

RULES OF ORIGIN

**International Conference on Facilitation and
Standardisation of Customs Procedures – Marc Bauer**

5 December 2017 | Istanbul

CCI STUTT GART - FACTS AND FIGURES

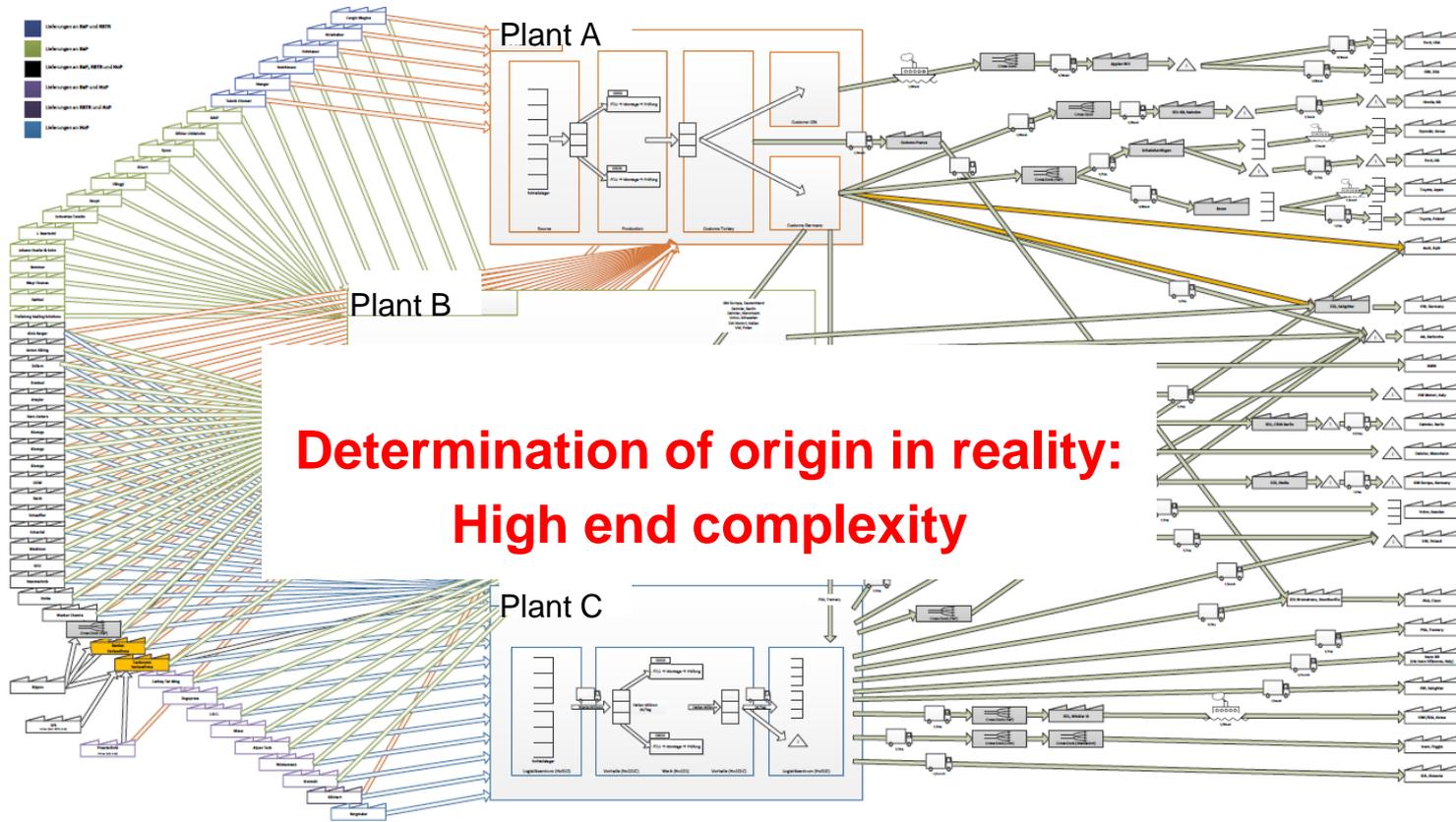
- **Founded in 1855**
- **Over 150.000 member companies**
- **International department**
 - Full service range: consultation, seminars, lobbying ...
 - Public body: certification service
 - 120,000 certified documents (certificates of origin etc.)
 - Electronic documents 24%
 - 2,600 Carnets ATA/CPD
- **Member of DIHK-Commission on Customs and Export Controls**
- **Member of ICC-Commission on Customs and Trade Facilitation**



