

Generalized System of Preferences

DIGEST OF GSP RULES OF ORIGIN



UNITED NATIONS
1999

Generalized System of Preferences

Digest of GSP Rules of Origin

(INT/97/A06)

UNCTAD Technical Cooperation Project on Market Access,
Trade Laws and Preferences

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Preface

This Digest is published under the auspices of the UNCTAD Technical Cooperation Project on Market Access, Trade Laws and Preferences (INT/97/A06). It is part of a series of publications aimed at assisting exporters, producers and government officials to utilize the trade opportunities available under the various GSP schemes. The publication of this Digest has been made possible thanks to a financial contribution from the EC Commission. The series comprises the following publications:

Publications in the "Generalized System of Preferences" series:

Handbook on the Scheme of the USA (TAP/163 - forthcoming)
Handbook on the Scheme of Canada (TAP/247)
Handbook on the Scheme of New Zealand (TAP/258)
Handbook on the Scheme of Australia (TAP/259)
Handbook on the Scheme of Japan 1998-1999
Handbook on the Scheme of the European Community (ITCD/TSB/Misc.25)
Handbook on the Scheme of Switzerland (ITCD/TSB/Misc.28)
Handbook on the Scheme of Norway (ITCD/TSB/Misc.29)
Handbook on the Scheme of the Eastern European countries (forthcoming)
Handbook on the Lomé IV Convention (revised version - forthcoming)
Digest of GSP Rules of Origin (present volume)
Compendium on Rules of Origin - Part I (ITD/GSP/31)
Digest of GSP Beneficiaries (ITD/GSP/22)
Trade Laws of the EC (TAP/276 - forthcoming)
Trade Laws of the United States (TAP/277)
Trade Laws of Japan (TAP/299)

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For any further information on the publications listed above, please contact the UNCTAD Cooperation Project on Market Access, Trade Laws and Preferences (INT/97/A06):

Tel: +41 22 907 4944
Fax: +41 22 907 0044
E-mail: gsp@unctad.org

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Introduction

This Digest is intended to convey in succinct form information on the major elements of the rules of origin prescribed by individual preference-giving countries in their schemes under the Generalized System of Preferences (GSP). It covers rules in operation in 1998.

The rules of origin are an essential element of all schemes and a clearer understanding of them and of their proper application is of the utmost importance for the implementation of the GSP. For this reason, it is hoped that this Digest will help government officials, exporters, trade associations, chambers of commerce and others in preference-receiving countries to understand and apply the rules of origin.

Note: This Digest does not cover all the details of the provisions contained in the rules of origin prescribed by individual preference-giving countries. For full and detailed information the authentic legal texts issued by those countries should be consulted.

A. General1. Purpose of rules of origin

The main purpose of rules of origin is to ensure that the benefits of preferential tariff treatment under the Generalized System of Preferences (GSP) are confined to products which have *bona fide* been taken from, harvested, produced or manufactured in the preference-receiving countries of export. Products which originate in third countries, e. g. in preference-giving countries, and merely pass in transit through, or undergo only a minor or superficial process in, a preference-receiving country are not entitled to benefit from GSP tariff treatment.

2. Main elements of rules of origin

The main elements of rules of origin are:

- (a) Origin criteria and, in most schemes,
- (b) Consignment conditions and
- (c) Documentary evidence which certifies compliance with conditions (a) and (b).

In addition, there are supplementary rules which have to be observed.

B. Origin criteria

Products exported from a preference-receiving country may be divided into two groups:

- (a) Products which have been entirely grown, extracted from the soil or harvested within the exporting country, or manufactured there exclusively from any of these products. Such products, which are referred to as "wholly obtained" products, qualify as being of GSP origin by virtue of the total absence of the use of any imported components or materials, or those of unknown origin; or
- (b) Products which are made from imported materials, parts or components, i.e. products which are manufactured wholly or in part from materials, parts or components imported into the preference-receiving country or which are of unknown origin. These products, which are termed "products with import content", qualify only if they have undergone "sufficient working or processing" (as defined under the individual rules of origin of preference-giving countries) in the preference-receiving exporting country.

