



RULES OF ORIGIN (RoO) FOR EU-AFRICA PREFERENTIAL  
TRADE – LESSONS LEARNED AND OPTIONS FOR THE  
FUTURE –  
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The Significance of RoO for  
trade and investment in  
Africa : Why RoO in Africa  
should reflect existing value  
chains and adopt best practices

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# The concept of preferential trade and Utilization Rates (URs)

- Trade agreements and trade preferences are negotiated/ granted to create trade effects ,if they are not used is a zero sum game
- Governments are increasingly negotiating FTAs and mega-regionals to create market access for their companies.
- AfCFTA and RCEP are the the most recent South-South examples
- Governments are realizing the importance of implementation and effective use of FTAs by their companies.
- Hence, the revival of Utilization rates (URs) also thanks the work done by LDCs in getting to the WTO Nairobi Decision.

# The mechanics of data on Utilization Rates

- Goods eligible at the time of customs clearance are granted preferential treatment only **if they comply with RoO administrative requirements i.e. CO or exporter declaration of origin**
- Failure to show such documentary evidence entails collection of MFN duties= non-utilization of trade preferences
- What are the reasons for not complying/low utilization ?
  1. CO or exporter declarations are issued upon compliance with RoO requirements.If RoO is stringent there is no CO or exporter declaration
  2. Administrative requirements:evidence of direct consignment, Burdensome certification requirements with customs stamps and signatures are the contrary of trade facilitation
  3. Other reasons : low preferential margin, Ignorance

