



A PROPOSAL BY GTPA AND THE ORIGIN INSTITUTE, WITH THE SUPPORT OF BLOOMBERG NEW ECONOMY SOLUTIONS

Research proposal:
Bridging rules of origin and global standards
to enhance trust in global trade

JUNE 2020



WHO WE ARE



GLOBAL TRADE PROFESSIONALS ALLIANCE (GTPA)

The Global Trade Professionals Alliance (GTPA) is a global trade organisation dedicated to the development of international standards to harmonise and facilitate inclusive and trusted trade.

The GTPA support businesses, governments, trade professionals, trade organisations and industry bodies to:

- Build competency and proficiency in the conduct of international trade;
- Create and facilitate global business networks to advance international trading opportunities; and
- Establish a trusted international trading environment reinforced by ISO standards.



THE ORIGIN INSTITUTE

Brian Rankin Staples is President of Trade Facilitation Services, a Canadian based company specializing in advising public and private sector clients on international trade and customs matters. Mr. Staples has worked on various aspects of technical trade including rules of origin, tariff classification, value for duty, trade procedures, free trade zones, trade treaty negotiations and supply chain security.

In 1981, Mr. Staples moved to Ottawa where, in addition to helping private clients resolve specific trade problems, he has also worked internationally in over 30 countries on trade and customs matters with an array of organizations, including the Inter-American Development Bank, World Bank, UNCTAD, the International Trade Center and the OECD. In

2007, he was invited to join the Commission on Customs and Trade Facilitation of the International Chamber of Commerce (Paris). Mr. Staples is the founding Director of the Origin Institute.



BLOOMBERG NEW ECONOMY SOLUTIONS

Established in 2018, Bloomberg New Economy seeks to be the defining voice and global hub of ideas during this period of global change. Our annual gathering, the New Economy Forum, convenes a global community composed of leading executives, policymakers, rising stars, innovators, and thought leaders from around the world to have candid exchanges, conversations, and debates. Together, they define the challenges, identify the opportunities, and chart a way forward toward a thriving economy of the future. In November 2019, our community convened in Beijing, the very heart of the new economy, to continue the dialogue on these challenges and collaborate on a pathway toward prosperity in the new economy.

Through the New Economy Solutions, we engage our community throughout the year to advance pragmatic, creative solutions that make tangible progress in tackling the broader challenges of the New Economy. These solutions launch or expand existing initiatives that combat inequality and/or climate change. From hiring refugees and reskilling workers to leveraging data and AI for climate change-related disaster relief, we seek to convene the right perspectives through workshops and matchmaking, to amplify awareness of effective efforts to our community and beyond, and to use the New Economy Forum as an opportunity to issue calls to action to our CEOs and government officials.

THE RATIONALE

Several factors, including the expansion of global value chains (GVCs) through free trade agreements (FTAs) and governments and businesses' new push to facilitate trade, are challenging the traditional operation of rules of origin.

As it is known, to prevent trade deflection and satisfy other trade policy objectives, all FTAs feature rules of origin regimes. These origin regimes increasingly feature the following basic architecture: some origin rules of general application; separate provisions that articulate product specific rules (PSRs) on a product by product basis; and other related origin administrative matters such as transportation, verification and origin certification requirements. Product specific rules define what is or is not considered to be 'originating' under an FTA, and thereby able to enjoy the benefits of the agreement, including duty reduced and free treatment between the parties.

Product specific rules in FTAs tend to reflect the resource and human capital endowments of the FTA's partners and therefore tend to be different for each of the other agreements in place and under contemplation. Therefore, there is no choice but to work with the rules of origin in place, and possibly even the future ones that will emerge from new FTAs.

FTAs are the main force behind global trade today and the emergence of new and expansion of old GVCs. With more FTAs come more rules of origin and resulting origin complexity; notwithstanding the gradual emergence of some de facto convergence, especially as it relates to PSRs.

At the same time that origin rule content is becoming more complicated, many FTAs and countries are pushing for multiple and often disparate traceability regulations on preferential origin certification, product certification and compliance with packaging,

labelling, transshipment and other security and sustainability-related requirements. This, in turn, translates into more costs, barriers, and time to trade.

These changes represent ever increasing and ever bewildering sets of origin data requirements, origin analytics and origin determination. Combine these challenging realities with the immutable fact that the liability for origin declarations almost always and exclusively falls on importers.

Furthermore, it has to be taken into consideration that various countries may have specific sensibilities regarding rules of origin and the certification of origin of products, their security, or their country's brand integrity. While those sensibilities must be acknowledged and taken into account, we must also think of ways to prevent them to become non-tariff barriers to trade.

While digitisation of documents is a key task for this undertaking, preliminary research indicates that **the essential task to enhance trust between importers and exporters could be the identification, standardization and quality of trade and origin literate data required to determine and prove all varieties of preferential and non-preferential origin.** In this rather complex context, the premise is that technology without a standardised global data framework cannot provide the overarching solutions needed.