In accordance with these basic definitions, each GSP scheme lays down detailed rules or definitions of "sufficient working or processing" which have to be satisfied if goods are to be granted GSP tariff treatment. These nationally prescribed rules have been harmonized between six Eastern European preference-giving countries (Bulgaria, the Czech Republic, Hungary, Poland, the Russian Federation and Slovakia). The rules prescribed by those preference-giving countries which apply the "process criterion" (see section 3 below) have also been subject to measures of harmonization. The common features and the main differences of all schemes are described in the following paragraphs.

Each article in an export consignment must in general satisfy the rules of origin prescribed by the preference-giving country of destination. In the case of sets, groups and assemblies of articles and of accessories, spare parts and tools dispatched with a piece of equipment, machinery or vehicles, special rules regarding the unit of qualification have been prescribed by Japan, Norway and Switzerland.

1. "Wholly obtained" products

The "wholly obtained" criterion is interpreted strictly. Even a minimal content of imported materials, parts or components, or those the origin of which cannot be determined, makes the finished products concerned lose their description as "wholly obtained".

Example: Wooden carvings made from wood "wholly-obtained" in a preference-receiving country, but polished with imported wax, are not "wholly obtained" because of the wax. The carving would, however, almost certainly qualify for GSP under either the percentage or the process criterion (see 3.1 below).

However, such finished products may qualify for GSP under the alternative origin rules applicable to products made from imported materials, i.e. the process or the percentage criterion.

All preference-giving countries accept the following categories of goods as "wholly obtained" in a preference-receiving country:

- (a) Mineral products extracted from its soil or from its sea bed; or, in the case of Bulgaria, the Czech Republic, Hungary, Poland, the Russian Federation and Slovakia, mineral products extracted in the preference-receiving country's territory or from its continental shelf;
- (b) Vegetable products harvested there;
- (c) Live animals born and raised there;
- (d) Products obtained there from live animals;
- (e) Products obtained from hunting or fishing conducted there;
- (f) Products obtained from sea fishing and other products taken from the sea by its vessels;¹ and also, in the case of Bulgaria, the Czech Republic, Hungary, Poland, the Russian Federation and Slovakia, by vessels chartered by the preference-receiving country of question;
- (g) Products made on board its factory ships - exclusively from products referred to in (f) above; and also, in the case of Bulgaria, the Czech Republic, Hungary, Poland, Slovakia and the Russian Federation, factory ships chartered by the preference-receiving country in question;
- (h) Used articles collected there fit only for the recovery of raw materials;
- (i) Waste and scrap resulting from manufacturing operations conducted there; and
- (j) Products obtained there exclusively from products specified in (a) to (i) above.²

Australia in general accepts the products in the list above as "wholly obtained", although these have not been specified in its legislation.

The United States of America, while not including a list of "wholly obtained" products in its legislation, recognizes the products listed above as examples which are likely to meet the United States percentage criterion.

2. Products with an import content

Products which have been manufactured in a preference-receiving country wholly or partly from imported materials, parts or components, including materials etc. of undetermined or of unknown origin, are considered as originating in that country if those materials, parts or components have undergone sufficient working or processing there. In general terms, working or processing is regarded as sufficient if it transforms the specific nature and characteristics of the materials used to a substantial degree. This general concept is defined in detail by each preference-giving country.³

¹ Many preference-giving countries apply restrictive definitions of the terms "its vessels" and "its factory ships".

² Such as iron sheets, bars produced from iron ore, cotton fabrics woven from raw cotton, recovery of lead from used motor car batteries and recovery of metal from metal shavings.

³ The rules applied by most preference-giving countries usually exclude what are called "minimal processes". These are regarded as insufficient working or processing and, therefore, as not qualifying the finished product for GSP tariff treatment. A list of minimal processes is given in annex I.

3. Process and percentage criterion

The concept of "insufficient working or processing" has been defined in different ways. There are, however, two main criteria, each one of which is used by a number of preference-giving countries. These criteria are termed the "process criterion" and the "percentage criterion".

3.1 Process criterion

This criterion is applied by the European Community, Japan, Norway and Switzerland.

