

Certification and verification of Rules of Origin

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Origin Certification - Background

- Promoting fair, efficient, and effective revenue collection
- Revenue Package Action Plan Phase II – adopted by WCO Council in June 2013
 - *Development of new guidance material to help Members to strengthen their capacity related to origin certification*
- Objective : To capture the current state of play on origin certification – both preferential and non preferential.



Reference : RKC Specific Annex K

- Chapter 2 on Documentary evidence of origin
 - 2. Recommended Practice
 - Documentary evidence of origin should be required **only when it is necessary** for the application of preferential Customs duties, of economic or trade measures adopted unilaterally or under bilateral or multilateral agreements or of measures adopted for reasons of health or public order.
 - 5. Recommended Practice
 - Documentary evidence from the competent authorities of the country of origin should be required only in cases where the Customs of the country of importation have reasons to suspect fraud.



Study on Certification of Origin

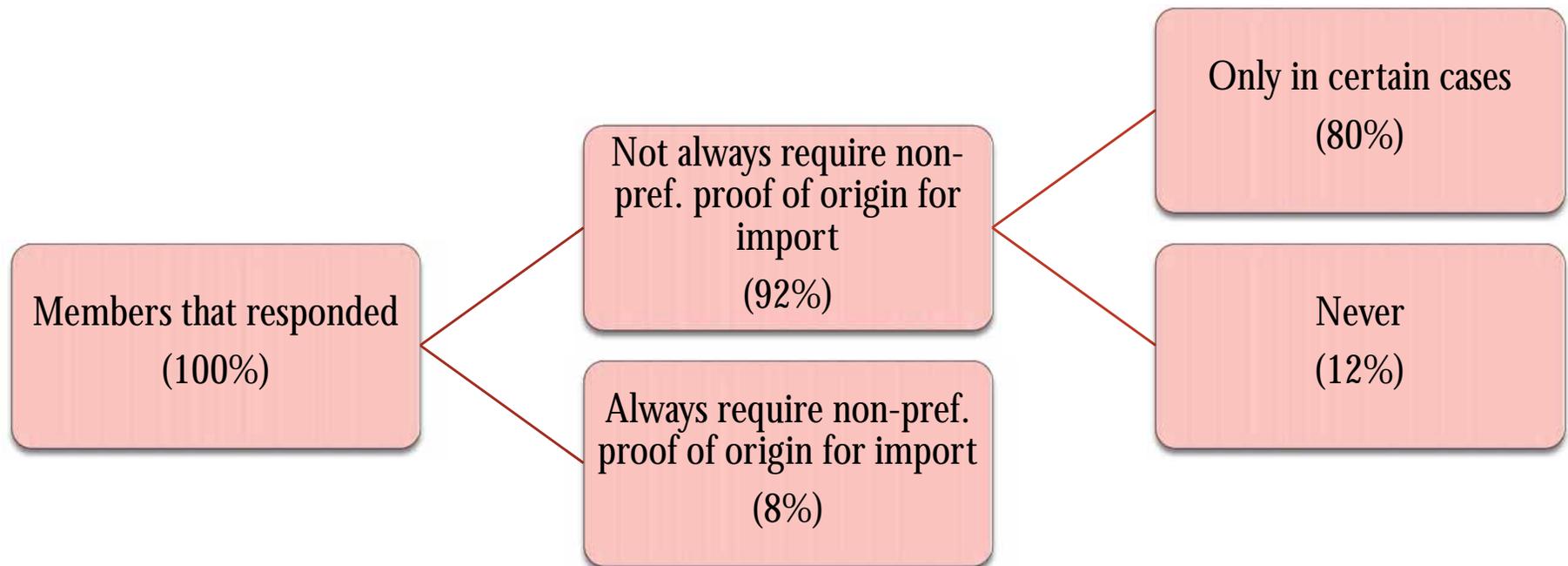
Proof of origin for non-preferential purposes



- Method: survey by questionnaire
- Questionnaire sent to all WCO Members in 2013
- Response received from 66 Members



Survey result: requirement of non-preferential proof of origin for import





Always require a proof of origin for non-preferential import – REASONS raised...

- Some Members responded that they always require a proof of origin for all non-preferential imports, for the following reasons:
 - Customs valuation purposes
 - Duty purposes in general
 - Consumer protection
 - Intellectual property rights protection
 - Risk management profiling
 - Application of quotas

... consistency with RKC ???



