

World Customs Organization

Rules of Origin



**EU-Japan Centre for Industrial
Cooperation**

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WCO in brief

- Established as Customs Co-operation Council in 1952 in Brussels (WCO adopted in 1994 as its working name)
- Independent intergovernmental organization (working in close co-operation with WTO, other intergovernmental and non-governmental partners)
- 162 Member Customs administrations world-wide, covering 98% of world trade
- Secretariat (60 expert Customs staff from more than 20 countries)



The WCO Mission

- Enhance the effectiveness and efficiency of Customs administrations
- Develop and maintain instruments for standardization and simplification of Customs procedures
- Promote international co-operation including sharing information and best practices
- Assist Members in technical assistance and capacity building



Recent priority areas

- Trade facilitation – simplification and harmonization of customs procedures
- Protection of society – drug trafficking, IPR, commercial fraud
- Security and facilitation of trade supply chain
- Capacity building
- Integrity
- Review of Harmonized System
- Implementation of Valuation
- Rules of origin



WCO Kyoto Convention (revised in 1999)

- **Principles for modern Customs procedures**
 - **Transparency and predictability**
 - **Information Technology**
 - **Simplified customs documents**
 - **Risk management**
 - **Specially simplified procedures for authorized traders (compliance with Customs requirements)**
 - **Consultation with trade**
- **Blueprint for Customs to**
 - **Control efficiently and effectively**
 - **Facilitate legitimate trade**



Supply Chain Security & Facilitation (WCO guidelines)

- Risk management to identify high-risk goods based on the information supplied at an early stage of supply chain
 - Standardized set of data for risk assessment
 - Advanced Cargo Information Guidelines
- A multilateral approach complementary to existing bilateral and regional initiatives
- Efficient and effective Customs procedures



Customs Capacity Building Strategy (June 2003)

- **Response to the WTO Doha Agenda**
- **Case for a more focused, coordinated and well-resourced approach**
- **Customs Diagnostic Framework**
- **Integrity – good governance**
- **Regional approach**



Rules of Origin

“nationality” of goods

- **Non-preferential rules of origin**
 - to determine the origin of a good for the implementation of various trade policy instruments, including tariff, anti-dumping duties, marking, trade statistics

- **Preferential rules of origin**
 - to determine whether goods qualify for preferential treatment
 - Unilateral preference, including Generalized System of Preference <GSP>
 - Contractual preference, including Free Trade Agreement <FTA>