As a general rule under this criterion, imported materials, parts or components (non-originating inputs) are considered to have undergone sufficient working or processing when the product obtained is classified in a heading of the Harmonized System⁴ (HS) at the four-digit level which is different from those in which all the non-originating materials, parts or components used in the process are classified (referred to as "change in tariff heading" - CTH rule). However, since for quite a few products a change in HS heading does not always entail sufficient working or processing (or, on the other hand, while sufficient working or processing may occur, in some cases it does not involve a change in HS heading), preference-giving countries have drawn up a list (Single List) of working or processing to be carried out on non-originating materials in order that the final products may obtain originating status. This List contains a large number of particular products for which specific conditions must be fulfilled instead of the basic CTH requirement. For products contained in the List, the basic requirement of change in the HS heading needs to be fulfilled only where it is explicitly mentioned in the List.

European Community

As a result of some recent amendments,⁵ the new European Community preferential rules of origin are laid down in the new and more comprehensive Single List, which contains the applicable requirements for the determination of origin.

The Single List contains introductory notes which give interpretations of some of the definitions used therein, as well as some further rulings on particular products, particularly products in the textile sector. It should be noted that the provisions of the introductory notes also apply, where appropriate, to all products manufactured using non-originating inputs.

The conditions specified in the Single List may refer to, *inter alia*, the following:

- (a) The requirement that certain starting materials used in the production process must originate in the exporting preference-receiving country;

⁴ The Harmonized Commodity Description and Coding System was adopted by the Customs Co-operation Council (now the World Customs Organization) in Brussels on 14 June 1983 and came into effect on 1 January 1988 with 36 signatories; it was revised in 1996.

⁵ See Commission Regulation (EC) No 46/1999 of 8 January 1999, amending Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code (OJ L 10, 15.1.1999, p.1), in annex II to this handbook.

Example: For edible vegetables of HS Chapter 8, the List requires that all the materials of Chapter 7 used must already be originating (wholly obtained).

- (b) The requirement that only certain non-originating inputs may be used as starting material;
Example: For preparations of meat of HS Chapter 16, the List requires the use of animals of Chapter 1 as starting material, i.e. use of imported meat would not confer origin.
- (c) A combination of (a) and (b) above;
Example: For preparations of fish of HS Chapter 16, the List requires manufacture from animals of Chapter 1 as starting materials; however, all fish etc. used must already be originating.
- (d) The requirement that non-originating inputs used must be of a certain - normally a low-level of processing;
Example: For most articles of apparel and clothing accessories, not knitted or crocheted, of HS Chapter 62, the List requires manufacture from yarn; this means that the use of imported fabric would not confer origin.
- (e) The requirement that non-originating inputs used not exceed a certain percentage of the ex-works price of the finished product;
Example: For articles of plastic HS heading Nos. 3922 to 3926, the List requires manufacture in which the value of all non-originating inputs used does not exceed 50 per cent of the ex-works price of the product.
- (f) The possibility of using non-originating inputs falling within the same four-digit HS heading as the exported product;
Example: For articles of hard rubber of HS heading No. 4017, the List permits manufacture from hard rubber as starting material which itself is already to be classified within the same HS heading as the finished product, i.e. articles made therefrom.

For a number of products in the Single List, the condition set out there requires that the value of imported input not exceed a given percentage of the value of the product obtained (see the example in (e) above). For the purpose of calculating whether the percentage is satisfied:

Value of non-originating inputs is identified as their customs value at the time of importation into the preference-receiving country or, if this is not known or cannot be ascertained, the first ascertainable price paid for them in that country;

Value of the products obtained is the ex-works price of the products (for Japan, the f.o.b. price), less any internal taxes which are, or may be, repaid when the products obtained are exported. It is defined as the price paid to the manufacture in whose undertaking the last working or processing is carried out, provided that the price includes the value of all materials used in manufacture. F.o.b. price includes, in addition, all other costs occurring in the producing country, in particular the cost of transport from the factory to the frontier or port and any cost and profit of intermediate trade in that country;

Customs value is defined as the customs value determined in accordance with the 1994 Agreement on Implementation of Article VII of GATT (WTO Agreement on Customs Valuation).

Japan

Japan's Single List also contains requirements such as the basic CTH rule, the percentage criterion and the specific working and processing criterion. It should be noted that since 1993 Japan has relaxed the rule applicable to products coming under chapter 62 in such a way as to make these articles eligible for GSP even when they are manufactured from fabrics.