THE PROJECT

To produce a research paper with three main objectives:

- 1** Build the case for the need for harmonized data sets for Rules of Origin.
- 2** Build the case for how Chain of Custody standards could validate rules of origin using one standard.
- 3** Build the case for simplifying trade processes through the Chain of Custody standard and the impact of reducing trade facilitation costs (i.e. certificates of origin).



To explore the following initial research questions:

- What are the theoretical and practical links between rules of origin (preferential and non-preferential) and global trade standards?
- How can the development of global standards in supply chains support both traceability of rules of origin and product certifications?
- How can a relevant technological solution permit traceability and streamlining the current requirements for excessive documentation on global trade? Can standardized data elements for origin become an instrument of improving trust and understanding between exporters and importers?
- How can global standards on chain of custody trace the origin of products across supply chains, while facilitating their certification?
- Can developing global standards enhance at the same time the traceability of both rules of origin and other related products certification requirements? How?

Outcomes:

- Findings
- Recommendations
- Future routes of action
- Stakeholders linkages

ELEMENT OF A LARGER PROJECT

The research proposal is an element of a larger project that GTPA, with the support of Bloomberg New Economy Solutions, is currently advancing: *“Building Integrity in Global Value Chains”*. Integrity is the capability of businesses to ensure **sustainability, ethical behaviour, security, and inclusion** throughout their entire operations across GVCs.

MNC executives around the world are constantly assessing and searching for the best ways to de-risk their global operations while maintaining value in their supply chains. As consumers have become more socially conscious, and investors seek closer scrutiny of the integrity of GVCs, a more recent category of risks for those operating within GVCs has emerged in recent years: risks associated with ensuring integrity standards in supply chains.

A way for MNCs to reduce those risks associated with concentrating their GVCs’ operations is to *diversify* them by sourcing from small and medium enterprises (SMEs) around the world. By diversifying their GVCs, MNCs also have more opportunities to access new technologies and innovative solutions developed by their local or global suppliers. Now, while diversifying GVCs by sourcing from SMEs can help reduce concentration risk and enhance innovation, SMEs can create value chain risk due to their lack of rigorous systems and processes to ensure minimum standards for integrity-related factors. SMEs from least developed countries (LDCs) are also more likely to be considered a greater risk for sourcing, and therefore remain excluded from GVCs.

The question is, therefore: how to build a framework that reduces risks and costs of operation in GVCs, increases value, and

at the same time promotes diversity with the participation of SMEs? The answer is: through the development of an overarching standard to build integrity in GVCs that would link, in a harmonised framework, a number of existing standards – and if necessary new ones – that already support specific integrity issues in GVCs.

There exists, thus, a reinforcing relationship between reducing risks for MNCs, adding value in GVCs, increasing diversity through the participation of SMEs, and the transference of innovation and technology, enabled by the development of integrity global standards.

Why is this the case? Because standards are *frameworks* in nature. As such, they have an overarching nature that facilitates, on one hand, their universal use, and the other, to tailor them to the specific nature, procedures, and systems of GVCs. This versatility of standards is what would permit the project to be implemented at the global scale covering multiple MNCs and SMEs across a myriad of regions and of industry sectors.

The project, therefore, provides an opportunity to:

1. Map the critical components embedding integrity in GVCs;
2. Develop an overarching global standard (framework) to build integrity in GVCs by linking in existing specific-issue standards;
3. Promote SMEs’ participation in GVCs through capacity-building and adoption of a global integrity standard to build integrity;
4. Mitigate MNCs’ risks via the implementation of an overarching global integrity standard; and
5. Build trust, adding value, and reducing costs in the operation of GVCs.



HOW CAN YOU COLLABORATE

	MNCs	SMEs	Industry bodies	Government /international organizations	Academia/ think-tanks
Knowledge					
Contribute with research findings and analysis, case studies, and best practices	X	X	X	X	X
Provide interviews and insights from in-house experts and practitioners	X	X	X		
Provide high-level advice on the areas of rules of origin and global standards on chain custody			X	X	X
Research development and dissemination					
Advise on research paper content and design	X	X	X	X	X
Disseminate research paper and encourage stakeholder's engagement	X	X	X	X	X

YOUR COLLABORATION BENEFITS

	MNCs	SMEs	Industry bodies	Government /international organizations	Academia/ think-tanks
Branding rights					
Recognition on all research advertising materials and related social media, including display of logo	X	X	X	X	X
Recognition on event specific materials (e.g. paper's results presentation, invitations, discussion groups – whether in-person or online)	X	X	X	X	X
Access to findings					
For direct business' transformation purposes	X	X	X		
For policymaking, advocacy, and thought leadership purposes			X	X	X
Media and marketing exposure					
Ability to leverage brand on website and marketing materials	X	X	X	X	X
Access to a global network of trade experts, professionals, academics and policy makers	X	X	X	X	X

CONTACT US TODAY

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