

# Cumulation, value tolerance and absorption rule

Stefano Inama

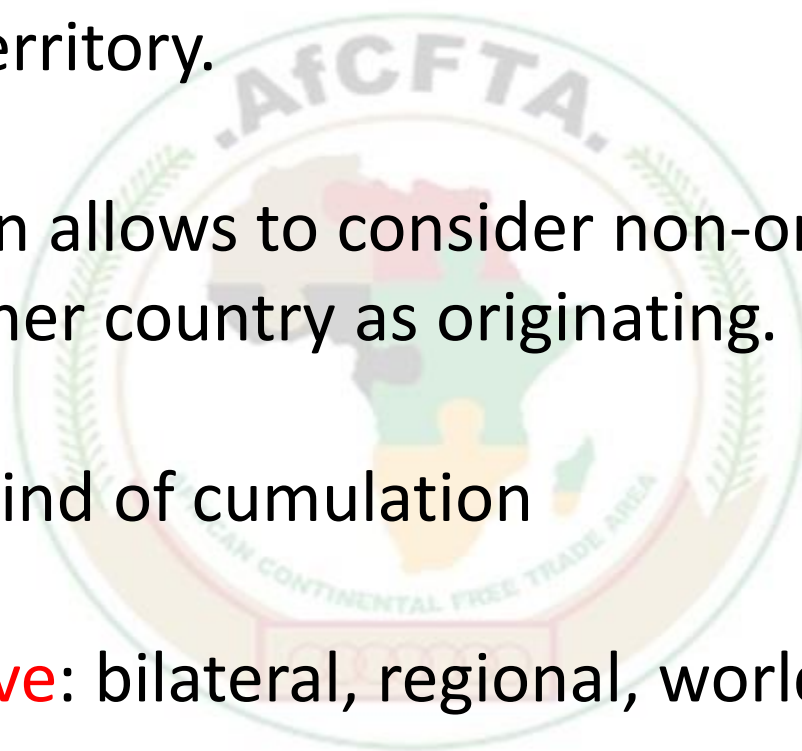
7<sup>th</sup> Technical Working Group Meeting on Rules of Origin, 30 – 31 July 2018



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# Cumulation

- **Concept:** normally RoO should be complied within a customs territory.
- Cumulation allows to consider non-originating inputs from another country as originating.
- Different kind of cumulation
- **Quantitative:** bilateral, regional, worldwide
- **Qualitative:** Diagonal, Full

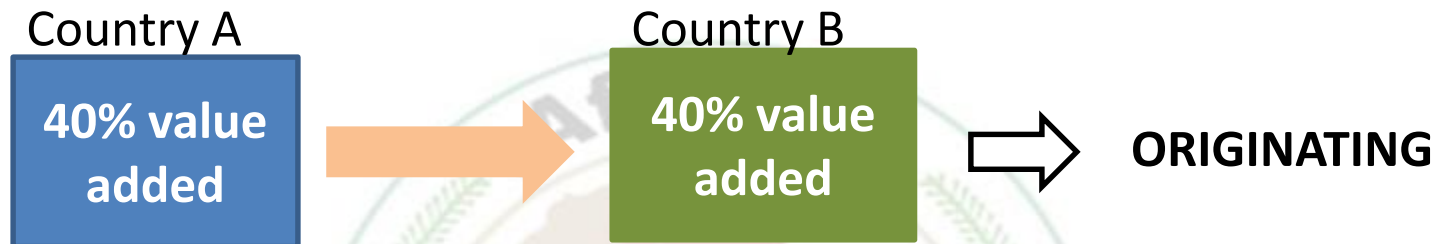


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# Diagonal vs. Full Cumulation