3.2 Percentage criterion

This criterion is applied by Australia, Canada, New Zealand, and the United States and also by Bulgaria, the Czech Republic, Hungary, Poland, the Russian Federation and Slovakia. The criterion applied by each of the countries in the latter group has been fully harmonized.

In the cases of Canada, Bulgaria, the Czech Republic, Hungary, Poland and the Russian Federation, a maximum percentage figure is placed upon the value of imported materials, parts and components (or those of unknown origin) which may be used in the manufacture of the exported products. In the cases of Australia, New Zealand and the United States a minimum percentage figure is prescribed for the value of domestic materials and processing costs, etc. which must be used in the manufacture of the exported product. The percentage criterion as applied by all preference-giving countries which use it exclusively is described in more detail below:

Australia

- (a) The final process of manufacture must have been carried out in the preference-receiving country producing or manufacturing the products for which preference is claimed; and
- (b) At least 50 per cent of value of the total factory or works cost of the goods must consist of the value of labor and/or materials of one or more preference-receiving countries (for the purposes of this requirement any Australian content may be counted as if it were preference-receiving country content).
- (c) Factory or works cost covers the expenditure which is incurred directly by the manufacturer in the production of the goods, or which can be reasonably allocated to the production of the goods. It comprises materials, labor and overheads.

Canada

Products manufactured in a beneficiary country wholly or partly from materials, parts or components originating outside the country or of undetermined or unknown origin are deemed to be *bona fide* the growth, produce or manufacture of the beneficiary country if the value of the import content amounts to not more than 40 per cent or, in the case of a least developed country, not more than 60 per cent of the ex-factory price of the goods as packed for shipment to Canada (percentage criterion).

In calculating the value of the import content, any materials used in the manufacture or production of the goods, originating from any other beneficiary country (global cumulation) or from Canada (preference-giving country content rule) and any packing required for the transportation of the goods, but not including packing in which the goods are ordinarily sold for consumption in the beneficiary country, shall be deemed to have originated in the beneficiary country.

New Zealand

- (a) The final process of manufacture must have been carried out in the preference-receiving country; and
- (b) At least one-half of the factory or works cost for the finished products is represented in each article by the value of:
 - material the product of any preference-receiving country;
 - material the produce of New Zealand; and/or
 - other items of factory or works cost incurred in any preference-receiving country or in New Zealand.

Note: Thus, for the purpose of the 50 per cent calculation, any materials or parts being the produce of New Zealand (preference-giving country content) or originating in any other preference-receiving country (principle of full and global communication) may be aggregated to comply with the minimum requirement.

United States of America

A "certain percentage" of the value of a growth, product, manufacture or assembly of a preference-receiving country must consist of:

- (a) The cost or value of materials produced in the preference-receiving country and the cost or value of any article incorporated in the eligible article which has resulted from substantial transformation⁶ of any imported materials into a new and different article of commerce, plus
- (b) The direct cost of processing operations performed in the preference-receiving country.

The expression "a new different article of commerce" is used by the United States Customs Service in the classification of merchandise. Example of their rulings are:

- (i) Raw skins imported into a preference-receiving country and tanned into leather would be regarded as a "substantially transformed" material when used in the manufacture of a leather coat;
- (ii) A mounting made from a imported gold bar would be similarly regarded when made into a ring in a preference-receiving country;
- (iii) Leather imported into the Philippines, cut into shape pieces and made into gloves. The shape pieces are "substantially transformed" and their value may be included in order to meet the 35 per cent requirement;

⁶ The United States has not yet provided a more precise definition of "substantial transformation".

- (iv) Wax imported from Indonesia into Singapore, mixed with additives (dye, perfume, stearic acid) and made into candles. The wax mixed with additives is not regarded as having been substantially transformed and its value cannot be included in determining whether the 35 per cent requirement is satisfied.

This percentage must be not less than 35 per cent of the "appraised value" of the merchandise in the United States. When origin is acquired on the basis of cumulative treatment (see "cumulative origin"), i.e. the merchandise originates in a designated association of countries treated as one country for the purpose of the GSP, the percentage must also not be less than 35 per cent of the appraised value, but it may be acquired within any of the preference-receiving countries forming the designated association.

