

# Proposal for the revision of Annex K of the Kyoto Convention

*Executive round table on rules of origin: Rules of origin in a  
fractioned world trade*

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European University Institute, Florence  
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**Stefano Inama**

[Stefano.Inama@un.org](mailto:Stefano.Inama@un.org)

Division for Africa, Least Developed Countries and Special Programmes (ALDC)



# Updating and expanding Annex K on rules of origin of RKC – Rationale and explanation

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- The Sponsoring Group for the joint proposal includes Australia, China, the European Union, Japan, New Zealand, Norway, Switzerland, as well as UNCTAD, the Eurasian Economic Commission (EEC) and Private Sector Consultative Group (PSCG) members Renault-Nissan and Fonterra.
- Annex K on rules of origin of the RKC needs complete updating as it dates back to 1974
- The updating process need to reflect the dramatic evolution and proliferation of rules of origin, especially in Free Trade areas increasingly reported as a major cost for business to comply with and for Governments to administer.

# Updating and expanding Annex K on rules of origin of RKC – Objectives

- Annex K to provide valuable guidance to countries and administrations on:
  1. The applicable best practices and options for drafting rules of origin,
  2. Related administrative procedures and management of documentary evidence related to origin (COs and origin statement or declaration),
  3. Verifications of origin statements/COs.

# Current table of content of Annex K and revision

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- **Chapter 1:**

Rules of origin :Non-preferential and preferential

- **Chapter 2:**

Documentary evidence of origin

- **Chapter 3:**

Control of documentary evidence of origin (verifications)

# Chapter 1: Rules of origin

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- **Rationale:** In the absence of multilateral rules, need to update:
  - Definitions including non preferential and preferential rules of origin
  - standards, and
  - recommended practices taking into account the recent trends in drafting Rules of Origin
- It is envisaged to clarify the definitions of substantial transformation to reflect as example:
  - The different practices of drafting product specific rules of origin using the HS, challenges in maintaining updated HS based RoO.
  - Calculations methodologies to draft ad valorem percentage and definitions of the numerator and denominator.
  - Specific working or processing operations are used by some countries and sectors to define substantial transformation.

# Chapter 1: Definition of origin

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- **Insert new provisions to cover additional substantive issues such as:**
  - Cumulation and different kind of cumulation
  - Inventory management methods
  - Territorial requirements
  - Intermediate material/absorption principle
  - Exclusion/inclusion of cost of freight and insurance in the determination of value of non originating materials
  - Tolerance rule
  - Third country invoicing, Back to back COs

## Chapter 2: Documentary evidence of origin

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- **Rationale:** The 1974/2000 version is the only existing text at multilateral level. Yet it does not take into account the evolutions and the existing practices.
  - It needs to be revised with a modern trade facilitation perspective to serve as a valid tool for Government and customs administrations.
  - From the seventies to present a variety of practices the most demanding – paper COs with exchange of stamps and signature to ...
  - ...the most trade facilitating: importer or exporter declaration, development of E certificates of origin.

# Chapter 3: Control of documentary evidence of origin

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- **Rationale:** this chapter is a corollary of the previous chapter 2 on documentary evidence of origin as it deals on how customs may verify documentary evidence of origin and cooperate among them and with the business sectors.
  - The same comments as above are valid since the chapter needs to be updated to reflect the evolution of practices and regulations in this area.

# Conclusion & way forward

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- The work of the Sponsoring group to develop a revised Annex K covering non preferential and preferential rules of origin and documentary evidence is ongoing, with the objective to present it at the next RKC Management Committee in April 2025.
- A plurilateral text exists...

# Thank you!

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