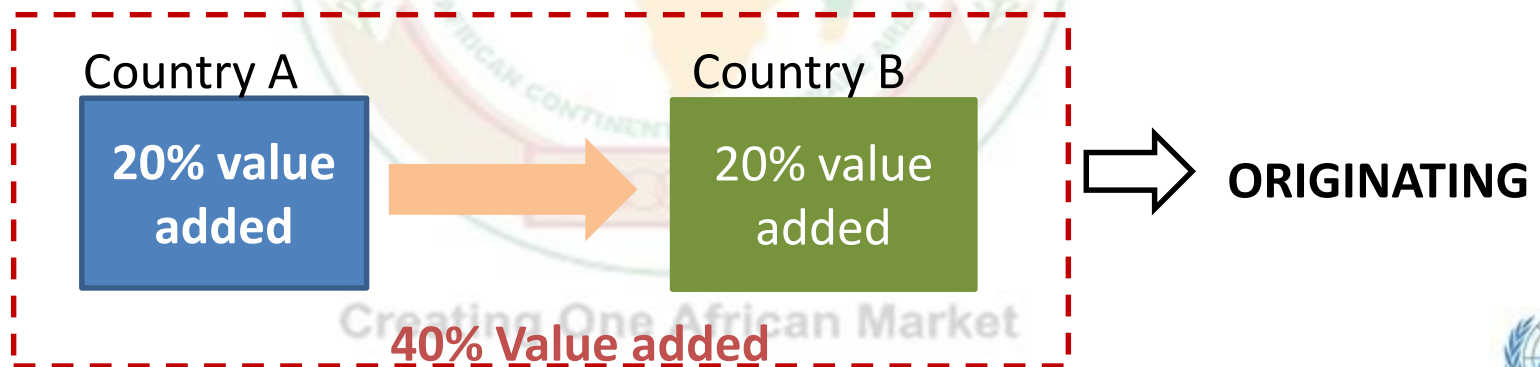
*Assume a RoO of 40% value added requirement*

- **Diagonal Cumulation**



Under Diagonal Cumulation both countries A and B must meet the RoO of 40% value added

- **Full Cumulation**



Under Full Cumulation it is possible to add value in country A and in country B to reach 40% value added

# Diagonal Cumulation

RoO : when using non originating materials:

- 1) jackets must be manufactured starting from yarn (double transformation)
- 2) fabrics from natural fibers