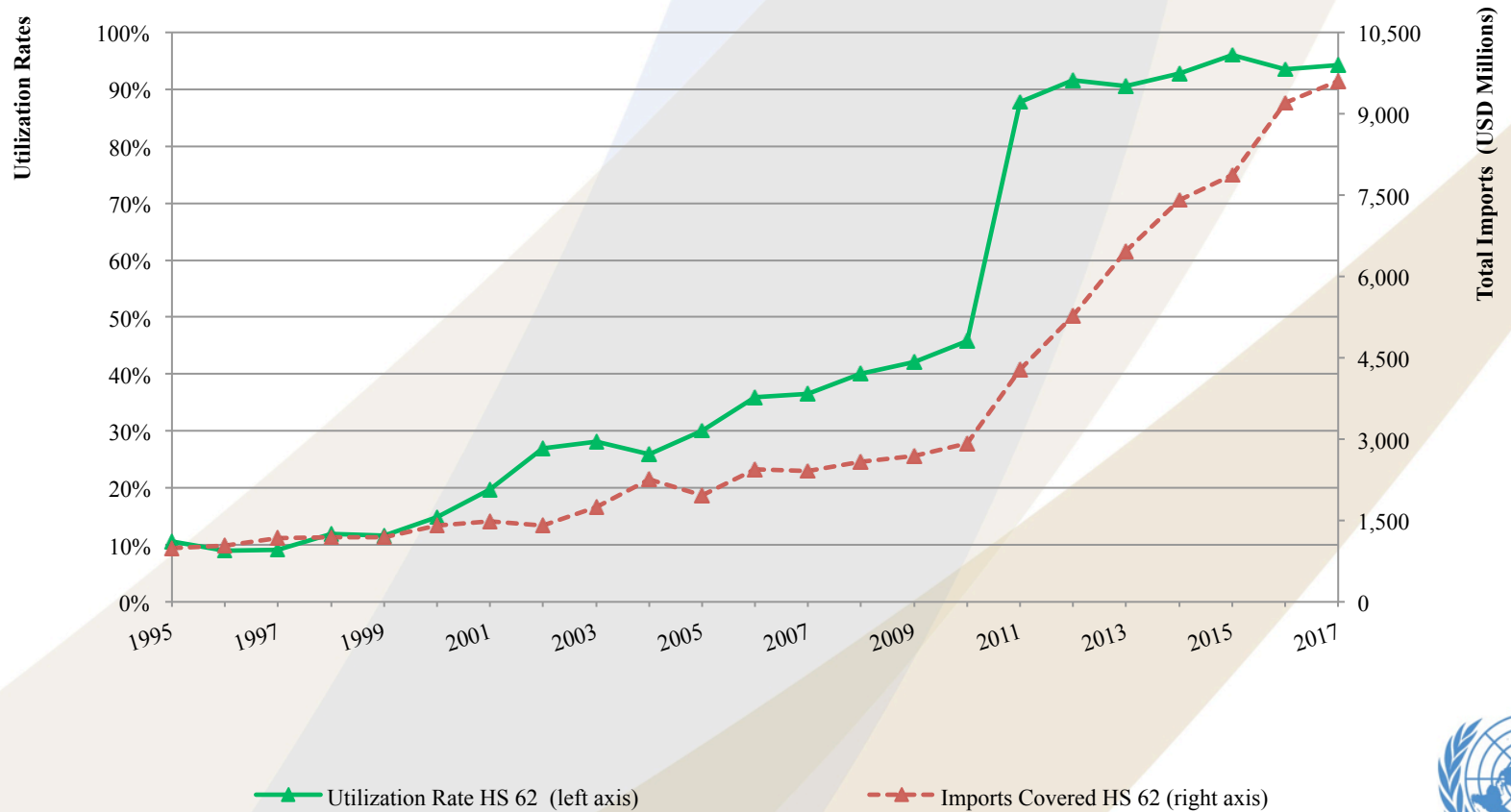


# A graph may be better than many words ?

## EU reform of RoO boosting investment, Trade Flow and Utilization rates

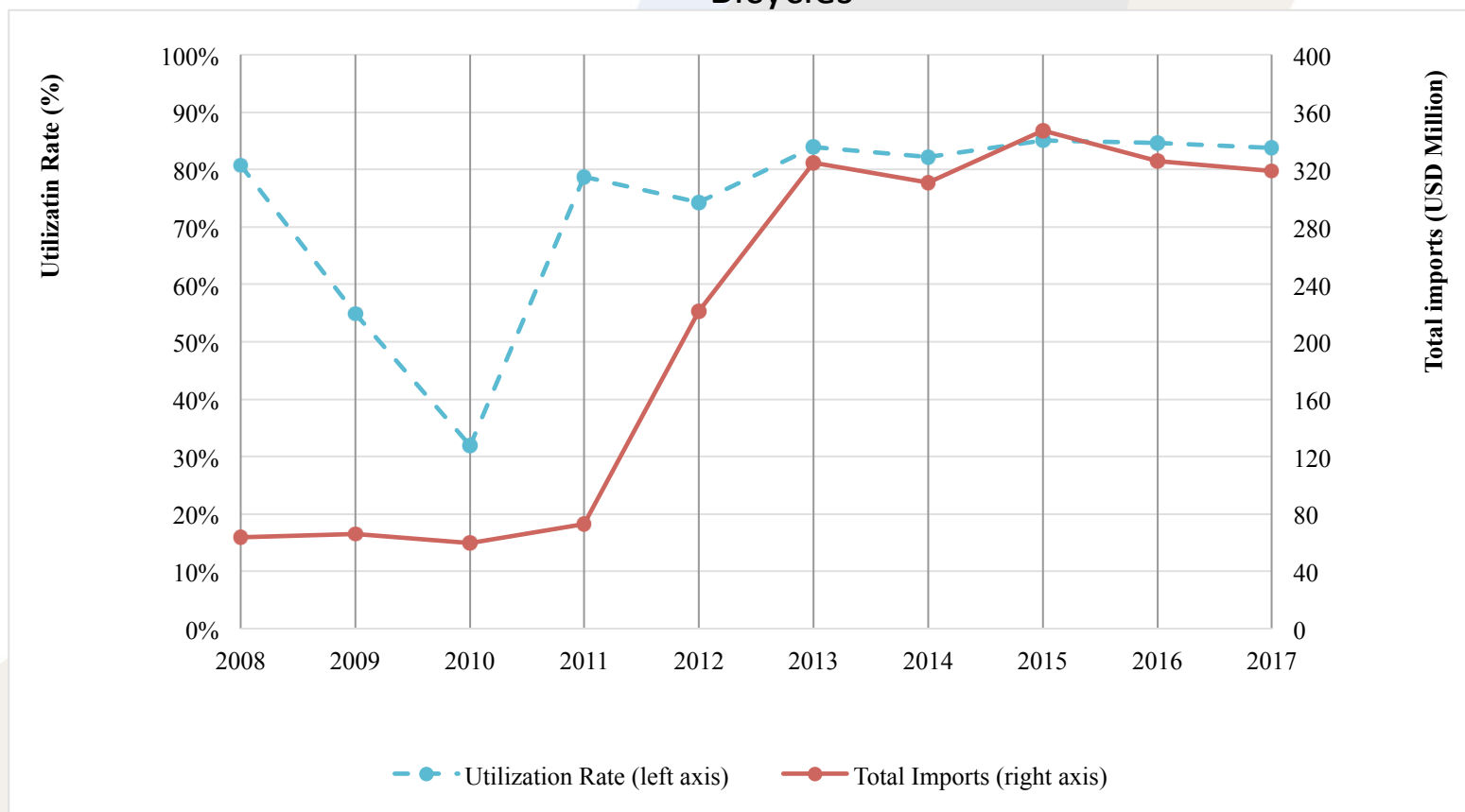
### EU imports from LDCs and EBA utilization rates