Survey result: cost of issuance of a certificate of origin

- Customs or other government agencies
 - Cost range: 0 to 9 USD
- Chamber of Commerce
 - Cost range: 1.50 USD to 50.00 USD
 - Average: 34.23 USD



Certification of origin in FTAs

- Compared the provisions on certification of origin in 149 FTAs entered into force in 1994-2013
- Source: WCO Origin Database



Types of preferential origin certification systems

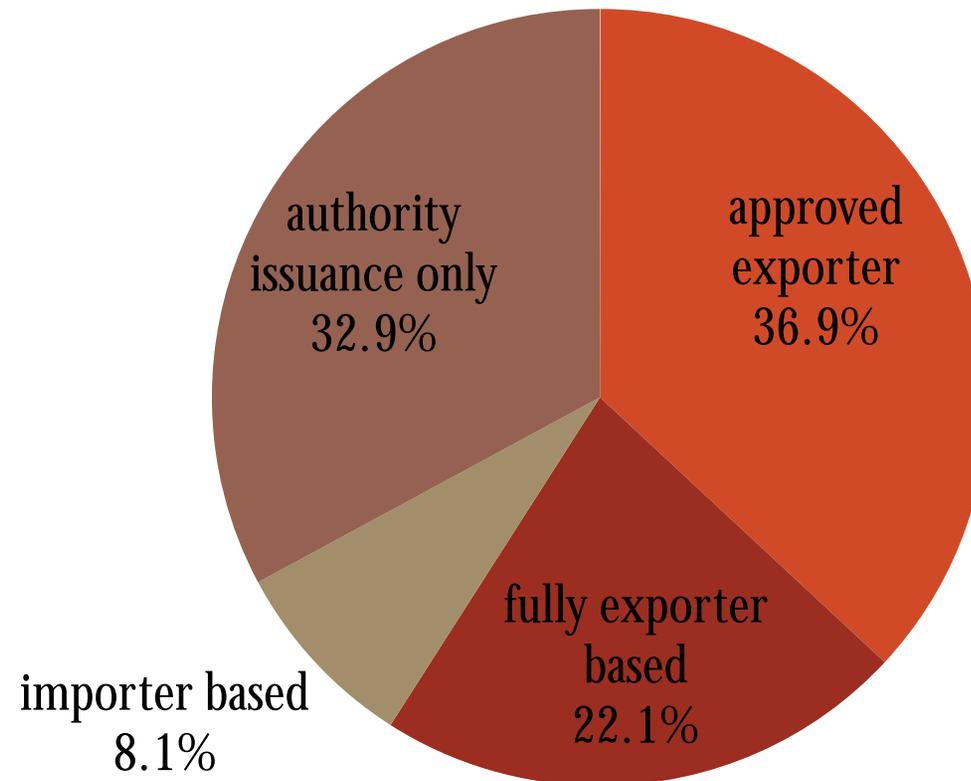
| Type of system | Key features |
|---------------------------------------|---|
| 1. Authority issued certification | Government authorities or delegated bodies issue the certificate of origin in a prescribed form |
| 2. Approved Exporter system | Exporters with prior approval may make origin declaration on commercial documents |
| 3. Fully exporter-based certification | Any exporters can sign and issue a certificate of origin of a prescribed form |
| 4. Importer-based certification | Importers certify the origin of goods |

Self-certification = issuing authorities not involved in every single issuance of proof of origin

Proportion of certification systems around the world



PROPORTION OF CERTIFICATION SYSTEMS





WCO Guidelines on Certification of Origin



Objective and coverage

- Guidelines provide practical explanations
 - To be used as guidance for the Members to design, develop and achieve robust management of origin-related procedures
- Cover both preferential and non-preferential origin
- Non-binding