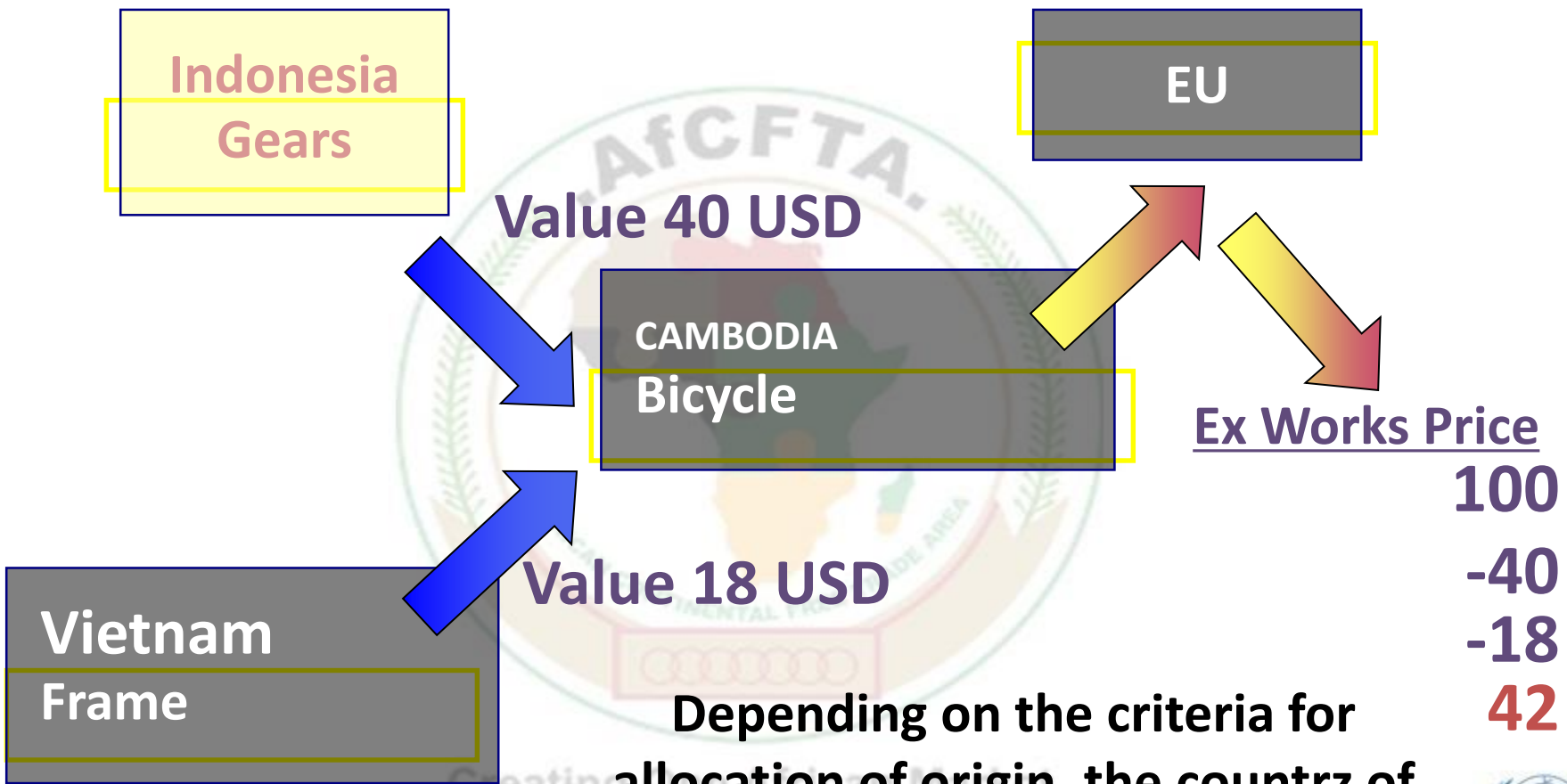
# Full Cumulation

RoO : when using non originating materials:

- 1) jackets must be manufactured starting from yarn (double transformation)
- 2) fabrics from natural fibers



# Allocation of origin among countries involved in cumulation: Example of EU GSP Cumulation with old and new rules



Depending on the criteria for allocation of origin, the country of origin of the bicycle could be either Cambodia or Indonesia

REC's	Cumulation in African RECs
EAC	<ul style="list-style-type: none"> <li>• Cumulation in the Partner States (Full Regional Cumulation)</li> <li>• Cumulation with countries or RECs that EAC has a concluded FTA</li> <li>• Cumulation with other countries benefiting from DFQF access to the marked of the countries or RECs that EAC has a concluded FTA</li> <li>• Working or Processing of materials whose import from rest of the world into the EAC is MFN DFQF</li> </ul>
SADC	<ul style="list-style-type: none"> <li>• Cumulation of raw materials and semi-finished goods among the Partner States (Regional cumulation)</li> </ul>
COMESA	<ul style="list-style-type: none"> <li>• Cumulation of raw materials and semi-finished goods among the Partner States (Regional cumulation)</li> </ul>
ECOWAS	<i>No information available</i>
ECCAS	<i>No information available</i>
TFTA	<ul style="list-style-type: none"> <li>• Regional Cumulation</li> </ul>

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[1] Extracted from the revised Rules of Origin Manual of EAC. See section 2.8 of the document for further details.

[2] Extracted from the Rules of Origin of SADC. Paragraph 4, Rule 2, Annexe 1, SADC Trade Protocole

[3] Extracted from <http://www.tradezimbabwe.com/wp-content/uploads/2016/06/COMESA-Free-Trade-Area.pdf>

[4] Extracted from the final draft of TFTA Rules of Origin. See Section 2.8 or Article 9 of Annex IV





# Cumulation of African RECs under the EU EPAs

<b>EU EPA (SADC, EAC)</b>	<ul style="list-style-type: none"> <li>● <b>Bilateral Cumulation</b></li> <li>● <b>Diagonal Cumulation</b></li> <li>● <b>Extended Cumulation</b> <ul style="list-style-type: none"> <li>– Cumulation with respect to materials originating in countries benefiting from duty and quota free access to the EU (i.e. GSP/EBA arrangement)</li> <li>– Cumulation with respect to materials that are subject to MFN duty free treatment in the EU</li> </ul> </li> </ul>
<b>EU EPA (CARIFORUM , ESA, Pacific, ECOWAS)</b>	<ul style="list-style-type: none"> <li>● Regional Cumulation (EC and Respective Trade Partners)</li> <li>● Cumulation with neighboring developing countries</li> </ul>
<b>EU EPA (EAC)</b>	<ul style="list-style-type: none"> <li>● Regional Cumulation</li> <li>● Cumulation with other countries benefiting from duty-free and quota-free access to the market of the EU</li> </ul>



# Intermediate materials: Engines and pistons

1. RoO for an engine provides that the value of the non originating materials may not exceed 40 % of the ex works price, is assembled using pistons.
2. The piston is manufactured from non originating ingots.
3. The RoO for pistons provides that forging pistons from non-originating ingots is origin conferring.
4. Thus the piston can qualify as originating in the value-calculation for the engine, regardless of whether it was produced in the same factory or in another factory.
5. The value of the non-originating ingot is thus not taken into account when calculating the 40%.

