



EFTA-seminar

Presentation by

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Free Trade Models

Customs union

Common trade policy

Common customs tariff

Free circulation of goods

No origin rules internally

Free Trade Agreement

No common trade policy

No common customs tariff

Free circulation of originating goods only

Clearly defined origin rules



Customs issues in Free Trade Agreements (FTAs)

Trade in goods (industrial goods including fish and other marine products)

Tariff dismantling

Rules of origin

Verification/enforcement procedures



Trade in goods

Coverage on trade in goods:

- Industrial products – HS Chapters 25 – 97
- Fish - HS Chapter 3 + parts of Chapters 15 and 16
- Processed agricultural products
- Basic agricultural products



Preferential treatment of industrial products

Importation into the EFTA states:

Possibly free trade from the entry into force of the Agreement

Importation into Columbia/Peru:

Possibly free trade from 1 January 2008, **except for:**
(certain sensitive products - depending on the negotiations)



Columbia/Peru - tariff dismantling

Example (on a dismantling table) :

- On 1 January 2009, each duty and charge shall be reduced to 80 % of the basic rate,
- On 1 January 2010, each duty and charge shall be reduced to 60 % of the basic rate,
- On 1 January 2011, each duty and charge shall be reduced to 40 % of the basic rate,
- On 1 January 2012, each duty and charge shall be reduced to 20 % of the basic rate,
- On 1 January 2013, the remaining duties and charges shall be abolished



Preferential treatment on fish/marine products

Importation into the EFTA states:

Possibly free trade from the entry into force of the Agreement

(EFTA will offer – depending on negotiations)

Importation into Columbia/Peru:

Possibly free trade from entry into force of the Agreement

(EFTA will request - depending on negotiations)



Rules of origin

What is the purpose of rules of origin?

Why do we need rules of origin ?

- **Marking requirements (eg. „Made in Norway“)**
- **Statistical purposes (for measuring trade volumes)**
- **Import restrictions or prohibitions (eg. import ban)**
- **Antidumping/Countervailing duties/Safeguard**
- **Preferential tariff treatment on importation (according to the Free Trade Agreement)**



EFTA Rules of Origin (FTAs)

- Origin criteria
- Accumulation systems
- Proofs of origin
- Direct transport
- Import requirements



Rules of origin

The rules of origin:

- determine the criteria on **how a product must be manufactured** in order to obtain status as an "originating product" – being eligible for preferential tariff treatment
- regulate the **quantities of non-originating materials** that may be used in the production and/or how such materials must be worked or processed in order to obtain preferential status for the final product



Rules of origin

Annex I

Where do we find the rules of origin?

- Definitions
- Concept of „originating products“
- Territorial Requirements
- Drawback or exemption
- Proof of origin
- Arrangements for Administrative co-operation
- Final provisions





Rules of origin

Annex I continued

Appendix 1 - „Introductory Notes to the List“ (in Appendix 2)

Appendix 2 - „List of working and processing“

Appendix 3 - „Movement Certificate EUR.1“

Appendix 4 - „Invoice Declaration“



Origin Criteria

Main principles

1) Autonomous origin (Articles 2, 4, 5)

2) Origin by means of accumulation (Article 3)



Origin Criteria

Autonomous origin

- a) Wholly obtained products (Article 4)**

- b) Sufficiently worked or processed products (Article 5)**



Origin criteria

Wholly obtained

The following products are considered to be wholly obtained in a Party:

- mineral products extracted from their soil or seabed
- vegetable products harvested there
- live animals born and raised there
- products from live animals raised there
- products from hunting, trapping or fishing conducted there



Origin criteria (cont.)

wholly obtained

- products of sea fishing and other products taken from the sea outside its territorial waters by its vessels
- fish and other marine products manufactured onboard its factory ships from the products referred to above
- articles collected there, fit only for the recovery of raw materials; waste and scrap from manufacturing operations conducted there
- products taken from the seabed or beneath outside its territorial waters, provided they have sole rights to exploit such areas
- goods manufactured there exclusively from the above products