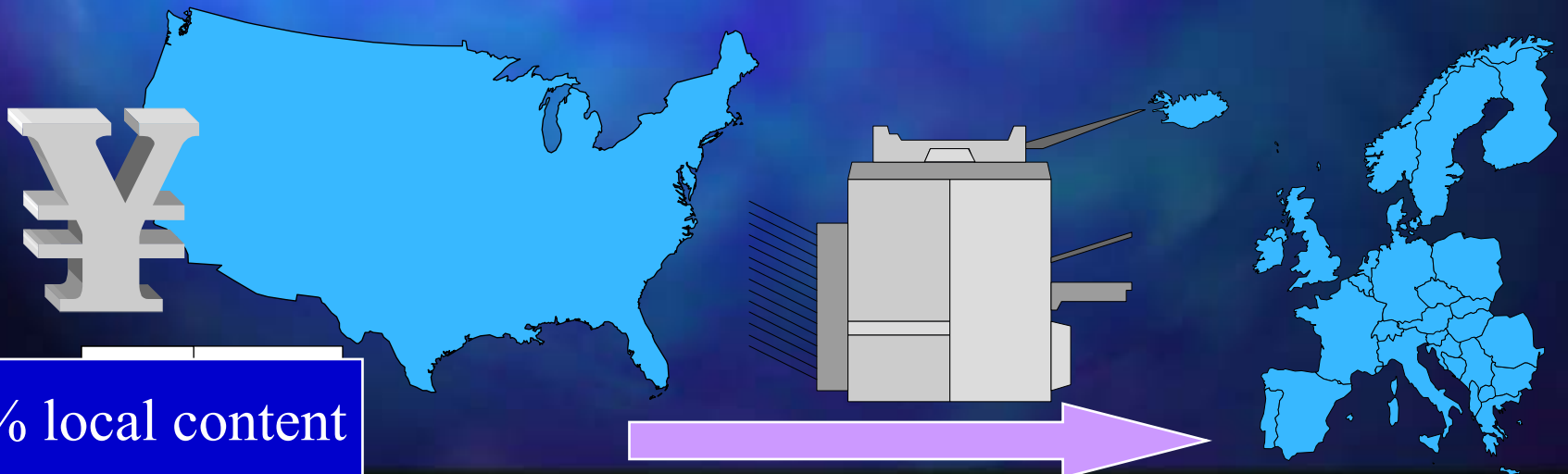


Origin Criteria

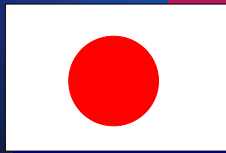
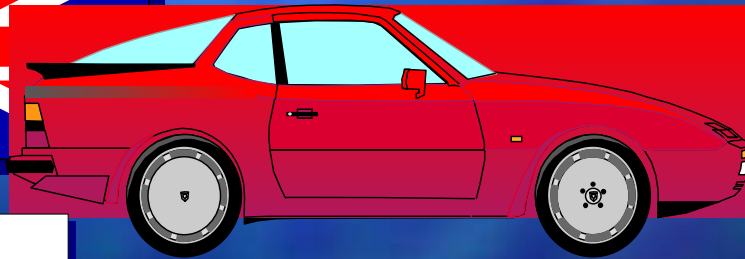
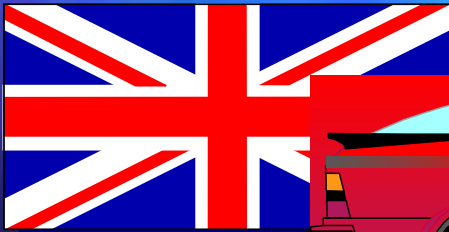
- Wholly obtained goods in a single country
- Substantial transformation criteria when more than one country is concerned in the production of goods
- Three major criteria
 - A change in tariff classification
 - Value added (Ad Valorem %)
 - Manufacturing or processing operation

Disputed cases of R/O used as trade policy tool

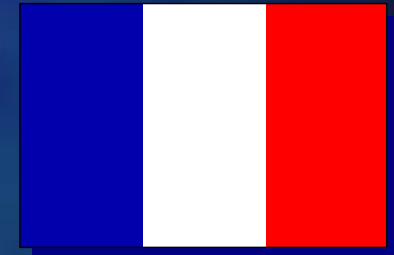
- Anti-dumping duties in relation to local contents requirement
- The origin of copy machines of a Japanese affiliated company in the US (with EC, 1987)



The origin of cars manufactured by a Japanese affiliated company in the UK (with France, 1988)