- (a) The expression "cost or value of materials" is defined as:
 - (i) The manufacturer's actual cost for the materials;
 - (ii) The freight, insurance, packing and all other costs incurred in transporting the materials to the manufacturer's plant, if these are not already included in the manufacturer's actual cost for the materials;
 - (iii) The actual cost of waste or spoilage (material lost), less the value of recoverable scrap;
 - (iv) Taxes and/or duties imposed on materials, provided that they are not remitted on exportation.
- (b) Where the material is provided to the manufacturer without charge or at less than fair market price, its cost or value is determined by computing the sum of:
 - (i) All expenses incurred in the growth, production, manufacture or assembling of materials, including general expenses;
 - (ii) An amount for profit; and
 - (iii) Freight, insurance, packing and all other costs incurred in transporting the materials to the manufacturer's plant.

"Direct cost of processing operations" means those costs which are either directly incurred in or can be reasonably allocated to the growth, production, manufacture or assembly of the specific merchandise under consideration. Such costs include:

- (a) All actual labor costs involved in the growth, production, manufacture or assembly of the specific merchandise, including fringe benefits, on-the-job training, and the cost of engineering, supervisory, quality control and similar personnel;
- (b) Dies, moulds, tooling and depreciation on machinery and equipment which are allocable to the specific merchandise;
- (c) Research, development design, engineering and blue print cost in so far as they are allocable to the specific merchandise; and
- (d) Cost of inspecting and testing of the specific merchandise.

The items which are not included within the meaning of the term "direct cost of processing operations" are those which are not directly attributable to the specific merchandise under consideration or are not "costs" of manufacturing the products. These mainly include:

- (a) Profit; and
- (b) General expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production,

manufacture or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, commissions or expenses.

- Examples to illustrate the application of the United States origin criteria:

Suppose that bicycles with an ex-factory price of \$500 are manufactured in a beneficiary country and exported to the United States. (It should be noted that the ex-factory price will normally be the appraised value.)

- **Case 1:** The bicycle is manufactured entirely from local materials. It qualifies for preferential treatment as wholly the manufacture of the beneficiary developing country.
- **Case 2:** The bicycle is manufactured as follows:

(i)	Gears imported and incorporated into the final product	\$100
(ii)	Domestic materials	\$150
(iii)	Direct cost of processing	\$100
(iv)	Indirect cost (overheads, profits, etc.)	\$150
	Total:	\$500

The final product qualifies for preferential treatment since the sum of domestic materials and costs of direct processing, namely \$250, represents 50 per cent of the ex-factory price, i.e. not less than 35 per cent of the appraised value.

- **Case 3:**

(i)	Imported gear	\$100
(ii)	Chain, manufactured from imported special steel <u>Note:</u> Imported special steel has been substantially transformed	\$50
(iii)	Saddle (manufactured from imported hide) <u>Note:</u> Imported hide has been substantially transformed	\$25
(iv)	Domestic materials	\$50
(v)	Direct costs of processing	\$75

(vi)	Indirect costs of processing (overheads, profits, etc.)	\$200
	Total:	\$500

In this case, the costs of domestic materials will consist of items (ii), (iii) and (iv), since the chain (item (ii)) and saddle (item (iii)) are products of imported materials that have been substantially transformed in the beneficiary country. Thus, the cost of domestic materials (\$200) represents 40 per cent of the ex-factory price (\$500), i.e. not less than 35 per cent of the appraised value. Therefore, the bicycle qualifies for GSP treatment.

• **Case 4:**

The bicycle is manufactured as follows:

(i)	Imported materials (Gears \$100, saddle \$25, tires \$50)	\$175
(ii)	Domestic materials	\$75
(iii)	Direct costs of processing	\$50
(iv)	Indirect cost (overheads, profits, etc.)	\$200
	Total:	\$500

In this case, the sum of domestic materials (item (ii)) and costs of processing (item (iii)), namely \$125, represents 25 per cent of the ex-factory price, i.e. less than 35 per cent of the appraised value. Therefore, the bicycle does not qualify for Gsp treatment.

"The appraised value" under the United States Customs valuation system is in the majority of cases equal to the ex-factory price of the export product.