Origin criteria

Wholly obtained

Fruit from Colombia/Peru



Sugar etc. from
Colombia/Peru



Fruit juices HS 20.09



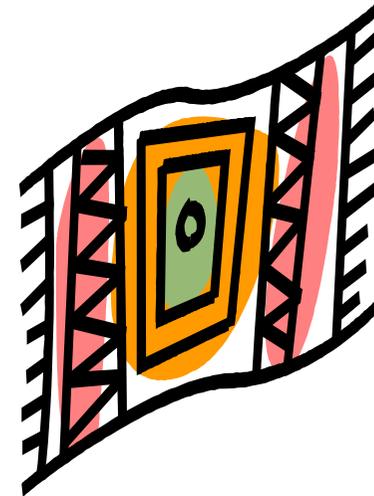
Origin criteria

Wholly obtained

Wool
from Chile



Natural
Chilean Dye (Colour)



Carpet (knotted) HS 57.01



Origin criteria

Sufficiently worked or processed (Article 5)

Conditions in the List (Appendix 2)

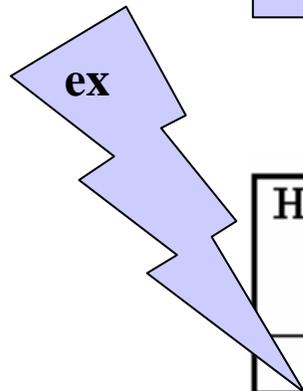
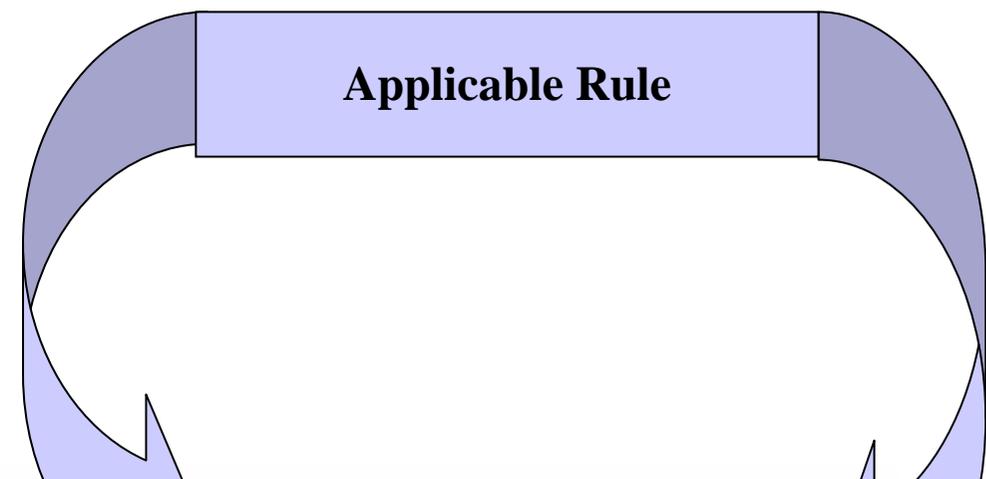
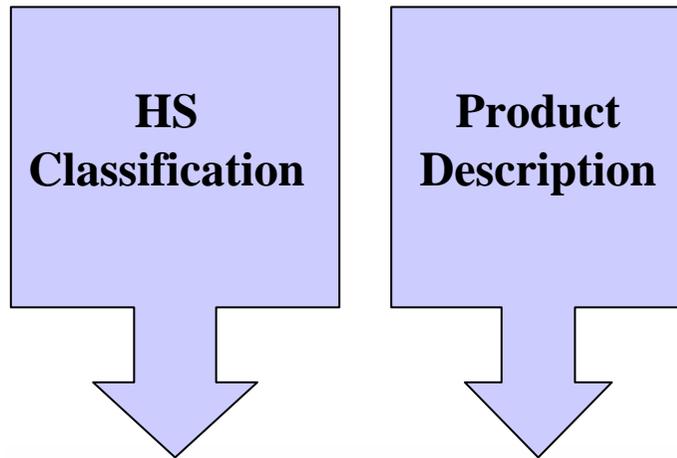
General tolerance rule of 10 %

(except for textile products in Chapters 50 – 63)

Insufficient working or processing – Article 6
(minimal operations)



Origin criteria - List Rules in Appendix 2



HS-heading	Description of product	Work or processing carried out on non-originating materials that confers originating status	
(1)	(2)	(3)	or (4)
8411	Turbo-jets, turbo-propellers and other gas turbines	Manufacture: - from materials of any heading, except that of the product; and - in which the value of all the materials used does not exceed 40% of the ex-works price of the product	Manufacture in which the value of all the materials used does not exceed 25% of the ex-works price of the product



