

WEBINAR SERIES ON

# ACCELERATING CROSS-BORDER PAPERLESS TRADE FACILITATION

## Assessing Practices of Proof of Origin and Digitalization

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# The Cost of Certification: are E-COs a way forward?

- According to the International Trade Centre business surveys, the share of non-tariff measures (NTM) cases related to Rules of Origin (RoO) is as high as 22% (35% in the manufacturing sector).
- Exporters quote high costs, delays, and arbitrary practices
- Most of the NTM cases (90%) relates to the country of exportation: difficulties in getting the certificates of origin (COs) in the home country
- Denial of preference at time of importation is also critical.
- E–COs are perceived to reduce such costs and delays, but how?

Source: Mondher Mimouni, Interagency meeting on the NTM classification Geneva, 28 September 2015, [presentation on Rules of Origin](#), Inputs for the discussion on the NTM classification. Ursula Hermelink, ESCAP, ARTNeT Capacity Building Workshop on “Evidence Based Trade Policy Making for Sustainable Development” 27-28 November 2018, [\(Lack of\) Clarity, Consistency and, Predictability How exporters and importers experience non-tariff measures](#)

# Literature on Compliance Costs of RoO in FTAs

Author	Measures Applied	Findings
Carrère & De Melo (2004)	Compliance costs estimated by non-parametric model	Approximately 10% preference margin is required to compensate the compliance costs of the Mexican exporters
Cadot, et al. (2005)	The impact of compliance costs of RoO on the border price of textile and apparel products	The border price of Mexican products has risen 12% to compensate the compliance costs of RoO under NAFTA
Anson, et al. (2005)	Compliance costs using revealed preferences argument employing non-parametric model	NAFTA average compliance costs are around 6%
Carrère & De Melo (2006)	Using double censored Tobit-Estimation technique to find the compliance costs	The compliance costs of RoO in NAFTA is 5.6% for textile and apparel while it is 3.2% for all final products on average
Manchin (2006)	Heckman sample selection and endogenous threshold estimation	Compliance cost in African, Caribbean, and Pacific (ACP) is between 4% to 4.5%
Cadot, et al. (2006)	Using a synthetic index called R-Index to estimate	Approximately, the compliance costs of PANEURO's RoO is 8.0% and that of NAFTA is 6.8% of trade amount
Hayakawa (2011)	Compliance costs using a gravity equation	Compliance cost are lower using gravity equation approach, which is around 3% on average
Centre for Economic Policy Research (2013)	Compliance costs using current estimates	"British firms would be exposed to a combination of administrative and compliance costs linked to rules of origin, ranging ... from 4 percent to perhaps 15 percent of the cost of goods sold."

# Are E-COs the most effective method of Proof of Origin to reduce compliance costs?

1. (Electronic) Certificate of origin stamped and signed by Certifying Authorities
2. Certificate of origin signed by exporter
3. Statement of origin by an approved exporter
4. Statement of origin made by the exporter
5. Registered exporter (REX)
6. Importer declaration

WCO Guideline 4 on Certification of Origin (July 2014 - updated in June 2018) and WTO Nairobi Ministerial Decision encourage self-certification with minimum data requirements

# Digitalization and the role of Certifying Authorities

- The basic difference among the various kinds of administration of Rules of Origin depends on the degree of involvement of **Certifying Authorities** (CAs)
- In extreme cases, the CAs are issuing COs on paper, while at the opposing pole of self-certification the CAs do not play any a role
- E-COs are retaining the role of CAs but combines it with the cost and time savings benefits from digitalization
- How cost-effective E-COs are with respect to self-certification?

# Has digitalization increased ATIGA utilization rates?

- ASEAN Trade in Goods Agreement (ATIGA) has been relying on form D issued by CAs with stamps and signature for decades
- This system has proven not to be trade facilitating. ASEAN started exploring self-certification by exporter (Pilot) since 2010
- Since January 2018, the ATIGA E-Form D has been the first e-document exchanged through the ASEAN Single window (ASW). In 2021 almost 1 million E-Form D were circulated in ASW.
- ATIGA utilization rates (URs) ranks as low as 43 per cent in 2016 to 57 per cent in 2018.
- Has the introduction of ATIGA E-Form D raised URs? → **a priori yes !**
- Could we do better?

# Other issues exist in determining trade facilitation of proof of origin

- Documentary evidence of direct shipment
- Supplier's declarations
- Third country invoice
- Accounting segregation
- Back-to-back certificate of origin and replacement
- Others?



# Conclusion

- E-certificate certainly represent a major progress towards trade facilitation and reduction in RoO compliance cost.
- ASEAN single window could serve as example of best practice in the definition and application of e-Cos
- Other options need to be considered in the future to further raise utilization rates.
- In particular, leveraging digital technologies towards self-certification and other administrative procedures linked to proof of origin.
- More research is needed to understand the link between different procedures and reduction in compliance cost.
  - Survey at the firm-level to identify best practices and possible convergence on proof of origin and related administrative procedures
- Support governments and administrations to introduce trade facilitation reforms



**Thank you very much for your attention!**

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# Annexes

# Current situation in Asia and the Pacific region

- A noodle bowl of overlapping and contrasting methods of proof of origin
- So far only ATIGA and RCEP contain provisions for digitalization. CP-TPP provides for self-certification
- ASEAN+1 FTAs based on CAs and various CO forms
- Clear need to identify and pursue best practices converging on trade facilitating procedures
- Digitalization may play a role, E-COs may have to prove that they are really trade facilitating and cost effective compared to other alternatives.

# Mega-regional Trade Agreements - Proof of Origin (PoO)

RCEP	CPTPP
<b>Article 3.16: Proof of Origin</b>	<b>Article 3.10 Proof of Origin</b>
<p>1. Any of the following shall be considered as a Proof of Origin:</p> <ul style="list-style-type: none"> <li>(a) a Certificate of Origin issued by an issuing body in accordance with Article 3.17 (Certificate of Origin);</li> <li>(b) a Declaration of Origin by an approved exporter in accordance with subparagraph 1(a) of Article 3.18 (Declaration of Origin); or</li> <li>(c) a Declaration of Origin by an exporter or producer in accordance with subparagraph 1(b) of Article 3.18 (Declaration of Origin), and subject to paragraphs 2 and 3,</li> </ul> <p><b>NOTE : Establishment of approved exporter database managed by RCEP joint committee for paragraph (b)</b></p> <p><b>10 or 20 years implementation for paragraph (c)</b></p>	<p>Except as otherwise provided in Annex 3-A (Other Arrangements), each Party shall provide that an importer may make a claim for preferential tariff treatment, based on a certification of origin completed by the exporter, producer or importer</p> <p>3. Each Party shall provide that a certification of origin:</p> <ul style="list-style-type: none"> <li>(a) need not follow a prescribed format;</li> <li>(b) be in writing, including electronic format;</li> <li>(c) specifies that the good is both originating and meets the requirements of this Chapter; and</li> <li>(d) contains a set of minimum data requirements as set out in Annex 3-B (Minimum Data Requirements).</li> </ul>