Bulgaria, the Czech Republic, Hungary, Poland, the Russian Federation and Slovakia

Goods are considered to have undergone sufficient working or processing in a preference-receiving country if:

- (a) The goods are worked or processed in the country in question and the cost of the goods originating from another country (other than a preference-receiving country) or of unknown origin does not exceed 50 per cent of the cost of the goods exported by the country in question;
- (b) The goods are worked or processed in a number of preference-receiving countries (cumulative origin) and the cost of the goods originating from other countries or of unknown origin does not exceed 50 per cent of the cost of the goods exported by one of the preference-receiving countries;
- (c) The goods are obtained in one of the preference-receiving countries and are worked or processed in one or more of the other such countries (cumulative origin).

The value of goods originating in another country as referred to in the sub paragraphs above is determined on the basis of the customs value of the goods as established in the country producing the export goods for which GSP is granted. The value of goods of unknown origin referred to in sub paragraphs (a) and (b) above is taken as being equal to the price paid for the goods in the territory of the country producing the export goods for which GSP is granted. The value of exported goods is determined on the basis of the f.o.b. price. Goods (raw materials, semi-finished and finished products) imported from one of these preference-giving countries (preference-giving country content) into a preference-receiving country and used there for the production of goods intended for export to the same preference-giving country are regarded as goods obtained in the preference-receiving exporting country in question.

C. Direct consignment

The rule that originating products must be transported direct from the exporting preference-receiving country to the preference-giving country of destination is an important common feature of all GSP origin rules except those of Australia. Its purpose is to enable the customs administration of the preference-giving country of importation to be satisfied that the imported products are identical with the products which left the exporting preference-receiving country, i.e. they were not manipulated, substituted, further processed or entered into commerce in any intervening third country.

Consignment conditions, as prescribed by individual preference-giving countries, are indicated in the following paragraphs.

1. Conditions applied by:

Canada, EC, Japan, New Zealand, Norway and Switzerland

These countries recognize as transportation:

- (a) Products transported without passing through the territory of another country;
- (b) Products transported through the territories of countries other than the exporting preference-receiving country, with or without trans-shipment or warehousing within those countries, provided that the products have remained under customs control in the country of transit or warehousing and have not entered into commerce or have been delivered for home use there, and have not undergone operations other than unloading, reloading and any other operation required to keep them in good condition.

2. Additional provisions applied by particular countries

In addition, for the countries indicated below the following provisions apply:

Norway and Switzerland

Loads may be split up and repacked, but not packaged for retail sale.

EC

Transport through third countries must be justified for geographical reasons or exclusively on account of transport requirements. Products which are transported by pipeline without interruption across a territory other than that of the exporting beneficiary country or that of the Community, are considered as directly transported from the beneficiary country to the Community, and vice versa.

EC and EFTA preference-giving countries (Norway and Switzerland)

Products may be transported through any of these countries and subsequently re-exported to any of these countries in full or in part, provided that they have remained under the surveillance of the customs authorities of the country of transit or warehousing and have not undergone operations other than unloading, reloading and any operation intended to keep them in good condition.

Japan

Transport through third countries must be justified for geographical reasons or exclusively on account of transport requirements. Japan accepts, in general, only trans-shipment or temporary storage under the surveillance of the customs authorities in the transit country. The trans-shipment or temporary storage must have been carried out in a bonded area or in any other similar place, under the supervision of the customs authorities of those transit countries.

New Zealand

Products of one preference-receiving country are permitted to enter the commerce of another preference-receiving country without losing entitlement of GSP treatment.

Australia

No consignment rule is applied.

United States of America

Products must be destined for the United States at the time they depart from the country of production. Special rules apply for shipments through a free-trade zone in a preference-receiving country. The special rules are as follows:

- (a) The merchandise must not enter into the commerce of the country maintaining the free-trade zone;
- (b) The eligible article must not undergo any operation other than:
 - sorting, grading or testing;
 - packing, unpacking, changes of packing, decanting or repacking into other containers;
 - affixing marks, labels, or other like distinguishing signs or articles or their packing, if incidental to operations allowed under these special provisions; or
 - operations necessary to ensure the preservation of merchandise in its condition as introduced into the free-trade zone;
- (c) Merchandise may be purchased and resold, other than at retail, for export within the free-trade zone. For the purposes of these special provisions, a free-trade zone is a predetermined area or region declared or secured by or under government authority, where certain operations may be performed with respect to articles, without such articles having entered into the commerce of the country maintaining the free-trade zone.