Art of apparel & clothing access, HS62 not knitted/crocheted



# EU reform of RoO: boosting export diversification and productive capacity in LDCs

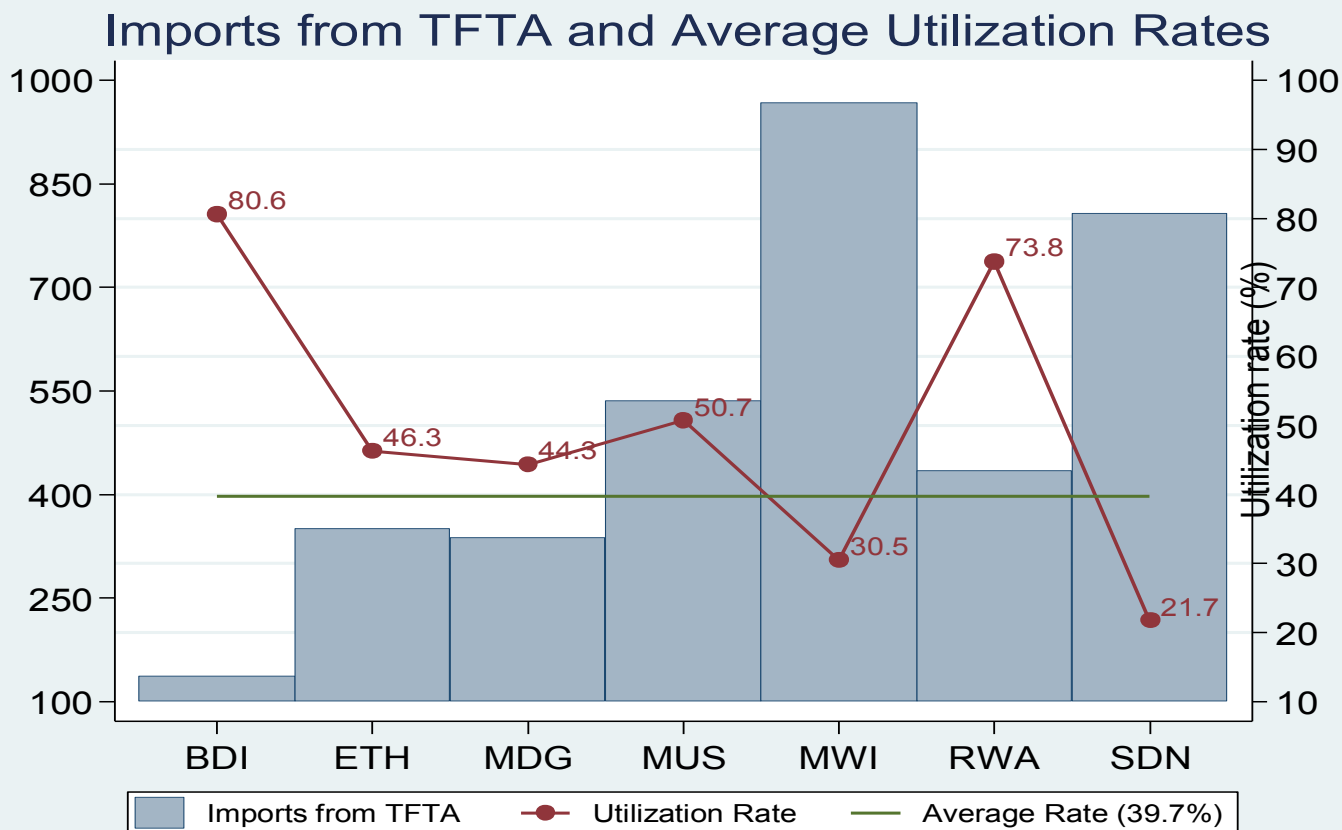
## EU imports from Cambodia and GSP utilization rates Bicycles