Origin criteria

Change of Tariff Heading Rule



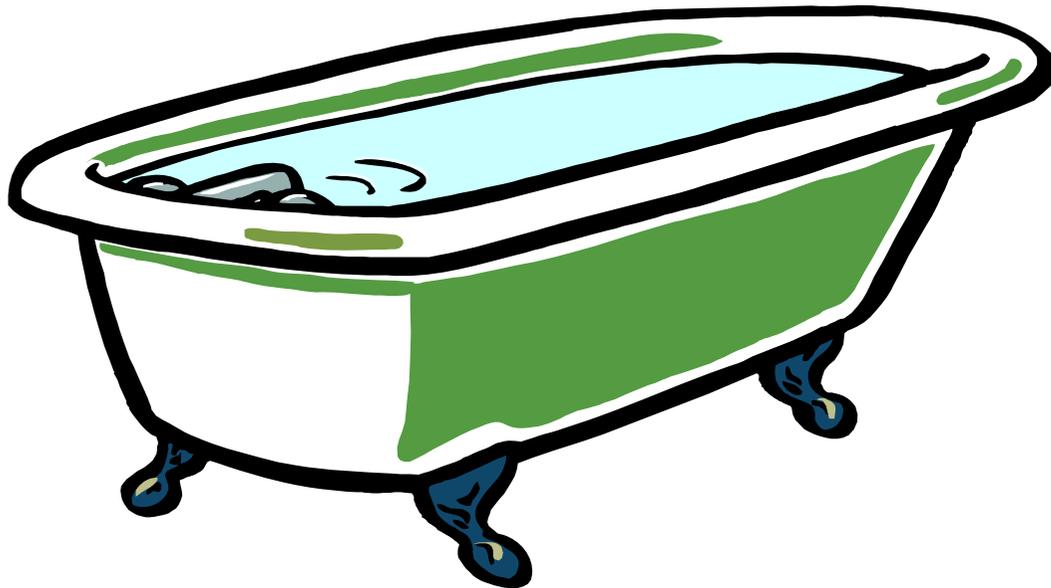
Produced from:

- Wood of HS 44.07
- Varnish of HS 32.08
- Glue of HS 35.06



Origin criteria

Value-added Rule



Bathtub (HS 39.22)(value 300 \$)

→ Produced from polymers in primary forms, from Canada (value 100 \$)

Origin rule (HS 39.22):

Manufacture in which the value of all the materials used does not exceed 50% of the ex-works price of the product



Origin criteria

Processing Rule



Smoking pipe
(HS 96.14)

Origin rule:

Manufacture from
roughly shaped blocks



Origin criteria

Processing Rule



Normal EFTA rule:

Manufacture from yarn

Women's clothing (woven)

(HS 62.04)



Origin criteria

Combined Rule



Beverage HS 22.02

Origin rule:

- Change of tariff heading, **and**
- value of materials of Chapter 17 not more than 30% of ex-works price, **and**
- fruit juices must be an originating product (**with some exceptions**)



Origin criteria

General Tolerance Rule

Article 5 § 2 a of Annex I (exception to § 1)

- Allows input of materials from third countries if:

value of input material is less than 10 % of ex-works price of the final product

textile products (Chapters 50 – 63) are excluded



Origin criteria

General Tolerance Rule



Fabric of glass fibres

(HS 70.19) produced from:

- 95 % uncoloured yarn
- 5 % coloured yarn

Origin rule:

Manufacture from
uncoloured yarn



Accumulation systems

**Bilateral
accumulation**

**Diagonal
accumulation**

**Full
accumulation**



Origin Criteria

Origin by means of accumulation (Article 3)

Bilateral accumulation (Norway – Columbia/Peru – Norway)
(Normally within one agreement)

Diagonal accumulation (Columbia - Peru – Norway)
(Normally when several FTAs are linked together)