# Intermediate materials: Engines and pistons

Factory 2



Engine

Factory 1



Piston

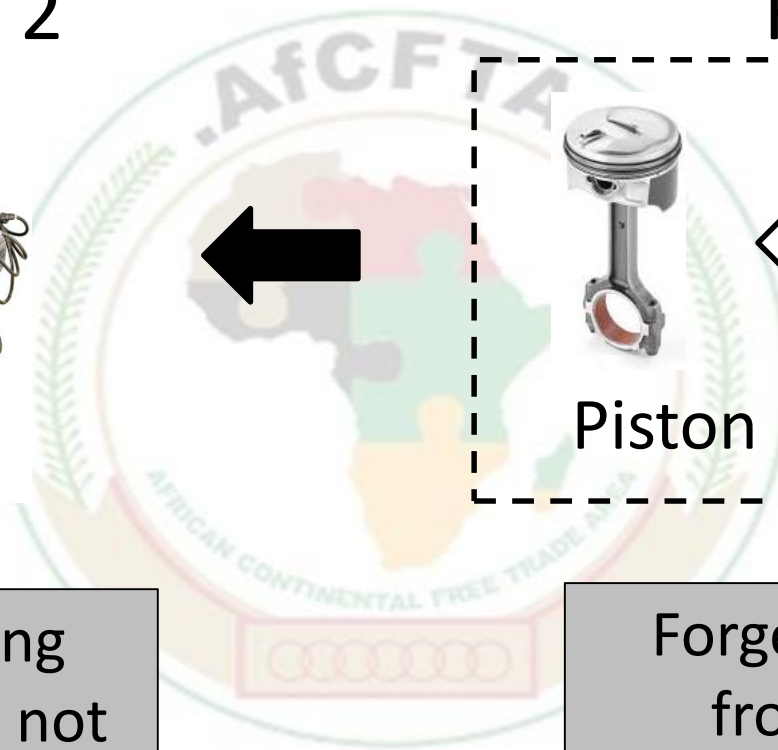


Ingot



Non originating materials does not exceed 40% of ex-price works

Forge of pistons from ingots



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# Value tolerance or De minimis

**NON ORIGINATING MATERIALS UP TO 15% OF EX-WORKS PRICE OR WEIGHT MAY BE USED IN SPITE OF SPECIFIC CONDITIONS**

*Exception textile and Clothing ( other de minimis apply)*

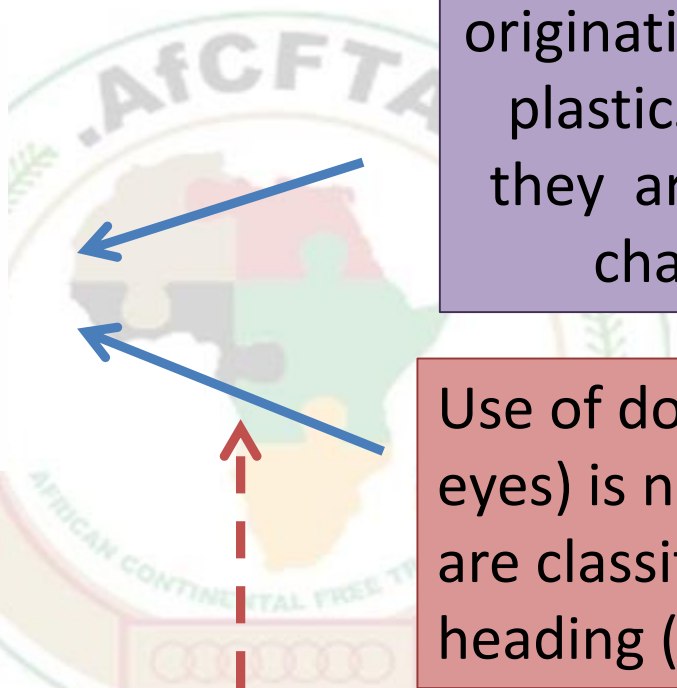
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# Example of value tolerance

**Applicable rule of origin:  
CTH**



**Doll (HS 9502)**



a manufacturer can use non originating materials such as plastics , fabrics etc. since they are classified in other chapters of the HS.

Use of doll's parts (e.g. Doll's eyes) is not possible as these are classified in the same heading (HS 9502).

**Tolerance rule: use up  
to 15% of the ex-works  
price of the doll**

# Thank You for your kind attention

**Stefano Inama, Chief**

Technical Cooperation and Enhanced Integrated Framework

Division for Africa, Least Developed Countries  
and Special Programmes ( ALDC )

United Nations Conference on Trade and Development

[Stefano.inama@unctad.org](mailto:Stefano.inama@unctad.org)



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