technology that streamlined origin procedures, would help traders immensely.

12.3. Global standardization could have benefits similar to those of harmonization in terms of facilitating global trade. These standards could also enhance the traceability of origin and other product certifications, while assuring that the important efforts of governments to protect their consumers did not result in trade barriers.

12.4. The GTPA's current initiative involved building integrity into global value chains. The components of this initiative were closely linked to rules, especially in the areas of security and sustainability. The work of the GTPA would include a technology platform to render the

harmonization of standards operational. Developing a global standard would not be an easy task, but it was a worthy one.

**13 METTE AZZAM, SENIOR TECHNICAL OFFICER, ORIGIN SUB-DIRECTORATE, TARIFF AND TRADE AFFAIRS DIRECTORATE, WCO SECRETARIAT**

13.1. Ms Azzam discussed the potential modernization of Annex K of the Revised Kyoto Convention (RKC) dealing with rules of origin.

13.2. The modernization of Annex K of the RKC had originally been postponed because of the WTO HWP. However, certain WCO Members had since submitted proposals to modernize Annex K on the basis of language that was compatible with the WTO TFA. This modernization of the RKC was likely to lead to its adoption by more members (currently, only 20 countries had subscribed to this Annex).

13.3. She also discussed how the "spaghetti bowl" of rules of origin had led many to conclude that it was unrealistic to envisage harmonization in the area of rules of origin. Nevertheless, the RKC's revision was intended to establish binding rules for origin certification and origin verification. The revised rules would mark a clear distinction between preferential and non-preferential rules of origin and provide standardized definitions for commonly used terms, such as "wholly obtained" and "substantial/sufficient transformation". Finally, the revised rules would promote the application of IT for certification and verification.

**14 STEFANO INAMA, CHIEF, DIVISION FOR AFRICA, LEAST DEVELOPED COUNTRIES AND SPECIAL PROGRAMMES AT THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)**

14.1. Mr Inama discussed the potential for a plurilateral or sectoral convergence of rules of origin, arguing for the need to take a fresh look at product-specific rules of origin (PSROs) and to aspire to find convergence on various aspects of such rules rather than aiming at a one-size-fits-all harmonization solution.

14.2. There had been a push for the harmonization of rules of origin during the 1990s, and attitudes towards such a development had at that time been very positive. The Uruguay Round had been concluded and expectations had been high. However, the attitudes prevailing then were very different from those prevailing today.

14.3. Part of the challenge of agreeing to Harmonized Rules of Origin (HRO) at that time was that certain RTAs had recently been signed, such as the NAFTA, and delegations had wished to retain the rules that they had established under those regimes. For example, the rules of origin for horses had been discussed at length between the EU and the US. In the end, the rather obvious conclusion had been reached that the origin of a horse was the country in which that horse had been born. The fact that countries wished their own rules of origin to be those that became the global standard still remained one of the major stumbling blocks preventing harmonization.

14.4. In order to adopt international disciplines on rules of origin, delegations needed to recognize that work in this area was necessary, and that the substance of a rule (its restrictiveness) was different from its form (its draft), and that the draft results of the HRO could be used as a benchmark in the search for convergence in rules of origin.

14.5. Neither the RKC nor the ARO indicated what governmental or intergovernmental authorities would be charged with implementing the ARO. For developing countries, and especially LDCs, identifying the responsible authority was one of the major challenges for the implementation of any agreement on rules of origin.

14.6. Some sectors were more sensitive, such as textiles in the US, and fisheries in Japan and the EU, and such sensitivities could make convergence in those areas more difficult. In these cases, it was still important to identify areas of divergence in order to increase transparency so that companies knew what to expect. However, in other sectors, similarities between rules made convergence more likely.



14.7. UNCTAD had identified many product-specific rules of origin that were totally convergent in certain RTAs (for example, the USMCA, and the RTA between the EU and Japan). Furthermore, divergences had been divided into options considered more or less trade restrictive. They had also identified that there was a clear tendency towards convergence in identifying PSROs, which was encouraging.

14.8. In this regard, Mr Inama advocated for governments to begin a discussion at multilateral or plurilateral level on guidelines for drafting PSROs, but to aim in such discussions for reasonable convergence rather than full harmonization.

**15 EMMANUELLE GANNE, SENIOR ANALYST, ECONOMIC RESEARCH AND STATISTICS DIVISION, WTO SECRETARIAT**

15.1. Ms Ganne explained how the digitalization of trade documents and the use of blockchain technology in origin requirements and trade documentation could greatly simplify and streamline rules of origin procedures, while at the same time making all kinds of international transactions more secure.

15.2. Blockchain was a decentralized, peer-to-peer network, which was highly secure because the network was distributed, meaning that there was no central server and therefore no single point of failure.

15.3. Part of the issue with streamlining and digitizing the complicated and multistep processes involved in trade was that the technologies had not allowed stakeholders to ensure documentation authenticity. However, blockchain technology would solve this problem given the high level of security inherent in the system.

15.4. One of the advantages of blockchain was its ability to automate processes, such as, for example, a payment being automatically deposited when a truck crossed a border. In addition, there were already many initiatives that made use of blockchain platforms.

15.5. At present, blockchain platforms had the potential to lower the administrative costs generated in rules of origin procedures. This technology also had the potential to reduce compliance costs as it could lead to a simplification in the way that rules of origin were established.

15.6. The key issues to address before blockchain technologies could begin to make a real impact on the facilitation of trade were the following: the recognition of e-signatures and e-documents; the need for a cross-border approach; regulatory issues (for example, the EU General Data Protection Regulation); legal recognition of blockchain transactions (China had made progress on this issue); and challenges for customs, such as the use of different technologies, multiple nodes, and the interoperability of various software designs.

15.7. If blockchain could create full transparency along the supply chain, it could eventually even eliminate the need for origin certificates. However, for this to be a realistic possibility, there needed to be governmental agreement, across the board, on what rules of origin elements needed to be included.

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