# What is the URs in the EU FTAs ?

- **Based on *The Use of the EU's Free Trade Agreements***
  - Joint study by UNCTAD and Swedish Board of Trade
  - Available at:  
[https://unctad.org/en/PublicationsLibrary/EU\\_2017d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/EU_2017d1_en.pdf)
- **Main findings :Utilization rate is :**
  - relatively **high on EU imports from partners** [87%-91%]
  - Preliminary results of a COMESA/ UNCTAD study shows that the utilization rates of COMESA countries under EPAs (basically ESA countries) **are around 93,6 %**

# What is the URs of COMESA [2010] and forthcoming study (2021) ?



## Why is so ? (1)

# Why URs are higher in Africa –EU preferential trade than in intra-regional African trade?

- Product specific rules of origin(PSROs) in African RECs and in AfCFTA are generally more stringent than under EU EPAs and EBAs (ongoing UNCTAD/ TRALAC study)
- The administrative requirements in RECs and AfCFTA are more stringent and less trade facilitating:
- A) Most African RECs are not using till recently any form of self-certification .Some still using paper-based evidence stamped by customs and signatures by customs officials .(AfCTA registers progress in this regard)
- B) The documentary requirements for direct shipment are overly stringent when related to emerging best practices (Non alteration)



## Why is so ? (2)

# Why RoO and related requirements are more stringent in intra-africa trade that in trade with the EU ?

- There is a strong policy bias in Africa policy makers to use African inputs *i.e.* “ **if we are able to produce it in Africa ,all inputs must originating from Africa**” : a chocolate bar
- However the reality is that Africa does not produce sufficient intermediates i.e. cocoa paste or when it does, it may not be commercially available in the whole of Africa.
- Certain inputs are simply not commercially available in whole of Africa :intermediate products for machinery and electronics and even fabrics and yarns to make garments.
- The bias extends to investment: Consider the proposal to exclude products originating in SEZs from the scope of AfCFTA
- There is not enough effort till recently to rely on self-certification, it still regarded with suspicion.

# Some recommendations for Africa RoO

- An overwhelming lesson learned is the EU reform of EU RoO of 2011 demonstrated by facts and figures
- How do we get to this in Africa? REFORM !
- ***Liberalize the Product specific rules of origin requirements in AfCTA and Africa RECs according to competitive value chains (UNCTAD/TRALAC study)***
- ***Cumulation is highly overrated and not a solution 1) is already there 2) will not help as there are no African intermediates 3) it comes at a cost***
- ***Introduce self certification: REX is a good platform.***
- ***Introduce non-alteration principle replacing direct consignment. Non alteration is there in EPAs already: why discriminating against yourself?***
- ***Introduce the public monitoring of URs of African RECs and AFCTA***