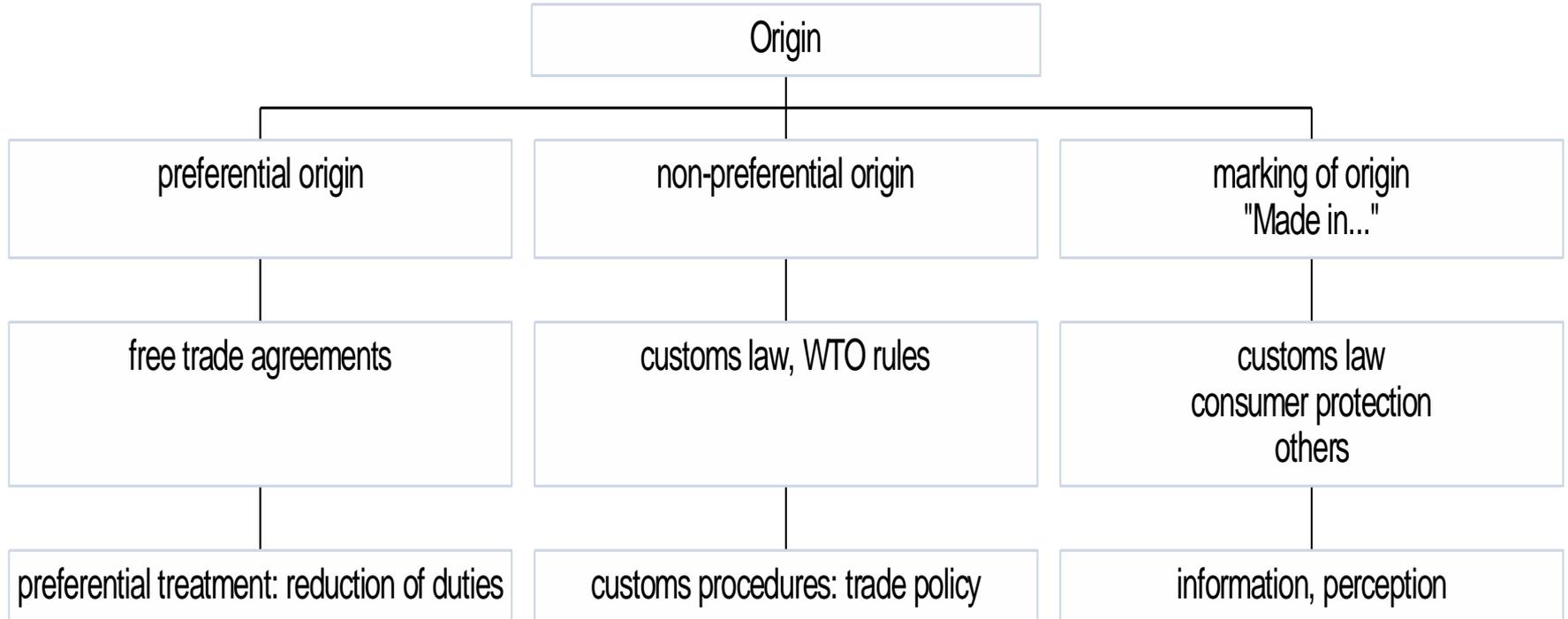
WHAT IS ORIGIN?

- **Origin of a good: in general defined by the country of manufacture and by the production process**
- **Origin may be defined for tangible goods, this means goods covered by the Harmonised System (HS) and the customs tariff**
- **Origin of non tangible goods, e.g. software remains often undefined**
- **Origin itself is a non tangible characteristic: based on information or documentation along the supply chain. If the information is lost, it can hardly be restored**

PRODUCTION PROCESS IN REALITY

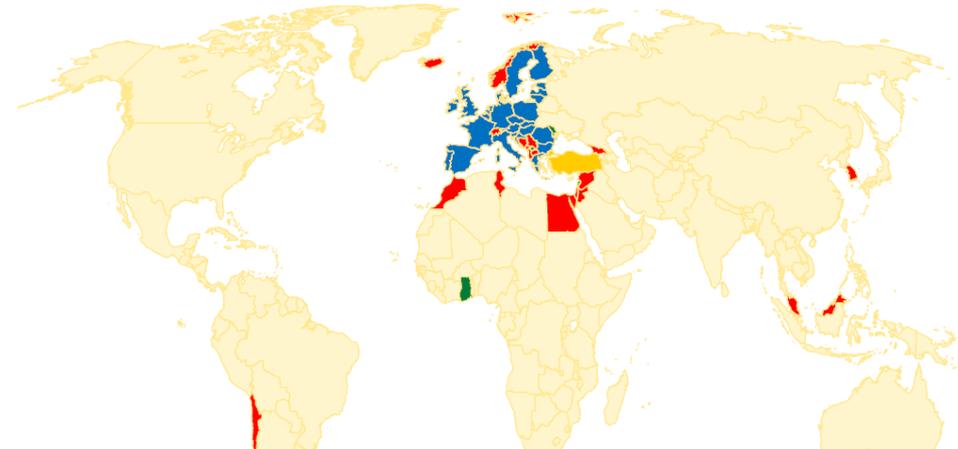


DIFFERENT TYPES OF ORIGIN



PREFERENTIAL RULES OF ORIGIN

- **Based on free trade agreements (FTA)**
- **Duty free or reduced duty: reduced price for the customer**
- **Applicable only to parties of the FTA, often only bilateral relation**
- **Rules of the individual FTA have to be fulfilled, big differences in detail, not 'one size fits all'**
- **Spaghetti bowl of regulations**



