



Trade Negotiations between the European Union and Indonesia

EU Proposal on Rules of Origin

Explanatory note - February 2017

This explanatory note gives a general overview of the European Union's (EU) proposal on Rules of Origin in the Free Trade Agreement (FTA) envisaged between the EU and Indonesia. The text of the EU proposal was presented to Indonesian government experts in January 2017 and is now available on the [website](#) of the European Commission.

Why do we negotiate rules on rules of origin?

Rules of origin determine whether a product can benefit from a duty reduction as a result of the FTA negotiations..

Such rules should support trade in goods genuinely coming from Indonesia and the EU and help avoiding that goods not meeting the necessary criteria can access the EU market under liberalized duty rates.

What do we negotiate?

The rules of origin proposed in the FTA with Indonesia follow the approaches applied by the EU under current preferential schemes and take into consideration also the recently negotiated EU's FTAs with Singapore and Vietnam. They could contain however a number of adaptations to take into account the specificities of EU-Indonesia trade, including sensitive products and those with particular export interest.

A single set of product-specific rules (PSR) for both the EU and Indonesia will be discussed during a later stage of the negotiations. They will apply without discrimination to all producers on both the EU and the Indonesian side who wish to benefit from the preferential treatment. They will be guided by the principles of simplification and trade facilitation.

Main principles

Non-alteration

The text proposed by the EU contains the principle of non-alteration, which means that the products can transit through third countries without losing the benefit of a liberalized customs duty. This rule applies as long as the product has not been altered, transformed or subject to operations other than preserving it in good condition or adding/affixing marks, labels, seals or any other documentation to ensure compliance with specific domestic requirements of the importing country. Documentary proof of compliance with the non-alteration rule (a certificate of non-manipulation) may be required in case of doubt. It is however ensured that the authorities of the importing country cannot systematically require that evidence. This policy will facilitate the use of regional hubs such as Singapore.

Proof of origin

The EU promotes a system of self-certification by registered exporters (REX). This is an advanced and simple self-certification system where exporters must register in order to benefit from the preferential rules. Approval of the authorities of the exporting country is not needed.

Administrative cooperation

To verify the correct application of the rules of origin by the operators, the EU promotes the use of administrative cooperation between the parties. This means that the importing authorities contact the customs authorities of the exporting party to verify and confirm the status of the goods produced in its territory.

Cumulation

The EU's proposal provides for bilateral 'cumulation'. This means for example that European textile producers may supply garment producers in Indonesia with fabrics from the EU and, if certain conditions are met, the final product will be eligible for preferential treatment upon imports into the EU.