Table of contents

I. INTRODUCTION

1. What is certification of origin?
2. Who are the key players involved?

II. PREFERENTIAL ORIGIN

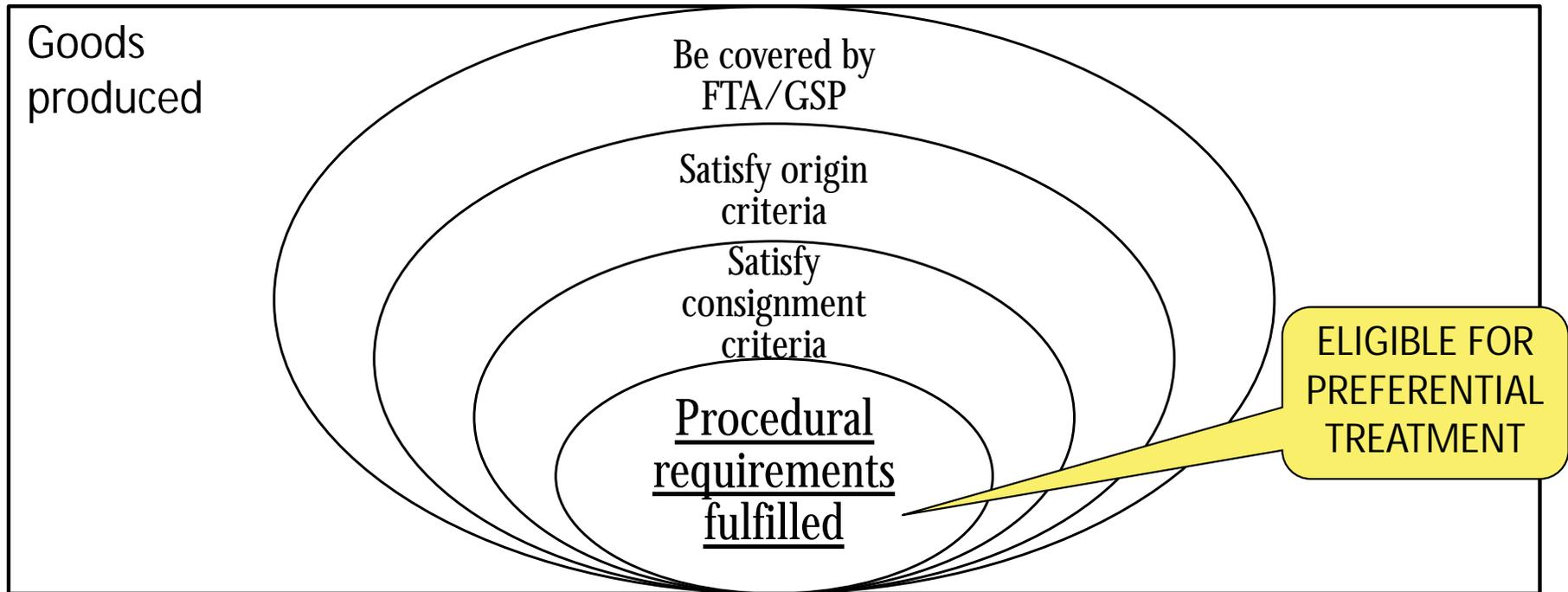
3. When is a proof of origin needed?
4. Issuer of proof of origin
5. Characteristics of different systems for certification of origin
6. Requirements to issue proofs of origin
7. What are the obligations and the liability of the players?

III. NON-PREFERENTIAL ORIGIN

8. When is a proof of origin needed?
9. Framework for issuance of proof of origin
10. Requirements to issue proofs of origin
11. Responsibility of the issuing authorities



When is a proof of origin needed for preferential purpose?



In general, a claim for preferential tariff treatment under a certain FTA or GSP is required to be supported by a proof of origin, which must be presented to the Customs authority of the importing country upon request. However, in many FTAs, the requirement to present a proof of origin is exempted under a certain threshold. In addition, some agreements provide exemptions for travelers' luggage and small packages.



Self-certification

- Fostering the use of self-certification of origin
 - Guideline 4 : Considering the increasing volume of preferential trade and recognizing the need for the facilitation of origin-related procedures, self-certification of origin by a producer, manufacturer, exporter and/or importer shall be utilized to the maximum extent possible while recognizing the specificities of domestic business environment.