Bulgaria, the Czech Republic, Hungary, Poland, the Russian Federation and Slovakia

These countries apply rules of direct purchase and direct consignment. Goods are regarded as "direct purchased" if the importer has purchased them from a firm registered in a preference-giving country. Goods originating in a preference-receiving country must be consigned to the preference-giving country. Goods transported through the territory of one or several countries for geographical, transport, technical or economic reasons also comply with the rule of direct consignment even if they are temporarily stored in the territory of those countries, provided that the goods remain at all times under the transit countries' customs control.

D. Documentary evidence

The claim for GSP treatment must be supported by appropriate documentary evidence as to origin and consignment. Details are given in the following paragraphs. For consignments of small value, including postal consignments, simplified documentary requirements are applied by many preference-giving countries.

1. Evidence of origin

All preference-giving countries

Originating products must be covered upon importation by the Combined Declaration and Certificate of Origin Form A (See annex III), filled in and signed by the exporter⁷ and certified by a governmental authority in the exporting beneficiary country.⁸

For Australia, the main requirement is the exporter's declaration on the commercial invoice. Form A is an acceptable alternative, but official certification is not required.

For Canada, the main requirement is the exporter's statement of origin provided on the invoice or separately.

New Zealand does not require exporters to submit a prescribed formal certificate of origin/declaration, although exporters may be asked for verification.

2. Additional provisions as to certifying authorities

EC, Norway and Switzerland

These countries do not accept certificates issued by non-governmental bodies.

Japan

Japan accepts certificates issued by non-governmental bodies (e.g. chambers of commerce).

United States of America

Official certification of Form A by a designated governmental authority in the exporting country is generally not required.

Australia

The following declaration is required completed and signed on the front of the commercial invoice by the exporter:

⁷ Advice on how to complete Form A is given in annex III.

⁸ Most preference-giving countries waive the Form A requirement in the case of consignments of small value and for postal consignment.

- (a) That the final process of manufacture of the goods for which special rates are claimed has been performed in (country), and
- (b) That no less than one-half of the factory or works cost of the goods is represented by the value of labor or materials of (country or countries) or of (country or countries) and Australia.
Signed

Position

Certificate Form A is accepted as an alternative.

3. Handicraft goods

Several preference-giving countries apply special provisions for handicraft goods which are not necessarily considered to be part of their GSP schemes. For these products, special arrangements for certification have to be made. In the case of Canada, a special Certificate for Handicraft Goods is required in addition to Form A.

4. Evidence of direct consignment

In the case of exports to the EC, Japan, Norway and Switzerland, evidence that the requirements concerning direct transportation have been fulfilled must, for products passing through the territory of a third country, be supplied to the customs authorities in the importing countries by the presentation of:

- (a) A through bill of lading drawn up in the exporting preference-giving country, covering the passage through the country or countries of transit; or
- (b) A certificate by the customs authorities of the country or countries of transit:
 - giving an exact description of the products;
 - stating the dates of unloading and reloading of the products or of their embarkation or disembarkation, identifying the ships used;
 - certifying the conditions under which the products remained in the transit country or countries; or
- (c) Failing these, any substantiating documents deemed necessary (for example, a copy of the order for the products, the supplier's invoice, bills of lading establishing the route by which the products traveled).

Note: Goods originally consigned to a specific EFTA preference-giving country (Norway and Switzerland), retraded to an EFTA preference-giving country or to the EC, will still receive preferential tariff treatment in the final country of destination even if Form A does not show the country concerned as the final destination. The EC applies the same rule in respect of EFTA preference-giving countries. However, the customs authorities of the country of transit (either an EFTA or an EC country) are required to issue a new certificate of origin Form A on the basis of the original Form A issued by the exporting preference-receiving country. This new certificate must bear in box 4 the words "replacement certificate" or "certificat de remplacement", as well as the date of issue of the original certificate and its serial number. A photocopy of the original Form A may be attached to the replacement certificate (article 88 of the EC Customs Code).