FTA STRUCTURE

- **Structure of FTAs**
 - **Product specific rules of origin based on Harmonised System:**
 - **Change of tariff heading (CTH) or Chapter/Subheading (CC, CTSH)**
 - **Value added rules / regional value content (RVC) or**
 - **Specific operations**
 - **Minimal operations: No change of origin**
 - **Non-alteration outside FTA area**
 - **Bilateral or multilateral: cumulation as option**
 - **Documentary proof, simplified procedures**
 - **Internal documentation in the enterprises**
 - ➔ **high complexity due to differences in the FTAs**

CHALLENGES OF PREFERENTIAL RULES OF ORIGIN

- **Topics to be solved:**
 - **Multi sourcing of preliminary material with/without preferential origin**
 - **Changes of prices**
 - **Subcontracting/job processing**
 - **....**
- **Low usage rates of preferential agreements show existing problems, e.g for SMEs**
- **Streamlining of procedures is necessary**
- **[ICC statement](#) highlights the need for improvement**

ICC STATEMENT ON PREFERENTIAL RULES OF ORIGIN



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Launch of ICC Statement: Business recommendations on rules of origin in preferential trade agreements

News • Addis Ababa, 03/05/2017

The International Chamber of Commerce (ICC) has released recommendations on rules of origin in preferential trade agreements (PTAs), highlighting the challenges traders and suppliers face due to lack of coherence among preferential rules of origin requirements across the globe.

The new recommendations were issued this week as customs and business representatives from all over the world convened in Addis Ababa, Ethiopia, to discuss the complexities behind rules of origin at the World Customs Organisation (WCO) Global Origin Conference. With limited progress being made in the Doha round of multilateral trade negotiations, countries are increasingly looking to bilateral and regional PTAs as an alternative. As a result, PTAs have multiplied, with over 400 such deals currently in existence, including "mega-regional" PTA negotiations such as the Trans-Pacific Partnership (TPP) or the Transatlantic Trade and Investment Partnership (TTIP).

NON-PREFERENTIAL ORIGIN

- **Every product has a non-preferential origin (in contrary to the preferential origin)**
- **Focus on trade policy and customs procedures**
 - **Antidumping, antisubsidy measures**
 - **Quotas**
 - **May be strongly influenced by politics**
- **Important for traceability of a good**
- **May transport image of a product**
- **Documentation**
 - **Certificates of origin**
 - **Trade documents**

NON-PREFERENTIAL RULES OF ORIGIN

- Rules of origin based on WTO principle of last substantial transformation, laid down in agreement on rules of origin (ARO)
- Detailed rules of origin may be in place in 164 WTO member states:
 - 47 countries have notified detailed rules
 - 56 countries have no specific rules
 - In practice: last substantial transformation principle is used
- Rules may be based on CTH, RVC or specific operations, but certainly with different details
- Different rules are a nightmare for companies

ICC: POLICY POSITION ON NON-PREFERENTIAL RULES OF ORIGIN

- ICC Commission on Customs and Trade Facilitation has developed a [position on non-preferential rules of origin](#)
- Policy recommendations
 - Standstill: no implementation of additional national rules of origin
 - Mutual recognition of rules of origin: the country of manufacture determines the origin of goods (based on their last substantial transformation)
 - For a level playing field the agreement on rules of origin should be ratified – under the precondition that they reflect the state of the art of today's production processes

MARKING OF ORIGIN

- **Necessity based on regulations of importing countries**
- **Often ‘traditional’ / outdated but highly sophisticated**
- **Focus on consumer protection, sometimes non-tariff barrier of trade**
- **Determination of origin not necessarily based on principle of last substantial transformation : collision with other types of origin**
- **Research of CCI Stuttgart 2016 in 109 countries, [presented at WTO](#): legal source of the marking requirement varies widely**

CONCLUSIONS

- **Origin is a necessary information in international trade but increasingly complex to deal with**
- **A single good may have different countries of origin, depending on the purpose and the type of origin used**
- **Usage of preferential origin at exporter's choice**
- **Are the companies' ERP systems ready to deal with origin?**
- **Streamlining of legal framework necessary but unlikely (mutual recognition of rules etc.)**
- **Strengthening of digital standards for documentation**

FUTURE DEVELOPMENTS

- **To be discussed:**
 - Role of know how, development,
 - Origin of non-tangible goods, cloud software
 - New approaches: e.g. mode 5
- **Common understanding / global standards on last substantial transformation as regards**
 - New production processes: 3-D-printing...
 - Enhanced globalisation and complex global value chains
- **Big data along the supply chain versus data protection**

Thank you for your attention!

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**Chamber of Commerce and Industry
of the Stuttgart Region**