Requirement of proof of origin for non-preferential purposes

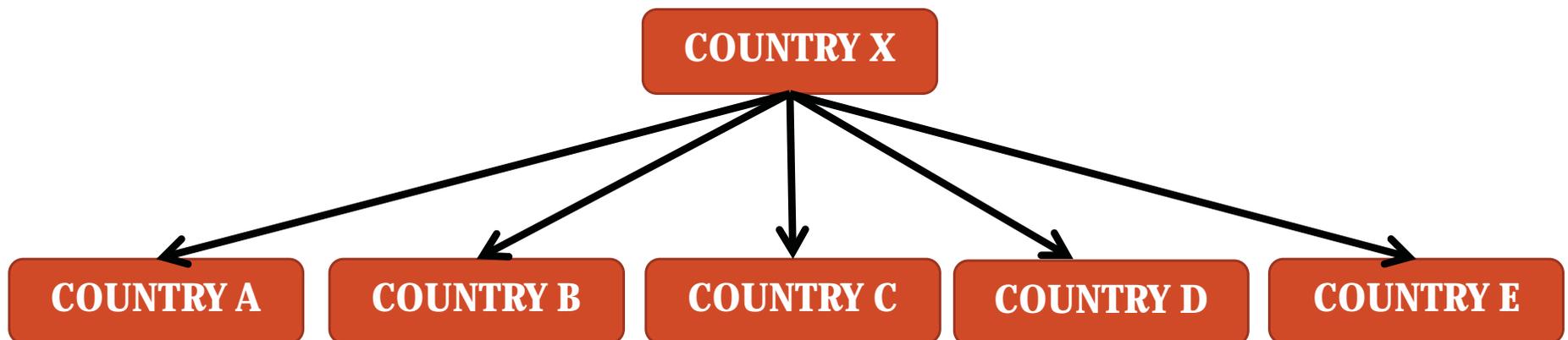


- Guideline 14 : As a general rule, non-preferential proofs of origin **should not be required** for the importation of goods on which no specific trade policy measures are applicable.
- Guideline 15 : A non-preferential proof of origin may be required **only for the measures provided for in Article 1(2)** of the WTO Agreement on Rules of Origin.

Requirement to issue non-preferential proofs of origin



- Until the HWP is completed, the non-preferential rules of origin in the exporting country and the destination country may vary. This means that there is asymmetry between the exporting and importing sides in the determination of country of origin.



Each destination country has different non-preferential rules of origin stipulated in domestic law!



Study on Verification of Origin



WCO GUIDELINES ON PREFERENTIAL ORIGIN VERIFICATION

Background

- Proliferation of free trade agreements
 - Increasing number of FTAs
 - Customs play the key role for implementation of FTAs
- Revenue Package Action Plan – Phase I
 - Members' needs – technical assistance to implement and verify preferential rules of origin



Origin verification

- What do we want to verify
- Who is conducting the verification
- How is the verification conducted
- When is the verification conducted
- Who will provide information



Conclusions of the study

- Customs administrations play a vital role both on importing and exporting side
- Risk analysis and risk management are widely used
- Administrative cooperation most commonly used (borders divide - customs connect)
- Training of officials, raising awareness of private sector and strengthening cooperation with competent authorities are the way forward



Guidelines on Preferential Origin Verification



WCO GUIDELINES ON PREFERENTIAL ORIGIN VERIFICATION

Outline

- Objectives
 - Concrete ideas for effective and efficient verification
 - Pathway to bring FTA provisions into practical operation
- Scope
 - Cover different types of verification systems
- Structure
 - Follow the sequence of verification process



WCO GUIDELINES ON PREFERENTIAL ORIGIN VERIFICATION

Structure

Sections 1-2: Introduction and background, overview

Sections 3: Infrastructure and coordination

(following the sequence of verification)

Sections 4-6: Targeting, selection and commencement

Sections 7-8: C/O Verification under administrative cooperation

Section 9: Verification control on exporter

Section 10: Importer based verification

Section 11: Consequence of negative results



WCO GUIDELINES ON PREFERENTIAL ORIGIN VERIFICATION

Key features

- Theoretical explanation of verification procedures in general
- Organizational aspect
- Practical approaches, such as:
 - Application of risk management
 - Minor errors to be disregarded
 - Release of goods
 - Use of electronic means to exchange information, etc.



GUIDELINES ON PREF. ORIGIN VERIF.

Key features (cont'd)

- Detailed examples on essential topics:
 - Functions of the dedicated (central) office
 - Risk indicators for identification of verification targets
 - Key points to check during documentary examination
 - Sources to be consulted when gathering information before selection for verification
 - List of elements to be checked – via questionnaire or on-site verification, etc.

APPENDIX: NATIONAL PRACTICES CATALOG



- Practical information on the implementation of verification provided by five countries:
 - Canada
 - China
 - Japan
 - Korea
 - South Africa