

## **WCO Origin Conference 2014**

Brussels, 21 January 2014

### **Closing remarks by Kunio Mikuriya, Secretary General of the World Customs Organization**

The number of delegates attending this Origin Conference, the first WCO event on the 2014 calendar, is indicative of the strong interest in rules of origin for both the public and private sectors, and its timing is also very good; not only does it follow shortly after the December 2013 WTO Ministerial Conference in Bali, it also takes place at a time when regional economic integration is on the rise.

Many stakeholders have expressed concern about the complexity of rules of origin caused by the worldwide proliferation of free trade agreements (FTAs). This concern relates both to the rules of origin themselves and to origin procedures, as more complex and stringent rules of origin lead to high compliance costs and thereby less use of FTAs which would nullify the benefits of such agreements.

On the other hand, regional integration materializes the benefits that flow from these agreements and for Customs there is very important work to be done in the implementation of these FTAs. Indeed, it would be prudent at this juncture to remind delegates about the five principles concerning FTAs that H.E. Vangelis Vitalis, New Zealand's Ambassador to Belgium, mentioned in his keynote speech:

- Keep it simple;
- Be coherent;
- Rules of origin can be used as protectionism, but would benefit more if they were used with a pro-growth focus both domestically and for export-orientated companies;
- Don't play games with each other in the negotiations;
- And, keep FTAs 'living' with regular review mechanisms

I should also like to make reference to the keynote speech made by Mr. Antoni Esteveordal, Manager of Integration and Trade at the Inter-American Development Bank (IADB), in which he stated that in terms of rules of origin, one size does not fit all. Here, it should be stressed that standardization is desirable, but not easy to reach, and in addition, there is also a need to tackle origin certification as well as the impact of rules of origin on trade in services and other commercial measures.

Many WCO instruments and tools already exist and their use is highly recommended; in this regard, the WCO Secretariat will continue to promote its best practice approach, and the Organization also intends to prepare a compendium of best practices that will cover preferential origin procedures, including certification and verification.

In fact, the effective organization of specialized units focused on origin is crucial for the management of FTAs, as is the need for enhanced knowledge on origin matters within Customs administrations, including the need for compliance from the trading community.

Due to the proliferation of FTAs on a multilateral, regional and bilateral level, harmonization of rules of origin has become more difficult, leading to the need for consistency, predictability and transparency – just one of the reasons why provisions on advance rulings for origin are included in the new WTO Agreement on Trade Facilitation.

When it comes to origin certification there are several types of certification, including the paper version and self-certification. With this scenario in mind, the WCO Secretariat will collect best practices on certification together, in an effort to move this issue forward by attaining more consistency.

Equally important is the lack of knowledge of rules of origin in some parts of the private sector which can result in origin irregularities. Therefore, while good cooperation between Customs and the private sector should lead to the better application and implementation of the rules, there are nevertheless loopholes used by organized crime that have a huge impact on the correct collection of revenue.

FTAs should be used by importers and exporters to take advantage of the benefits foreseen in such agreements. However, the question arises as to whether the utilization rate is a real performance indicator, as many different aspects should be also taken into account, such as whether the most-favoured-nation (MFN) rate is already zero, and whether there are any technical barriers to trade. It could be argued that enhanced communication, education of small and medium-sized enterprises (SMEs), and more consultation with business could all be factors that lead to higher utilization of FTAs.

Trade facilitation and risk management represent the core business of Customs, and there is a need for more cooperation between Customs administrations, and with trade ministries, as well as between Customs and business. This engagement will allow the development of guidance and standards to flourish. Just as dialogue and consultation will jointly improve the performance of Customs and compliance by business, which should lead to increased economic competitiveness.

The WCO will continue to work with other international organizations and the business community, including the International Chamber of Commerce (ICC) – the world's business organization – to improve the use of FTAs, as I believe that the WCO's best practice approach which focusses on the procedural aspects of rules of origin will contribute to regional economic integration and enhanced economic growth.

Your participation in this Origin Conference is much appreciated and the WCO looks forward to further collaborating with you on rules of origin, especially as this is the WCO Year of Communication with the slogan: 'Communication: sharing information for better cooperation'. Together, we can put this slogan into practice in relation to origin issues, thereby attaining our shared goals.

Thank you.