

Rules of Origin:
Implications for Regional
Integration in South East Asia

Background

ROO are a trade policy issue!

ROO can distort trade and investment decisions

can be administratively burdensome

can constrain market access and reduce the value of preferences.

ROO are a key element determining the magnitude of the economic benefits of preferential trade agreements and who gets them.

Example: only 50 per cent of eligible exports from non-ACP LDCs enter the EU duty free under the EBA.

Rules of Origin: Key Issues for East Asia

ROO which vary across products and agreements *add to the complexity and costs* of participating in and administering trade agreements.

The burden of such costs fall particularly heavily upon small and medium sized firms and upon firms in low income countries.

Complex rules of origin discriminate against small low income countries where the scope for local sourcing is more limited.

Simple, consistent and predictable rules of origin are more likely to foster the *growth of cross-country production networks*.

Rules of Origin: Issues for South- East Asia

Restrictive ROO are *not an effective mechanism for dealing with the adjustment difficulties of sensitive sectors.*

Proliferating trade agreements with differing ROO will further complicate customs procedures and *may compromise progress on trade facilitation.*

Cumulation is a key issue.

Full cumulation provides for deeper integration and allows low income countries the greatest flexibility in sourcing inputs.

Common ROO facilitate the spread of full cumulation and therefore to the development of regional production networks

Rules of Origin and South-East Asia: Conclusions

A coordinated approach to ROO in South-East Asia would be useful in avoiding a highly complex and extremely difficult to administer system of rules of origin in the region

Clear and consistent ROO, with minimal costs to firms in adhering to them, will be fundamental to improvements in effective market access and the facilitation of trade in the region