Accumulation

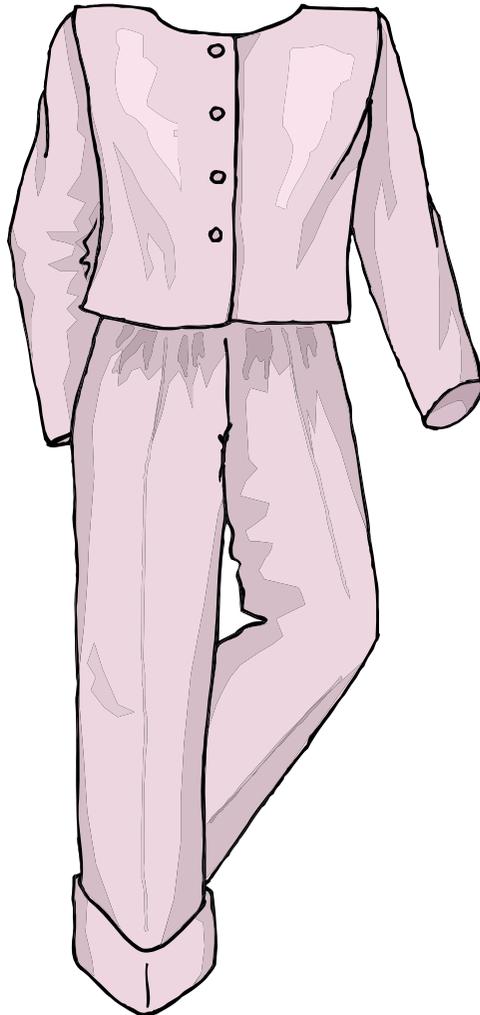
"Free use" of originating materials

- The "originating materials" used do not need to fulfil a change of heading condition nor any other requirements laid down in the list of processing rules
- Such originating materials are considered to be materials of the Party concerned, provided that the materials are subject to working or processing going beyond the "minimal operations" as referred to in article 6



Accumulation systems

Bilateral Accumulation



Suit (HS 62.04) produced from imported fabrics (originating in Norway)

Origin rule:

Manufacture from yarn



Drawback Rule

Drawback:

Exemption or repayment of customs duties paid on imported materials used in the manufacture of a product to be exported

According to Article 14 of Annex I; drawback is, as a main rule, not allowed when issuing an evidence of origin for the export product

(However in some FTAs drawback is allowed for a certain period of time – depending on negotiation)



Principle of territoriality

Originating status must be fulfilled in a
Party without interruption (Article 11 § 1)

Exception:

- o Originating products returned from third countries (§ 2)



Direct Transport

Article 12

No other operations than:

- one single shipment; with unloading and reloading and temporary warehousing
- remaining under customs surveillance
- operations to preserve the products in good condition

Evidence shall upon request be supplied to the Customs authorities on importation



Import requirements

- Customs clearance according to domestic requirements
- Presentation of proof of origin according to domestic laws and regulations
- Preferential tariff treatment according to the FTA
- Possible control and verification of proof of origin



Proofs of origin

Movement Certificate EUR.1 normally endorsed (stamped) by the Customs authorities

Invoice Declaration (made out by the exporter)
However with a value limit, unless being an “approved exporter”.

VARESERTIFIKAT

1 Eksporter (navn, fullstendig adresse, land)		EUR. 1		Nr. B 219399	
		Se notene på baksiden før sertifikatet fylles ut.			
3 Mottaker (navn, fullstendig adresse, land) (utfylling ikke påkrevet)		2 Varesertifikat til bruk i preferansesamhandelen mellom NORGE og det land, grupper av land eller territorier som er nevnt i rubrikk 5.			
		4 Land, gruppe av land eller territorier hvor varen ønskes ha sin opprinnelse		5 Domstretetsland, gruppe av land eller territorier	
6 Opplysninger om transporten (utfylling ikke påkrevet)		7 Bemerkninger			
8 Løpnr., kollektens merke, nr., artid og art ¹⁾ varereg		9 Skuttolvkt (kg) eller annet mål (l, m ³ , etc.)		10 Fakturaer (utfylling ikke påkrevet)	
1) Domenen samme ikke er embolert, opplyst, eller særmerket eller "busk". 2) Utfylling bare hvis betegnelse påføres eksportlandet eller korresponden krever det.		Erklæringen attesteres. Eksportdokument 2): Formular _____ Nr. _____ Tollsted/tollstasjon _____ Utstedelsesland eller territorium: NORGE Dato _____ _____ (underskrift)		12 EKSPORTØRENS ERKLÆRING Undertegnede erklærer at de ovenfor nevnte varer oppfyller de vilkår som kreves for å få utstedt dette varesertifikat. Sted og dato _____ Underskrift _____	



Text of invoice declaration

Appendix 4 to annex I

The invoice declaration, the text of which is given below, must be made out in accordance with the footnotes. However, the footnotes do not have to be reproduced.

