There are no translations available.

The WTO Sub-Committee on LDCs, the body mandated to analyse systemic issues of interest to LDCs in the multilateral trading system, explored the role of preferential rules of origin in increasing trading opportunities for least-developed countries (LDCs) in a workshop held on 5 October. Representatives from the private sector and academia also participated to the discussions highlighting the challenges and opportunities LDCs (most of which are in Africa), face in taking advantage of trade preferences.

Rules of Origin (ROo) are generally defined as the criteria for identifying where a product is manufactured. The document that proves this origin is the certificate of origin, which is the equivalent of a passport. In fact, just as a passport is an official document identifying the nationality of a person, the certificate of origin is the document that proves that a product has the economic nationality of a particular country. This document is called of ‘preferential’ origin when it enables his holder to benefit from a tariff advantage, in terms of a reduction or a full exemption from the payment of import duties.

The speakers at the workshop mentioned the challenges faced by some countries in the WTO's LDC Group when seeking to utilize the preferences granted to them. All their presentations are available here . Basically, when rules of origin are too strict, traders do not use the tariff preferences associated to such rules. This happens for a series of reasons. For instance, because the costs for complying to such rules can be too high (this is for instance, the case when the RoO use a ‘value added ‘criterion for the determination of origin, which often implies the need for businesses to put in place expensive accounting systems that accurately document the costs of all originating and non-originating inputs used in the manufacturing process, with the contribution of each intermediate good to the value of the final output). Moreover, the excessive complexity of the RoO often obliges businesses to hire in-house experts or external specialists for complying with them, which obviously comes at a cost.

Another important point that was raised during the discussion is that due to high cost of production in African domestic market, imports of similar products from third countries (ex. China) is usually cheaper, even when such imported products are hit by high tariffs. The true question is what are the factors causing such high production costs? The high transport costs, due to the ‘hard’ infrastructure gap in Africa (roads, railways, seaports and waterways) are certainly a component, but not the only one.

Public utilities costs such energy, digital, and sometimes water (especially for water-intensive industries) also contribute to keep such costs high in Africa, impeding the development of regional value chains. Last but not least, the high incidence of non-tariff barriers that as explained by UNCTAD , in Africa plague intra-regional trade more than other geographical areas, at the point that their ad-valorem equivalent (i.e., the additional costs that they generate to importers) is the highest in the world. Restrictive RoO fall into this category.

Cumulatively, all the above factors make more convenient to import from outside the continent what is produced in other African countries. That is why they should be addressed simultaneously - not separately - within comprehensive strategies that translate into coordinated projects aimed to reduce their costs and incidence on trade. Neglecting only one of them would mean just shift the weight from a problem to another.