

DG TRADE Civil Society Dialogue: PREFERENTIAL RULES OF ORIGIN
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1. Preferential Rules of Origin

PANEL PRESENTATION

During an introductory presentation The Commission elaborated on a background and principles of a reform of preferential rules of origin. Preparation of the reform began with the publication of the Commission Communication in 2005. This document concerned preferential rules of origin in the future. As a next step an Impact Assessment was prepared. It is a big document (more or less 1000 pages) and it will be made available for the Member States and stakeholders in the near future. Current work is focused on rules of origin for GSP countries. The new rules should be as simple as possible and development friendly. An added value is planned as the basic criterion to obtain origin. Additional conditions would be used for certain agriculture products. For fishery products, crew requirements, registration and ownership conditions are analyzed. A draft regulation is consulted internally between the Commission services. The regulation should be ready and published by the end of this year.

DISCUSSION HIGHLIGHTS

EUROCOMMERCE opposed the added value as the basic origin criterion. They thought that such solution is difficult for using by economic operators, particularly SME. They proposed to remain the status quo.

FTA shared the EUROCOMMERCE's point of view. They said that rules should be maximally simple. If the value added would be used the origin of products could change very often and would depend on many factors. They proposed the change of tariff heading (CTH) as a basic rule and informed the panel that the German Ministry of Economy shared their point of view.

BUSINESSEUROPE agreed that rules should be simple and ensure safety as to the originating status of goods. They expressed their wish to study impact assessment.

EURATEX agreed that rules could be changed but underlined that the development it is not trade only. In their opinion the processing approach should be kept for textiles. They opposed the CTH rule and indicated that the USA and Canada were changing their approach and that they wanted to return to previous rules.

MEDEF did not support the added value criterion because it was not good for industry. In their opinion, the CTH rule was better.

COCERAL preferred to retain current rules for agriculture products.

EUROMETAUX rejected the added value as the origin criterion.

The Commission reminded that current work was concerned with GSP countries only and that many of them were covered by another arrangement (e.g. EPAs, FTA). In the impact assessment a few options are analyzed, the status quo and the CTH rule as well. Another part of the reform is a new system of certification of origin. The Commission wants to implement a registered exporters system in which exporters could confirm the origin themselves.

EUROCOMMERCE supported certificates of origin Form A as a proof of origin and opposed the registered exporter system. In their opinion it is a bad system because a responsibility for mistakes made by exporters would fall on importers. In such circumstances the system is not preferential friendly.

The Commission reminded that systems of registration worked well in other places and declared to be open for comments, suggestion and discussions.

2. EPAs rules of origin

PANEL PRESENTATION

The Commission explained the background of the EU proposal on rules of origin for the EPA regions: Before summer, a first draft Protocol on Rules of Origin for the EPAs was prepared by the Commission based on the value added criterion. This draft was shared with the industry in a consultation launched in June and presented to Member States and the EPA partners. However, EPA partners did not agree with the value added criterion. The Commission then decided to elaborate a draft Protocol based on the current Cotonou rules of origin but improving the rules in the specific sectors of interest for these countries (Cotonou+). Given that feedback from EPA partners was very limited on the ways to improve the rules and because of time constraints, the Commission decided to focus on relaxation of the current rules on agricultural products, fisheries and textiles.

The content of the proposal currently on the table therefore refers a) for fisheries, a relaxation of the vessels conditions, eliminating the crew requirement, as well as the possibility for the Pacific region to permit global sourcing for processed fish, b) for agricultural products a relaxation of the wholly obtained criterion or value added requirement according to their requests, and c) for textiles a shift from the double transformation to the single transformation also upon request of these countries in the negotiations.

The new Cotonou+ rules should be regarded as transitional, as they will be replaced by the new rules of the reform after a certain period of time to be defined and negotiated with the EPA partners.

Taking into account the current stage of the negotiations the Commission is preparing a transitory solution based on a market access regulation that will permit the preferential access from the beginning of next year to the EU market without interruptions for those regions having initialled interim agreements leading to the conclusion of a free trade area with the EU. The rules of origin to be applied under this period of time will be based on Cotonou but improved as possible.

In relation with other preferential agreements under negotiation (Korea, India, Central America) the EU proposal on rules of origin is based on the standard protocol on origin. Though COM intends to keep homogeneous rules of origin as much as possible for the sake of simplicity for EU traders and producers, some differences could arise taking into account the negotiating framework.

DISCUSSION HIGHLIGHTS / QUESTIONS AND REPLIES

EUROTHON expressed their concerns on the global sourcing for processed fisheries as they consider necessary to keep the originating status of raw materials, not only for the origin itself but also because many controls referred to sanitary and environmental measures and linked to the origin of the fish could be affected. In their opinion, tracing the origin of the materials as well as the fulfilment of these other elements would be very difficult under global sourcing. It could be also a risky precedent for other agreements.

Reply by the Commission: Intention was to open for these countries the possibility to source raw materials within a concrete area as the EEZ zone, however, these ideas were not retained finally being kept instead global sourcing. In any case, this global sourcing can be applied only under certain conditions, as a notification by the country providing concrete information about the species concerned, products to be manufactured and quantities involved under the relaxed rule. Requirements on sanitary and environmental aspects have been kept expressly and should be respected by the Pacific region even if the rule of origin has been relaxed. Global sourcing for this product is a specific relaxation for the Pacific region taking into account development aspects and cannot be taken as a precedent in other negotiations.

EURATEX: Single transformation could be not in the interest of EPA countries, as they will source in competitors as China and the type of investment promoted will be very volatile. This could have a negative effect in economies as Madagascar with integrated textile production. They are also concerned on the precedent for other preferential arrangements as GSP and on the element of discrimination in relation with other preferential areas as the Pan-euro-med that this proposal can imply. They complain on the fact that textile sector is the loser sector in all preferential negotiations. Finally they expressed their interest in having the same rules in all preferential arrangements.

Reply by the Commission: There are different approaches on the relaxation of rules of origin and its impact on development. This is why the Commission considers that is up to these countries to decide the level or the type of development that they need. The Commission's proposal is not an imposition but an offer and EPA regions can agree with single transformation or reject it in the framework of the negotiations. In any case, single transformation for EPAs should not be taken as a precedent in other preferential arrangements. Textiles is not the only sector on which relaxation is focused. It has been selected because of the interest for the current economies of these countries, though the Commission also recognises the sensibility of the sector in the EU. In any case imports from these countries do not seem to be a threat for the EU considering the current low levels. Finally, the Commission is aware of the risk to have divergent rules of origin in the different EU preferential arrangements, and will intend to minimise this in order to avoid a spaghetti bowl situation.

FTA expressed their doubts on the review clause for the EPAs as a main element in trade is predictability and transitory rules could have a negative impact on it.

Reply by the Commission: The revision clause is intended to facilitate the application for EPA countries of the new rules of the reform in the future. In order to ensure certain predictability and a stable environment for investment, the transitory application of Cotonou+ before shifting to the new rules should not be too short.