English version

The exporter of the products covered by this document (customs authorization No(1)) declares that, except where otherwise clearly indicated, these products are of (2) preferential origin.



Text of invoice declaration

1 When the invoice declaration is made out by an approved exporter within the meaning of Article 21 of the Annex, the authorization number of the approved exporter must be entered in this space. When the invoice declaration is not made out by an approved exporter, the words in brackets shall be omitted or the space left blank.

2 Origin of products to be indicated.

.....3 (Place and date)

.....4

(Signature of the exporter; in addition the name of the person

signing the declaration has to be indicated in clear script

3 These indications may be omitted if the information is contained on the document itself.

4 See Article 20(5) of the Annex. In cases where the exporter is not required to sign, the exemption of signature also implies the exemption of the name of the signatory.



Enforcement and mutual assistance

- **The Customs authorities of the Parties will, if necessary, check if the goods are entitled to preferential tariff treatment upon importation**
- **The Customs authorities of the Parties will examine the proofs of origin at the time of exportation, and the Movement Certificate EUR.1 must be endorsed/stamped by Customs authorities**
- **The Customs authorities of the Parties assist each other in checking whether the proofs of origin are correctly issued and whether the products concerned are “originating products”**



Responsibilities of the issuer of a proof of origin

The issuer of a proof of origin shall:

- make the necessary indications / information and prove that these indications are correct.
- keep for at least three years (depending on the FTA) all documents proving the originating status of the exported products



Rights of the customs authority of the exporting country

The customs authority has at any time the right to:

- ask for information
- inspect exporters accounts, commercial papers, documents and the manufacturing process
- verify the accuracy of the proof of origin at any time and without prior announcement



General Verification Procedure

- Customs Administration (CA) of the importing country sends a request for verification to the CA of the exporting country
- CA of the exporting country check at the exporter's site, and send a response to the CA of the importing country
- CA of the importing country undertakes the further steps



Questions ?



Some practical examples

We have some examples for you to look at and that we will discuss together.



Example 1

Export product: Raw (unroasted) coffee

250 kg HS 09.01

<u>Materials used:</u>	<u>Origin:</u>	<u>HS:</u>
150 kg raw coffee	Colombia	09.01
100 kg raw coffee	Peru	09.01

What is the origin rule for this product?

According to heading 09.01 materials from any other heading can be used – but the product in this case will not be an originating product because no production has taken place – so this is an insufficient process to give the product status as an originating product.



Example 2

Export product: Tuna fish in olive oil

1000 kg HS 16.04

<u>Materials used:</u>	<u>Origin:</u>	<u>HS:</u>
Frozen tuna	Chile	03.03
Olive oil	Italy	15.09
Salt	Peru	25.01
Pepper	India	09.04

Will the product obtain “originating status”? Rule16.04:

Manufacture in which all the materials used are classified within a heading other than that of the product – so here the requirements are met for the product to be considered an originating product.



Example 3

Export product: Leather, briefcase HS 42.02

<u>Materials used:</u>	<u>Origin:</u>	<u>HS:</u>
Tanned and worked bovine leather	Brazil	41.07
Lining, synthetic fabric	Mexico	54.07
Buckles	Colombia	83.02
Rivets of copper	Chile	74.15
Zipper	China	96.07
Other materials	Colombia	various (not 42.02)

What is the origin rule for this product?

Pos. 42.02 – Manufacture where all the materials used must change heading - the requirements are fulfilled in this example – the product is an originating product



Example 4

Export product: Dried & smoked beef HS 02.10

Materials used: Origin: HS:

1000 kg Meat of bovine animals (frozen) Brazil 02.03

Process: Thawing, clean cutting, smoking, drying, packaging.

What is the origin rule for this product?

Pos. 02.10 -

All materials used from chapter 1 and 2 must be wholly obtained – so even if this product is sufficiently processed it will not be an originating product