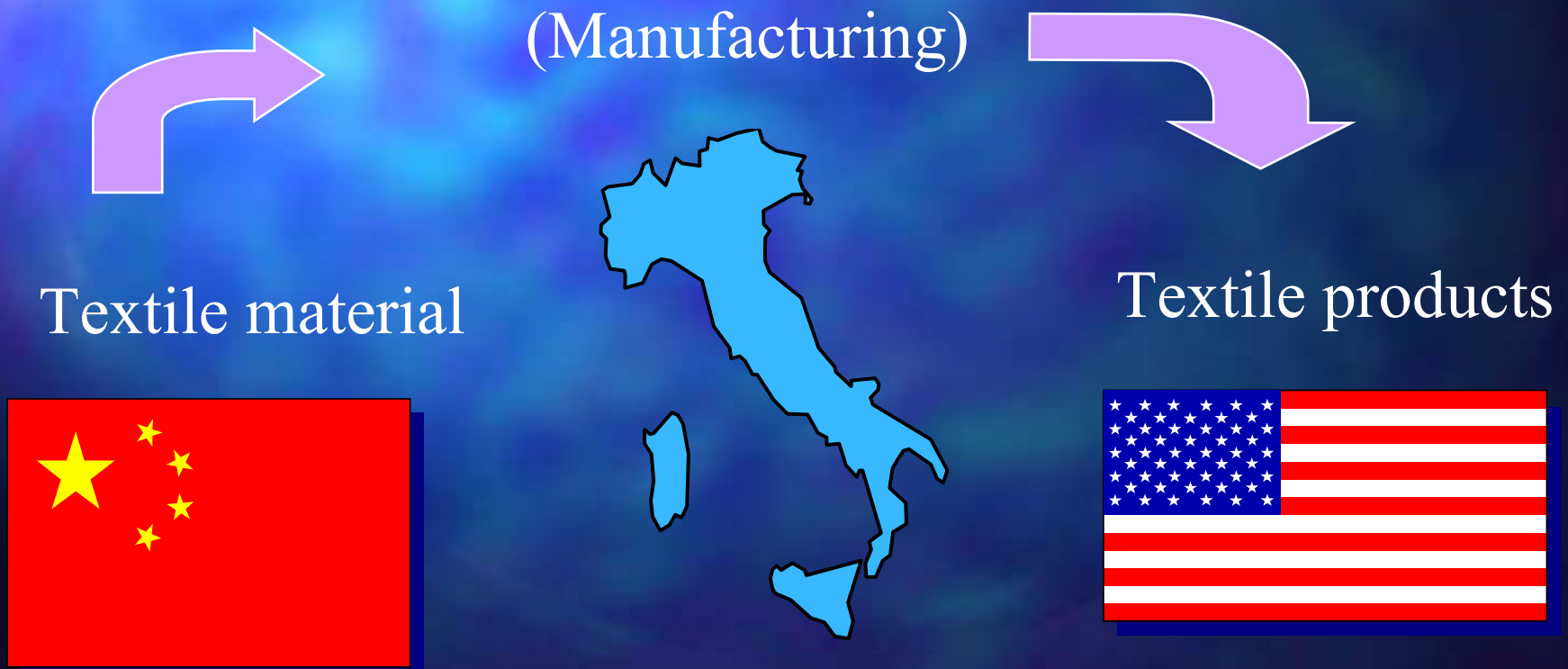


80 % local content



**Import restriction
on Japanese cars**

Origin of Italian textile products using Chinese material in application of US import restriction





WTO Harmonization of R/O

- GATT 1947: no discipline provided
- Kyoto Convention: de facto standard
- Trade disputes in 1980's – abusive usage of R/O
- Japanese proposal on harmonization of non-preferential & preferential R/O under the Uruguay Round
- WTO Agreement on R/O
 - Harmonization program for non-preferential R/O
 - Recommended principles for preferential R/O



WTO/WCO Harmonization work of non preferential R/O

- WTO Agreement – harmonization work program based on the technical work of WCO
- WCO submitted the outcome of the technical work to WTO in 1999
- WTO still under negotiation
 - Implication issues: possible application of the R/O to anti-dumping rules (circumvention)
 - Difference remains regarding some products



Perceived problems for R/O - WCO meeting in January

- Rules themselves
 - Need for simpler, more transparent and predictable rules
 - Cumulative rules
 - Minimum operations
- Administration or procedures
 - Certificate – issue, verification & responsibility
 - Calculation of added values
- Capacity building for trade (SMEs) and Customs
- EU Green Paper



Japan's preferential R/O

- Generalized System of Preference (since 1971)
- Japan-Singapore EPA
- Mexico, Malaysia, the Philippines, Thailand, ASEAN
- What kind of rules and procedures?